NEW ISSUE **Ratings: See "RATINGS" herein**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Maine Municipal Bond Bank, interest on the 2011 Series D Taxable Bonds is included in gross income for Federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). In addition, in the opinion of Bond Counsel to the Maine Municipal Bond Bank, under existing statutes, interest on the 2011 Series D Taxable Bonds is exempt from the State of Maine income tax imposed on individuals. See "Tax Matters" herein.

$12,650,000
MAINE MUNICIPAL BOND BANK
2011 Series D Taxable Direct Payment Qualified School Construction Bonds

Dated	Interest Rate	Price	CUSIP†	Due
Date of Delivery	5.692%	100%	56045RBX6	November 1, 2025

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors are advised to read the entire official statement to obtain information essential to the making of an informed investment decision.

The 2011 Series D Taxable Direct Payment Qualified School Construction Bonds (the "2011 Series D Taxable Bonds") are being issued by the Maine Municipal Bond Bank (the "Bank") to make loans to governmental units in the State of Maine (the "Series Borrowers") to finance eligible public school projects and to pay costs of issuance of the 2011 Series D Taxable Bonds. See "PLAN OF FINANCE" herein. The 2011 Series D Taxable Bonds shall bear interest at the rate stated above, payable on each May 1 and November 1, commencing November 1, 2011. See "THE 2011 SERIES D TAXABLE BONDS" herein.

Each Series Borrower will execute a loan agreement (each, a "Loan Agreement") pursuant to which it will agree to pay the principal of and interest on its loan and deliver to the Bank its municipal bond (the "Municipal Bond") pledging its taxing power as evidence of such indebtedness. The 2011 Series D Taxable Bonds are general obligations of the Bank and are also payable from and secured by payments by Governmental Units (as defined herein), including the Series Borrowers, under their respective Loan Agreements and Municipal Bonds and otherwise as more fully described herein. The Bank is obligated to pay the principal of and interest on the 2011 Series D Taxable Bonds only from revenues or funds of the Bank, and the State of Maine is not obligated to pay the principal of or interest thereon and neither the faith and credit nor the taxing power of the State of Maine is pledged to the payment of the principal of or Redemption Price, if any, or interest on the 2011 Series D Taxable Bonds. See "PLAN OF FINANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The 2011 Series D Taxable Bonds are being issued as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986, as amended, with respect to which the Bank will irrevocably elect to receive direct interest subsidy payments (the "Federal Subsidy Payments") from the United States Treasury rather than to provide a tax credit to owners of the 2011 Series D Taxable Bonds. Each Loan Agreement provides that Federal Subsidy Payments received by the Bank will be applied by the Bank in reduction of the obligation of the Government Unit to pay interest under its Loan Agreement and Municipal Bond; however, Federal Subsidy Payments are not pledged as security for payment of the 2011 Series D Taxable Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The 2011 Series D Taxable Bonds will be issued in fully registered form only, without coupons, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") of the 2011 Series D Taxable Bonds. Individual purchases of the 2011 Series D Taxable Bonds will be made in book-entry form only in the principal amount of $5,000 or whole multiples thereof. Purchasers of the 2011 Series D Taxable Bonds will not receive certificates representing their interest in the 2011 Series D Taxable Bonds purchased.

The principal of, semi-annual interest (May 1 and November 1, first interest payment November 1, 2011) and redemption premium, if applicable, on the 2011 Series D Taxable Bonds are payable by U.S. Bank National Association, as Trustee, to the Securities Depository, which will in turn remit such principal, interest and redemption premium, if applicable, to its Participants (as defined herein), which will in turn remit such principal, interest and redemption premium, if applicable, to the Beneficial Owners (as defined herein) of the 2011 Series D Taxable Bonds, as described herein. The 2011 Series D Taxable Bonds will bear interest from their dated date to their maturity (or prior redemption) at the interest rate set forth above.

The 2011 Series D Taxable Bonds shall be subject to redemption as more fully described herein.

The 2011 Series D Taxable Bonds are offered when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Maine Municipal Bond Bank. Certain legal matters will be passed upon for the Underwriters by their counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine. It is expected that the 2011 Series D Taxable Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York on or about May 26, 2011.

Wells Fargo Securities **Morgan Keegan**

Dated: April 27, 2011

† CUSIP numbers have been assigned by an independent company not affiliated with the Bank and are included on this cover page solely for convenience of the owners of the 2011 Series D Taxable Bonds. Neither the Underwriters nor the Bank makes any representation with respect to the accuracy of such CUSIP numbers as indicated in the above table or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future.

No dealer, broker, salesperson or other person has been authorized by the Maine Municipal Bond Bank, the Series Borrowers or the Underwriters to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2011 Series D Taxable Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Maine Municipal Bond Bank and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Maine Municipal Bond Bank or the Series Borrowers since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011 SERIES D TAXABLE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The CUSIP numbers set forth on the cover page of this Official Statement have been assigned by an independent company not affiliated with the Bank and are included solely for the convenience of the holders of the 2011 Series D Taxable Bonds. The Bank is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the 2011 Series D Taxable Bonds or as indicated on the inside cover page hereof. The CUSIP number for a specific maturity of the 2011 Series D Taxable Bonds is subject to change after the issuance of the 2011 Series D Taxable Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the maturity of the 2011 Series D Taxable Bonds.

FOR NEW HAMPSHIRE INVESTORS: IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE MAINE MUNICIPAL BOND BANK AS ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 2011 SERIES D TAXABLE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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$12,650,000
MAINE MUNICIPAL BOND BANK

2011 Series D Taxable Direct Payment Qualified School Construction Bonds

This Official Statement is provided for the purpose of setting forth information concerning the Maine Municipal Bond Bank (the "Bank") in connection with the sale of $12,650,000 2011 Series D Taxable Direct Payment Qualified School Construction Bonds (the "2011 Series D Taxable Bonds"). The 2011 Series D Taxable Bonds are issued pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the "Act").

The 2011 Series D Taxable Bonds are to be issued under and are to be secured by the Bank's General Bond Resolution (Taxable Direct Payment Qualified School Construction Bonds) adopted November 18, 2010 (the "General Resolution"), and the Series Resolution, adopted on April 27, 2011 (the "Series Resolution"). The General Resolution and the Series Resolution are sometimes collectively referred to herein as the "Resolutions." Since November 2010, the Bank has issued pursuant to the Act and the General Resolution bonds in the aggregate amount of $9,210,000, all of which are outstanding as of the date of this Official Statement. The Bank may issue additional bonds pursuant to the Act and the General Resolution, subject to certain conditions. Such additional bonds, together with the 2011 Series D Taxable Bonds (referred to collectively herein as the "Bonds"), constitute direct and general obligations of the Bank, and the full faith and credit of the Bank are pledged for the payment of principal, Sinking Fund Installments, redemption premium, if any, and interest thereon. The Bonds (including the 2011 Series D Taxable Bonds) are further secured by the Municipal Bonds, the Municipal Bond Payments and the Loan Repayments, the investment thereof (including all Qualified Investments), and the proceeds of such investments, and all Funds, Accounts and Sub-Accounts established by the General Resolution. Capitalized terms used in this Official Statement and not defined in the body hereof shall have the respective meanings assigned to such terms by Appendices C and D hereof. The State of Maine shall not be liable on the Bonds and the Bonds shall not be a debt or liability, or constitute a pledge or loan of the faith and credit, of the State.

The Bank currently expects to deliver its 2011 Series C Bonds to be issued under the Bank's General Bond Resolution adopted July 11, 1973, as supplemented to the date hereof, in the aggregate principal amount of $77,275,000 on or about May 26, 2011.

INTRODUCTORY STATEMENT

The Bank is constituted as an instrumentality exercising public and essential governmental functions of the State of Maine (the "State"). The membership of the Bank consists of five commissioners including the Treasurer of State and the Superintendent of Maine Bureau of Financial Institutions, both of whom serve as commissioners ex officio, and three additional commissioners appointed by the Governor for terms of three years (the "Commissioners").

Pursuant to the Act, the Bank is authorized to issue bonds for the purpose, among other purposes, of providing funds to enable the Bank to lend money to counties, cities, towns, school administrative districts, community school districts or other quasi-municipal corporations within the State ("Governmental Units"). Such loans are made through the direct purchase by the Bank from such Governmental Units of their bonds, notes or evidences of debt payable from taxes or from rates, charges or assessments (the "Municipal Bonds"). See "GOVERNMENTAL UNITS - Municipal Bonds Payable From Ad Valorem Taxes" herein for a discussion of certain Maine legislation which limits (subject to certain exceptions) municipal property tax levies.

Each Governmental Unit requesting the Bank to purchase its Municipal Bond submits an application form containing certain information concerning the Governmental Unit and the Municipal Bond proposed to be purchased. The Commissioners of the Bank, in consultation with the Bank's Executive Director, discuss and accept or reject each application in open meeting. If approved, the Governmental Unit enters into a loan agreement (the "Loan Agreement") with the Bank pursuant to which the Governmental Unit issues Municipal Bonds, the payment of principal and interest on which is at least equal to the amount of principal and interest required to be paid on the Bonds issued for the purpose of purchasing the Municipal Bonds. To the extent that a Series of Bonds issued under the General Resolution, such as the 2011 Series D Taxable Bonds, is designated by the Bank under the Internal Revenue Code of 1986, as amended (the "Code"), as a "qualified school construction bond" and entitled under the Code to receive cash subsidy payments from the United States Treasury with respect to the interest payable under such Series of Bonds, the obligation of the Governmental Unit with respect to the interest payable under the related Loan Agreement and Municipal Bond funded from the proceeds of such Series of Bonds will not be reduced except to the extent of any such cash subsidy payment actually received by the Trustee for deposit under the General Resolution on a timely basis.

The 2011 Series D Taxable Bonds are being issued to provide moneys (i) to purchase $12,650,000.00 of Municipal Bonds from 4 Governmental Units identified in Appendices B-1 through B-4 (collectively, the "Series Borrowers"); and (ii) to pay certain costs of issuance of the 2011 Series D Taxable Bonds. The information provided in Appendix B hereto has been furnished by the Series Borrowers and by Maine School Administrative District No. 61 (not a Series Borrower under the 2011 Series D Taxable Bonds), all of the Governmental Units whose Municipal Bonds shall have been purchased by the Bank under the General Resolution as of the date of issuance of the 2011 Series D Taxable Bonds, and neither the Bank nor the Underwriters make any representation or warranty as to the accuracy or completeness of such information.

The 2011 Series D Taxable Bonds will constitute, in the opinion of Bond Counsel, general obligations of the Bank and the full faith and credit of the Bank are pledged for the payment of principal, redemption premium, if any, and interest thereon. The 2011 Series D Taxable Bonds, and other Bonds ranking on a parity therewith under the General Resolution, are secured by the Municipal Bonds, the Municipal Bonds Payments and the Loan Repayments, the

investment thereof (including all Qualified Investments), and the proceeds of such investments, and all Funds, Accounts and Sub-Accounts established by the General Resolution, all as more fully described in Appendix C attached hereto. The State shall not be liable on the Bonds (including the 2011 Series D Taxable Bonds) and the Bonds (including the 2011 Series D Taxable Bonds) shall not be a debt or liability of the State, and the State is not obligated to pay such principal or Redemption Price, if any, of, Sinking Fund Installments for, or interest on the Bonds (including the 2011 Series D Taxable Bonds), and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, or the interest on, the Bonds (including the 2011 Series D Taxable Bonds). Additional Series of Bonds may be issued by the Bank on a parity with the 2011 Series D Taxable Bonds, provided that each additional Series will be authorized and secured by a series resolution adopted in accordance with and under the provisions of the General Resolution and the Act.

The 2011 Series D Taxable Bonds are being issued as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to which the Bank will irrevocably elect to receive direct interest subsidy payments (the "Federal Subsidy Payments") from the United States Treasury in amounts equal to the lesser of: (i) 100% of the interest at the tax credit rate in effect at the time of pricing of the 2011 Series D Taxable Bonds; or (ii) 100% of the amount of interest payable on the 2011 Series D Taxable Bonds. See "THE 2011 SERIES D TAXABLE BONDS -- Description" and "TAX MATTERS" herein. Federal Subsidy Payments are expected to be received by the Bank contemporaneously with each interest payment date under the 2011 Series D Taxable Bonds. Owners of 2011 Series D Taxable Bonds will not be eligible to claim tax credits pursuant to Section 54A of the Code with respect to the 2011 Series D Taxable Bonds. Each Loan Agreement to be executed with the Series Borrowers provides that Federal Subsidy Payments received by the Bank will be applied by the Bank in reduction of the obligation of the Government Unit to pay interest under its Loan Agreement and Municipal Bond; however, the Federal Subsidy Payments are not pledged as security for payment of the 2011 Series D Taxable Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Each Series Borrower will execute a Loan Agreement in which it agrees to pay the principal of its loan under its Loan Agreement, which corresponds to the principal portion of the 2011 Series D Taxable Bonds allocable to the purchase of its Municipal Bond and all other obligations payable by it under its Loan Agreement including interest on its loan and its share of administrative expenses of the Bank and investment losses (to the extent arising from action or failure to take action of the applicable Series Borrower). In addition, each Series Borrower will deliver to the Bank its Municipal Bond evidencing its indebtedness and pledging its taxing power to the payment thereof and having a principal amount, principal payment schedule and rate of interest corresponding to its payment obligations under its Loan Agreement. Further, pursuant to each Loan Agreement and its Municipal Bond, the applicable Series Borrower has agreed that if the Trustee shall not receive from the Bank the Federal Subsidy Payment prior to an interest payment date under its Municipal Bond, or a Federal Subsidy Payment shall be received but in a reduced amount, each such applicable Series Borrower shall remain obligated under its Loan Agreement and its Municipal Bond to make that full payment of interest required under its Municipal Bond such that the Trustee shall have on such interest payment date the full amount of interest due under such Series Borrower's Municipal Bond.

Continuing Disclosure

The Bank has authorized a Continuing Disclosure Agreement with respect to the 2011 Series D Taxable Bonds (the "Continuing Disclosure Agreement") in order to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The Continuing Disclosure Agreement will be for the benefit of the holders of the 2011 Series D Taxable Bonds and beneficial owners will be third-party beneficiaries thereof and will be from the Bank, the City of Waterville and Regional School Unit No. 34. In the Continuing Disclosure Agreement, the form of which is attached hereto as Appendix D, the Bank and each Series Borrower that is a party thereto severally agree, for the benefit of the holders and beneficial owners of the 2011 Series D Taxable Bonds to provide, among other information, certain financial information relating to the Bank and each such Series Borrower (the "Annual Financial Information") by not later than nine months following the end of the fiscal year of the Bank and each such Series Borrower, commencing with the fiscal year ended June 30, 2011, and to provide such Annual Financial Information and provide notices of certain enumerated events. The Bank and each such Series Borrower severally will cause the Annual Financial Information and such notices to be provided to, and in the manner prescribed by, the Municipal Securities Rulemaking Board. The information to be contained in the Annual Financial Information and the events requiring notice are set forth in APPENDIX D — "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto. These agreements have been made in order to assist the Underwriters in complying with the Rule. Each Series Borrower has agreed in its Loan Agreement to submit to the Bank and to such other persons as directed by the Bank (including, without limitation, the Municipal Securities Rulemaking Board) from time to time such information relating to the Series Borrowers (including, without limitation, annual financial reports as they become available) as the Bank requests as being necessary or desirable to comply with securities laws and rules relating to the Bank Bonds or to the Bank, as well as notices of certain events as required under the Rule.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Bank, each Governmental Unit, the 2011 Series D Taxable Bonds, the Continuing Disclosure Agreement, the Resolutions, the Loan Agreements, the Municipal Bonds and the security and sources of payment for the 2011 Series D Taxable Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The forms of the General Resolution, the Loan Agreement, the Continuing Disclosure Agreement, and other documents are qualified in their entirety by reference to such documents, and references herein to the 2011 Series D Taxable Bonds are qualified in their entirety to the form thereof included in the Series Resolution. Copies of such documents are available upon request to the Bank and, following delivery of the 2011 Series D Taxable Bonds, will be on file at the designated office of the Trustee.

There follows in this Official Statement a brief description of the Bank together with summaries of the terms of the 2011 Series D Taxable Bonds, the General Resolution and certain provisions of the Act. All references herein to the Act and the Resolutions are qualified in their entirety by reference to such law and such documents, copies of which are available from the Bank or U.S. Bank National Association, as Trustee, and all references to the 2011 Series D

Taxable Bonds are qualified in their entirety by reference to the respective definitive forms thereof and the information with respect thereto contained in the Resolutions.

THE MAINE MUNICIPAL BOND BANK

The Maine Municipal Bond Bank was established by the Act as a body corporate and politic and is constituted as an instrumentality exercising public and essential governmental functions of the State.

Purposes, Powers and Procedures of the Bank

It is the policy of the State, as declared in the Act, to foster and promote by all reasonable means the provision of adequate capital markets for the financing by Governmental Units of their respective public improvements and other municipal purposes from proceeds of their bonds and notes and to assist such Governmental Units in such financing by making funds available at reduced interest costs for orderly financing especially during periods of restricted credit or money supply, particularly for those Governmental Units not otherwise able to borrow for such purposes. In furtherance of this policy, the Bank is empowered to issue its Bonds to make funds available at reduced rates and on more favorable terms for borrowing by such Governmental Units through the purchase by the Bank of their Municipal Bonds.

Each Governmental Unit requesting the Bank to purchase its Municipal Bonds is required to complete an application form containing certain information concerning the Governmental Unit and the Municipal Bonds proposed to be purchased. The Bank also requires hospital districts to supply feasibility studies with such application forms. The Commissioners of the Bank, in consultation with the Executive Director, discuss and accept or reject each application in open meeting. In considering each application, the Commissioners rely on the information contained therein and such additional information as the Commissioners deem relevant. The information considered by the Commissioners includes, among other things: the amount of debt of each Governmental Unit, the amount by which such debt will be increased by the proposed purchase of the Governmental Unit's Municipal Bonds, the state and local valuation, tax levy and taxes receivable, the largest taxpayers, the largest employers in the local area, the population trends, and the economic outlook for the community as supplied by the Governmental Unit. The Commissioners' review of the sources of revenue as set forth above includes the nature of such revenue and whether such revenue will or could be recurring or nonrecurring. On the basis of such review, the Bank believes that each Series Borrower whose Municipal Bonds the Bank is purchasing with the proceeds of the 2011 Series D Taxable Bonds has the ability to pay debt service on such Municipal Bonds by the levy of ad valorem taxes.

In order to fulfill such purposes, the Bank has, among others, the following powers:

(1) To purchase or hold Municipal Bonds at such prices and in such manner as the Bank shall deem advisable, and to sell Municipal Bonds acquired or held by it at such prices without relation to cost and in such manner as the Bank shall deem advisable;

(2) To fix and establish any and all terms and provisions with respect to any purchase of Municipal Bonds by the Bank, including dates and maturities of the Municipal Bonds, provisions as to redemption or payment prior to maturity, and any other matters which in connection therewith are necessary, desirable or advisable in the judgment of the Bank;

(3) To fix and prescribe any form of application or procedure to be required of a Governmental Unit for the purpose of any loan or purchase of its Municipal Bonds and to fix the terms and conditions of any such loan or purchase and to enter into agreements with Governmental Units with respect to any such loan or purchase;

(4) In connection with any loan to a Governmental Unit, to consider the need, desirability or eligibility of such loan, the ability of such Governmental Unit to secure borrowed money from other sources and the costs thereof, and the particular public improvement or purpose to be financed by the Municipal Bonds to be purchased by the Bank;

(5) To borrow money and to issue its negotiable bonds or notes and to provide for and secure the payment thereof and to provide for the rights of the holders thereof, and to purchase, hold and dispose of any of its bonds or notes;

(6) To impose and collect charges for its costs and services in review or consideration of any proposed loan to a Governmental Unit or purchase of Municipal Bonds of such Governmental Unit, and to impose and collect charges thereof whether or not such loan shall have been made or such Municipal Bonds shall have been purchased;

(7) To fix and revise from time to time and charge and collect fees and charges for the use of its services or facilities;

(8) To acquire, rent, lease, hold, use and dispose of other personal and real property for its purposes;

(9) To make, enter into and enforce all contracts or agreements necessary, convenient or desirable for the purposes of the Bank or pertaining to any loan to a Governmental Unit or any purchase or sale of Municipal Bonds or other investments or to the performance of its duties and execution or carrying out of any of its powers under the Act;

(10) To invest any funds or moneys of the Bank not then required for loan to Governmental Units and for the purchase of Municipal Bonds, in the same manner as permitted for investment of funds belonging to the State or held in the State Treasury, except as otherwise permitted or provided by the Act (however, the General Resolution limits investments as hereinafter set forth);

(11) To the extent permitted under its contracts with the holders of bonds or notes of the Bank, to consent to any modification with respect to rate of interest, time and payment of any installment of principal or interest, security or any other term of bond or note, contract or agreement of any kind to which the Bank is a party; and

(12) To do all acts and things necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in the Act.

Other Bond Programs Of The Bank

Pursuant to the Bank's General Bond Resolution adopted July 11, 1973, as amended and supplemented (the "1973 General Program Resolution"), the Bank has issued pursuant to the Act bonds (the "General Program Bonds") in an aggregate principal amount of $4,121,580,000 of which $1,134,500,000 are outstanding as of the date of the Official Statement. The General

Program Bonds, like the Bonds, constitute general obligations of the Bank and the full faith and credit of the Bank are pledged for the payment of the principal of, redemption premium, if any, and interest thereon. The General Program Bonds include both federally tax-exempt bonds, as well as taxable bonds such as build America bonds and recovery zone economic development bonds. Further, the General Program Bonds have been and will continue to be issued, for the purpose, among others, of providing funds to enable the Bank to lend money to Governmental Units through the execution of loan agreements and the direct purchase by the Bank from such Governmental Units of their bonds, notes or other evidence of debt payable from taxes; provided, however, the General Program Bonds (but not the Bonds) can also be used to enable the Bank to purchase municipal bonds payable from rates, charges or assessments. The General Program Bonds are further secured by an equal charge and lien on all such municipal bonds so purchased and the payments of principal and interest to be made thereunder by the Governmental Units.

The 1973 General Program Resolution has established a debt service reserve fund in an amount equal to the "required debt service reserve" (as established under the Act) for the benefit of all of the General Program Bonds issued thereunder. The Act provides that in order to assure the maintenance of a required debt service reserve in a reserve fund, there shall be appropriated annually and paid to the Bank for deposit in such reserve fund such sum as shall be certified by the Chairman of the Bank to the Governor as necessary to restore such Fund to an amount equal to the required debt service reserve. Under the Act and the 1973 General Program Resolution, the Chairman shall annually, on or before December 1, make and deliver to the Governor the Chairman's certificate stating the sum required to restore such Fund to the amount aforesaid, and the sum so certified shall be appropriated and paid to the Bank during the then current State fiscal year.

Unlike the 1973 General Program Resolution, **no debt service reserve fund has been established** under the General Resolution for the benefit of the 2011 Series D Taxable Bonds, and therefore, the above-quoted provision of the Act providing for an annual appropriation by the Legislature of the State of Maine, upon delivery of a certification by the Chairman of the Bank as that amount needed to restore a debt service reserve fund to the required debt service, has no application to the 2011 Series D Taxable Bonds. **The 2011 Series D Taxable Bonds are <u>not</u> secured by any debt service reserve fund, nor any such related statutory process for annual appropriation.**

In addition to the Bank's General Program Bonds and its 1973 General Program Resolution, the Bank is further empowered under the Act to issue certain bonds for other purposes and to administer certain other funds. Any such other bonds not issued under the General Resolution shall not be entitled to the benefits of the General Resolution. To date, the Bank has also issued (i) $184,225,000 of its Sewer and Water Revenue Bonds (the "SRF Bonds"), for the purpose of lending money to certain municipalities to assist in financing certain wastewater and drinking water treatment facilities by the purchase of the municipal bonds of such municipalities pursuant to its State Revolving Loan Fund Program (the "SRF Program"), of which $44,740,000 is outstanding as of the date hereof, (ii) $1,700,000 of its taxable Special Obligation Bonds 1990 Series A (the "1990 Taxable Bonds") for the purpose of lending money to a Maine hospital administrative district by the purchase of such district's taxable general obligation bond, which have been paid in full, (iii) $3,520,000 of its Special Obligation Bonds 1994 Series A (Taxable) (the "1994 Taxable Bonds") for the purpose of lending money to the eleven Governmental Units to which the Bank lent money from the proceeds of the 1994 Series D Bonds to provide financing for a solid waste disposal facility for the Governmental Units, including refunding of bonds issued for such facility, which have been paid in full, (iv) $48,395,000 of its Grant Anticipation Bonds (Maine Department of Transportation) Series

2004A (the "Series 2004A GARVEE Bonds") for the purpose of paying a portion of the costs of a new bridge, of which $24,525,000 is outstanding as of the date hereof, (v) $50,000,000 of its Grant Anticipation Bonds (Maine Department of Transportation), Series 2008A (the "Series 2008A GARVEE Bonds") for the purpose of paying a portion of the costs of three highway reconstruction projects and twelve bridge projects, of which $43,075,000 is outstanding as of the date hereof, (vi) $25,915,000 of its Grant Anticipation Bonds (Maine Department of Transportation), Series 2010A (the "Series 2010A GARVEE Bonds") and $24,085,000 of its Grant Anticipation Bonds (Maine Department of Transportation), Series 2010B Taxable Build America Bonds ("Series 2010B GARVEE Bonds") for the purpose of paying a portion of the costs of a new bridge, of which $50,000,000 is outstanding as of the date hereof, (vii) $50,000,000 of its Transportation Infrastructure Revenue Bonds (TransCap Program), Series 2008A (the "Series 2008A TransCap Bonds") for the purpose of paying a portion of the costs of various capital improvements to bridges and minor spans on or over public ways and highway reconstruction projects, of which $45,455,000 is outstanding as of the date hereof, (viii) $105,000,000 of its Transportation Infrastructure Revenue Bonds (TransCap Program), Series 2009A (the "Series 2009A TransCap Bonds") for the purpose of paying a portion of the costs of various bridge projects, of which $99,285,000 is outstanding as of the date hereof, and (ix) $30,000,000 of its Transportation Infrastructure Revenue Bonds (TransCap Program), Series 2009B (the "Series 2009B TransCap Bonds") for the purpose of paying a portion of the costs of the replacement, improvement, rehabilitation or demolition of various bridges, of which $29,185,000 is outstanding as of the date hereof. The 1990 Taxable Bonds and the 1994 Taxable Bonds are hereinafter referred to as the "Special Obligation Bonds." The SRF Bonds, the Special Obligation Bonds, the Series 2004A GARVEE Bonds, the Series 2008A GARVEE Bonds, the Series 2010A GARVEE Bonds, the Series 2010B GARVEE Bonds, the Series 2008A TransCap Bonds, the Series 2009A TransCap Bonds and the Series 2009B TransCap Bonds are special obligations of the Bank payable solely out of the respective revenues, funds and other security pledged therefor and are not entitled to the benefits of the Resolution.

The Bank anticipates issuing additional bonds under the 1973 General Bond Resolution and the SRF Program and is authorized to issue additional bonds on a parity with the Special Obligation Bonds, the Series 2004A GARVEE Bonds, the Series 2008A GARVEE Bonds, the Series 2010A GARVEE Bonds, the Series 2010B GARVEE Bonds, the Series 2008A TransCap Bonds, the Series 2009A TransCap Bonds and the Series 2009B TransCap Bonds.

Organization and Membership of the Bank

The Act provides that the membership of the Bank shall consist of five Commissioners, including the Treasurer of State and the Superintendent of Maine Bureau of Financial Institutions, who both serve as Commissioners ex officio. The three additional Commissioners appointed by the Governor are each required to be a resident of the State and each hold office for the three-year term of his appointment and until a successor is appointed and qualified. Commissioners are eligible for reappointment. Any vacancy in the office of a Commissioner occurring other than by expiration of term shall be filled in the same manner as the original appointment but only for the remainder of the unexpired term. The Commissioners select a Chairman and Vice-Chairman from among the members. The Commissioners appoint an Executive Director who also serves as both Secretary and Treasurer. The Executive Director serves at the pleasure of the Commissioners.

The powers of the Bank are vested in the Commissioners, three of whom constitute a quorum. Action may be taken and motions and resolutions adopted by the Bank at any meeting thereof by the affirmative vote of at least three Commissioners of the Bank.

Commissioners

The Bank's membership and officers are as follows:

STEPHEN R. CROCKETT, Chairman

Stephen R. Crockett, a resident of Winthrop, Maine, formerly served as Senior Vice President, Public Finance and Governmental Relations, the Fleet Bank of Maine, Augusta, Maine. Mr. Crockett served as a Commissioner from September, 1973 through September, 1978. He was appointed a Commissioner again in July, 1981 and his current term expires in August, 2013.

CATHRYN M. ROBINSON, Vice-Chairman

Cathryn M. Robinson, a resident of Yarmouth, Maine, graduated from Ithaca College with a Bachelor of Science Degree in Business Management. She is Capacity Development Coordinator for Maine Rural Water Association, Brunswick, Maine. Ms. Robinson served as State Revolving Fund Administrator and Program Officer for the Maine Municipal Bond Bank from October, 1989 through June, 1998. She has served in the banking and investment field since 1983. Ms. Robinson was appointed a Commissioner in March, 2001 and her current term expires in August, 2011.

GENEVA A. PUNCH

Geneva A. Punch, a resident of New Gloucester, Maine, graduated from Husson College in Bangor, Maine. She has thirty-two years of commercial banking experience. Recently, Ms. Punch retired as a Vice President, Public Sector, of KeyBank National Association in Maine and is now employed at St. Joseph's College in the Treasurer's Office. Ms. Punch was appointed a Commissioner in July, 2004 and her current term expires in August, 2012.

LLOYD P. LAFOUNTAIN, III, Superintendent of Maine Bureau of Financial Institutions

Lloyd P. LaFountain, III, a resident of Biddeford, Maine, graduated from the College of Holy Cross and Suffolk University School of Law. Mr. LaFountain served eight years (1996-2004) as a State Senator and as Chair of the Insurance and Financial Services Committee. From 1994-1996 he represented District 19 in the Maine House of Representatives. Mr. LaFountain was a partner at the Biddeford law firm of LaFountain and LaFountain. His current term as Superintendent expires in April, 2015.

BRUCE L. POLIQUIN, Treasurer of State

Mr. Poliquin is a third generation Waterville native. He completed high school as a scholarship student at Phillips Academy, Andover. Mr. Poliquin then worked his way through Harvard University, also as a financial aid student, studying economics and graduating in 1976.

Mr. Poliquin has been a private sector business owner and manager during the past 35 years. He started his career in the financial services industry in 1976 at the Harris Trust and Savings Bank in Chicago, working in the employee benefits area. Two years later, he joined Evaluation Associates, Inc. in Westport, Connecticut, a nationally recognized pension fund consulting firm. In 1981, Mr. Poliquin became a principal of Avatar Investors Associates Corporation in New York, an independent investment management firm. When Mr. Poliquin left Avatar Associates in 1996, the company managed nearly $5 billion of pension, endowment, and foundation assets.

Mr. Poliquin lives in Georgetown, Maine with his son, Sam, now a college freshman in Dallas, Texas. His parents live in Oakland, just outside their hometown of Waterville.

His current term as Treasurer expires in January 2013.

ROBERT O. LENNA, Executive Director

Robert O. Lenna was appointed the Executive Director of the Bank in September, 1988 by the Commissioners and also serves as Secretary and Treasurer of the Bank. He also serves as Executive Director of the Maine Health and Higher Educational Facilities Authority, the Maine Governmental Facilities Authority and the Maine Public Utility Financing Bank. He served for two years as Deputy Director of the Maine State Housing Authority and for five years as Assistant Director at the Housing Authority. He received his undergraduate degree from Stetson University and received a Masters Degree in New England Studies from the University of Southern Maine.

James E. Mitchell, Augusta, Maine, is counsel to the Bank.

THE 2011 SERIES D TAXABLE BONDS

Description

The 2011 Series D Taxable Bonds are dated their date of original issuance and delivery (except as otherwise provided in the Resolutions) and shall mature on the date and in the principal amount, and bear interest at the rate per annum (calculated on the basis of a 360-day year of twelve 30-day months), set forth on the cover page of this Official Statement. The 2011 Series D Taxable Bonds shall bear interest from their date, payable semi-annually on each May 1 and November 1, commencing November 1, 2011. The principal of, redemption premium, if any, and interest on the 2011 Series D Taxable Bonds shall be payable as set forth in Appendix E attached hereto or as otherwise provided in the Resolutions.

Designation of 2011 Series D Taxable Bonds

The Bank currently intends to designate the 2011 Series D Taxable Bonds as "qualified school construction bonds" as defined in Section 54F of the Code. The State has been allocated $41,368,000 of volume cap for the issuance of "qualified school construction bonds" under which the Bank has issued $9,210,000 and anticipates issuing $12,650,000 in the form of the 2011 Series D Taxable Bonds. The Bank will irrevocably elect to receive periodic Federal Subsidy Payments from the United States Treasury in amounts equal to the lesser of: (i) 100% of the interest at the tax credit rate (the "Tax Credit Rate") in effect at the time of pricing of the 2011 Series D Taxable Bonds; or (ii) 100% of the amount of interest payable on the 2011 Series D Taxable Bonds. Federal Subsidy Payments are expected to be received by the Bank

contemporaneously with each interest payment date on the 2011 Series D Taxable Bonds. Owners of 2011 Series D Taxable Bonds will not be eligible to claim tax credits pursuant to Section 54A of the Code with respect to the 2011 Series D Taxable Bonds. The Federal Subsidy Payments received by the Bank will be transferred by the Bank to the Trustee for deposit under the General Resolution and thereby provide a credit to the obligation of each Series Borrower to pay interest under its Loan Agreement and Municipal Bond. The Federal Subsidy Payments are not pledged as security for the payment of the 2011 Series D Taxable Bonds. See "TAX MATTERS" herein.

Denominations, Form and Registration

The 2011 Series D Taxable Bonds initially will be in book-entry form only, in denominations of $5,000 principal amount or integral multiples thereof, and issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2011 Series D Taxable Bonds and registered ownership of the 2011 Series D Taxable Bonds may not thereafter be transferred except as provided in the Resolutions.

Purchasers will not receive physical delivery of the 2011 Series D Taxable Bonds purchased by them. Payments of principal of and interest on the 2011 Series D Taxable Bonds will be made by the Trustee to DTC, for subsequent disbursement to DTC Participants, who are expected to remit such payments to the beneficial owners of the 2011 Series D Taxable Bonds. See APPENDIX F – "THE BOOK-ENTRY ONLY SYSTEM" attached hereto.

Redemption and Notices

(i) *Optional Redemption*: The 2011 Series D Taxable Bonds are not subject to optional redemption.

(ii) *Extraordinary Optional Redemption Due to Loss of Qualified School Construction Bond Status*: Upon a Determination of Loss of a Qualified School Construction Bond Status (as defined herein), the 2011 Series D Taxable Bonds are subject to extraordinary redemption at the option of the Bank prior to the stated maturity thereof, on the date designated by the Bank, which date shall be a date on or prior to the one hundred eightieth day after a Determination of Loss of Qualified School Construction Bond Status, at a Redemption Price equal to the sum of (a) the principal amount of the 2011 Series D Taxable Bonds to be redeemed, plus (b) if the Redemption Premium is a positive number, the "Redemption Premium" (defined herein), plus (c) accrued interest on the principal amount of the 2011 Series D Taxable Bonds called for redemption (calculated at the Tax Credit Rate) from the credit allowance date immediately preceding the redemption date, to the date of redemption.

The term "Accountable Event of Loss of Qualified School Construction Bond Status" means (a) any act or any failure to act on part of the Bank or a Series Borrower, as applicable, which act or failure to act is a breach of a covenant or agreement of the Bank or a Series Borrower, as applicable, contained in the Municipal Bond, the Loan Agreement or in the tax certificate executed in connection with the issuance of the 2011 Series D Taxable Bonds (the "Tax Certificate"), and which act or failure to act causes the 2011 Series D Taxable Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds under the Code, or (b) the making by the Bank or a Series Borrower, as applicable, of any representation contained in the Municipal Bond, the Loan Agreement or in the Tax Certificate, which representation was untrue when made and the untruth of which representation at such time causes the 2011 Series D

Taxable Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds under the Code.

The term "Date of Loss of Qualified School Construction Bond Status" means the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the 2011 Series D Taxable Bonds lost their status, or failed to qualify, as Qualified School Construction Bonds under the Code as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of issuance of the 2011 Series D Taxable Bonds.

The term "Determination of a Loss of Qualified School Construction Bond Status" means (a) a final determination by the Internal Revenue Service (after the Bank has exhausted all administrative appeal remedies) determining that the 2011 Series D Taxable Bonds have lost their status, or failed to qualify, as Qualified School Construction Bonds, or that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred, and in either case specifying the Date of Loss of Qualified School Construction Bond Status and the principal amount of the 2011 Series D Taxable Bonds that are so subject, (b) a non-appealable holding by a court of competent jurisdiction holding that the 2011 Series D Taxable Bonds have lost their status, or failed to qualify, as Qualified School Construction Bonds, or that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred, and in either case specifying the Date of Loss of Qualified School Construction Bond Status, or (c) a determination by the Bank that a material adverse change has occurred to applicable provisions of the Code, or there is any guidance published by the IRS or the Treasury Department or any other determination by the IRS or the Treasury Department, which determination is not the result of an Accountable Event of Loss of Qualified School Construction Bond Status, pursuant to which the Federal Subsidy Payments are or will be reduced or eliminated.

The term "Redemption Premium" means, as calculated by the Bank (or, at the Bank's option, by its Designated Investment Banker), the greater of (x) zero and (y) an amount calculated as (a) the sum of the present values of the remaining scheduled payments of principal of and interest on the 2011 Series D Taxable Bonds called for redemption (exclusive of interest accrued to the date of redemption), discounted to the date of redemption on a semiannual basis (assuming a 360-day year, consisting of 12 months of 30 days each) at a rate equal to the Treasury Rate plus one percent (1.0%), minus (b) the principal amount of the 2011 Series D Taxable Bonds called for redemption.

The term "Treasury Rate" means the rate per annum, expressed as a percentage of the principal amount of the 2011 Series D Taxable Bonds to be redeemed, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

The term "Comparable Treasury Issue" means the U.S. Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life, as of the redemption date, of the 2011 Series D Taxable Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life, as of the redemption date, of the 2011 Series D Taxable Bonds to be redeemed.

The term "Comparable Treasury Price" means (a) if the Designated Investment Banker received at least four Reference Treasury Dealer Quotations, the average of such quotations for the date on which such 2011 Series D Taxable Bonds are to be redeemed, after excluding the highest and the lowest Reference Treasury Dealer Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of such quotations.

The term "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer, the average, as determined by the Designated Investment Banker, of the bid and ask price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York City time, on the third business day preceding the date on which the 2011 Series D Taxable Bonds are to be redeemed.

The term "Designated Investment Banker" means one of the Reference Treasury Dealers designated by the Bank.

The term "Reference Treasury Dealer" means the original underwriters of the 2011 Series D Taxable Bonds, their successors and other firms, as specified by the Bank from time to time, that are primary U.S. government securities dealers in the City of New York, New York; provided, however, that if any such firm ceases to be such a Primary Treasury Dealer, the Bank will substitute another Primary Treasury Dealer for such firm.

(iii) *Excess Proceeds Redemption*: To the extent that less than one hundred percent (100%) of the Available Project Proceeds (as defined in the Loan Agreement) are spent by a Series Borrower for qualifying school construction bond purposes within three (3) years after the date of issuance and delivery of the 2011 Series D Taxable Bonds, and no extension of such expenditure period has been granted by the Internal Revenue Service, the 2011 Series D Taxable Bonds shall be subject to extraordinary mandatory redemption, in part, on such third year anniversary of the date of issuance of the 2011 Series D Taxable Bonds, or, in the event that an extension of the expenditure period has been granted by the Internal Revenue Service, by the expiration of such extension period, in a principal amount based on the amount of the unexpended Available Project Proceeds (plus additional amounts, if any, necessary to redeem the 2011 Series D Taxable Bonds in authorized denominations), at a Redemption Price equal to one hundred percent (100%) of the principal amount of the 2011 Series D Taxable Bonds to be redeemed, together with accrued interest to the date of redemption.

(iv) *Selection of 2011 Series D Taxable Bonds to Be Redeemed*. If less than all the 2011 Series D Taxable Bonds are to be redeemed, the particular 2011 Series D Taxable Bonds to be redeemed shall be selected by the Trustee from the 2011 Series D Taxable Bonds by such method as it shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denominations) of the principal of 2011 Series D Taxable Bonds of a denomination larger than the minimum authorized denomination of the 2011 Series D Taxable Bonds, subject to the provisions of the Series Resolution.

(v) *Notice of Redemption*. When the Trustee shall receive notice from the Bank of its election or direction to redeem 2011 Series D Taxable Bonds, or when redemption of 2011 Series D Taxable Bonds is required by the Resolutions, the Trustee shall give notice, in the name of the Bank, of the redemption of such 2011 Series D Taxable Bonds, by first class mail, postage prepaid, to the Holders of 2011 Series D Taxable Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Bank at least twenty (20)

days but not more than thirty (30) days prior to the redemption date (or within such other time period as may be specified in the Series Resolution or otherwise is acceptable to the Trustee). Such notices shall state that on such redemption date there shall become due and payable upon each 2011 Series D Taxable Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof to be redeemed in part only, together with interest, if any, accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. The failure of any such Holder to receive notice shall not affect the validity of the proceedings for the redemption of 2011 Series D Taxable Bonds.

Any notice to the Holders of 2011 Series D Taxable Bonds may be made conditional upon the availability of sufficient moneys to pay the Redemption Price, plus interest accrued and unpaid to the redemption date.

(vi) *Payment of Redeemed 2011 Series D Taxable Bonds*. Notice having been given in the manner provided above, the 2011 Series D Taxable Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest, if any, accrued and unpaid to, but not including, the redemption date, and, upon presentation and surrender thereof at the offices specified in such notice, together with a written instrument of transfer duly executed by the Holder or his duly authorized attorney satisfactory to the Trustee duly executed by the Holder or his duly authorized attorney, such 2011 Series D Taxable Bonds or portions thereof shall be paid at the Redemption Price plus interest, if any, accrued and unpaid to, but not including, the redemption date. If, on the redemption date, moneys for the redemption of all the 2011 Series D Taxable Bonds to be redeemed, together with interest to the redemption date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest, if any, on the 2011 Series D Taxable Bonds or portions thereof so called for redemption shall cease to accrue. Except in the case of any conditional notice, if said moneys shall not be so available on the redemption date, such 2011 Series D Taxable Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and, except with respect to any mandatory redemption, shall not be deemed to be in default under the Resolution.

Notwithstanding the foregoing, presentation and surrender and written instruments of transfer shall not be required for the payment of the Redemption Price or accrued interest, if any, upon redemption of any Bonds held in book entry form, but instead such payment shall be governed by agreement between the Bank and/or the Trustee and the Securities Depository such as DTC.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bank is obligated to pay the principal or Redemption Price of and the interest on the Bonds only from revenues or funds of the Bank and the State is not obligated to pay the principal, Redemption Price or interest thereon, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, Redemption Price or the interest on the Bonds. The Bonds are general obligations of the Bank and, under the General Resolution, the full faith and credit of the Bank are pledged for the payment of the principal or Redemption Price of and interest on the Bonds. The General Resolution creates a continuing pledge and lien to secure the full and final payment of the principal or Redemption Price of and interest on all of the Bonds issued pursuant to the General Resolution.

The Federal Subsidy Payments are not pledged to pay the 2011 Series D Taxable Bonds, nor is their receipt a condition of payment of any portion of the principal and interest on the 2011 Series D Taxable Bonds.

To secure the payment of the principal or Redemption Price of and interest on the Bonds, the Bank pledges, for the benefit of the Holders of the Bonds (including the 2011 Series D Taxable Bonds), the Municipal Bonds, the Municipal Bonds Payments and the Loan Repayments, the investment thereof (including all Qualified Investments), and the proceeds of such investments, and all Funds, Accounts and Sub-Accounts established by the Resolution.

The purposes for which a Series of Bonds may be issued under the General Resolution which shall be one or more of the following: (i) making Loans to Governmental Units under the Loan Agreements to finance Costs of Projects of Governmental Units and costs incurred in connection with the issuance of said Series, (ii) making payments into the Loan Fund, the QSCB Interest Sub-Account and the Operating Account or any other Fund, Account or Sub-Account established under the General Resolution, (iii) the funding of Notes theretofore issued by the Bank for any purposes for which Bonds may have been issued, and (iv) the refunding of Bonds and related purposes.

Pursuant to each Loan Agreement, the Governmental Unit agrees to pay to the Bank all Loan Repayments on each Loan Repayment Date, in the amounts and in the manner therein provided, to be deposited by the Bank to the Governmental Unit Repayment Account under the General Resolution to be applied to the payment of principal and interest on the Bonds, whether at maturity or upon redemption, and to pay all Administrative Expenses and Investment Losses (but only to the extent any such Investment Losses shall derive from any action, or failure to take action, by the Governmental Unit). Each Governmental Unit further agrees to make each Loan Repayment directly to the Trustee on or before each Loan Repayment Date in lawful money of the United States of America by wire transfer of immediately available funds.

The amount of each of the Loan Repayments to be made on each Loan Repayment Date under each Loan Agreement shall be determined, allocated and deposited on each of the Loan Repayment Dates set forth by schedule attached to such Loan Agreement, and each Governmental Unit shall pay to the Bank the related "Principal" amounts and "Interest" amounts set forth on such schedule, as such amount may be adjusted by the Bank at the time of determination, with respect to the Municipal Bond until the Municipal Bond is paid in full, as follows:

(1) decreased by an amount equal to each Governmental Unit's Investment Income in the Governmental Unit Repayment Account, applied as directed by an Authorized Officer toward the particular Loan Repayment as the same shall become due;

(2) decreased by that portion of the Federal Subsidy Payment as shall be deposited with the Trustee by the Bank to be applied as directed by an Authorized Officer toward the particular Loan Repayment as the same shall become due;

(3) decreased by each Governmental Unit's Proportionate Share of the Redeemed Amount, if any, in inverse order of the Loan Repayment Dates; and

(4) increased by an amount equal to each Governmental Unit's Investment Losses in the Governmental Unit Repayment Account (but only to the extent any such Investment Losses shall derive from any action, or failure to take action, by such Governmental Unit);

(B) the Mandatory Prepayment Price, if any, and earnings thereon; and

(C) each Governmental Unit's Investment Income reduced by the applicable Series Borrower's Investment Losses (but only to the extent any such Investment Losses shall derive from any action, or failure to take action, by such Governmental Unit), if any, from amounts on deposit in the Governmental Unit Repayment Account.

The amounts deposited to the Governmental Unit Repayment Account under the General Resolution shall be used by the Bank to pay principal of and interest on the Bonds as the same shall become due and in the manner provided by the General Resolution.

In the event any Governmental Unit shall fail to make any Loan Repayment in whole or in part under the Loan Agreement relative to interest or principal due under the Loan, the Bank shall have the right to

(i) in the case of a deficiency in interest, direct the Trustee to transfer moneys in the QSCB Principal Sub-Account of the Governmental Unit Repayment Account to the QSCB Interest Sub-Account of the Governmental Unit Repayment Account in the required amount, and such Governmental Unit acknowledges that such use of moneys shall not discharge such Governmental Unit's obligation to satisfy any resulting deficiency of amounts on deposit in the QSCB Principal Sub-Account of the Governmental Unit Repayment Account;

(ii) make a Bank Advance as provided in the Loan Agreement (whether as to principal and/or interest on the Loan) for the benefit of such Governmental Unit and pay such Bank Advance to the Trustee to the extent of any such deficiency;

(iii) exercise any or all of the remedies provided in the applicable Loan Agreement; and/or

(iv) modify the "Principal" portion of the Loan Repayment Schedule set forth by exhibit to the applicable Loan Agreement.

The Bank reserves the right under each Loan Agreement, consistent with the provisions of the General Resolution, to modify the Loan Payment Schedule as set forth by exhibit to such Loan Agreement in the event that the Bank reasonably determines that such modification is necessary to maintain the tax status of the Bonds as "qualified school construction bonds" under applicable provisions of the Code.

Pursuant to each Loan Agreement, each Governmental Unit shall also pay to the Bank upon demand by the Bank (but in all events prior to the maturity of the related Series of Bonds) such Governmental Unit's Proportionate Share of any Investment Losses (but only to the extent any such Investment Losses shall derive from any action, or failure to take action, by such Governmental Unit) resulting in insufficient funds to pay the Bonds when due, and any such payment by such Governmental Unit shall be deposited by the Bank under the General

Resolution to the QSCB Principal Sub-Account or the QSCB Interest Sub-Account of the Governmental Unit Repayment Account, as the case may be, to be applied to the payment of the Bonds, whether at maturity, on any Interest Payment Date or on the Redemption Date.

Upon demand by the Bank (but in all events prior to the Redemption Date), each Governmental Unit shall also pay to the Bank under its Loan Agreement an amount equal to (y) such Governmental Unit's Proportionate Share of any Redemption Price required to be paid to the Holders of the related Series of Bonds upon partial redemption of such Series of Bonds from Available Project Proceeds which will not be used to pay Costs of the Projects plus (z) such additional amount, if any, as shall be determined to be required by the Bank to effect the contemplated redemption of such Series of Bonds in authorized denominations, and any such payment by such Governmental Unit shall be deposited by the Bank to the QSCB Redemption Sub-Account of the Governmental Unit's Repayment Account, to be applied under the General Resolution to the payment of any such Redemption Price of such Series of Bonds upon redemption.

Upon demand by the Bank pursuant to a Loan Agreement, the related Governmental Unit shall pay to the Bank the Mandatory Prepayment Price and the Mandatory Prepayment Price shall be used to redeem the related Series of Bonds, in whole or in part, in accordance with the Series Resolution and to pay any redemption premium thereon.

The Administrative Expenses portion of each of the Loan Repayments shall be paid by each Governmental Unit in an amount equal to such Governmental Unit's Proportionate Share of Administrative Expenses for any period commencing on the Closing Date, or the Business Day on which Administrative Expenses were last paid to and ending on the day next preceding the Loan Repayment Date and shall be deposited to the Operating Account under the General Resolution. Any Investment Income earned on amounts in the Operating Account shall be retained by the Bank without credit to such Governmental Unit.

The obligation of each Governmental Unit to make payments under its Loan Agreement and to perform and observe all other covenants, conditions and agreements under its Loan Agreement shall be absolute and unconditional until payment of all such Governmental Unit obligations under its Loan Agreement, irrespective of any defense or any rights of setoff, recoupment or counterclaim which such Governmental Unit might otherwise have against the Bank or the Trustee.

Municipal Bond Payments. The Municipal Bond Interest Payments by each Governmental Unit under its Municipal Bond are required under its Loan Agreement to not be less than the total amount of interest the Bank is required to pay on the principal portion of the related Series of Bonds utilized to fund the Loan to such Governmental Unit and shall be scheduled by the Bank in such manner and at such times as to provide funds sufficient to pay interest as the same becomes due on the principal portion of such Series of Bonds utilized to fund the Loan to such Governmental Unit and such Governmental Unit shall make such funds available to the Bank at least thirty (30) days prior to each interest payment date.

The Municipal Bond Principal Payments by each Governmental Unit under its Municipal Bond shall be scheduled by the Bank in such manner and at such times as to provide funds sufficient to pay the principal portion of the related Series of Bonds utilized to fund the Loan to such Governmental Unit as the same matures and such Governmental Unit shall make such funds available to the Bank on the dates and in the amounts set forth by schedule attached to the Loan

Agreement, subject to adjustment by the Bank upon written notice by the Bank to such Governmental Unit.

Federal Subsidy Payments. Each Governmental Unit acknowledges within its Loan Agreement that the Bank or its designee (which may be the Trustee) will file with the Department of Treasury and the Internal Revenue Service with respect to the related Series of Bonds and will submit periodic filings with the United States Department of Treasury to receive Federal Subsidy Payments with respect to the interest payable by the Bank under the related Series of Bonds. Any such Federal Subsidy Payments received by the Trustee on or prior to an interest payment date under the related 2011 Series of Bonds shall constitute a credit to the obligation of the applicable Governmental Unit under its Municipal Bond and under its Loan Agreement to make the interest payment due under its Municipal Bond with respect to such interest payment date. Each Governmental Unit acknowledges and agrees that any failure of the Trustee or the Bank to timely submit for the payment of such Federal Subsidy Payment, or of the Secretary of the Department of Treasury to make timely payment of the Federal Subsidy Payment to the Trustee or the Bank, shall not constitute a defense or offset to the obligation of such Governmental Unit to make the full payment of interest when due under its Loan Agreement or its Municipal Bond, nor shall any such failure by the Trustee or the Bank give rise to any claim against or liability of the Trustee or of the Bank to any Governmental Unit.

It is the expectation of each Governmental Unit under its Loan Agreement that the Trustee will be receiving the Federal Subsidy Payment on a timely basis so as to permit the amount so received to be credited in part against such Governmental Unit's obligation under its Municipal Bond and under its Loan Agreement to make the full payments of interest due under its Municipal Bond on each interest payment date. In the event, however, that no such Federal Subsidy Payment shall be received by the Trustee prior to any such interest payment date, or a Federal Subsidy Payment shall be received but in a reduced amount, such Governmental Unit shall remain obligated under its Loan Agreement and its Municipal Bond to make that payment required under its Municipal Bond such that the Trustee shall have on such interest payment date the full amount of interest due under such Governmental Unit's Municipal Bond on such date. If a Governmental Unit shall fail to timely make such payment of interest in the amount so required as stated above, and the Bank (in its absolute discretion, the Bank having no obligation to do so) shall advance and pay to the Trustee any portion of such deficiency, such Governmental Unit agrees to promptly pay to the Bank upon demand the amount so advanced and, until so paid, such advance shall bear interest at a rate equal to the United States Government Treasury bond rate applicable on the date the advance is made to such Governmental Unit for a Treasury bond or note with a term of three (3) years, or such shorter term for a United States Government Treasury bond or note as may be determined by the Bank (such advance by the Bank, together with any interest as above stated, is referred to as the "Bank Advance"). If there shall exist a Bank Advance which is unpaid, either in whole or in part, the Bank shall have the ability to retain the allocable portion of the next Federal Subsidy Payment as and when received, to be paid to the Bank toward payment of the Bank Advance. If a Governmental Unit shall make the full payment of interest due under its Municipal Bond with respect to an interest payment date, and the Federal Subsidy Payment with respect to the interest due under the related Series of Bonds on such interest payment date shall be received by the Trustee subsequent to such interest payment date, the Bank shall direct the Trustee to promptly remit the allocable portion of such Federal Subsidy Payment to such Governmental Unit, whether or not the Municipal Bond shall have been paid in full.

Limitation on Issuance of Additional Obligations. It is provided in the General Resolution that the Bank shall not, subsequent to the issuance of the initial Series of Bonds under the General Resolution (i.e., the 2011 Series B Taxable Direct Payment Qualified School Construction Bonds (the "2011 Series B Taxable Bonds")), create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Municipal Bonds, the Municipal Bonds Payments, the Loan Repayments or the Loan Agreements or which will be payable from the Funds, Accounts or Sub-Accounts established under the General Resolution, except that additional Series of Bonds may be issued from time to time on a parity with the Bonds of such initial Series of Bonds (i.e., the 2011 Series B Taxable Bonds) and secured by an equal charge and lien on the Municipal Bonds, the Municipal Bonds Payments, the Loan Repayments and the Loan Agreements and payable equally and ratably from the Funds, Accounts or Sub-Accounts established under the General Resolution. However, it is a requirement to any such issuance of an additional Series of Bonds that:

(i) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and Notes of the Bank theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(ii) there is at the time of the issuance of such additional Bonds no deficiency in the amounts required by the General Resolution or any Series Resolution to be paid into any Fund, Account or Sub-Account established under the General Resolution;

(iii) the scheduled Municipal Bonds Principal Payments to be made in respect of the Loans with respect to which such additional Series of Bonds are to be issued are at least equal to the maturities of, or Sinking Fund Installments for, the additional Bonds then being issued to make the Loans, unless such additional Bonds are being issued to refund Outstanding Bonds in accordance with the provisions of the General Resolution; and

(iv) the Loan Repayments to be made under each Loan Agreement evidencing a Loan to be made from the proceeds of the additional Series of Bonds obligate the Governmental Unit to make payments sufficient to pay in the aggregate when due the principal of, Sinking Fund Installments for, Redemption Price, if any, and interest under the Municipal Bond issued by such Governmental Unit evidencing such Loan.

Loan Agreement Provisions. It is further provided in the General Resolution that no Loan shall be made by the Bank from the proceeds of the sale of Bonds, and no Bonds shall be issued by the Bank for the purpose of providing funds with which to make a Loan, unless the Loan Agreement under which such Loan is to be made shall comply with, and no Bonds shall be issued by the Bank to fund Notes or to refund Bonds unless the Loan Agreement under which the Loan was made from the proceeds of such Notes or Bonds, shall also comply with, the following terms, conditions, provisions and limitations:

(i) the Governmental Unit which is a party to such Loan Agreement must be a Governmental Unit as defined by the Act and the Loan Agreement must be executed in accordance with existing laws for a Loan to finance a Project eligible for financing as a "qualified school construction bond" under applicable provisions of the Code;

(ii) the Governmental Unit, prior to or simultaneously with the issuance of Bonds of the Bank issued to make a Loan to the Governmental Unit, shall issue Municipal Bonds which are valid obligations of the Governmental Unit as required by the Act payable from the levy of ad valorem taxes;

(iii) the Municipal Bonds Interest Payments to be made by the Governmental Unit under such Loan Agreement shall be not less than the rate or rates of interest the Bank is required to pay on the related Series of Bonds and shall be scheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay interest on the related Series of Bonds as the same becomes due, except as otherwise provided in the General Resolution;

(iv) the Municipal Bonds Principal Payments to be made by the Governmental Unit under such Loan Agreement shall be scheduled or rescheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay the principal of the related Series of Bonds as the same matures, except as otherwise provided in the General Resolution;

(v) the Governmental Unit shall be obligated to pay Fees and Charges to the Bank at the times and in the amounts which will enable the Bank to comply with the provisions of the General Resolution;

(vi) each Loan Agreement shall require the related Governmental Unit to make Loan Repayments in such amounts and at such times as shall be sufficient to permit the Bank to pay the principal, Sinking Fund Installments, if any, and Redemption Price, if any, of and interest on the Bonds issued to provide such Governmental Unit's Loan, as and when the same shall become due and payable, and shall contain (i) representations and covenants of the Governmental Unit thereunder substantially to the effect set forth in the initial Loan Agreements, and (ii) defaults substantially the same as those contained in the initial Loan Agreements;

(vii) the term of each Loan funded with proceeds of each Series of Bonds shall commence on the Closing of such Loan as provided in the Loan Agreement and end on a date specified in the Loan Agreement;

(viii) the principal of and interest, if any, on each Loan (including any such principal and interest, if any, and redemption premium, if any, payable upon redemption of related Bonds prior to maturity) shall be repaid in such amounts and on such dates as shall be set forth or provided in the Loan Agreement;

(ix) the portions of each Loan Repayment constituting principal and interest shall be calculated by the Bank (and recalculated when necessary) as provided in the Loan Agreement and shall be paid on the dates specified in the Loan Agreement;

(x) the portion of each Loan Repayment constituting Administrative Expenses shall be calculated and apportioned among the Series of Bonds by the Bank and among the Governmental Units with Loan Agreements relating to such Series of Bonds as set forth in the Loan Agreement and shall be payable on the dates provided in the Loan Agreement; and

(xi) the Governmental Unit shall be obligated to make the Loan Repayments with respect to interest on its Municipal Bond on a semi-annual basis, and principal on its Municipal Bond on an annual basis, in each case, scheduled (and rescheduled by the Bank) in the amounts and on the dates as provided in the Loan Agreement and shall be obligated to pay the Fees and Charges imposed by the Bank on a semi-annual basis.

A list of those Governmental Units that have executed Loan Agreements and the Municipal Bonds of each sold to the Bank that remain unpaid is included as Appendix A to this Official Statement.

Modification of Loan Agreement Terms. As provided in the General Resolution, the Bank shall have the right to consent to the modification of, or modify, the rate or rates of interest of, or the amount or time of payment of any installment of principal or interest under any Loan Agreement or any Municipal Bonds evidencing a Loan, or the amount or time of payment of any Fees and Charges payable with respect to such Loan or the security for or any terms or provisions of such Loan, Loan Agreement or the Municipal Bonds evidencing the same, but only to the extent that such modification will not result in a default in the payment of principal, Redemption Price, Sinking Fund Installments or interest on the related Series of Bonds when due; provided, further, that, in the event the related Series of Bonds is being or has been refunded and the Refunding Bonds therefor are in a principal amount in excess of or less than the principal amount of the Bonds refunded, the Bank may also consent to the modification of and modify the Loan Agreement relating to such Loan and the Municipal Bonds evidencing the same, and the Loan Repayments and the Municipal Bonds Payments to be made thereunder so long as such Loan Repayments and Municipal Bonds Payments are sufficient in amount and payable at the times required for the payment of the principal of and interest on such Refunding Bonds, and further provided, however, that, in the event the related Series of Bonds has been refunded and the interest the Bank is required to pay on the Refunding Bonds issued for the purpose of refunding such original Bonds is less than the interest the Bank was required to pay on such original Bonds refunded by the Bank, the Municipal Bonds Interest Payments and interest payments under the Loan Agreement to be made by the Governmental Unit in respect of such Loan shall be reduced so that the amounts required to be paid shall be sufficient to pay interest on such Refunding Bonds Outstanding.

Sale of Municipal Bonds by Bank. It is provided in the General Resolution that the Bank shall not sell (except as provided below) any Municipal Bonds prior to the date on which all Outstanding Bonds issued with respect to the applicable Loan are redeemable (except as provided below), and shall not after such date sell any such Municipal Bonds unless the sales price thereof received by the Bank shall not be less than the aggregate of (i) the principal amount of the related Series of Bonds so to be redeemed, (ii) the interest to accrue on the related Series of Bonds so to be redeemed to the next redemption date thereof not previously paid, (iii) the applicable premium, if any, payable on the related Series of Bonds so to be redeemed, and (iv) the costs and expenses of the Bank in effecting the redemption of the related Series of Bonds so to be redeemed, if any; provided, however, that, (y) in the event the related Series of Bonds has been refunded and the Refunding Bonds therefor were issued in a principal amount in excess of or less than the related Series of Bonds remaining unpaid at the date of issuance of such Refunding Bonds, the required amount to be included in such sales price under item (i) above shall be the principal amount of such Refunding Bonds Outstanding; and (z) in the event the Bank shall determine to sell prior to maturity any Municipal Bonds with respect to which a Loan is made prior to the date (the "Call Date") on which all Outstanding Bonds issued with respect to such Loan are redeemable, any such sale shall be for an amount to be held by the Trustee in a

separate Sub-Account of the General Fund which (1) when invested in Defeasance Obligations and as set forth in a certificate of an Authorized Officer of the Bank delivered to the Trustee, shall be equal to the aggregate of clauses (i) through (iv) above, and (2) may be held in such Sub-Account until the final maturity date of the Outstanding Bonds issued with respect to such Loan. In the event the related Series of Bonds has been refunded and the interest the Bank is required to pay on the Refunding Bonds is less than the interest the Bank was required to pay on the related Series of Bonds, the required amount to be included in such sales price in item (ii) above shall be the amount of interest to accrue on such Refunding Bonds Outstanding.

Disposition of the Proceeds of Sale or Redemption of Municipal Bonds. In the event Municipal Bonds or other obligations securing a Loan shall be sold by the Bank in accordance with the terms of the applicable Loan Agreement or as provided in the above paragraph, or redeemed by the Governmental Unit, pursuant to the General Resolution the Bank shall deposit the proceeds of such sale or redemption, except an amount thereof equal to the costs and expenses of the Bank in effecting the redemption or defeasance of the Bonds to be redeemed or defeased upon such sale by the Bank or redemption by the Governmental Unit, into the applicable Sub-Account or Sub-Accounts in the Redemption Account and shall apply the same to the payment, retirement or redemption of the appropriate Bonds in accordance with the provisions of the General Resolution.

Enforcement of Municipal Bonds and Loan Agreements. The Bank has agreed in the General Resolution to diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Loan Agreements and the Municipal Bonds evidencing Loans made by the Bank, including the prompt payment of all Loan Repayments and all amounts due thereunder, and the giving of notice to the State Treasurer of any failure or default of any Governmental Unit in the payment, of its Municipal Bonds or of its Fees and Charges or as otherwise provided in sections 6014 or 6017 of the Act (as set forth below). The Bank shall not (without the prior written consent of the Trustee or the provider of any related Credit Facility) release the obligations of any Governmental Unit under any Loan Agreement and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Holders of the Bonds and of the Trustee under or with respect to such Loan Agreement, provided that this provision shall not be construed to prevent the Bank from settling a default under any Loan Agreement on terms as the Bank shall determine to be in the best interest of the Holders of the Bonds and of the Bank.

The Act provides that to the extent that the Treasurer of State shall be the custodian at any time of any funds or moneys due or payable to a Governmental Unit at any time subsequent to written notice to the Treasurer of State from the Bank to the effect that such Governmental Unit has not paid or is in default as to the payment of principal of or interest on any Municipal Bonds of such Governmental Unit then held or owned by the Bank, the Treasurer of State shall withhold the payment of such funds or moneys from such Governmental Unit until the amount of such principal or interest then due and unpaid has been paid to the Bank, or the Treasurer of State has been advised that arrangements, satisfactory to the Bank, have been made for the payment of such principal and interest.

Incomplete Payments. If a Governmental Unit shall pay only a portion of a Loan Repayment when due, it is provided in the General Resolution the payment shall be applied first as interest on the Loan, second as principal of the Loan, and then as Administrative Expenses.

FEES AND CHARGES

The Bank is authorized in connection with the making of Loans, to establish, make, maintain and charge such Fees and Charges to each Governmental Unit to which a Loan is made, and shall from time to time revise such Fees and Charges whenever necessary, so that such Fees and Charges actually collected from each such Governmental Unit will at all times produce moneys which, together with such Governmental Unit's Allocable Proportion of other moneys available under the provisions of the General Resolution and other moneys available therefor, including any grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof, will be at least sufficient:

(a) To pay, as the same become due, the Governmental Unit's Proportionate Share of the Administrative Expenses of the Bank; and

(b) To pay, as the same become due, the Governmental Unit's Proportionate Share of the fees and expenses of the Fees and Charges.

APPLICATION OF 2011 SERIES D TAXABLE BOND PROCEEDS AND OTHER AMOUNTS

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which such Series of Bonds are being issued and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (i) the making of Loans to Governmental Units under the Loan Agreements to finance Costs of Projects of Governmental Units and costs incurred in connection with the issuance of said Series, (ii) the making of payments into the Loan fund, the QSCB Interest Sub-Account and the Operating Account or any other Fund, Account or Sub-Account established under the General Resolution, (iii) the funding of Notes theretofore issued by the Bank for any purposes for which Bonds may have been issued, and (iv) the refunding of Bonds and related purposes.

The proceeds of sale of the 2011 Series D Taxable Bonds are expected to be used and applied as follows:

For making 4 Loans to 4 Governmental Units and acquiring 4 Municipal Bonds	$12,650,000.00
Underwriters' Discount	77,165.00
Total proceeds	$12,572,835.00

Certain costs of issuing the 2011 Series D Taxable Bonds may be paid from other available moneys held by the Bank.

PLAN OF FINANCE

The proceeds of the 2011 Series D Taxable Bonds will be used for the purpose of (i) making a loan to each Series Borrower pursuant to its Loan Agreement to finance qualified public school bond projects, and (ii) paying the costs of issuance of the 2011 Series D Taxable Bonds.

Pursuant to the Loan Agreements, the proceeds of the 2011 Series D Taxable Bonds shall be expended by the Series Borrowers within three years of their date of delivery. See "THE 2011 SERIES D TAXABLE BONDS — Redemption and Notices — Excess Proceeds Redemption" herein.

APPLICATION AND INVESTMENT OF BOND PROCEEDS AND MANDATORY PRINCIPAL DEPOSITS

The proceeds to be derived by the Bank from the sale of the 2011 Series D Taxable Bonds and investment earnings thereon, other than proceeds to be applied to pay costs of issuance incurred in connection with the 2011 Series D Taxable Bonds, are to be loaned to the Series Borrowers to pay the "Costs of the Projects" as such term is defined in the General Resolution. Such proceeds will be deposited in the Loan Fund established under the General Resolution. Each Series Borrower will have sole responsibility that such proceeds be used for the purpose for which the 2011 Series D Taxable Bonds are being issued and in compliance with the requirements of the Act, the Recovery Act and the Code. Such net proceeds and interest earnings on the investment of moneys held in the Loan Fund will be retained in the Loan Fund and used only for capital expenditures eligible under the Act, the Resolutions, the Recovery Act and the Code or to pay the cost of redeeming the 2011 Series D Taxable Bonds in the event an extraordinary mandatory redemption occurs. See "PLAN OF FINANCE" and "THE 2011 SERIES D TAXABLE BONDS — Redemption and Notices— Excess Proceeds Redemption" herein.

In accordance with the General Resolution, the Bank will deposit into the Governmental Unit Repayment Account the Loan Repayments representing payments of principal and interest and other amounts under each Series Borrower's Loan Agreement relating to the 2011 Series D Taxable Bonds. All income derived from the investment of such amounts as realized shall be retained in the Governmental Unit Repayment Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Mandatory Principal Deposits

Pursuant to its Loan Agreement, each Governmental Unit agrees to pay to the Bank all Loan Repayments on each Loan Repayment Date, in the amounts and in the manner therein provided, to be deposited by the Bank to the Governmental Unit Repayment Account. The term "Loan Repayment Date" is defined in each Loan Agreement to mean (i) with respect to that portion of the Loan Repayments consisting of Administrative Expenses, the thirtieth (30^{th}) day preceding each May 1 and November 1 commencing with the thirtieth (30^{th}) day preceding the first interest payment date, and continuing thereafter until all Administrative Expenses and the applicable Governmental Unit Loan are paid in full, or, with respect to non-scheduled payments, at any time on demand of the Bank; (ii) with respect to that portion of a Governmental Unit's Loan Repayments attributable to any payment into (y) the QSCB Principal Sub-Account of the Governmental Unit Repayment Account related to the principal of a Governmental Unit's Municipal Bond, or (z) the QSCB Sinking Fund Installment Sub-Account of the Governmental Unit Repayment Account related to Sinking Fund Installments under a Governmental Unit's Municipal Bond, on the thirtieth (30^{th}) day preceding each November 1 commencing with the thirtieth (30^{th}) day preceding the first principal payment date, and continuing thereafter until a Governmental Unit's Loan is paid in full, and as more fully described by exhibit attached to such Governmental Unit's Loan Agreement; (iii) with respect to that portion of a Governmental Unit's Loan Repayments attributable to any payment into the QSCB Interest Sub-Account of the Governmental Unit Repayment Account related to interest on the Municipal Bond, on the

thirtieth (30th) day preceding each May 1 and November 1 commencing with the thirtieth (30th) day preceding the first interest payment date, and continuing thereafter until the Governmental Unit's Loan is paid in full, and as more fully described by exhibit attached to such Governmental Unit's Loan Agreement; and (iv) with respect to all other Governmental Unit's Loan Repayments, at any time on demand by the Bank.

In the event on any Interest Payment Date for a Series of Bonds the amounts deposited by a Governmental Unit with respect to interest are insufficient to pay the interest on its Loan and Municipal Bond corresponding to interest due on such Series of Bonds, amounts deposited by such Governmental Unit with respect to principal in the QSCB Principal Sub-Account of the Governmental Unit Repayment Account may be used to satisfy the deficiency. In such event, the deficiency will remain as an unpaid amount under such Governmental Unit's Loan Agreement.

With respect to that portion of the Loan Repayments attributable to principal of the 2011 Series D Taxable Bonds, the annual payments made by each Series Borrower to the Bank to be deposited into the QSCB Principal Sub-Account of the Governmental Unit Repayment Account are in the following amounts for the following bond years ending October 30 of each year (each Series Borrower shall receive a credit against each related Loan Repayment attributable to principal on the 2011 Series D Taxable Bonds in an amount equal to the earnings derived from the investment of the QSCB Principal Sub-Account of the Governmental Unit Repayment Account):

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Regional School Unit No. 34

Bond Years Ended October 30	Annual Principal Payments
2012	$ 378,571.43
2013	378,571.43
2014	378,571.43
2015	378,571.43
2016	378,571.43
2017	378,571.43
2018	378,571.43
2019	378,571.43
2020	378,571.43
2021	378,571.43
2022	378,571.43
2023	378,571.43
2024	378,571.43
2025	378,571.43
Total	$ 5,300,000.00

City of Waterville

Bond Years Ended October 30	Annual Principal Payments
2012	$ 357,142.86
2013	357,142.86
2014	357,142.86
2015	357,142.86
2016	357,142.86
2017	357,142.86
2018	357,142.86
2019	357,142.86
2020	357,142.86
2021	357,142.86
2022	357,142.86
2023	357,142.86
2024	357,142.86
2025	357,142.86
Total	$ 5,000,000.00

City of Lewiston

Bond Years Ended October 30	Annual Principal Payments
2012	$ 115,000.00
2013	115,000.00
2014	115,000.00
2015	115,000.00
2016	115,000.00
2017	115,000.00
2018	115,000.00
2019	115,000.00
2020	115,000.00
2021	115,000.00
2022	115,000.00
2023	115,000.00
2024	115,000.00
2025	115,000.00
2025	115,000.00
Total	$ 1,610,000.00

Maine School Administrative District No. 49

Bond Years Ended October 30	Annual Principal Payments
2012	$ 52,857.14
2013	52,857.14
2014	52,857.14
2015	52,857.14
2016	52,857.14
2017	52,857.14
2018	52,857.14
2019	52,857.14
2020	52,857.14
2021	52,857.14
2022	52,857.14
2023	52,857.14
2024	52,857.14
2025	52,857.14
Total	$ 740,000.00

Each Series Borrower shall be obligated to pay its gross semi-annual payment of the interest due on the 2011 Series D Taxable Bonds, subject to reduction for any Federal Subsidy Payment. Federal Subsidy Payments received by the Bank allocable to each Series Borrower's Municipal Bond shall be deposited in the QSCB Interest Sub-Account for such Series Borrower.

The obligation of each Series Borrower to make the Loan Repayments and to perform and observe all other covenants, conditions and agreements under its Loan Agreement shall be

absolute and unconditional until payment of its obligations thereunder, irrespective of any defense or any rights of setoff, recoupment or counterclaim which such Series Borrower might otherwise have against the Bank or the Trustee.

GOVERNMENTAL UNITS

The Municipal Bonds from each Governmental Unit to be purchased by the Bank under the General Resolution are payable from ad valorem taxes. Municipal Bonds eligible for purchase by the Bank under the General Resolution are described below.

Municipal Bonds Payable from Ad Valorem Taxes

Under the General Resolution, the Bank has received an opinion from bond counsel to each Governmental Unit with respect to the Municipal Bonds of each such Governmental Unit to the effect that each such Municipal Bond is payable as to both principal and interest from ad valorem taxes which may be levied upon all the property within the territorial limits of such Governmental Unit and taxable by it.

Municipal Bonds Eligible for Purchase by the Bank

Pursuant to the Act, the Bank is authorized and empowered to purchase Municipal Bonds of Governmental Units which include any county, city, town, school administrative district, community school district or other quasi-municipal corporation within the State. To be eligible for purchase under the Act, such Municipal Bonds must be issued by a Governmental Unit and must be payable either from taxes or from rates, charges or assessments. The Act specifically prohibits the Bank from purchasing bonds or notes issued under the Revenue Producing Municipal Facilities Act or the Municipal Securities Approval Program of the Finance Authority of Maine Act (formerly the Municipal Securities Approval Act and, prior to that, the Municipal Industrial and Recreational Obligations Act).

SECONDARY MARKET DISCLOSURE

The Bank, Regional School Unit No. 34 and the City of Waterville will severally covenant in the Continuing Disclosure Agreement by and among the Bank, Regional School Unit No. 34, City of Waterville, and the Trustee (the "Continuing Disclosure Agreement"), for the benefit of the Owners of the 2011 Series D Taxable Bonds, to provide certain financial information and operating data relating to the Bank and each such Series Borrower (the "Annual Financial Information") within nine months after the end of each respective fiscal year, commencing with the fiscal year ending June 30, 2011, and the Bank, Regional School Unit No. 34 and City of Waterville will severally covenant in the Continuing Disclosure Agreement for the benefit of such Holders and Beneficial Owners to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Agreement requires that the Annual Financial Information and notices of certain events be provided by the Bank, Regional School Unit No. 34 and City of Waterville to the Trustee and filed by the Trustee with the Municipal Securities Rulemaking Board ("MSRB"). The specific nature of the information to be contained in the Annual Financial Information or the notices of certain events is summarized in APPENDIX D – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT." The covenants in the Continuing Disclosure Agreement have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission

(the "Rule"). None of Regional School Unit No. 34, City of Waterville, or the Bank has ever failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual financial information or notices of certain events.

Each Series Borrower has agreed in its Loan Agreement to submit to the Bank and to such other persons as directed by the Bank (including, without limitation, the Municipal Securities Rulemaking Board) from time to time such information relating to such Series Borrower (including, without limitation, annual financial reports as they become available) as the Bank requests as being necessary or desirable to comply with securities laws and rules relating to the Bank Bonds or to the Bank, as well as notices of certain events as required under the Rule.

BONDS AS LEGAL INVESTMENTS

Under the provisions of Section 6011 of the Act, the Bonds, in the State of Maine, including the 2011 Series D Taxable Bonds, are made securities in which the State and all public officers, governmental units and agencies thereof, all national banking associations, state banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control.

SECURITY FOR PUBLIC DEPOSITS

Bonds or notes of the Bank are authorized security for any and all public deposits in the State of Maine.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Bank, interest on the 2011 Series D Taxable Bonds is included in gross income for Federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). In addition, in the opinion of Bond Counsel to the Bank, under existing statutes, interest on the 2011 Series D Taxable Bonds is exempt from the State of Maine income tax imposed on individuals.

The 2011 Series D Taxable Bonds are expected to be designated as "qualified school construction bonds" by the Bank pursuant to applicable provisions of the Code; the Bank will elect to receive cash subsidy payments equal to the lesser of: (i) 100% of the interest at the tax credit rate in effect at the time of pricing of the 2011 Series D Taxable Bonds; or (ii) 100% of the amount of interest payable on the 2011 Series D Taxable Bonds. As a result of such election, holders of the 2011 Series D Taxable Bonds are not entitled to receive the tax credit otherwise permitted under Section 54A of the Code. The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2011 Series D Taxable Bonds in order for the Bank to continue to receive said subsidy payments. These requirements include, but are not limited to, requirements relating to use and expenditure of the available project proceeds of the 2011 Series D Taxable Bonds, yield and other restrictions on investments of available project proceeds and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance may cause the 2011 Series D Taxable Bonds to fail to qualify for the receipt of the interest subsidy payments. The

Bank and each Series Borrower have covenanted to comply with certain applicable requirements of the Code to assure the receipt of the interest subsidy payments in respect of the 2011 Series D Taxable Bonds.

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the 2011 Series D Taxable Bonds by original purchasers of the 2011 Series D Taxable Bonds who are "U.S. Holders," as defined herein. This summary (i) is based on certain relevant provisions of the Code under existing law and is subject to change at any time, possibly with retroactive effect; (ii) assumes that the 2011 Series D Taxable Bonds will be held as "capital assets"; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the 2011 Series D Taxable Bonds as a position in a "hedge" or "straddle," or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, or holders who acquire 2011 Series D Taxable Bonds in the secondary market.

Holders of the 2011 Series D Taxable Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the 2011 Series D Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount ("OID") is greater than a statutorily defined de minimis amount, a holder of a 2011 Series D Taxable Bond having a maturity of more than one year from its date of issue must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such 2011 Series D Taxable Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price". For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the 2011 Series D Taxable Bonds are sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest", provided by such 2011 Series D Taxable Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "*de minimis* amount" is an amount equal to 0.25 percent of the 2011 Series D Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a 2011 Series D Taxable Bond using the constant-yield method, subject to certain modifications.

Bond Premium

In general, if a 2011 Series D Taxable Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the 2011 Series D Taxable Bond other than "qualified stated interest" (a "Taxable Premium Bond"), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium

as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income, and the holder will make a corresponding adjustment to the holder's basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a 2011 Series D Taxable Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the 2011 Series D Taxable Bond.

The Bank may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the 2011 Series D Taxable Bonds to be deemed to be no longer outstanding under the Resolutions (a "defeasance"). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the 2011 Series D Taxable Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal and payments of interest on a 2011 Series D Taxable Bond and the proceeds of the sale of a 2011 Series D Taxable Bond before maturity within the United States. Backup withholding may apply to holders of 2011 Series D Taxable Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a 2011 Series D Taxable Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source, or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

IRS Circular 230 Disclosure

The advice under this caption "TAX MATTERS" concerning certain income tax consequences of the acquisition, ownership and disposition of the 2011 Series D Taxable Bonds was not written to support the marketing of the 2011 Series D Taxable Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel to the Bank informs each investor that (i) any federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the Bank is not intended to be used, and cannot be used by any Bondholder, for the purpose of avoiding penalties that may be imposed on the Bondholder under the Code, and (ii) the Bondholder should seek advice based on the Bondholder's particular circumstances from an independent tax advisor.

RATINGS

Fitch Ratings has assigned its municipal bond rating of "AA-", to the 2011 Series D Taxable Bonds. The Bank has furnished such rating agency with certain information and materials concerning the 2011 Series D Taxable Bonds, the Series Borrowers and the Bank, some of which information and materials are not included in this Official Statement. Generally, such rating agency bases its ratings on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently. An explanation of the significance of any rating may be obtained only from the rating agency furnishing the same.

The rating is not a recommendation to buy, sell or hold the 2011 Series D Taxable Bonds and such rating should be evaluated independently. Such rating is subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the 2011 Series D Taxable Bonds. Neither the Bank nor the Underwriters have undertaken any responsibility either to bring to the attention of the owners of the 2011 Series D Taxable Bonds any proposed change in or withdrawal of any rating of the 2011 Series D Taxable Bonds or to oppose any such change or withdrawal.

UNDERWRITING

The 2011 Series D Taxable Bonds are being purchased by the underwriters listed on the cover page hereof (the "Underwriters") for whom Wells Fargo Bank, National Association is acting as representative. The Underwriters have agreed to purchase the 2011 Series D Taxable Bonds at a price of $12,572,835, plus accrued interest, if any, that reflects an Underwriters' discount from the public offering price thereof, in the amount of $77,165 The purchase contract between the Bank and the Underwriters relating to the 2011 Series D Taxable Bonds provides that the Underwriters will purchase all of the 2011 Series D Taxable Bonds, if any of the 2011 Series D Taxable Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, subject to the approval of certain legal matters by Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, counsel to the Underwriters. The initial public offering prices of any of the 2011 Series D Taxable Bonds may be changed, from time to time, by the Underwriters. The Bank has been advised by the Underwriters that (i) they presently intend to make a market in the 2011 Series D Taxable Bonds, (ii) they are not, however, obligated to do so, (iii) any market making may be discontinued at any time, and (iv) there can be no assurance that an active public market for the 2011 Series D Taxable Bonds will develop. The Underwriters may offer and sell the 2011 Series D Taxable Bonds to certain dealers (including dealers depositing the 2011 Series D Taxable Bonds into investment trusts, certain of which may be sponsored or managed by one or more of the

Underwriters) and others at prices lower than the public offering prices stated on the inside cover page hereof. Wells Fargo Bank, National Association, one of the underwriters of the 2011 Series D Taxable Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the 2011 Series D Taxable Bonds. Pursuant to the Distribution Agreement, Wells Fargo Bank, National Association will share a portion of its underwriting compensation with respect to the 2011 Series D Taxable Bonds with WFA. Wells Fargo Bank, National Association and WFA are both subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

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

LITIGATION

There is no controversy or litigation of any nature now pending, or to the knowledge of the Bank, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2011 Series D Taxable Bonds, or in any way contesting or affecting the validity of the 2011 Series D Taxable Bonds or any proceedings of the Bank taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2011 Series D Taxable Bonds, or the existence or powers of the Bank, or prohibiting the Bank from making the Loans to the Series Borrowers with the proceeds of the 2011 Series D Taxable Bonds.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the 2011 Series D Taxable Bonds are subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank, in substantially the form set forth in Appendix H attached hereto. Copies of such opinion will be available at the time of delivery of the 2011 Series D Taxable Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine.

FINANCIAL STATEMENTS OF THE BANK

Included herein as Appendix G are the (i) audited financial statements of the Bank as of, and for the year ended, June 30, 2010, together with the report thereon dated September 10, 2010 of Baker Newman & Noyes Limited Liability Company, independent certified public accountants, and (ii) the unaudited financial statements of the Bank, as of and for the six months ended December 31, 2010. The financial statements as of June 30, 2010 and for the year then ended, included in Appendix G, have been audited by Baker Newman & Noyes Limited Liability Company, independent auditors, as stated in their report appearing herein. Baker Newman & Noyes, LLC, the Bank's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Newman & Noyes, LLC, also has not performed any procedures relating to this Official Statement.

CERTAIN INFORMATION AS TO THE GOVERNMENTAL UNITS

The information provided in Appendix B hereto has been furnished by each Governmental Unit on its own behalf and neither the Bank nor the Underwriters make any representation or warranty as to the accuracy or completeness of such information.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Act, the Resolutions, the Continuing Disclosure Agreement and the Loan Agreement contained herein do not purport to be complete and reference is made to said Act, Resolutions, Continuing Loan Agreement and Loan Agreement for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Act, the Loan Agreement and the Resolutions may be obtained upon request directed to the Bank.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Bank and the purchasers or holders of any of the 2011 Series D Taxable Bonds.

The distribution of this Official Statement and its execution have been duly authorized by the Bank.

MAINE MUNICIPAL BOND BANK

By: /s/Stephen R. Crockett
Stephen R. Crockett
Chairman

April 27, 2011

APPENDIX A

GOVERNMENTAL UNITS AND THEIR MUNICIPAL BONDS

The Governmental Unit named in Table I below has previously sold its Municipal Bond to the Bank, which Municipal Bond is presently outstanding. Loan Agreements pertaining to the Municipal Bonds named in Table II have been executed by the Governmental Units and the Bank. Each Loan Agreement provides that simultaneously with the delivery of the Governmental Unit's Bond or Bonds to the Bank, the Governmental Unit shall furnish to the Bank an opinion of bond counsel satisfactory to the Bank which shall set forth among other things the unqualified approval of said Governmental Unit's Bond or Bonds then being delivered to the Bank and that said Governmental Unit's Bond or Bonds will constitute valid obligations of the Governmental Unit. The source of payment for the Municipal Bonds is from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of such Governmental Unit. Certain additional information about the Governmental Units named in Tables I and II below is set forth in Appendix B of this Official Statement.

I. MUNICIPAL BONDS
Issued January 27,2011

Governmental Unit	Balance Outstanding	Term
Maine School Administrative District No. 61	$9,210,000	2011-2026
SUBTOTAL:	$9,210,000	

II. MUNICIPAL BONDS
Contracted to be purchased from the Proceeds of the 2011 Series D Taxable Bonds[†]

Governmental Unit	Balance Outstanding	Term
City of Lewiston	$ 1,610,000	2012-2025
Maine School Administrative District No. 49	740,000	2012-2025
City of Waterville	5,000,000	2012-2025
Regional School Unit No. 34	5,300,000	2012-2025
SUBTOTAL	$12,650,000	
TOTAL (All Municipal Bonds)	$21,860,000	

[†] Anticipated date of issuance of the 2011 Series D Taxable Bonds is May 26, 2011.

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APPENDIX B

INFORMATION REGARDING GOVERNMENTAL UNITS

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APPENDIX B-1

INFORMATION REGARDING REGIONAL SCHOOL UNIT NO. 34

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Regional School Unit No. 34 (the "RSU")

The RSU was organized and became operational on July 1, 2009. The RSU was formed pursuant to provisions of Maine's school reorganizational laws enacted in 2007, as amended, and a Plan of Reorganization (the "Reorganization Plan") approved by the Maine Commissioner of Education and submitted to and approved by the voters of the each of the City of Old Town, the Town of Alton and the Town of Bradley (collectively, the "Member Municipalities"). Thus, July 1, 2009-June 30, 2010 was the first fiscal year of the RSU. Prior to that year, the Member Municipalities operated as separate, individual units of school administration recognized under Maine law and known as "municipal school units." As a regional school unit, the RSU is subject to and governed by chapter 103-A of Title 20-A of the Maine Revised Statutes, as amended, as well as its Reorganization Plan.

The RSU currently provides education services for its three Member Municipalities for grades Pre-Kindergarten ("PK") through 12. The RSU facilities consist of three PK-5 elementary schools: Alton Elementary School, Viola Rand School (Bradley) and Old Town Elementary School; one grade 6-8 middle school, Leonard Middle School; and one grade 9-12 high school, Old Town High School.

The RSU is located in Penobscot County in central Maine. Only eight miles north of Bangor, Alton, Bradley and Old Town enjoy easy access to the urban Bangor service center while providing a rural lifestyle to their inhabitants. The University of Maine is located in our neighbor community of Orono and provides employment opportunities for citizens as well as many educational opportunities for our students. Home to Old Town Canoe, Old Town has a proud manufacturing history. Old Town is strategically located along the I-95 corridor providing access to the great Maine woods.

The Project

The voters of the RSU have authorized the issuance of bonds or notes in an amount not to exceed $5,300,000 to renovate Old Town High School and to construct and equip an addition to Old Town High School, including demolishing a portion of the high school building in the area where the new addition is to be located (the "Project"). The RSU's Bonds in the principal amount of $5,300,000 will be issued to the Bank in connection with the Bank's Bonds to finance the costs of the Project (the RSU's Bonds).

The Board of Directors (also known as the "School Board")

The RSU has a nine member board of directors (the "Board of Directors") of which six members are residents of the City of Old Town, two are residents of the Town of Bradley, one is a resident of the Town of Alton. The Board of Directors uses weighted voting, also referred to as Method B under section 1472 (2) of Title 20-A of the Maine Revised Statutes, as amended, to conform to one person/one vote requirements. Current Board members and their respective representation, voting power and term expirations are as follows:

Board Member	Town/Votes	Term Expires
Laura Sanborn	Alton/84	2012
Leah Tuffley	Bradley/66.5	2012
Andrea Gifford	Bradley/66.5	2011
James F. Dill (Chairperson)	Old Town/130.5	2012
Roxanne Dubay	Old Town/130.5	2012
Ronald Ms. Sagner	Old Town/130.5	2011
Victoria Dupuis	Old Town/130.5	2011
David Wollstadt	Old Town/130.5	2013
Donna Conary	Old Town/130.5	2013

The following is a list of standing Board of Directors Committees:

- Policy Committee
- Finance Committee
- Negotiations Committee

RSU Schools, Staffing and Enrollments

The RSU owns and operates 5 schools, including 3 elementary schools, 1 middle school and 1 high school. The staff consists of one superintendent, 1 business manager, 5 principals, 197 full-time equivalent teachers, and various other professional and non-professional staff. The RSU's schools and enrollments for the 2010-2011 school year are listed below.

Location	School	Grades	Capacity	Enrollment
Alton	Alton Elementary School	K-5	100	49
Bradley	Viola Rand School	K-5	100	75
Old Town	Old Town Elementary School	K-5	600	513
Old Town	J.A. Leonard Middle School	6-8	400	291
Old Town	Old Town High School	9-12	600	555

The table below displays the enrollment history for the RSU since 2006 (figures prior to 2009-2010 represent enrollments of predecessor municipal school unit Member Municipalities).

School Year	Alton Elementary School	Viola Rand School	Old Town Elementary School	J.A. Leonard Middle School	Old Town High School	Total
2006-2007	60	92	465	327	610	1554
2007-2008	62	87	468	309	601	1527
2008-2009	57	89	476	302	588	1512
2009-2010	55	73	510	292	579	1509
20010-2011	49	75	513	291	555	1483

The following table displays the RSU's enrollment projections for the school years 2011-2012 through 2014-2015.

School Year	Students
2011-2012	1475
2012-2013	1460
2013-2014	1470
2014-2015	1475

Security for Governmental Unit Obligations

The RSU may borrow money to pay for current operating expenses, school construction projects and minor capital costs. Obligations issued for school construction projects and minor capital costs must be approved by a majority of the RSU voters at referendum vote. Bonds and notes of the RSU are its legal obligations. All bonds, notes or other evidences of indebtedness issued by the RSU for major capital expenses and current operating expenses are general obligations of the RSU. The Board of Directors, through the budget approval process, is required to assess and collect the sums necessary to meet in full the principal of and interest on such bonds, notes or other evidences of indebtedness in the manner provided by law for the assessment and collection of taxes. The sum assessed and collected for payment of principal and interest is reduced by an amount appropriated by the Legislature and allocated to the RSU for payment of debt service approved by the State for subsidy purposes, if any. After this reduction, the remaining sum must be paid from ad valorem taxes, which may be levied without limit as to the rate or amount upon all the taxable property within the RSU.

The enforceability of rights or remedies with respect to the RSU's Bonds and other indebtedness of the RSU may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditor's rights or remedies heretofore or hereafter enacted and by the availability of equitable remedies.

Labor Relations

RSU employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours, and other terms and conditions of employment, excluding, however, matters of educational policy. Teachers and certain other professional positions including School Nurses, Social Workers, librarians and literacy specialists are represented by the RSU #34 Education Association through its affiliation with the Maine Education Association-National Education Association ("MEA-NEA"). Support Staff (custodians and secretaries and clerks), Educational Technicians and Food Service staff are represented by the RSU 34 Education Association, which is also affiliated with the MEA-NEA. Principals, Assistant Principals and certain program Directors are not represented by a union but do bargain as a separate unit. The Superintendent, Central Office Staff, Instructional Technology Department staff and remaining directors and supervisors are not represented by a union.

Governmental Unit Finances

Budgetary Process

The RSU's fiscal year begins July 1 and ends June 30. The Board of Directors is responsible for preparing the annual school budget. With the assistance of the Superintendent of Schools and the administrative staff, the Board of Directors prepares a detailed budget document for each fiscal year. The budget document must include the RSU's operating costs and capital expenditures for the coming year, its total cost of funding public education from kindergarten to grade 12 as determined by the State of Maine's Essential Programs and Services ("EPS") funding model, its non-state funded school construction debt service, if any, any additional expenditures authorized by law, and a summary of anticipated revenues and estimated school expenditures for the fiscal year.

The Board of Directors presents the proposed RSU budget to the voters of the RSU through a two-part budget approval process, consisting of a New England-style, RSU-wide

meeting of the voters followed by an RSU referendum election to ratify the action at the initial budget meeting. The State of Maine requires that the RSU report its approved budget and its actual expenditures to the Maine Department of Education using a uniform system of accounting called the Model Chart of Accounts through a reporting system known as the Maine Education Data Management System, or "MEDMS."

The Board of Directors calls the budget meeting at a place and time it determines. At that meeting, the budget is presented to the voters. The budget is required by State law to be presented to the voters at the budget meeting in certain legally required articles, each of which is separately acted upon by the budget meeting. These articles include eleven (11) expenditure categories that are established by State law. On the revenue side, the voters act upon as many as three (3) separate articles, each of which, when applicable, includes some of the total amount of revenue that must be raised through property taxation. One of these revenue articles raises the local tax dollars required to qualify for the RSU to receive the full amount of that state subsidy available to support those RSU costs that are included in the State's EPS funding model. Another of these revenue articles raises local tax dollars to the extent necessary to support debt service on non-state-funded school construction projects, if any. The third revenue article raises other local tax dollars without state support as may be necessary to support school costs that are not funded through the State's EPS funding model.

Following these expenditure and revenue articles, the voters also act upon a summary budget article that represents the total school operating budget. In addition to the total school operating budget, the budget meeting may act upon various other financial articles, including Adult Education and approval of the budget of United Technologies Center MVR #4, a separate legal entity providing applied technology education to various member municipalities including RSU #34 municipalities.

Within thirty (30) days of the RSU budget meeting, the RSU must hold a referendum election, called by the Board of Directors to vote on whether to ratify the school operating budget approved at the budget meeting. If the article presented at the referendum vote does not pass, the RSU must hold another budget meeting at least then (10) days after the referendum to vote on another budget approved by the Board of Directors. The budget approved at the second budget meeting must then be submitted to the voters for validation at a second referendum conducted within thirty (30) days of the second budget meeting. This process must be repeated until a budget is approved at a budget meeting and then validated at a referendum.

If July 1 passes without a successful budget meeting and a successful budget validation referendum, the Board of Directors is permitted to operate under the last budget proposed by the Board of Directors and approved at a budget meeting, until a final budget is approved at a budget meeting and a validation referendum. If municipal officials of Member Municipalities determine that taxes must be committed to the tax collectors of the Member Municipalities, even though the school budget has not yet been approved at an RSU budget meeting and referendum, the municipal assessors of Member Municipalities are authorized to commit taxes on the basis of the latest budget approved at an RSU budget meeting and submitted to an RSU referendum.

Every three years, the RSU voters are required to consider whether the budget validation referendum process will be continued. On June 8, 2010 the RSU voted to continue the budget validation referendum process for another three years. If the budget validation referendum process is discontinued, the RSU will approve its budget in such other manner as may be

provided by law, currently an RSU budget meeting without a validation referendum. A vote to discontinue the budget validation referendum process ends the use of the process beginning with the following year and prohibits its reconsideration for at least three years.

Following approval of the budget, the Board of Directors is required to issue a warrant to the assessors of each of its Member Municipalities requiring them to assess the respective shares of the total amount authorized to be raised for the RSU's school budget and other budgets supported by local tax dollars, if any, such as the adult education budget. The respective municipal assessors are required to apportion the assessment on the taxable property in their respective Member Municipalities and then commit the assessment to the municipal tax collector. The Board of Directors is required to divide the amount of each Member Municipality's assessment into twelve equal installments and to notify the Member Municipalities of their respective amounts of these monthly installments. The Member Municipalities are then required to make these payments to the RSU by the 20th day of each month. If the municipal treasurer fails to pay an installment, interest accrues beginning on the 60th day after the due date. If payment is not made within this 60 day grace period, the treasurer of the RSU may initiate an action in Superior Court to compel payment.

As previously noted, the RSU's first fiscal year was 2009-2010. The following table sets forth trends in the RSU's general fund revenues and expenditures for its operating budget (figures are actual and audited for 2010 and projected and unaudited for 2011).

RSU No. 34		
Fiscal Year Ending June 30,	2010	2011*
REVENUES		
Balance Forward		
Town Assessments	6,065,403	6,972,879
State Subsidy	7,847,566	7,414,353
ARRA – State Stabilization		318,881
State – Other	305,475	65,000
Medicaid	256,719	0
Tuition	1,801,477	1,380,887
Miscellaneous	137,337	123,000
TOTAL REVENUES	16,413,977	16,275,000
EXPENDITURES		
K-12 Regular Education	6,922,991	7,223,944
Special Education	2,214,709	2,280,236
Career & Technical Education	34,157	324,449
Other Instruction	605,023	706,376
Student and Staff Support	591,851	613,111
System Administration	362,678	394,248
School Administration	937,871	1,043,918
Maintenance	1,592,889	1,913,210
Transportation	533,838	554,355
Adult Education	50,893	53,554
Debt Service Principal	888,507	752,786
Debt Service Interest	441,923	319,813
Food Service Transfer	120,000	120,000
TOTAL EXPENDITURES	15,297,330	16,300,000
EXCESS REVENUES	1,116,647	(25,000)
Fund Balance , Begin of year	3,335,867	4,452,514
Fund Balance, end of year	4,452,514	3,427,929**

*2011 estimated revenues and expenditures include $318,881 in Federal ARRA grant revenues and ARRA grant-eligible expenditures. The RSU anticipates that, consistent with treatment in prior years, its final audit will account for these ARRA funded expenditures separately from its general fund budget.

**Fund Balance will be lower at the end of 2011 due to (i) Old Town/Alton/Bradley reducing their assessments in 2011 by using their school fund balances, as permitted by State law and the Reorganization Plan; and (ii) the Town of Old Town using its remaining school fund balance to pay its2011 debt service on the OTES Construction Bond not assumed by the RSU (see Reorganization Plan section 6C, included below). At the end of 2011, Old Town will have fully expended its school fund balance transferred to the RSU. Bradley will still have $381,686 and Alton will have $281,949 which is part of the above Fund Balance.

In 2009 Old Town received $107,952 and Alton received $7,632 for ARRA. In 2010 the RSU received $756,132 in Federal ARRA funding, and in 2011 the RSU is eligible to receive $518,639 in Federal ARRA funding. For audit purposes, these revenues and expenditures are accounted for separately from the general fund budget, and the RSU expects the same audit treatment for fiscal year 2011. The RSU has been awarded $201,033.80 for FY12 for federal ARRA Education Jobs Fund Program. RSU does not anticipate that federal ARRA funding will continue beyond fiscal year 2012.

Investment Policy

All RSU funds must be deposited or invested by the RSU treasurer under the direction of the Board of Directors according to the requirements for deposit of investment of municipal funds applicable to Maine municipalities as contained in Title 30-A Chapter 223, subchapter 3-A. The RSU must invest its funds exercising the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment. This statutory duty of care specifically requires consideration of (i) safety of principal and preservation of capital; (ii) maintenance of sufficient liquidity to meet all reasonably anticipated cash requirements of the fund; and (iii) income throughout budgetary and economic cycles, taking into account prudent investment risk, constraints and cash flow characteristics of the portfolio. The RSU's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short term investments. The RSU also maintains separate funds for scholarships and other purposes that may be invested in longer term investments, subject to applicable statutory limitations. The RSU has invested principally in direct obligations of the United States Government and its agencies. The RSU is not invested in any obligations typically referred to as derivatives, any obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values of which the RSU owns no direct interest. The RSU's investments include repurchase agreements through which the RSU's funds are invested or secured by direct obligations of the United States Government and its agencies.

Fund Balance

The RSU is required to carry forward its unexpended general operating fund balances at the end of each fiscal year to meet the RSU's needs in the next year or over a period not to exceed three years. If the RSU's unallocated general operating fund balances exceed 3% of the previous fiscal year's school budget, such excess balances must be appropriated and expended in the next year or over a period not to exceed three years, or if not, the Department of Education may adjust the RSU's State/local funding allocation to "recapture" those funds. The Maine Legislature, however, has suspended the operation of this recapture mechanism from fiscal year 2009 through fiscal year 2015. The RSU's "allocated" balances are not subject to this limitation. The RSU's voters, acting at an RSU meeting, may "allocate" fund balances to the next year's budget or into a reserve account.

Financial Statements

The RSU's accounts are subject to annual audit under the procedure of Title 30-A Chapter 223, subchapter 8 of the Maine Revised Statutes, as amended. Additionally, the RSU is subject to audit requirements applicable to school administrative units as set forth in section 6051of Title 20-A of the Maine Revised Statutes, as amended. The results of the audit of a school unit, including the RSU, must be reported to the Maine Department of Education. The Commissioner of Education is authorized to review these audits and, if applicable, require the submission of a corrective action plan. If a school administrative unit does not meet the conditions for submitting a corrective action plan or provide sufficient assurances that the plan is implemented, the Commissioner is authorized to withhold the school unit's state subsidy following a hearing, and may refer the matter to the Attorney General for an enforcement action. In order to ensure conformance with these requirements, the RSU currently engages the services of Runyon, Kersteen and Ouellette**.** The RSU's fiscal year 06/30/2010 report, audited by Runyon, Kersteen and Ouellette, accompanies this letter.

As previously noted, the RSU commenced operations in fiscal year 2010. As the RSU completes each fiscal year, the following tables will be supplemented to provide the comparative financial statements of the *RSU's Combined Balance Sheet – General Fund* and the RSU's *Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund* for its most recent five audited fiscal periods.

RSU No. 34	
BALANCE SHEET - GENERAL FUND	
Fiscal Year Ending June 30,	**2010**
ASSETS	
Cash/Investments	4,892,820
Accounts Receivable	446,370
Prepaid Expenses	0
Due from the Town Alton	556,796
Due from the Town Bradley	473,353
Intergovernmental Receivables	32,996
TOTAL ASSETS	6,402,335
LIABILITIES AND FUND EQUITY	
Liabilities	
Accrued Payroll	1,089,577
Accounts Payable	27,502
Interfund loans payable	832,742
TOTAL LIABILITIES	1,949,821
Designated	1,030,149
Undesignated	3,422,365
TOTAL FUND EQUITY	4,452,514
TOTAL LIABILITIES AND FUND EQUITY	6,402,335

RSU No. 34		
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES		
GENERAL FUND		
Fiscal Year Ending June 30,	**2010**	**2011(Budget)**
REVENUES		
Town Assessments	6,065,403	6,972,879
State Subsidy	7,847,566	7,414,353
State – Other	305,475	65,000
Medicaid	256,719	0
Tuition	1,801,477	1,380,887
Miscellaneous	137,337	123,000
TOTAL REVENUES	16,413,977	15,956,119
EXPENDITURES		
K-12 Regular Education	6,922,991	7,223,944
Special Education	2,214,709	2,280,236
Career & Technical Education	34,157	5,568
Other Instruction	605,023	706,376
Student and Staff Support	591,851	613,111
System Administration	362,678	394,248
School Administration	937,871	1,043,918
Maintenance	1,592,889	1,913,210
Transportation	533,838	554,355
Adult Education	50,893	53,554
Debt Service		
Principal	888,507	752,786
Interest	441,923	319,813
State of Maine on behalf payments		
TOTAL EXPENDITURES	15,177,330	15,861,119
EXCESS REVENUES OVER (UNDER) EXPENDITURES	1,236,647	95,000
OTHER FINANCING SOURCES (USES)		
Operating Transfers in		
Operating Transfers out	120,000	120,000
TOTAL OTHER FINANCING SOURCES	120,000	120,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,116,647	0 (25,000)
FUND BALANCES - JULY 1	3,335,867	4,452,514
FUND BALANCES - JUNE 30	4,452,514	3,427,929

The comparative financial statements of each of the RSU's Member Municipalities' *Combined Balance Sheet – General Fund* and the Member Municipalities' *Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund,* for their most recent five audited fiscal periods are as follows:

TOWN OF BRADLEY					
BALANCE SHEET - GENERAL FUND					
Fiscal Year Ending June 30,	**2006**	**2007**	**2008**	**2009**	**2010**
ASSETS					
Cash/Equivalents	1,820,851.97	1,372,424.01	1,827,368.85	1,565,294.00	1,552,881.98
Investments	119,804.76	494,915.13	480,102.88	385,036.00	458,199.53
TAXES, LIENS AND EXPIRED TAX LIENS	39,447.86	37,755.91	40,070.70	32,136.00	34,156.37
Receivables	476.98	476.98	212.98	27,212.00	9,743.58
Interfund Loans Receivable	63,466.37	-	-		
TOTAL ASSETS	2,044,047.94	1,905,572.03	2,347,755.41	2,009,678.00	2,054,981.46
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	69,067.20	17,940.75	199,060.71	22,944.00	17,319.15
Accrued Payroll	40,171.91	51,351.16	47,067.37		
Taxes Paid in Advance	2,189.96	1,520.77	3,681.53	1,592.00	3,084.30
Deferred Revenue	23,400.00	22,600.00	19,500.00	23,100.00	35,000.00
Other Accured Expenses				1,481.00	2,261.76
Interfund Loans Payable					
TOTAL LIABILITIES	134,829.07	93,412.68	269,309.61	49,117.00	57,665.21
Fund Equity					
Reserved for Special Reserves Endowments	105,623.38	135,015.67	146,473.63	149,893.00	8,955.00
Reserved for CDBG program					
Designated	556,229.74	569,357.87	561,450.62	640,534.00	144,531.67
Undesignated	1,247,365.75	1,107,785.81	1,370,521.55	1,170,134.00	1,843,829.58
TOTAL FUND EQUITY	1,909,218.87	1,812,159.35	2,078,445.80	1,960,561.00	1,997,316.25
TOTAL LIABILITIES AND FUND EQUITY	2,044,047.94	1,905,572.03	2,347,755.41	2,009,678.00	2,054,981.46
	-	-	-	-	-

TOWN OF BRADLEY					
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES					
GENERAL FUND					
Fiscal Year Ending June 30,	**2006**	**2007**	**2008**	**2009**	**2010**
REVENUES					
Taxes	1,288,741.81	1,267,659.14	1,323,400.76	1,336,975.00	1,532,165.83
Licenses and Permits				894.00	2,669.50
Intergovernmental	1,195,281.19	1,352,277.27	1,530,679.62	1,601,294.00	157,101.37
Charges for Services					2,059.51
Investment Earnings	68,137.69	107,108.41	90,729.33	44,733.00	35,653.66
Unclassified	150,561.69	202,744.67	166,690.32	90,260.00	65,309.70
TOTAL REVENUES	**2,702,722.38**	**2,929,789.49**	**3,111,500.03**	**3,074,156.00**	**1,794,959.57**
EXPENDITURES					
General Government	156,035.35	181,019.02	193,654.02	204,670.00	209,884.24
Health and Sanitation	77,694.11	80,631.52	80,273.75	100,077.00	88,082.29
Public Safety	98,182.83	104,822.05	113,130.37	119,803.00	263,199.87
Public Works	128,354.17	58,258.81	61,886.53	63,731.00	155,436.97
Education	1,781,521.78	2,078,890.44	2,131,880.68	2,191,622.00	1,018,934.96
Culture and Recreation	3,469.40	4,597.00	5,906.68	5,746.00	
Unclassified	98,690.01	101,355.77	98,397.48	137,329.00	115,354.51
Debt Service	134,906.91	69,835.26	69,058.97	52,042.00	46,486.91
Capital Outlay	6,908.95	347,439.14	91,025.10	154,137.00	
TOTAL EXPENDITURES	2,485,763.51	3,026,849.01	2,845,213.58	3,029,157.00	1,897,379.75
EXCESS REVENUES OVER	216,958.87		266,286.45	44,999.00	
(UNDER) EXPENDITURES		(97,059.52)			(102,420.18)
OTHER FINANCING SOURCES (USES)					
Donated Assets				(164,484.00)	
Proceeds from Capital Leases				1,600.00	139,175.43
TOTAL OTHER FINANCING SOURCES				(162,884.00)	139,175.43
Net Change in Fund Balances				(117,885.00)	241,595.61
FUND BALANCES - JULY 1	1,692,260.00	1909218.87	1,812,159.35	2078445.8	1960561
FUND BALANCES - JUNE 30	1,909,218.87	1812159.35	2,078,445.80	1960561	1997316.25

CITY OF Old Town					
BALANCE SHEET - GENERAL FUND					
Fiscal Year Ending June 30,	**2006**	**2007**	**2008**	**2009**	**2010**
ASSETS					
Cash/Equivalents	6,587,409	9,723,049	9,549,351	7,952,761	2,015,270
Investments	3,328,128	3,480,712	3,696,790	5,336,957	7,980,465
Receivables	1,078,343	1,333,427	1,714,186	2,404,280	1,898,385
Interfund Loans Receivable	3,179,468	4,773,993	4,780,133	4,993,022	4,488,929
TOTAL ASSETS	$14,173,348	$19,311,181	$19,740,460	$20,687,020	$16,383,049
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	593,754	657,249	561,104	737,126	421,125
Accrued Payroll	968,973	991,356	1,347,767	1,402,634	582,095
Taxes Paid in Advance	0	0	0	-	-
Deferred Revenue	116,311	141,021	233,592	167,600	217,257
Interfund Loans Payable	3,177,855	4,756,746	4,912,530	5,317,521	4,460,862
TOTAL LIABILITIES	$4,856,893	$6,546,372	$7,054,993	$7,624,881	$5,681,339
Fund Equity					
Reserved for noncurrent notes receivable				-	-
Reserved for CDBG program				-	-
Designated	4,515,875	7,227,121	7,270,247	7,973,393	7,949,004
Undesignated	4,800,580	5,537,688	5,415,220	5,088,746	2,752,706
TOTAL FUND EQUITY	$9,316,455	$12,764,809	$12,685,467	$13,062,139	$10,701,710
TOTAL LIABILITIES AND FUND EQUITY	$14,173,348	$19,311,181	$19,740,460	$20,687,020	$16,383,049

CITY OF Old Town					
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES					
GENERAL FUND					
Fiscal Year Ending June 30,	**2006**	**2007**	**2008**	**2009**	**2010**
REVENUES					
Taxes	10,524,711	9,158,103	9,226,149	9,846,553	9,639,892
Licenses and Permits	168,923	200,139	207,364	167,453	201,143
Intergovernmental	8,347,591	9,240,265	9,272,094	9,967,019	2,547,621
On-behalf Payments State of Maine	1,377,699	1,366,042	1,347,000		
Charges for Services	5,412,542	5,607,476	3,904,117	4,358,166	1,042,297
Investment Earnings	364,142	561,664	374,409	54,980	258,234
Net decrease in fair value of investments	72,166	115,864	-139,588		
Proceeds from sale of property	376,070	54,200	0		
Unclassified	1,210,627	1,451,685	1,507,045	1,763,359	1,203,908
TOTAL REVENUES	$27,854,471	$27,755,438	$25,698,590	$26,157,530	$14,893,095
EXPENDITURES					
General Government	1,632,147	1,615,637	1,771,882	1,745,682	1,604,672
Health and Sanitation	0	0	0	902,362	885,579
Public Safety	2,785,336	2,560,252	2,892,841	2,974,353	3,190,424
Public Works	1,602,148	1,636,521	2,001,242	1,293,879	1,325,330
Education	14,365,914	14,261,083	13,297,796	13,822,052	4,573,269
Culture and Recreation	822,052	620,528	660,032	779,414	813,200
On-behalf payments - State of Maine	1,377,699	1,366,042	1,347,000		
Unclassified	562,599	633,625	707,991	640,121	615,082
Debt Service	1,445,161	1,414,611	1,423,205	1,554,284	302,417
Capital Outlay	2,906,784	1,508,544	2,185,713	3,457,082	3,591,240
TOTAL EXPENDITURES	$27,499,840	$25,616,843	$26,287,702	$27,169,229	$16,901,213
EXCESS REVENUES OVER (UNDER) EXPENDITURES	$354,631	$2,138,595	-$589,112	-$1,011,699	-$2,008,118
OTHER FINANCING SOURCES (USES)					
Donated Assets				16,637	(1,763,136)
Proceeds from long-term debt		1,000,000			
Proceeds from Capital Leases		82,175	734,486	1,395,340	1,410,825
TOTAL OTHER FINANCING SOURCES	$0	$1,082,175	$734,486	$1,411,977	-$352,311
Net Change in Fund Balances	354,631	3,220,770	145,374	400,278	(2,360,429)
Prior Year Restatement		227,584	-224,716	(23,606)	-
FUND BALANCES - JULY 1	8,961,824	9,316,455	12,764,809	12,685,467	13,062,139
FUND BALANCES - JUNE 30	$9,316,455	$12,764,809	$12,685,467	$13,062,139	$10,701,710

TOWN/CITY OF ___Alton_____					
BALANCE SHEET - GENERAL FUND					
Fiscal Year Ending June 30,	**2006**	**2007**	**2008**	**2009**	**2010**
ASSETS					
Cash/Equivalents	682,364	1,002,965	1,250,205	997,062	
Investments					
Receivables	76,051	83,961	59,660	44,974	
Interfund Loans Receivable					
TOTAL ASSETS	758,415	1,086,926	1,309,865	1,042,036	
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	18,725	97,664	13,192	6,125	
Accrued Payroll					
Taxes Paid in Advance	95	275	864	872	
Deferred Revenue	50,100	66,200	42,500	49,600	
Payable to other governments				316,818	
TOTAL LIABILITIES	68,920	164,139	56,556	373,415	
Fund Equity					
Reserved - Special Reserves	27,682	116,624	214,833	287,893	
Endowments	4,368	4,368	4,368	4,368	
Designated	220,950	399,238	626,246	73,015	
Undesignated	436,495	402,557	407,862	303,345	
TOTAL FUND EQUITY	689,495	922,787	1,253,309	668,621	
TOTAL LIABILITIES AND FUND EQUITY	758,415	1,086,926	1,309,865	1,042,036	

TOWN/CITY OF ___Alton____					
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES					
GENERAL FUND					
Fiscal Year Ending June 30,	**2006**	**2007**	**2008**	**2009**	**2010**
REVENUES					
Taxes	512,567	499,057	546,127	497,352	
Licenses and Permits				4,499	
Intergovernmental	853,817	999,020	1,036,660	467,552	
Charges for Services				78,894	
Investment Earnings	24,793	32,980	17,974	8,932	
Teacher pension paid by State of Maine	32,055	24,383	33,397	36,319	
Unclassified	205,091	169,605	161,520	107,290	
TOTAL REVENUES	**1,628,323**	**1,725,045**	**1,795,678**	**1,200,838**	
EXPENDITURES					
General Government	71,498	80,925	88,276	72,367	
Taxes and insurances				9,505	
Health and Sanitation	43,425	38,712	51,037	48,044	
Public Safety	32,978	39,915	32,840	57,206	
Public Works	48,906	47,252	52,112	57,295	
Health and Welfare	1,126	1,923	998	926	
Education	1,294,340	1,166,057	1,117,460	1,015,287	
Culture and Recreation	4,427	5,946		9,938	
Cemeteries	2,095	3,244	3,091	3,057	
Teacher pension paid by State of Maine	32,055	24,383	33,397	36,319	
Revaluation			16,125		
Land ordinance		16,375			
County Tax	34,861	34,567	37,824	40,698	
Unclassified				250	
Debt Service	56,146	32,454	31,995	31,536	
Capital Outlay				41,281	
TOTAL EXPENDITURES	1,621,857	1,491,753	1,465,155	1,423,709	
EXCESS REVENUES OVER (UNDER) EXPENDITURES	6,466	233,292	330,523	-222,871	
OTHER FINANCING SOURCES (USES)					
Donated Assets					
Proceeds from General Obligation bond	159,076				
TOTAL OTHER FINANCING SOURCES	159,076				
Transfer to RSU#34				-361,818	
Net Change in Fund Balances	165,542	233,292	330,523	-584,689	
FUND BALANCES - JULY 1	523,953	689,495	922,787	1,253,310	
FUND BALANCES - JUNE 30	689,495	922,787	1,253,310	668,621	

Funds

The RSU's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, equities, revenues and expenditures or expenses. The following fund types are available for use by the RSU:

Governmental Funds: are used to account for most governmental functions of the RSU. Governmental funds include:

The General Fund is the general operating fund of the RSU. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Reserve Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the RSU. Fiduciary Funds can include Private Purpose Trust Funds and Agency Funds.

Private Purpose Trust Funds are used to report any trust arrangements under which principal and income benefit individuals, private organizations, and other governments and that are not accounted for in other fiduciary funds.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the RSU holds for others in an agency capacity.

The principal tax of the Member Municipalities is the tax on real and personal property. There is no limit as to rate or amount, although procedural requirements apply to exceed the property tax levy limit. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. Each Member Municipality's Tax Collector receives the tax commitment from the Member Municipality's Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For the current fiscal year, the tax due date(s) for the Town of Alton are October 1; for the Town of Bradley are September 24 and February 25; and for the City of Old Town are September 15 and March 16. All taxes paid after the due date will be subject to interest, at 7% per annum for Alton; 7% for Bradley; and 7% for Old Town.

Collection of real estate taxes is ordinarily enforced in the Member Municipalities by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, for the collection of delinquent real estate taxes. Real Estate tax liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy

and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the respective Member Municipality.

TOWN OF ALTON			Collected by End of Fiscal Year		Collected by End of Second Year	
Fiscal Year	**Tax Rate (*Per $1,000 of Assessed Value)***	**Total Taxes Billed**	**Dollar Amount**	**% of Tax Levy**	**Dollar Amount**	**% of Tax Levy**
6/30/2010	.00975	414,804.20	356,849.71	86%	N/A	N/A
6/30/2009	.00975	401,512.31	354,952.74	88%	34,221.19	9.00%
6/30/2008	.00975	401,630.81	356,731.09	89%	33,441.57	8.00%
6/30/2007	.0165	397,492.30	335,331.54	84%	47,451.39	12.00%
6/30/2006	.0170	401,099.99	346,098.60	86%	44,812.98	11.00%

TOWN OF BRADLEY			Collected by End of Fiscal Year		Collected by End of Second Year	
Fiscal Year	**Tax Rate (*Per $1,000 of Assessed Value)***	**Total Taxes Billed**	**Dollar Amount**	**% of Tax Levy**	**Dollar Amount**	**% of Tax Levy**
6/30/2010	12.00	1,315,552.80	1,281,396.43	97%	12,470.90	1.00%
6/30/2009	12.25	1,016,442.53	991,197.04	98%	16,241.48	1.60%
6/30/2008	14.50	1,065,171.45	1,030,460.14	97%	16,110.08	1.50%
6/30/2007	17.00	1,021,642.20	990,185.54	97%	16,979.68	1.50%
6/30/2006	18.6	1,052,957.16	1,022,059.07	97%	15,076.76	1.40%

CITY OF OLD TOWN			Collected by End of Fiscal Year		Collected by End of Second Year	
Fiscal Year	**Tax Rate (*Per $1,000 of Assessed Value)***	**Total Taxes Billed**	**Dollar Amount**	**% of Tax Levy**	**Dollar Amount**	**% of Tax Levy**
6/30/2010	17.40	8,553,762.00	8,462,723.00	98.936%	n/a	n/a
6/30/2009	17.40	8,621,796.00	8,422,140.00	97.684%	8,571,469.00	99.416%
6/30/2008	16.60	8,084,006.00	7,844,227.00	97.034%	8,031,355.00	99.349%
6/30/2007	24.90	7,924,882.00	7,893,906.00	99.609%	7,924,882.00	100.00%
6/30/2006	24.20	9,328,950.00	9,193,680.00	98.550%	9,328,950.00	100.00%

State Aid

State aid for funding in Maine is based upon a funding model called Essential Programs and Services, or "EPS." The stated goal of EPS is to determine the costs, and to provide state subsidy to eligible school units, deemed necessary for students to achieve proficiency in the State's eight (8) content standard subject areas comprising the "system of learning results."

The Legislature in any year may change the factors includible in the EPS funding model (and for that matter, the model itself); the level of support for those factors and for education as a whole; the required local effort to receive state funding; and the basis upon which that local effort is measured. Additionally, the characteristics of each school unit that are taken into account by the EPS model change from year-to-year and change at different rates relative to each other's characteristics. Finally, the Legislature may change transition and other adjustments within the EPS funding model. For reasons such as these, it is not possible to predict the level of state subsidy that a school unit will receive in subsequent years. Typically, each year the Department of Education publishes preliminary and final reports that set forth the amount of

state support that each school unit may receive and the level of local tax effort required to receive that support. This report is utilized by the school unit administration and Board of Directors to develop the annual school budget. The state subsidy amount is subject to curtailment in any particular year.

In broad terms, to achieve a degree of property equity, the State requires each school unit to pay its EPS costs up to a maximum local effort. In school units with more than one municipality, the EPS costs are allocated between the municipalities based upon their respective pupil counts, and the maximum local effort is applied on a municipality-by-municipality basis.

The maximum local effort is that mill rate which, applied to all taxable property in the entire state, would raise the statewide aggregate required local contribution to the statewide total EPS costs. The statewide education mill rate from fiscal year 2006 through fiscal year 2011 has been as follows:

In fiscal year 2005-06: 8.26 mills
In fiscal year 2006-07: 7.60 mills
In fiscal year 2007-08: 7.44 mills
In fiscal year 2008-09: 6.79 mills
In fiscal year 2009-10: 6.69 mills
In fiscal year 2010-11: 6.90 mills
In fiscal year 2011-12: 7.47 mills (Proposed/Not Yet Enacted)

If a municipality's total EPS costs exceed the amount that it can raise by applying the full value education mill rate to its equalized property valuation, the municipality pays the amount that can be raised by the full value education mill rate as its local contribution, and the state pays the remainder as the state share of EPS costs. In a school unit with more than one member, the state payment is made to the school unit.

In recent years, the state has not achieved its stated goal of funding 55% of the statewide aggregate costs recognized by the EPS model. It has allowed less than 100% of the operating cost component recognized by the EPS model to be admitted for funding purposes, and it has funded levels of costs admitted by the model at less than 55%. From fiscal year 2006 through fiscal year 2011, the funding has been as follows

Percent of EPS operating costs recognized	Percent of recognized costs funded by the State
For fiscal year 2005-06, 84%	In fiscal year 2005-06, 52.60%
For fiscal year 2006-07, 90%	In fiscal year 2006-07, 53.86%
For fiscal year 2007-08, 95%	In fiscal year 2007-08, 53.51%
For fiscal year 2008-09, 97%	In fiscal year 2008-09, 52.52%
For fiscal year 2009-10, 97%	In fiscal year 2009-10, 48.93%
For fiscal year 2010-11, 97%	In fiscal year 2010-11, 46.00%
For fiscal year 2011-12, 97% (proposed, not yet enacted)	In fiscal year 2011-12, 45.22% (proposed, not yet enacted)

In recent years the State has adjusted the State's allocation of a school unit's EPS total allocation amount by the amount of federal ARRA grant funds provided to the school

administrative unit. These ARRA grant funds will not continue in 2012. The percentages above reflect this grant funding loss in 2012.

In practice, the result of the EPS funding formula is that school units with relatively high property valuations and relatively small student populations will pay a much higher percentage of their EPS costs than will school units with relatively low property valuations and large student populations.

In order to ensure that all school units receive at least some state subsidy, the EPS funding law provides for a minimum state allocation at least equal to 3% of certain operating costs, or a certain percentage of special education costs, whichever is greater.

The following chart shows the amount of State subsidy the RSU has received (2011 figure reflects receipts to date and projection through end of year).

RSU No. 34						
State Subsidy	2006	2007	2008	2009	2010	2011
General Revenue & Debt Service					7,847,566	7,414,353

Local Cost

The RSU allocates among its Member Municipalities the total amount that the RSU voters have authorized to be raised locally. First, those costs that qualify for inclusion in the State's EPS funding model and which the State admits for the year in question ("EPS Costs"), are allocated in the manner described above (see State Aid).

The RSU also allocates among its Member Municipalities that portion of the RSU's budget approved to be raised from local taxes that do not qualify for funding under the State's EPS funding model. Each Member Municipality's required contribution is based upon a formula of 50% resident student population and 50% based on its property valuation.

	State Valuations						
	Town of Alton		**Town of Bradley**		**City of Old Town**		**RSU NO. 34**
Year	Valuation	% of RSU	Valuation	% of RSU	Valuation	% of RSU	Valuation
2011	40,250,000	6%	111,250,000	17%	506,600,000	77%	658,100,000
2010	40,500,000	6%	114,650,000	17%	504,000,000	77%	659,150,000
2009	38,000,000	6%	96,700,000	15%	495,500,000	79%	630,200,000
2008	35,750,000	6%	82,250,000	14%	475,250,000	80%	593,250,000
2007	31,800,000	5%	70,500,000	11%	520,050,000	84%	622,350,000
2006	32,100,000	5%	70,050,000	12%	484,550,000	83%	586,700,000
2005	28,800,000	5%	63,300,000	12%	447,650,000	83%	539,750,000

As previously noted, the RSU commenced operations in fiscal year 2010. As the RSU completes each fiscal year, the following tables will be supplemented to provide the RSU's budget and its assessments of each of the Member Municipalities for the last four audited fiscal years (audited) and the current fiscal year (unaudited).

RSU No. 34	2007	2008	2009	2010	2011
Budget				16,649,000	16,300,000
Assessment				6,752,986	6,972,879
TOWN OF ALTON					
Assessment				490,467	459,694
% of Budget				2.95%	2.82%
% of Assessment				7.26%	6.59%
TOWN OF BRADLEY					
Assessment				1,108,539	1,088,987
% of Budget				6.66%	6.68%
% of Assessment				16.42%	15.62%
CITY OF OLD TOWN					
Assessment				5,153,980	5,424,198
% of Budget				30.96%	33.28%
% of Assessment				76.32%	77.79%

Indebtedness

Assumption of Certain Member Municipality School Debt by RSU

Under the terms of sections 6A through 6C the RSU's Reorganization Plan and applicable State law, the RSU assumed certain debts and contingent lease purchase obligations of its Member Municipalities with respect to school real estate and equipment transferred to the RSU, but did not assume one of these debts. The applicable Reorganization Plan provisions provide as follows (Reorganization Plan provisions in italics):

6. <u>The disposition of existing school indebtedness and lease-purchase obligations if the parties elect not to use the provisions of Section1506 regarding the disposition of debt obligations.</u>

6A. <u>Bonds, notes and lease purchase agreements that the RSU will assume, effective July 1, 2009.</u> Effective July 1, 2009, the RSU shall assume liability to pay the following bonds, notes and lease purchase agreements as specified in **Exhibit 6-A.** Additionally, other bonds, notes and lease purchase agreements issued by an SAU before the operative date of the region shall be assumed by the region, provided the SAU issued the bond, note or lease purchase agreement in the normal course of its management of the schools for an essential purpose to replace its existing facilities and existing items of equipment that are no longer serviceable or to keep them in normal operating condition.

Exhibit 6-A

Name of SAU	Year Issued	Original Principal Amount	Asset Acquired, Constructed or Renovated	Principal Balance as of 7/1/2009	Final Maturity Date
Old Town School Dept.	2003	$8,472,188	OTES Building	$5,930,531.50*	1/1/2023
Old Town School Dept.	2009	$2,000,000	LMS/OTHS	$678,2000	8/31/2019
Old Town School Dept.	2007	$131,734	Copier Lease	$107,470	8/1/2012

*** Funds to pay the principal and interest on these notes (construction of the Old Town Elementary School in Old Town) will be provided to the RSU by the State of Maine.**

6B. Bonds, notes and lease purchase agreements that the RSU will assume, effective July 1, 2010. Effective July 1, 2010, the RSU shall assume liability to pay the following bonds, notes and lease purchase agreements as specified in **Exhibit 6-B.** Prior to July 1, 2010, the bonds specified in Exhibit 6-B shall continue to be paid by the original members of the SAU indicated.

Exhibit 6-B

Name of SAU	Year Issued	Original Principal Amount	Asset Acquired, Constructed or Renovated	Principal Balance as of 7/1/2009	Final Maturity Date
Alton School Dept.	2006	$54,183	School Roof	$21,673.20	5/01/2011
Old Town School Dept.	2000	$900,000	OTHS Renovation	$180,000	11/01/2010
Old Town School Dept.	2007	$1,000,000	OTLMS Renovation	$900,000	11/01/2017
Old Town School Dept.	2008	$629,217	OTLMS HVAC Upgrade	$587,806	7/10/2016

6C. <u>Bonds, notes and lease purchase agreements that the RSU will not assume.</u> Pursuant to 20-A M.R.S.A. § 1506(4), the RSU does not assume the bonds, notes and lease purchase agreements specified in **Exhibit 6C**, which shall continue to be paid by the original members of the SAU indicated.

Exhibit 6-C

Name of SAU	Year Issued	Original Principal Amount	Asset Acquired, Constructed or Renovated	Principal Balance as of July 1, 2009	Final Maturity Date
Old Town School Dept.	2003	$2,844,010	OTES Building	$1,990,807	1/01/2023

State law provides that the debt and contingent lease purchase obligations assumed by the RSU as described in the above Reorganization Plan sections 6A and 6B (the "Assumed Debt") remains the liability of the Member Municipality that issued the original obligation even though the Member Municipality transferred the asset to the RSU. One result is that liability on the balance sheet of a Member Municipality for Assumed Debt no longer has a corresponding asset. In that regard, it is noted that state law provides that the RSU may not transfer ownership of school buildings to another party without first offering the school building to the Member Municipality in which it is located.

Governmental Unit Debt Limitations

The aggregate principal amount of outstanding bonds or notes issued by a regional school unit for school construction purposes may not exceed, at any one time, 10% of the total of the last preceding state valuation of all the municipalities within the regional school unit plus an amount not to exceed 4% of that total regional school unit valuation set by the state board at the time of the initial approval of the school construction project.

The total of the 2011 State valuations of the Member Municipalities is $658,100,000 (the "Total Valuation"). The RSU's 10% debt limitation is $65,810,000 (the "Debt Limit"). As of the date of this letter, the aggregate principal amount of the RSU's long-term outstanding debt is $0.00, excluding debt that is Assumed Debt, which amount represents 0% of the Total Valuation, and which amount and percentage do not include the RSU's Debt to be issued for the Project. The RSU will certify on the date of issue of the RSU's Bonds that the RSU has not exceeded the Debt Limit and that the issuance of the RSU's Bonds will not cause the RSU to exceed the Debt Limit.

Member Municipalities' Debt Limitations

Although the indebtedness evidenced by the RSU's Bonds is indebtedness of the RSU and not of the Member Municipalities, the tax base of the RSU compromises the tax base of the Member Municipalities. Therefore, the current indebtedness of the Member Municipalities is discussed here.

Under section 5702 of Title 30-A of the Maine Revised Statutes, as amended, "[n]o municipality may incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 1/2 % of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm or sanitary sewer purposes to an amount outstanding at any time not exceeding 7 1/2 % of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special RSU purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event may any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set."

However, by that same provision these limitations do not apply to "any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under chapter 213 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt."

Town of Alton, Maine

The 2011 State Valuation for the Town of Alton is $40,250,000. The Town's overall 15% debt limit is $6,037,500. As of the date of this letter, the principal amount of the Town's long-term outstanding debt is $47,504 or .0012% of its 2011 State Valuation This includes certain Assumed Debt originally issued by Alton.

Town of Bradley, Maine

The 2011 State Valuation for the Town of Bradley is $111,400,000. The Town's overall 15% debt limit is $16,710,000. As of the date of this letter, the principal amount of the Town's long-term outstanding debt is $1,026,226, or 1% of its 2011 State Valuation.

City of Old Town, Maine

The 2011 State Valuation for the City of Old Town is $506,600,000. The Town's overall 15% debt limit is $75,990,000. As of the date of this letter, the principal amount of the Town's long-term outstanding debt is $11,696,190,or 2.3% of its 2011 State Valuation. This includes certain Assumed Debt originally issued by Old Town.

Debt Summary –

The RSU's general obligation debt payable at June 30, 2010 (audited) and projected for June 30, 2011 (unaudited), excluding the RSU's Bonds, consists solely of remaining general obligation debt that is Assumed Debt. Although assumed by the RSU, the debts comprising the Assumed Debt are also included in debt of the Member Municipality that originally issued the

debt. The following tables show this Assumed Debt (excluding Assumed Debt that is contingent lease purchase agreements and that is described under "Contingent Debt," below).

Year Issued	Purpose	Amount Issued	Date of Final Maturity	Balance on 6/30/2010	6/30/2011
2007	School Renovation	1,000,000	2018	800,000	700,000
2008	School Renovation	678,200	2019	610,380	542,560
2006	School Renovation	54,183	2011	$6,972	0.00
2003	School Construction	$8,472,188*	2023	$5,083,312	$4,659,703
	Totals:			$6,500,664	$5,902,263

RSU NO. 34 Projected Debt Service Requirement for Current Long Term General Obligation Assumed Debt			
DATE	**PRINCIPAL**	**INTEREST**	**TOTALS**
2010-11	598,401	292,188	890,589
2011-12	591,429	268,496	859,925
2012-13	591,429	244,281	835,710
2013-14	591,429	220,680	812,109
2014-15	591,429	198,944	790,373
2015-16	591,429	174,634	766,063
2016-17	591,429	148,987	740,416
2017-18	591,429	124,091	715,520
2018-19	491,429	99,919	591,348
2019-20	423,609	77,838	501,447
2020-21	423,609	55,599	479,208
2021-22	423,609	33,359	456,968
2022-23	423,609	11,120	434,729
2023-24			
2024-25			
2025-26			
2026-27			
2027-28			
2028-29			
2029-30			
2030-31			
TOTALS	$6,924,269	$1,950,136	$8,874,405

The above two tables for general obligation debt and Projected Debt Service include an obligation in the original principal amount of $8,472,188 issued by the City of Old Town that is

an Assumed Debt, but with respect to which the debt service is approved for purposes of State subsidy. The state subsidy to pay the debt service on this obligation is part of the RSU's operating budget and pays the entire debt service on this obligation.

Overlapping Debt

Except for Assumed Debt as previously described, the RSU does not have any obligations for which it is responsible on an overlapping basis.

The Member Municipalities are subject to an annual assessment of their respective shares of the amounts to be raised locally for the RSU as described previously, including assessments for RSU debt. Additionally, the Member Municipalities assess taxes for their own budgets, and are further subject to annual assessment of their proportional respective shares of the County of Penobscot (the "County") expenses, including debt repayment, as determined by a percentage of a Member Municipality's equalized State valuation to the County's equalized State valuation.

As of June 30, 2010:

Town of Alton: The Town of Alton's 2010 equalized valuation of $40,500,000 was 0.378% of the County's 2010 equalized state valuation of $10,722,200,000; Alton had no overlapping debt.

Town of Bradley: The Town of Bradley's 2010 equalized valuation of $114,650,000 was 1.07% of the County's 2010 equalized state valuation of $10,722,200,000; Bradley had no overlapping debt.

City of Old Town: The City of Old Town's 2010 equalized valuation of $504,000,000 was 4.70% of the County's 2010 equalized state valuation of $10,722,200,000; Old Town had no overlapping debt.

Contingent Debt –

The RSU does not have any obligations for which it is responsible on a contingent basis other than the following equipment lease purchase agreements which are subject to annual appropriation through the budget process previously described.

Lease /Purchase Information
As of 7/1/2011

Vendor	Description	Term	Amount	Balance
Norway Savings Bank	Copier	8/1/07-8/1/12	$23,726/yr	$47,452
CitiCapital Municipal	HVAC Upgrade	7/08-7/17	**	$591,446

**The annual payment on the HVAC lease purchase agreement is $74,939 in 2011, $77,187 in 2012, $79,503 in 2013, $81,888 in 2014, $84,345 in 2015, $86,875 in 2016, $89,481 in 2017 and $92,166 in 2018. The HVAC Upgrade lease purchase is an Assumed Debt.

Future Financing

Other than the RSU's Bonds, the RSU has no other debt authorized and not yet issued.

Retirement

Defined Benefit Pension Plan: Teachers' Group

Teachers, as defined by section 17001(42) of Title 5 of the Maine Revised Statutes, as amended, participate in the Maine Public Employees Retirement System ("MainePERS") (formerly the Maine State Retirement System)—a "defined benefit" pension plan. MainePERS is administered under the Maine State Retirement System Laws—Title 5, Chapters 421, 423, 425, and 427—of the Maine Revised Statutes. The statutory definition of "teacher" includes anyone in a position that: (a) is one the Department of Education (DOE) requires be filled by a person who holds appropriate certification or license for that position and who holds that certification or license, or (b) has as its principal function introducing new learning to students. Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine generally provides the employer contribution, which is 17.76% of earnable compensation for the fiscal year ending June 30, 2011. There is no contribution required by the RSU, except for federally funded teachers, for which the RSU must contribute 17.76% of their compensation for the 2011 fiscal year. This cost may be charged to the applicable grant.

Information concerning the pension plan benefit obligation for public teachers is available from MainePERS, which issues a publicly available annual financial report. This report may be obtained on the MainePERS website, at http://www.mainepers.org/Publications/Publications.htm.

Defined Benefit Pension Plan & Other Retirement: Others

Those RSU employees that are not "teachers" as defined under the Maine State Retirement statutes are covered under Social Security and may not participate in MainePERS. Teacher members of MainePERS are not covered by Social Security.

Financial Statements of the RSU

The audited financial statements of the RSU as of, and for the year ended, June 30, 2010, together with the report thereon dated December 23, 2010 of Runyon Kersteen Ouellette, independent certified public accountants, may be accessed at the following link: http://munios.com/MEAA. The financial statements as of June 30, 2010 for the year then ended have been audited by Runyon Kersteen Ouellette, independent auditors, as stated in their report appearing therein.

APPENDIX B-2

INFORMATION REGARDING CITY OF WATERVILLE

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CITY OF WATERVILLE (THE "CITY")

CITY FINANCES AND INFORMATION

GENERAL

The City of Waterville is located in the Central Region of Maine and is in the northern section of the County of Kennebec. Situated on the west bank of the Kennebec River, the City is approximately 18 miles north of Augusta, the State Capital, and 80 miles northeast of Portland. The Atlantic Ocean is approximately 40 miles to the south of the City. The City is bordered by the towns of Fairfield, Oakland, Sidney and Winslow. Convenient access to Waterville is provided by Exits 127 and 130 of U.S. Interstate 95, which intersects the City's western plain, and by U.S. Route 201, State routes 104 and 137, all of which intersect the City from various directions. The City serves as the junction of two branches of the Maine Central Railroad. The Robert LaFleur Airport, located in the City, provides for air traffic to the region.

The area embracing Waterville was first settled by the English in 1653 with the establishment of a trading post at Teconnet or Ticonic, the Abnaki Indian name for the area, meaning "a place to cross." The settlement on the west bank of the Kennebec at Ticonic Falls was long known by early pioneers as Ticonic Village, even after it was incorporated as part of the present Town of Winslow in 1771. Waterville set off from Winslow and incorporated as the Town of Waterville on June 23, 1802. West Waterville set off from Waterville, incorporating as a town on February 26, 1873, subsequently changing its name to Oakland on March 10, 1883. Waterville was incorporated as the City on February 28, 1883, with its act of incorporation amended on March 4, 1887. The City's charter was adopted on January 23, 1888.

Waterville today is a prosperous commercial and academic community. The City enjoys diversified industries such as; The Huhtamaki Company (formerly Keyes Fibre Company), a manufacturer of formed fibre containers; and the Central Maine Morning Sentinel, a daily newspaper serving 78 central Maine communities. The Maine General Medical Center and the Inland Hospital each provide health care services to the region. Colby College, an important independent, co-educational liberal arts college with a 714-acre campus located on Mayflower Hill, is a cultural center of the community. Colby College was first established in 1813 and currently has an enrollment of approximately 1,847 students. Thomas College, founded in 1894, is a professional school specializing in business education, administration and secretarial skills, with current enrollment of approximately 1,200.

The Project

The Project consists of renovations and improvements to Waterville High School as authorized by Order No. 44-2010 of the City Council adopted on December 21, 2010 and approved by the Mayor of the City on December 22, 2010.

GOVERNMENT

The City operates under a charter adopted in 2006 (the "Charter"), providing for a City Council/City Manager form of government with a seven-member City Council, all

elected by wards. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies, to authorize the issuance of debt, and to provide for an annual audit of the City's accounts. A Mayor presides over City Council meetings. The Mayor votes if a tiebraking vote is needed and also has power of veto, which can be overridden by not less than 5 votes.

The City Manager is the chief executive officer and head of the administrative branch of the City's government.

MUNICIPAL SERVICES

The City provides general governmental services for the territory within its boundaries, including police and fire protection, highways, streets and sidewalks, parks and recreation areas, and economic development and business support. Public education is provided under the City's Department of Education.

Water and Wastewater

Water service is provided by the Kennebec Water District. Sewer service is provided by the Waterville Sewerage District. The Kennebec Sanitary Treatment District provides wastewater treatment services. Each of the above districts provides services to residents and businesses of the City, as individual and wholly separate, quasi-municipal entities whose operations and obligations are not part of the City.

Public Safety

The Police Department is staffed by 31 full-time employees, which include a Police Chief, a Deputy Police Chief, 4 Detectives, 6 Sergeants and 19 Patrol officers. The Police Department maintains 13 vehicles, which are in excellent repair. The Fire Department is operated by a Fire Chief, 3 Captains, 3 Lieutenants, 3 rescue technicians, 6 firefighters, 1 administrative assistant and 2 companies of call personnel, each with 1 Captain and 3 Lieutenants for a total complement of 30 Call Division personnel, at full strength, operating from one fire station and maintaining 15 vehicles. The Fire Department provides rescue service for the City's residents and participates in a regional HazMat response team. The Communication Center is staffed by 8 dispatchers.

Public Works

The City of Waterville Department of Public Works is responsible for the City's roads, sidewalks and parking lots; facility maintenance; fleet repair and management; solid waste collection; special projects and winter operations.

The department's personnel include 6 administrative staff and 23 bargaining unit employees. Administrative staff consists of the Director, Supervisor of Engineering and Projects, Superintendent of Operations & Maintenance, Fleet Maintenance Supervisor, Assistant City Engineer and Executive Assistant. Bargaining unit employees include 4 Heavy Equipment Operators; 6 Equipment Operators; 5 Laborers and 1 Laborer Foreman; 3 Fleet Maintenance Technicians; 1 Facility Maintenance Technician; 1 – Half Time Airport Maintenance Technician and 2 Custodians.

The City provides curbside collection of residential solid waste on a daily basis financed through the General Fund and a total annual budget of $820,000. The balance of the operations, including transport to Penobscot Energy Recovery Company (PERC - Orrington, Maine), are performed under contract agreement. Costs for disposal of solid waste include a $74.20/ton tipping fee to PERC; a $6.00/ton tipping fee to the Town of Oakland; and $16.77/ton for transport to PERC.

The City is a charter member of the PERC waste-to-energy plant in Orrington and is a member of the Municipal Review Committee (MRC); elected from among the 60 participating communities who send solid waste to PERC. The MRC oversees PERC management and operations in an advisory capacity to ensure that the interests of the participating communities are advocated and protected. The City has an annual commitment to deliver 11,400 tons; all but 5,500 are non-residential tons to the facility.

The City's landfill/transfer station was closed in 1998. The total cost of closing the City's landfill was $2,682,737. Of that, the State of Maine Department of Environmental Protection financed $1,774,610. Solid waste refuse is currently hauled to the Town of Oakland's transfer station through a 3-way agreement between Oakland and the Waterville/Winslow Solid Waste Corporation. All other solid waste products are directed to the disposed of at the Capital Transfer – Pine Tree Waste facility on the Airport Road in Waterville. Recycling products are directed to Skills Recycling facility on the Industrial Park Road in Waterville.

Public Education

The City operates its educational program for grades K through 12 under its own supervision. Article IX of the City's Charter, as amended, provides that the Department of Education for the City be administered by a Board of Education comprised of seven members, all elected by wards. The Board of Education members are elected for three-year terms. The Board performs all duties and functions in regard to the care and management of the public schools of the City including preparation and submission of its budget to the Mayor and to each member of the City Council, who include it in the budget process. See also "CITY FINANCES - BUDGETARY PROCESS" section herein. The School's staff consists of a Superintendent, Assistant Superintendent 5 full-time principals, 4 full-time assistant principals, 187 full-time equivalent teachers of which 165 are locally funded and 22 Federal or State funded. The City's schools are listed as follows:

School	Grade	Year of Orig. Const./Renov.	Capacity	Current Enrollment
George J. Mitchell Elementary	K-3	1969/2000	600	628
Albert S. Hall School	4-5	1922	400	259
Waterville Junior High	6-8	1978	550	419
Waterville High	9-12	1962/66/70	800	616
			2,650	1922

Source: City of Waterville, Department of Education
State of Maine, Department of Education

The following shows the trend of the City's school enrollments over the last ten years:

	Grade K	Grades 1-3	Grades 4-5	Grades 6-8	Grades 9-12	Other[1]	Total Enrollment
2009	142	422	266	414	614	32	1890
2008	138	424	279	413	622	32	1908
2007	152	453	274	420	639	28	1966
2006	151	459	269	425	656	32	1992
2005	154	438	279	441	702	32	2046
2004	154	402	258	466	635	19	1,934
2003	134	397	278	444	665	29	1,947
2002	136	401	286	471	686	--	1,980
2001	124	396	294	469	706	--	1,989
2000	122	413	291	458	753	64	2,101

Source: City of Waterville, Department of Education, April 1st Resident Enrollment Report.

State of Maine, Department of Education

NOTE: (1) "Other" includes: Elementary Special, Pre-Kindergarten, Secondary Special and Post-Graduate Students

Effective July 1, 2009, the Waterville school department and the school departments of the Towns of Vassalboro and Winslow organized an "Alternative Organizational Structure," AOS # 92, pursuant to Maine's Reorganization Law in order to jointly provide certain management functions and facilities to their respective school departments on a shared basis. Shared administrative employees include the Superintendent, Assistant Superintendent, Special Education Director, Transportation Director, Business Manager, Facilities Director and office support staff. The AOS # 92 budget is approved annually at a New-England style town meeting of voters of the AOS. The City's share of the AOS # 92 budget is payable based upon the Reorganization Plan and Interlocal Agreement pursuant to which AOS # 92 was established. The City's share of the AOS #92 budget is included in the school budget that is annually approved by the City Council and ratified at a City referendum vote.

Mid-Maine Technical Center

Title 20-A, Chapter 313 of the Maine Revised Statutes, as amended, provides for "applied technology education" or a course or program of education which is designed to create or improve job-related skills that are part of a secondary school curriculum. The programs may be offered via an applied technology center (a "Center") or an applied technology region (a "Region"). The Region is a quasi-municipal corporation established by the Legislature for the delivery of applied technology programs which is comprised of two or more school administrative units and is governed by a cooperative board. The school administrative unit is responsible for its proportionate share of the Region's operating expenses, including debt repayment, which is included in the respective unit's annual assessment to the Region. A Center is governed by a single school administrative unit and its obligations are those of the unit.

The Mid-Maine Technical Center is owned, operated and maintained by the Department of Education of the City of Waterville. The school first opened for secondary students from grades 9-12 in September of 1996, as the Waterville Regional Technical Center, changing to its current name on July 1, 1995. The City has entered into a cooperative agreement (the "Cooperative Agreement") between Waterville, the Town of Winslow, Maine School Administrative District No. 47 (comprised of the Towns of Belgrade, Oakland and Sidney), and Maine School Administrative District No. 49 (comprised of the Towns of Albion, Benton, Clinton and Fairfield) (collectively the "Member Units") which provides for a Governance Board, made up of representatives from the Member Units, to plan, develop, coordinate and govern educational services for vocational students enrolled by the Member Units, and to devise formulas to share costs. Students from Hinckley School, a private institution, may also attend the Technical Center, on a tuition basis set by the State and negotiated with the City.

Waterville Public Library

The Waterville Public Library was established in 1896. For the first nine years, it was housed successively in three different downtown business buildings. Community leaders petitioned philanthropist Andrew Carnegie who granted $20,000 for a library building. Designed in a popular turn-of-the-century Romanesque library style, the structure was dedicated in 1905. It still serves as the public library building and was expanded in 1960, 1976, and 2010. The City currently provides 85 percent of the Library's budget of $479,850.

The Library now has approximately 88,000 books and a total of 7,770 videocassettes, DVDs, audio books, and CDs. The Library offers patrons downloadable e-books and audiobooks. It subscribes to 76 periodicals and has 18 Internet stations for the public, in addition to a laptop lab and a Business and Career Center. The Library is fully automated and offers online access to its catalog as well as patrons' accounts. The Library offers access to more than 50 online databases. The Library is a member of the Minerva Library Network, which offers member library patrons access to over 2.2 million items.

The Library is open for 50 hours per week during the school year and 45 hours in the summer. It is governed by a 17-member Board of Trustees and has 7 full-time personnel (including 2 professional librarians) and 9 part-time employees who together contribute a total of 300 hours per week.

Employee Relations

The City employs approximately 108 full-time and various part-time employees; the School Department employs approximately 375 personnel. City employees not included in the below table are not represented by a union. The contracts for the various bargaining units who are represented by a union are effective, and expire, as follows:

Bargaining Unit	Union[1]	Date of Current Contract	Date of Contract Expiration
Fire Department	Teamsters (Local #340)	July 1, 2008	June 30, 2011
Police Officers	Maine Association of Police	July 1, 2009	June 30, 2012
Police Ranking Officers	Maine Association of Police	July 1, 2009	June 30, 2012
Public Works	Teamsters (Local #340)	July 1, 2009	June 30, 2011
Teachers	WTA (MEA)	September 1, 2010	August 31, 2012
Technicians	WTA (MEA)	September 1, 2010	August 31, 2012
Custodial/Cafeteria	AFSCME (AFL & CIO)	July 1, 2008	June 30, 2011
Transportation	AFSCME (AFL & CIO)	July 1, 2010	June 30, 2011
General Government	AFSCME (AFL & CI0)	July 1, 2009	June 30, 2011

NOTE: (1) The International Brotherhood of Teamsters (the "Teamsters") represents Fire Department personnel and Public Works employees, each as separate bargaining units. The Maine Association of Police represents Police Officers and Police Ranking Officers, each as separate bargaining units. The School Department's teachers and technicians are represented by the Waterville Teachers' Association ("WTA"), affiliated with the Maine Education Association ("MEA") as separate bargaining units. The School Department's custodial/cafeteria workers and transportation employees are represented by the American Federation of State, County and Municipal Employees ("AFSCME"), affiliated with the American Federation of Labor & Congress of Industrial Organization ("AFL & CIO"), as separate bargaining units.

BUDGETARY PROCESS

The fiscal year (or "budget year") of the City begins on the first day of July and ends on the thirtieth day of June of the ensuing year. The City's Charter provides for a budget process, discussed below with the appropriate citations from the Charter noted in brackets. The Charter directs the Director of Finance to compile current expense estimates and the capital estimate for the budget [Article VI(2)(A)]. The City Manager then finalizes next year's fiscal information into the annual budget and capital improvement plan in consultation with the Finance Director, City Finance Committee and Department Directors, and submits said budget to the Mayor at least sixteen (16) weeks prior to the end of the current fiscal year [Article III(3)E]. At least fourteen (14) weeks before the beginning of the next fiscal year, the Board of Education meets jointly with the City Council, at a time fixed by the Mayor, to determine a budget needed for school purposes for the next fiscal year [Article IX(5)H]. At least twelve (12) weeks prior to the start of the fiscal year the Mayor submits a budget to the City Council for its consideration [Article II(5)(E)]. Hearings are held to obtain public comment. The budget is legally enacted through the passage of an appropriation resolve by the Council and is adopted by the City Council [Article III(7)(A)]. The adopted budget is then filed with the City Assessor, who establishes a levy of taxes for the corresponding tax year. Any revisions to the budget that alter total expenditures must be approved by the Council.

All unexpended appropriations lapse at year-end unless specific approval is granted to carry forward such amounts.

Under state law, the school budget approved by the City Council is required to be submitted to a ratification referendum vote within 30 days of its adoption. If the voters do not validate the school budget that the City Council approved, the school committee must submit a revised budget to the City Council, and the City Council must hold a meeting to adopt a school budget at least 10 days after the first referendum vote. That revised school budget is then again submitted to the City voters for ratification at referendum. The process must be repeated until a school budget is approved at a City Council meeting and validated at referendum.

If a budget for the operation of City schools is not approved prior to July 1st, the latest budget approved by the City Council and submitted to the voters for validation at a referendum in accordance with section 1486 of Title 20-A of the Maine Revised Statutes is automatically considered the budget for operational expenses of the City schools for the ensuing year until a final budget is approved, except that, when the Commissioner of Education delays notification to the City of the amount of its state subsidy for education, certain statutory extensions to the school budget approval process may apply, which if applicable also provide for an interim school budget.

If the school budget is not approved and validated before July 1st and the City determines that the property taxes must be committed in a timely manner to the collector pursuant to Title 36, section 709, the municipal assessor or assessors may commit the property taxes on the basis of the latest school budget approved at by the City Council and submitted to the voters for validation at a referendum.

Every 3 years, the voters in the City shall consider continued use of the budget validation referendum process for the school budget. The warrant at the budget validation referendum in the 3rd year following adoption or continuation of the referendum process must include an article by which the voters of the City may indicate whether they wish to continue the process for another 3 years. A vote to discontinue the process ends its use beginning with the following budget year and prohibits its reconsideration for at least 3 years. The warrant for the referendum to validate the fiscal year 2010-11 budget was deemed the 3rd-year warrant. Waterville residents voted to continue the budget validation referendum process for the school budget for an additional 3 years on June 8, 2010.
The following table sets forth the trends in the General Fund budgets for the City for the last four fiscal years and for the current fiscal year:

	2007	2008	2009	2010	2011
Revenues					
Taxes	$16,497,882	$ 16,483,067	$ 16,626,284	$ 16,496,750	$ 16,548,185
Licenses and permits	196,350	202,900	195,000	110,050	36,950
Intergovernmental	13,897,442	15,095,313	15,790,400	14,863,861	13,409,195
Tuition and other charges for services - Education	870,537	1,014,781	1,110,000	1,090,000	1,090,000
Charges for services - City	396,700	426,000	796,059	488,490	534,245
Fees and fines	5,500	5,000	3,300	3,300	3,300
Unclassified	1,256,366	1,711,008	1,238,619	1,373,291	1,285,820
Investment earnings	125,000	250,000	350,000	350,000	162,330
Transfers in	155,071	149,401	572,062	180,378	505,540
Budgeted use of fund balance - City	382,735	502,330	2,732,410	1,327,756	1,500,000
Total Revenues	33,783,583	35,839,800	39,414,134	36,283,876	35,075,565
Expenditures					
Mayor & Council	42,070	20,865	20,865	20,425	19,575
Administration	1,443,282	1,503,652	1,418,592	1,485,490	1,411,735
Assessor	140,389	144,400	155,683	154,710	154,275
Information services	333,800	402,975	476,930	430,855	422,345
Finance department	418,057	363,872	377,882	376,055	369,500
City Clerk	142,355	151,165	156,531	156,750	152,880
Planning department	89,038	84,937	88,565	87,685	83,230
Economic development	270,443	390,142	628,918	88,330	112,845
Public works	4,020,032	3,734,951	3,939,096	3,931,466	3,947,350
Parks, culture and recreation	370,946	459,155	488,549	465,723	451,040
Police	2,249,333	2,356,774	2,462,974	2,418,680	2,453,270
Communication center	338,610	354,500	430,060	436,315	429,970
Fire	1,664,340	1,727,469	1,842,131	1,838,185	1,844,880
Code enforcement	78,205	80,555	81,035	80,780	82,315
Health and welfare	269,295	298,347	320,969	308,692	300,350
Education	18,291,802	19,367,633	20,042,512	19,967,091	19,313,895
County tax	687,500	703,210	736,455	747,535	887,575
Unclassified	72,600	196,100	76,100	61,100	51,100
Debt service (excluding education portion)	1,346,285	1,323,260	1,356,280	1,345,240	1,293,280
Transfers out	1,515,201	2,175,838	4,314,007	1,882,769	1,294,155
Total Expenditures	33,783,583	35,839,800	39,414,134	36,283,876	35,075,565

INVESTMENT POLICY

Authority to manage the City's investment program is derived from 30-A M.R.S.A. §5706 et seq. Management responsibility for the investment program is hereby delegated to the Finance Director, who may, in consultation with the City Manager, establish procedures for the operation of the investment program consistent with this investment policy. The Finance Director is responsible for all transactions undertaken and does establish a system of internal controls to ensure that all transactions are undertaken by authorized individuals.

The Finance Director and City Manager develop and review annually with the oversight of the City's Finance Committee investment procedures and processes to be followed when investing City funds.

Officers and employees involved in the investment process refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Funds of the City of Waterville may be invested in the following types of securities:

- Obligations of the U.S. government, its agencies and instrumentalities, i.e., Treasury bills. Treasury notes or bonds maturing within one year.
- Insured or fully collateralized certificates of deposit of banks and savings and loan associations.
- Repurchase agreements collateralized by Letters of Credit from such institutions such as Federal Home Loan Bank or the Federal Reserve Bank; or by U.S. Government backed obligations of U.S. Government agencies and corporations. Pledged collateral must be at least 102% of the market value of the principal and accrued interest and marked-to-market daily. A Master Repurchase Agreement must be signed with the bank or dealer and kept on file by the Finance Director.
- Money market mutual funds whose portfolios consist entirely of U.S. Government securities.
- Funds may be invested in longer maturities, prime bankers' acceptances and secured commercial paper with an AAA rating according to the Standard & Poor's rating scale upon adoption of a motion of authorization by the majority of the governing body at a regular or special public meeting.

To the extent possible, the City attempts to match investments with anticipated cash requirements. Maturities are two years or less for operating fund investments and five years or less for other long term funds. The prior does not apply to trust funds held by the City. The City of Waterville may collateralize its repurchase agreements using longer investments through a Letter of Credit with banks of such standing and quality as the Federal Home Loan Bank of Boston or the Federal Reserve Bank.

Assets are diversified to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of security. With the exception of U.S. Treasury securities or FDIC insured CDs, no more than 70 percent of the City of Waterville's total investment portfolio will be invested in a single security type or with a single financial institution.

Collateralization will be required on any investment, including repurchase agreements, where funds are not insured, or any other investment balance that exceeds the stated limits of insurance. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. This excludes investments in permanent funds and private-purpose trust funds designated otherwise.

FUND BALANCE POLICY

The following terms and conditions exist regarding use of the City's Undesignated Fund Balance:

1. That an amount equal to at least 18% of the City's most recent approved operating budget shall be established as a minimum Undesignated Fund Balance.
2. That annually, following completion of the City's audit, the City Manager reviews the Undesignated Fund Balance and proposes to utilize, through the annual budget process, surplus funds above the 18% minimum, if any.
3. That said proposed use of Undesignated Fund Balance funds are dedicated to projects in the Capital Improvement Program or other unanticipated one-time expenses.
4. That the Council may vote to establish certain reserve accounts from the Undesignated Fund Balance for the purpose of funding specific capital improvement needs in the future.
5. That the Council may, by a two-thirds (⅔) vote, decide to expend or to reserve amounts greater than that listed above based on the immediate or long-term needs of the City.

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FINANCIAL STATEMENTS

CITY OF WATERVILLE, MAINE
COMPARATIVE BALANCE SHEETS
GENERAL FUND
(As of June 30)

	2010	2009	2008	2007	2006
ASSETS					
Cash	9,693,949	9,583,552	8,157,776	5,227,492	5,010,509
Investments	3,927,913	6,469,512	8,934,368	7,923,351	8,084,076
Receivables:					
Taxes receivable	1,310,449	1,417,939	1,301,348	1,443,013	1,312,491
Tax liens	15,824	15,823	15,823	15,823	16,994
Other receivables	35,133	48,724	40,154	14,193	34,537
Intergovernmental	49,490	9,618	6,460	6,993	11,040
Interfund loans receivable	25,168	103,938	178,528	306,515	1,006
Inventory	118,589	24,570	56,332	-	-
Total Assets	15,176,515	17,673,676	18,690,789	14,937,380	14,470,653
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	374,687	571,786	746,232	688,211	505,292
Accrued wages and benefits payable	1,255,786	1,404,169	1,355,573	1,290,525	1,300,490
Accrued compensated absences	69,737	91,510	85,568	74,420	9,503
Deferred revenue	662,076	553,281	670,427	810,451	865,545
Taxes received in advance	21,869	18,673	11,701	9,522	12,554
Due to agency fund	136,054	113,351	57,098	68,267	28,245
Interfund loans payable	4,883,803	6,617,893	5,410,632	2,921,640	4,736,442
Total Liabilities	7,404,012	9,370,663	8,337,231	5,863,036	7,458,071
Fund Balances:					
Nonspendable for inventory	118,589	24,570	56,332		
General Fund - unassigned/undesignated	7,338,321	8,101,006	9,396,274	8,150,277	6,205,764
General Fund - unassigned school	315,593	177,437	900,952	924,067	806,818
Total Fund Balances	7,772,503	8,303,013	10,353,558	9,074,344	7,012,582
Total Liabilities and Fund Balances	15,176,515	17,673,676	18,690,789	14,937,380	14,470,653

Prepared from Audited Financial Statements.

CITY OF WATERVILLE, MAINE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(For the Year-Ended June 30)

	2010	2009	2008	2007	2006
Revenues:					
Taxes	16,487,430	16,936,166	16,924,959	16,926,314	17,021,470
Licenses and permits	124,023	109,080	240,539	183,778	207,825
Intergovernmental	15,224,724	17,123,402	17,181,403	16,074,664	15,772,463
Tuition and other charges - Education	1,531,554	1,102,995	1,090,586	933,281	862,086
Charges for services - City	488,219	818,869	469,207	356,815	367,242
Fees and fines	9,786	8,116	10,378	6,070	8,228
Unclassified	995,463	1,231,000	1,413,333	1,144,361	1,152,863
Investment earnings (losses)	191,541	357,098	458,499	396,523	228,794
Total Revenues	35,052,740	37,686,726	37,788,904	36,021,806	35,620,971
Expenditures:					
Current:					
Council				12,000	11,116
Mayor	18,771	19,139	22,535	23,854	36,228
Administration	1,331,601	1,317,983	1,276,504	1,300,466	1,389,019
Assessor	133,054	129,632	132,357	131,026	127,514
Information services	421,116	433,069	403,140	327,495	310,345
Finance department	346,606	354,259	356,597	380,366	388,310
City Clerk	145,258	139,665	140,574	132,295	129,527
Planning department	80,283	81,508	75,177	79,305	78,809
Economic development	87,218	616,605	373,960	221,678	207,526
Public works	3,286,449	3,698,467	3,517,127	3,426,582	3,489,788
Parks, recreation and culture	419,688	456,287	453,078	331,586	305,580
Police	2,401,578	2,406,788	2,329,020	2,246,941	2,134,209
Communication center	405,606	409,829	358,011	319,806	301,766
Safety committee	-	-	-	922	802
Fire	1,707,812	1,824,444	1,761,812	1,611,150	1,563,681
Code enforcement	80,329	79,101	77,568	76,453	74,555
Health and welfare	274,325	254,290	292,465	225,242	213,636
Education	20,719,166	21,719,036	21,174,100	20,052,956	20,168,409
County tax	747,533	736,021	703,210	687,502	708,171
Unclassified	29,550	27,317	52,631	45,321	30,061
Debt service (excluding education portion)	1,299,844	1,338,145	1,310,366	1,346,336	1,425,736
Total Expenditures	33,935,787	36,041,585	34,810,232	32,979,282	33,094,788
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,116,953	1,645,141	2,978,672	3,042,524	2,526,183
Other Financing Sources (Uses):					
Bond Proceeds					
Sale of Municipal Property	1,847	12,905	426,600	-	-
Purchase of Municipal Property	-	(5,037)	(125,705)	-	-
Transfers in	266,058	790,785	195,063	702,895	40,286
Transfers out	(1,915,368)	(4,494,405)	(2,212,784)	(1,628,650)	(1,203,500)
Total Other Financing Sources (Uses)	(1,647,463)	(3,695,752)	(1,716,826)	(925,755)	(1,163,214)
Net Change in Fund Balances	(530,510)	(2,050,611)	1,261,846	2,116,769	1,362,969
Fund Balances, Beginning of Year (Restated)	8,303,013	10,353,624	9,091,712	6,957,575	5,649,613
Fund Balances, End of Year	**7,772,503**	**8,303,013**	**10,353,558**	**9,074,344**	**7,012,582**

Prepared from Audited Financial Statements.

FUNDS

The accounts of the City are organized on the basis of funds or groups of accounts each of which is considered to be a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The following fund types and account groups are or can be used by the City:

Government Fund Types

The **General Fund** is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From that fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The City has established Capital Reserve, Hazardous Material, Solid Waste, Tax Increment Financing, Recreation Program, and Recycling Funds as Special Revenue Funds.

Capital Project Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (**Enterprise Funds**) or to other departments or agencies primarily within the City (**Internal Service Funds).**

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, either a **Pension Trust Fund**, a **Nonexpendable Trust Fund** or an **Expendable Trust Fund** is used. The terms "nonexpendable" and "expendable" refer to whether or not the City is under an obligation to maintain the trust principal. **Agency Funds** are used to account for assets that the City holds on behalf of others as their agent.

PROPERTY TAXATION

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Total Assessed Valuation (000)	Tax Rate (000)	Commitment Tax (000)	Collected @ Year End (000)	Collections after Supplements and Abatements Tax	A/O 6/30/10
2010	$824,050	$657,099	24.15	$15,253	$14,175	92.9%	93%
2009	819,200	656,387	24.40	15,365	14,207	92.5%	98%
2008	778,200	643,380	24.90	15,262	14,268	93.2%	100%
2007	697,450	624,939	25.90	15,426	14,252	92.4%	100%
2006	632,500	617,656	26.90	15,764	14,643	93.8%	100%
2005	610,050	591,956	27.40	15,772	14,796	94.2%	100%

The principal tax of the City is the tax on real and personal property. There is no legal limit as to rate or amount. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The City's Tax Collector receives the tax commitment from the City Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2010/2011, the tax due dates are the second Friday of October, December, March and June. All taxes paid after the due date will be subject to interest, at the rate of 7.0% per annum.

Collection of real estate taxes is ordinarily enforced in the City by the "tax lien" procedure as provided in the Maine Revised Statutes to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the City.

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, "No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7.5% of its last full State valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full State valuation, or other percentage or amount that a municipality may set, and for municipal airport and special district proposes to an amount outstanding at any time not exceeding 3% of its last full State valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full State valuation, or any lower percentage or amount that a municipality may set."

Title 30-A, Section 5703 of Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply"...to any funds received in Trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School building Authority, debt issued under Chapter 235 and Title 10, Chapter 110, Subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt."

The City of Waterville's 2011 equalized state valuation is $810,050,000. The 15% debt limit is $121,507,500 as of June 30, 2010, the city's long-term debt outstanding, was $17,869,000 or 2.2% of the equalized state valuation.

DEBT SUMMARY

Bonds payable at June 30, 2009 and at June 30, 2010, are comprised of the following issues:

Year Issued	Purpose	Amount Issued (000)	Final Maturity Date	Balance June 30, 2009 (000)	Balance June 30, 2010 (000)
1997	Capital Improvements	3,880	11/01/12	510	345
1999	Capital Improvements	4,970	07/01/19	2,955	2,695
2001	Capital Improvements	2,021	02/01/21	1,221	1,121
2002	Capital Improve-MMBB	3,876	05/11-10/12	434	274
2002	Capital Improvements	5,300	11/01/32	4,100	3,900
2005	Capital Improvements	538	4/1/14	158	131
2005	Capital Improvements	5,285	06/01/25	4,075	3,735
2007	Capital Improve-QZAB	965	10/1/22	907	848
2008	Capital Improve-QZAB	516	7/1/23	148	486
2009	Capital Improve-QZAB	4,333	11/1/25		4,333
Totals				14,508	17,869

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PRINCIPAL PAYMENTS BY ISSUE
(000)

Fiscal Yr. End June 30,	1997 Issue	1999 Issue	2001 Issue	2002 Issue	2002 MMBB Issues	2005 Issue	2005 School Issue	2007 QZAB	2008 QZAB	2009 QZAB	Total Debt
2011	165	260	100	200	153	320	26	60	31	289	1604
2012	90	260	100	200	121	315	26	61	31	289	1493
2013	90	270	100	200		315	26	62	32	289	1384
2014		270	100	195		315	26	62	32	289	1289
2015		270	100	195		315	27	63	33	289	1292
2016		270	100	195		220		64	34	289	1172
2017		270	100	195		220		65	34	289	1173
2018		275	100	195		220		66	35	289	1180
2019		275	100	195		220		67	36	289	1182
2020		275	110	195		220		68	36	289	1193
2021		0	111	195		220		69	37	289	921
2022				195		215		70	38	289	807
2023				195		215		71	38	289	808
2024				135		205			39	289	668
2025				135		200				287	622
2026				135							135
2027				135							135
2028				135							135
2029				135							135
2030				135							135
2031				135							135
2032				135							135
2033				135							135
Totals	345	2,695	1,121	3,900	275	3,735	131	848	486	4,333	17,869

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PROJECTED DEBT SERVICE REQUIREMENTS							
Fiscal Yr. End June 30,	Prior Debt			Debt (This Issue)			Projected Total Debt Service
	Principal	Interest	Total Debt	Principal	Interest	Total Debt	
2011	$1,603,824	$528,937	$2,132,761	0	0	0	$2,132,761
2012	1,482,782	483,420	1,966,202	0	0	0	1,966,202
2013	1,383,573	445,968	1,829,541	0	0	0	1,829,541
2014	1,290,046	403,152	1,693,198	0	0	0	1,693,198
2015	1,291,541	364,462	1,656,003	0	0	0	1,656,003
2016-2020	5,899,665	1,255,410	7,155,075	0	0	0	7,155,075
2021-2025	3,827,114	508,950	4,336,064	0	0	0	4,336,064
2026-2030	675,000	185,625	860,625	0	0	0	860,625
2031-2035	415,189	30,375	445,564	0	0	0	445,564
TOTAL	**$17,868,734**	**$4,206,299**	**$22,075,033**	**0**	**0**	**0**	**$22,075,033**

OVERLAPPING DEBT

County of Kennebec

The City is subject to an annual assessment of its proportional share of the County of Kennebec's (the "County") expenses, including debt repayment, as determined by percentage of the City's Equalized State Valuation to the County's Equalized State Valuation. At June 30, 2010, the City's Equalized State Valuation of $810,050,000 was 7.93% of the County's Equalized State Valuation of $10,208,650,000. The City's share is 8.03% or $30,677 of the County's $381,842 long-term debt outstanding as of June 30, 2010.

CONTINGENT DEBT

The City does not have any debt obligations for which it is responsible for on a contingent basis.

FUTURE FINANCING

The City customarily funds its capital budget for projects after approval by the City Council, through the issuance of its general obligation bonds; however, no official action has been taken by the City at this time to authorize any new projects. The following table reflects the City's five year capital improvement plan.

2010-2015							
DEPT.	ITEM	EST COST	BUDGET 2010-2011	REQUEST 2011-2012	REQUEST 2012-2013	REQUEST 2013-2014	REQUEST 2014-2015
ADMINISTRATION	Property Revaluation	$ 350,000	$ -	$ -	$ 350,000	$ -	$ -
	Opera House Renovation	$ 300,000	$ -	$ 300,000	$ -	$ -	$ -
PARKS AND REC.	Equipment	$ 150,000	$ -	$ 70,000	$ 35,000	$ 45,000	$ -
	Facilities	$ 78,500	$ -	$ 78,500	$ -	$ -	$ -
	Quarry Road	$ 1,000,000	$ -	$ 250,000	$ -	$ -	$ -
PUBLIC SAFETY	Fire Station Boiler	$ 25,000	$ -	$ 25,000	$ -	$ -	$ -
	Fire Alarm Upgrade	$ 57,290	$ -	$ 57,290	$ -	$ -	$ -
	Fire Equipment	$ 450,000	$ -	$ 450,000	$ -	$ -	$ -
PUBLIC WORKS	Equipment	$ 2,445,000	$ 210,000	$ 400,000	$ 420,000	$ 660,000	$ 755,000
	Facilities	$ 250,000	$ 100,000	$ 150,000	$ -	$ -	$ -
	Campus Drive Project	$ 1,100,000	$ -	$ 366,500	$ -	$ -	$ -
	Pavement Maintenance	$ 1,650,000	$ 250,000	$ 300,000	$ 350,000	$ 350,000	$ 400,000
	TOTAL	$ 7,855,790	$ 560,000	$ 2,447,290	$ 1,155,000	$ 1,055,000	$ 1,155,000

RETIREMENT

Maine State Retirement System

The City participates in the Maine State Retirement System ("MSRS"), which is an agent multiple-employer Public Employee Retirement System ("PERS"). Benefits under the system are defined by State law. Assets related to the City's pension obligation are allocated by the MSRS and are valued at an actuarial value, which approximates market value. The City's contributions rates are determined by the MSRS actuary using the same assumptions as used in calculating the actuarial liability.

Funding Policy (City) - Plan members are required to contribute 8% of their annual covered salary and the City is required to contribute an actuarially determined rate. The current rate is 2.9% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Legislature. The City made $77,438 of contributions to the Maine State Legislature Consolidated Plan for the year ended June 30, 2010.

Funding Policy (School Department) - The contribution rates of plan members and the Public Schools are established and may be amended by the Maine State Retirement System Board of Trustees. The School's contribution to the Maine State Retirement System Consolidated Plan for the year ended June 30, 2010 was $172,788, which equals the required contributions for the year.

All schoolteachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the Maine State Retirement System Board of Trustees.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to $1,388,920 (17.78%) for the fiscal year 2010. This amount has been reported as an intergovernmental revenue and retirement expenditure in the financial statements within the education activity. There is no contribution required by the School except for federally funded teachers, for which the School contributed 17.78% of their compensation. This cost is charged to the applicable grant.

OTHER RETIREMENT

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City without being restricted to the provisions of benefits under the plan and subject to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant. As the trustee of the plan the City has a duty of due care that would be required of a prudent investor.

Social Security Retirement Program

The City participates in the Social Security Retirement Program.

Financial Statements of the City

The audited financials of the City as of, and for the years ended June 30, 2008, June 30, 2009 and June 30, 2010, together with the reports thereon dated, respectively January 7, 2009, December 3, 2009 and November 17, 2010 of McDonald Page & Co. LLC, independent certified public accountants, may be accessed from the following link: http://www.waterville-me.gov/departments/finance. The financial statements as of June 30, 2009 and June 30, 2010 and for the years then ended have been audited by McDonald Page & Co. LLC, independent auditors, as stated in their reports appearing herein.

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APPENDIX B-3

INFORMATION REGARDING CITY OF LEWISTON

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INFORMATION REGARDING CITY OF LEWISTON

THE CITY

The City of Lewiston, Maine (the "City" or "Lewiston") was incorporated as a Town in 1795 and established as a City in 1863. It is located in Androscoggin County, about 35 miles north of Portland, Maine and 140 miles north of Boston, Massachusetts. It is the second largest city in Maine.

FORM OF GOVERNMENT

Under the City's current charter, which was adopted in 1979, the City operates under a Mayor, seven-member City Council, and City Administrator form of government. The City Administrator is appointed by and reports solely to the City Council. The City Administrator appoints all department heads, some with City Council confirmation.

The City Council is vested with the authority to determine the budget and the City's tax rate. Its members have the ultimate policy and decision-making power in the City. The Mayor, who is elected by the voters for two-year terms, has no veto power over Council actions.

The Lewiston public school system is administered by a nine-member school committee made up of one citizen from each of the City's seven wards, one member elected at-large, and one member of the City Council. The School Committee is elected by the voters of the City for two-year terms. The School Committee has responsibility for school policy and hiring department employees, including the Superintendent. However, the ultimate control over the school budget lies with the City Council.

The Finance Director is appointed by the City Administrator and is confirmed by the City Council. She organizes and directs the City's financial activities, including guiding City officers on fiscal matters.

SERVICES

The City provides general government services within its corporate boundaries. These services include police and fire protection, water and sewer, street maintenance, solid waster removal, disposal, and recycling, human services, culture and recreation, and public education in grades pre-K-12.

While most City services are funded through the general operating budget, the Water, Sewer and Stormwater Divisions are operated as enterprise funds. Both operating and capital costs of these divisions, including debt service, are supported entirely by user charges.

The City's water supply source is Lake Auburn, located in the City of Auburn. Lake Auburn also supplies the Auburn Water District which services most residents and businesses in the City of Auburn. The distribution systems of the City of Lewiston and the Auburn Water District are entirely separate. The City has avoided the need to construct a water treatment plant (estimated cost: $30 million) on Lake Auburn through measures taken in conjunction with the City of Auburn and the Auburn Water District to protect the Lake's watershed. One such measure was the creation of the Lewiston-Auburn Watershed Protection Commission. This Commission manages the watershed area surrounding Lake Auburn and has purchased and controls in excess of 2,073 acres within the watershed. It consists of nine-members: three appointed by the City of

Lewiston, three appointed by the Auburn Water District, one member appointed by the Town of Turner, one member appointed by the Towns of Minot, Hebron, and Buckfield, and one member appointed by the Androscoggin Valley Council of Governments (AVCOG). The Commission was created during fiscal 1994. The Commission's budget is supported by assessments on the City of Lewiston and the Auburn Water District. The City of Lewiston and the Auburn Water District are currently constructing an ultraviolet light treatment facility at Lake Auburn at a cost of $7.7 million, which was financed through the Maine Drinking Water – State Revolving Loan Fund with funds directly allocated from the American Recovery and Reinvestment Act. The City of Lewiston and the Auburn Water District have proceeded to Phase II & III of the ultraviolet light construction project which includes consolidated chemical treatment and laboratory facilities and SCADA control space.

Sewage treatment is provided by the Lewiston-Auburn Water Pollution Control Authority, a joint venture of the Cities of Lewiston and Auburn. The Authority operates a wastewater facility on the Androscoggin River. The facility has the capacity to process 14.2 million gallons per day of sewage. The Authority has constructed a composting facility which processes 60% of the plant's sewage sludge to produce a marketable fertilizer compound. The Authority was incorporated in 1967 to provide and maintain facilities adequate for treating wastewater of the two cities. It is governed by a seven-member board consisting of officials from both cities, including Lewiston's Deputy City Administrator and Public Services Director. It is supported in large part by assessments on the two member cities. The City's assessment is paid from the revenues of its Sewer Enterprise Fund.

Androscoggin County is supported in large part by assessments on its two cities and 12 towns. The County provides the following services: a jail, a sheriff's department, a registry of deeds, a registry of probate, and a district attorney's office.

The Auburn-Lewiston Airport, located in Auburn, is owned and operated jointly by the two cities. It is governed by a seven-member Board: the Lewiston Finance Director (ex-officio), a Lewiston City Councilor, a member appointed by the Lewiston City Council, the Auburn City Manager (ex-officio), an Auburn City Councilor, a member appointed by the Auburn City Council, and a member appointed by the Board (alternating between Lewiston and Auburn). The Airport is supported by assessments on the two cities, user fees, investment income, and federal and state grants. The Airport is designated a reliever facility for the Portland International Jetport. As such, the Airport is officially registered as part of the National Air System. This status has made additional federal funding available to the airport.

The Lewiston-Auburn Transit Committee is a joint venture of the cities of Lewiston and Auburn formed to provide bus transit services to the twin city area. The Committee is made up of seven members, three from each of the cities appointed by their respective City Councils, and one member, who may be from either city, appointed by the Committee. The Committee receives the majority of its funding from state and federal grants. Assessments are also made on the two cities for the local share of these grants.

The City has an agreement with Mid Maine Waste Action Corporation (MMWAC) for disposal of its municipal solid waste at its waste to energy facility, located in Auburn, Maine. The City transports its municipal solid waste to MMWAC and accepts ash residue waste from MMWAC to be disposed of in Lewiston's landfill. This agreement has allowed for extending the useful life of the City's landfill until at least 2014. The current contract between the City and MMWAC expires in June 2017.

THE PROJECT

Proceeds of Lewiston's Municipal Bond will be used to pay all or a portion of the costs of replacing the boilers at the Lewiston Middle School and the Montello Elementary School and upgrading the air exchange system at the Montello Elementary School to improve indoor air quality.

THE SCHOOL BOARD

The Lewiston public school system is administered by a nine-member school committee made up of one citizen from each of the City's seven wards, one member elected at-large, and one member of the City Council. The School Committee is elected by the voters of the City for two-year terms. The School Committee has responsibility for school policy and hiring department employees, including the Superintendent. However, the ultimate control over the school budget lies with the City Council.

CITY SCHOOLS, STAFFING AND ENROLLMENTS

The Lewiston Public Schools include six elementary schools, a middle school, and a comprehensive high school/regional technical center. Enrollment, as of October 1st was 4,901with a staff of 790full-time equivalents, of which 374 are teachers. Excluding special services, the average class size is 19.6 to 1. Total capacity of the Lewiston Public Schools is currently slightly over 5,000 students. Neither enrollment nor capacity is expected to change materially. Geiger Elementary School, a new school with a capacity of 690 students was completed in the summer of 2009. This new school will reduce overcrowding at the elementary level, permit the closing of an older, small elementary school and eliminating the need for three of the district's twelve portable buildings.

The following table shows the actual school enrollments as of October 1, 2006 through 2010.

Grades	**2006**	**2007**	**2008**	**2009**	**2010**
Elementary.....	2,508	2,608	2,673	2,810	2,498
Middle School.....	725	704	681	637	1,200
High School	1,393	1,460	1,365	1,375	1,381
Totals	4,626	4,772	4,719	4,822	4,901

(1) As of October 1 of each school year.
(2) 3 Add'l Pre-K classrooms added in 2009

The following table displays the City's enrollment projections (including out-of-City students) for the school years 2011-2012 through 2014-2015.

School Year	Students
2011-2012	5,093
2012-2013	5,237
2013-2014	5,372
2014-2015	5,494

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

Bonds, including temporary loans in anticipation of current tax revenues and federal or state grants or reimbursements, are generally authorized by a majority vote of the members of the City Council. However, the City's Charter requires that where the amount of any single purpose bonds authorized for an individual project exceeds 15% of the property tax levy of the preceding fiscal year, such authorization must be approved by the voters at a regular or special election prior to issuance.

Notes issued in anticipation of bonds may be renewed for up to three years from the date of original issue or the time set in the vote authorizing the issue, whichever is less.

Bonds which are in serial form may be payable in unequal principal amounts. The first payment on serial bonds must be within five years of the date of issue; the last payment must be made within 30 years.

In accordance with 30-A M.R.S.A. Section 5702, as amended, "No municipality shall incur debt which could cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7½% of its last full state valuation. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm or sanitary sewer purposes to an amount outstanding at any time not exceeding 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event may any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set."

30-A M.R.S.A., Section 5703, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply to "any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 213 (now Section 5401 et. seq. of Title 30-A) and Title 10, Chapter 110, Subchapter IV (now Section 1061 *et seq.* of Title 10), obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt" and certain other municipal debt.

Lewiston's overall debt limit is 15% of $2,334,250,000 (the 2011 State Equalized Valuation) or $350,137,500. As of March 31, 2011, the City had combined outstanding and authorized unissued debt of $157,821,752. The City's available debt capacity is $192,635,199 (see "Direct Debt Summary" below).

FIVE YEARS OUTSTANDING DEBT

The following table sets forth the City's bonded debt, including bond anticipation notes and net debt as percentages of the City's state equalized valuation as projected as of the end of the most recently completed fiscal years.

Fiscal Year End	G.O. Bonded Debt Outstanding [1]	Total State Equalized Valuation[2]	Bonded Debt Per Capita[3]	Total Bonded Debt as % of State Equalized Valuation	Levy Supported Debt as a % of State Equalized Valuation[4]
2011	$154,483,697	$2,334,250,000	$4,221.78	6.62%	4.99%
2010	142,663,050	2,473,650,000	3,997.28	5.8	4.5
2009	141,345,105	2,581,550,000	3,960.36	5.5	4.3
2008	129,406,047	2,499,200,000	3,625.83	5.1	4.0
2007	127,653,741	2,266,700,000	3,576.74	5.6	4.3

(1) Includes bond anticipation notes.
(2) As determined by the State of Maine.
(3) 2010 Federal Census is 36,592 and the 2000 Federal Census is 35,690.
(4) Includes bonded debt (as well as school & TIF debt) less water, sewer and stormwater debt.

PROJECTED PRINCIPAL PAYMENTS BY PURPOSE

The following table sets forth principal payments by purpose on all general obligation bonds of the City, as of June 30, 2010.

Fiscal Year	General	School (1)	Water (2)	Sewer (2)	Stormwtr (2)	Total
2011	$6,537,711	$2,785,573	$1,277,461	$531,867	$640,670	$11,773,282
2012	6,524,130	2,722,505	1,168,196	525,618	617,423	11,557,872
2013	6,349,601	2,617,932	1,135,514	509,283	595,417	11,207,747
2014	6,314,252	2,671,321	1,116,463	508,370	570,265	11,180,671
2015	6,419,313	2,491,307	1,042,150	501,004	544,482	10,998,255
2016	6,590,270	2,490,713	1,042,100	501,004	544,169	11,168,255
2017	6,576,601	2,457,026	1,009,716	500,095	529,818	11,073,255
2018	3,861,769	2,250,326	967,082	494,437	522,942	8,096,555
2019	3,688,269	2,014,698	949,582	494,437	522,942	7,669,927
2020	3,498,071	2,030,001	826,146	488,872	497,515	7,440,606
2021	3,437,669	2,045,341	911,332	467,687	453,917	7,315,945
2022	2,969,150	1,980,680	904,332	402,687	434,437	6,691,285
2023	2,913,650	1,922,019	869,832	360,187	371,937	6,437,624
2024	2,761,650	1,915,859	629,832	311,187	299,437	5,917,963
2025	1,520,150	1,915,859	612,582	268,687	260,687	4,577,963
2026	773,000	1,603,750	348,232	252,437	244,437	3,221,855
2027	510,750	1,589,500	322,732	214,937	203,937	2,841,855
2028	260,750	1,524,500	252,732	54,937	48,937	2,141,855
2029	57,500	940,500	198,982	32,437	37,437	1,266,855
2030	0	0	67,741	7,843	7,843	83,427
2031	0	0	0	0	0	0
	$71,564,255	$39,969,409	$15,752,732	$7,428,007	$7,948,646	$142,663,050

(1) $39,969,408 principal amount of the City's outstanding school debt for funded school projects is reimbursed by the State of Maine. Subject to state appropriation, the State supports approximately $38,768,749 of the City's school debt.

(2) Supported from their respective enterprise funds.

Note: Totals may not add up due to rounding

On September 15, 2010, the City issued its $10,744,000 General Obligation Public Improvement Bonds, Series A, for the purpose of paying certain costs of certain public improvements. Also on September 15, 2010, the City issued its $3,125,000 General Obligation Refunding Bonds, Series B, and its $2,430,000 General Obligation Refunding Bonds, Series C, for the purpose of refunding certain of its outstanding bonds.

In June, 2011, the City currently expects to issue its General Obligation Public Improvement Bonds in the approximate amount of $9,300,000 for the purpose of paying certain costs of certain public improvements. Also in June, 2011, the City currently expects to issue its General Obligation Refunding Bonds in the approximate amount of $9,990,000 for the purpose of refunding certain of its outstanding bonds.

PROPERTY TAXATION AND VALUATION

The major source of revenue for the City is the tax on real and personal property. The amount to be levied each year is the amount appropriated or required by law to be raised by municipal expenditures less estimated receipts from other sources and amounts voted from available funds.

The Tax Collector receives the tax commitment from the City Assessor in July; all real estate and personal property tax bills are mailed by August 1. The due dates are September 15 and March 15; payments made after these dates accrue interest at a maximum rate set by the State Treasurer. The fiscal year 2011 interest rate is 7.0% per annum.

Real estate taxes are a first lien on the property, subject to any paramount federal lien and bankruptcy and insolvency laws, and that lien may be enforced through the tax lien mortgage procedure. The Tax Collector, after eight months and within one year of the commitment of the tax, may give written notice to the person against whom the tax is assessed that a lien is claimed and that payment must be made within thirty days. If payment is not made within this thirty-day period, the Tax Collector records a tax lien certificate at the Androscoggin County Registry of Deeds, thus creating a tax lien mortgage on the property to the City. The Tax Collector is required to send true copies of the tax lien certificate to all mortgagees of record and to the owner of record if the property was not assessed to such owner at the time the tax lien certificate is recorded. If the tax, together with the interest and costs, is not paid within 18 months after the filing of the certificate, the mortgage "shall be deemed to have been foreclosed and the right of redemption to have expired." If the tax, together with the interest and costs, is paid by the owner or any mortgagee within the applicable redemption period, the City records a discharge of the tax lien at the Androscoggin County Registry of Deeds. In case of hardship, an escrow account may be established to allow the taxpayer to accrue payments to cover all taxes, interest, and costs. Once funds in the escrow account are sufficient to pay all taxes and penalties owed, those funds may be used to re-purchase the property from the City.

Alternatively, the City may, after eight months and within one year of the commitment of the tax, obtain a judgment for the tax, interest, and costs of suit and proceed to sell the real estate publicly. Such real estate may be redeemed within one year of the date of the sale. The City may also sell such real estate without a judgment, delivering the deed to the purchaser only after two years have elapsed. To enforce unpaid personal property taxes, the City, pursuant to its ordinances, may refuse the payment of any monies due a taxpayer and withhold the issuance of various licenses and permits.

A single tax rate applies for each fiscal year to all taxable real and personal property. The rate is equal to the amount to be raised divided by the total assessed value. The following table sets forth the trend in the City's assessed valuations, tax rates, gross tax levies and tax levy per capita.

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VALUATIONS

Fiscal Year	Real Estate Valuation [2]	Personal Property Valuation[3]	Total Assessed Valuation	Tax Rate Per $1,000 of Assessed Valuation	Gross Tax Levy	Tax Levy Per Capita[4]
2011	$1,621,809,410	$217,500,950	$1,839,310,360	$25.40	$48,180,554	$1,316.69
2010	1,599,947,675	226,952,300	1,826,899,975	24.90	47,125,353	1,320.41
2009	1,594,440,760	256,205,090	1,850,645,850	24.90	47,147,498	1,321.03
2008[1]	1,558,324,750	261,794,350	1,820,119,100	24.60	45,569,797	1,276.82
2007	1,317,797,250	219,817,400	1,537,614,650	26.65	41,824,082	1,171.87

(1) An interim revaluation was completed for use in fiscal 2008.(See "State Equalized Valuation" below.)
(2) Excludes Homestead Value Exemption.
(3) Excludes Business Equipment Tax Exemption in 2011, 2010 & 2009.
(4) The 2010 Federal Census is 36,592 and the 2000 Federal census is 35,690.

CLASSIFICATION OF PROPERTY

The following table shows the breakdown of the total assessed valuation for fiscal year 2011 by use:

Use	Assessed Valuation	Percentage of Total
Residential	$995,771,805 (1)	54.2%
Commercial	551,824,295 (2)	30.0
Industrial	184,301,740 (2)	10.0
Utilities	107,412,520 (2)	5.8
Total	$1,839,310,360	100.0%

(1) Does not include $26,178,005 Homestead Exemption Value.
(2) Does not include $31,383,828 Business Equipment Tax Exemption.

STATE EQUALIZED VALUATION

Under Maine law, cities and towns are required to revalue when local assessed valuation is at or less than 70% of state equalized valuation.

Fiscal Year (1)	State Equalized Valuation	City Assessed Valuation	Assessed Valuation as a % of Equalized Valuation
2011	$2,334,250,000	$1,839,310,360	78.8%
2010	2,473,650,000	1,826,899,975	73.9%
2009	2,581,550,000	1,850,645,850	71.7%
2008	2,499,200,000	1,820,119,100	72.8%
2007	2,266,700,000	1,537,614,650	67.8%

(1) The City undertook an interim valuation adjustment for fiscal 2008 in order to bring the total assessed valuation closer to the state equalized valuation.

LARGEST TAXPAYERS

The following is a list of the ten largest taxpayers for fiscal 2011 (1):

Name	Nature of Business	Fiscal 2011 Assessed Valuation	% of Total Assessed Valuation
Walmart Stores East LP	Distribution Center	$ 90,614,100	4.93%
Florida Power & Light	Utility	55,639,680	3.03
Central Maine Power	Utility	34,829,050	1.89
F.R. Lepage	Bakery	24,429,770	1.33
T D Bank	Banking	22,819,640	1.24
Elmet Technology	Metal/Wire Mfg	21,033,100	1.14
Northern Utilities	Utility	17,447,330	0.95
L L Bean	Telemarketing	12,743,660	0.69
Geiger	Specialty Item	9,743,760	0.53
Lewiston Prop. LLC	Real Estate	9,241,020	0.50
	Total	$298,541,110	16.23%

(1) All these taxpayers are current on payment of real estate and personal property taxes to the City.

CALCULATION OF TAX LEVIES

The following table shows the details of the calculation of the tax levies for the most recent fiscal years:

	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
Estimated Requirements:[1]					
Operational Budget:					
General Government	$ 2,749,226	$ 3,001,620	$ 3,015,364	$ 2,999,809	$ 3,112,151
Public Works	6,077,577	6,576,508	6,474,709	5,780,660	5,670,733
Public Safety	10,970,382	10,946,584	10,814,523	9,787,852	9,813,921
Culture and Recreation	1,486,975	1,612,461	1,713,706	1,966,417	2,020,219
Social Services	1,221,567	746,409	690,045	663,555	682,805
Education	50,620,565	50,237,172	46,236,787	44,468,835	41,088,522
Capital Outlay	688,811	1,060,074	1,451,696	1,503,543	1,073,120
Debt Service	9,255,295	9,553,599	9,001,100	8,484,965	8,074,360
Intergovernmental	3,521,588	3,571,998	3,598,637	3,427,689	3,119,615
Miscellaneous	7,027,041	6,663,368	6,634,293	7,366,197	6,921,110
Urban Development	0	50,000	390,400	340,000	410,000
TIF Financing	2,283,581	2,094,149	2,195,087	2,146,428	1,732,991
Overlay	420,000	276,159	596,311	806,393	394,180
Total Estimated Requirements	$ 96,322,608	$ 96,390,101	$ 92,812,658	$ 89,742,341	$ 84,113,727
Less:					
Anticipated Revenue	$ 46,935,798	$ 46,991,729	$ 44,500,160	$ 43,419,544	$ 41,123,637
Prior Year's Surplus	700,000	2,273,019	1,165,000	753,000	1,166,008
Total Estimated Revenue	47,635,798	49,264,748	45,665,160	44,172,544	42,289,645
Amount to be Raised Through Tax Levy	$48,686,810[2]	$47,125,353[3]	$47,147,498[4]	$45,569,797[5]	$41,824,082[6]

(1) Estimated requirements and anticipated revenue do not include the budgets of the Water, Sewer and Stormwater Departments.

(2) Includes $672,592 State Homestead Exemption reimbursement and $863,958 State Business Equipment Tax reimbursement.

(3) Includes $861,338 State Homestead Exemption reimbursement and $774,205 State Business Equipment Tax reimbursement.

(4) Includes $802,215 State Homestead Exemption reimbursement and $264,201 State Business Equipment Tax reimbursement.

(5) Includes $796,662 State Homestead Exemption reimbursement.

(6) Includes $847,984 State Homestead Exemption reimbursement.

TAX BASE SHARING

Under Maine Law, a municipality may establish an agreement to share the tax revenues generated by a specific parcel or parcels of land with another municipality. The City of Lewiston has two such agreements with the City of Auburn: the Auburn-Lewiston Airpark located in Auburn and the Florida Power & Light (FPL) Hydroelectric Generating Facility in Lewiston. The Airpark is a 125-acre Industrial Park located next to the Auburn-Lewiston Airport. The Airpark had assessed valuation of $24,526,300 and generated tax revenues of $473,358 in fiscal year 2011 of which 35% was paid to the City of Lewiston. In addition, tax revenue from a sphere of influence adjacent to the Airpark generated tax revenue at a rate of 17%, bringing the total taxes collected by the City of Lewiston to $243,593. The FPL facility is located at the falls in the Androscoggin River between Auburn and Lewiston, near the respective downtowns. The facility generates about 25 megawatts of power, has a fiscal 2011 assessed valuation of $35,216,450 generating tax revenues of $894,498, of which 82.5% is retained by the City of Lewiston and 17.5% is paid to the City of Auburn.

TAX COLLECTIONS AND ABATEMENTS

The following table compares the City's tax collections with its gross tax levies for the past five fiscal years, as of March 31, 2011.

Fiscal Year	Gross Tax Levy	Collected Year of Levy	% of Tax Levy	Collected as of 03/31/11	% of Net Levy
2011	$46,718,483	$44,080,033	94.35%	$44,080,033	94.35%
2010	47,125,353	45,897,346	97.39	46,405,651	98.47
2009	47,147,498	45,776,990	97.09	47,030,219	99.75
2008	45,569,797	44,211,971	97.02	45,528,589	99.91
2007	41,824,082	40,691,841	97.29	41,806,382	99.95

CITY FINANCES

BUDGET AND APPROPRIATION PROCESS

The budget process in the City of Lewiston normally commences with a request by the City Administrator that all departments submit to him, in writing, a detailed estimate of the appropriations required for the efficient and proper conduct of their respective departments during the next fiscal year. On or before the first day of April the City Administrator must submit to the City Council a copy of the budget for the ensuing fiscal year which contains a clear general summary of its contents and, in detail, all estimated income, the proposed property tax levy and all proposed expenditures, including debt service.

The City Council, by resolution, adopts the budget not later than one month prior to the end of the current fiscal year. In the event the Council fails to adopt the budget at least one month prior to the end of the current year, the Administrator and School Committee, within seventy-two hours thereafter, present a final budget to the Council. If the Council fails to adopt a budget at least twenty days prior to the end of the current fiscal year, the Administrator's and School Committee's final budget are deemed to be automatically adopted.

BUDGET COMPARISON(1)

The following table sets forth the final budgets for fiscal years 2007 through 2011:

	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
General Government	$2,774,532	$3,041,620	$3,070,364	$3,147,309	$3,202,151
Public Safety	11,073,682	11,071,885	10,970,823	10,025,301	10,005,921
Public Works	6,635,282	7,416,332	7,675,285	6,819,970	6,369,683
Human Services	1,221,567	746,409	690,045	663,555	682,805
Culture/Recreation	1,486,975	1,664,911	1,750,526	2,043,199	2,109,889
Debt Service	9,255,295	9,553,599	9,001,100	8,484,965	8,074,360
Intergovernmental[2]	3,521,588	3,571,998	3,598,637	3,427,689	3,119,615
Education	50,620,565	50,237,172	46,236,787	44,468,835	41,088,522
Urban Development	0	50,000	390,400	340,000	410,000
Miscellaneous[3]	7,029,541	6,665,868	6,637,293	7,368,697	6,921,110
Total General Fund	$93,619,027	$94,019,793	$90,021,260	$86,789,520	$81,984,056
Water, Sewer, & Stormwater Enterprises[4]	11,842,379	11,568,247	10,974,477	10,574,654	10,397,850
Total General Fund and Enterprises	$105,461,406	$105,588,040	$100,995,737	$97,364,174	$92,381,906

(1) *These categories include Capital Outlay.*

(2) *Intergovernmental includes payments to the Auburn-Lewiston Airport, the regional 911 communications system, the Lewiston-Auburn Regional Transit Committee, and Androscoggin County.*

(3) *Miscellaneous includes Insurance, Retirement, Workers Compensation, and Unemployment Compensation.*

(4) *The Water and Sewer Enterprises include debt service for projects within those divisions. These Enterprises are entirely supported through user charges. A Stormwater Enterprise Fund was established as of July 1, 2006. As with the Water and Sewer Enterprises, the Stormwater Enterprise will be fully supported through user charges.*

STATE AID

The City receives financial assistance from the State of Maine through a number of programs. State aid is subject to annual appropriation. Fiscal 2010 State Aid (in the general fund) totaled $37,440,426 as of June 30. State Aid, as of March 31, 2011, totaled $28,744,791 (unaudited).

School aid represents the largest proportion of state funding. Under Maine statutes, the State is required to allocate funds equaling a certain percentage of approved educational expenses, including debt service for certain State-approved construction projects. These funds are allocated based on calculated amounts per-pupil, adjusted by valuation, and certain other factors. The percentage of the school budget supported by state aid for fiscal 2011 was 66.96%. In fiscal 2010, School Aid equaled $32,532,698 as of June 30. School Aid, as of March 31, 2011, totaled $25,182,570 (unaudited).

The State of Maine has approved state subsidies for two recent school construction projects. These were replacing the Farwell Elementary School and the Pettingill Elementary School. The

City issued $11,026,000 general obligation bonds on November 1, 2007 to finance the replacement of the Farwell Elementary School. Subject to annual appropriation by the State of Maine, the State is expected to fully subsidize debt service on $10,426,410 par amount of those bonds, or approximately 94.6% of the total. The City issued $18,975,000 general obligation bonds on December 15, 2008 to finance replacement of the Pettingill Elementary School. Subject to annual appropriation by the State of Maine, the State is expected to fully subsidize debt service on $18,211,265 par amount of those bonds, or approximately 96.0% of the total.

Another major aid program is State-Municipal Revenue Sharing. This program distributes a percentage of State sales and income tax revenue to Maine municipalities. Currently, approximately 5% of the State's sales and income taxes are distributed in this manner. The allocation of these funds is based upon population and property tax burden, with greater amounts going to communities with larger populations and higher tax rates. In fiscal 2010, the City received $3,932,756 through this program and $2,887,267 as of March 31, for fiscal year 2011.
Maine state law imposes limits on municipal property tax levies (see "SOURCES OF PAYMENT AND REMEDIES – Limitation on Municipal Property Tax Levy" above) and provides that the State will increase school aid to a level that will support 55 percent of eligible public school expenditures no later than fiscal 2009. The legislation also provides for increases in municipal revenue sharing. Due to the present fiscal demands at the State, the 55 percent funding level for school aid has been delayed.

FINANCIAL STATEMENTS OF THE CITY

The audited financial statements of the City as of, and for the years ended, June 30, 2008, June 30, 2009 and June 30, 2010, together with the reports thereon dated, respectively, December 1, 2008, December 16, 2009 and December 1, 2010 of Runyon Kersteen Ouellette, independent certified public accountants, may be accessed from a link entitled "Comprehensive Annual Financial Reports" near the top of http:www.ci.lewiston.me.us/finance/finance.htm#. The financial statements as of June 30, 2008, June 30, 2009 and June 30, 2010 and for the years then ended have been audited by Runyon Kersteen Ouellette, independent auditors, as stated in their reports appearing therein.

LITIGATION

At present there are a number of suits pending in which the City is a defendant. In the opinion of the City, none of the pending litigation is considered likely to result, either individually or in the aggregate, in final judgments which would materially affect the City's financial position.

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APPENDIX B-4

INFORMATION REGARDING
MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 49

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MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 49
(THE "DISTRICT)

General

On January 3, 1966, pursuant to Chapter 213 of the State of Maine Private and Special Laws of 1967, the towns of Benton, Clinton, and Fairfield, Maine organized the District as a school administrative district. On March 19, 1966, the school committee of the town of Albion filed an application to join the District. Presently, the towns of Albion, Benton, Clinton and Fairfield constitute the Member Municipalities and comprise the territory of the District.

In 2007 and thereafter, the Maine legislature enacted sweeping school reorganization laws, requiring certain school administrative units, including certain school administrative districts, to consolidate or reorganize into regional school units or into alternative organizational structures. Certain school administrative units, including the District, were permitted to file alternative plans to create efficiencies in lieu of filing plans to reorganize. The Department of Education approved the District's alternative plan, and the District therefore is exempt from the reorganization requirement under current law.

Despite exempting certain school administrative districts from being reorganized into a regional school unit, effective July 1, 2009, the School Reorganization Law nonetheless "recreated" the remaining school administrative districts in the State, including both exempt SADs and SADs that were not in compliance with the law, into regional school units (RSUs) subject to and governed by chapter 103-A of Title 20-A of the Maine Revised Statutes, as amended. Accordingly, the District became a "recreated" (rather than "reorganized") RSU effective July 1, 2009. Having had its legal status changed by operation of law in this manner, rather than having been formed as an RSU through the reorganization process, the District does not have a reorganization plan but is otherwise governed by chapter 103-A. As a recreated RSU, however, the District is expressly authorized to continue to use its original school administrative district name for official purposes, including but not limited to such use in all of its contracts and debt instruments. Accordingly, the District continues to use the name, "Maine School Administrative District No. 49," for official purposes. For all legal purposes not governed by Title 20-A chapter 103-A or other provision of law relating to RSUs the District remains the same legal entity as the pre-existing school administrative unit.

The District currently provides education services for its four Member Municipalities for grades Kindergarten ("K") through 12. The District facilities consist of four elementary schools (grades preK-6), one junior high school (grades 7-8), one high school (grades 9-12) and one adult and community education center.

The Project

The voters of the District have authorized the issuance of bonds or notes for minor capital project purposes in an amount not to exceed $740,000 to renovate and repair the exterior wall of Benton Elementary School (the "Project"). The District's Bonds in the principal amount of $740,000 will be issued to the Bank in connection with the Bank's Bonds to finance the costs of the Project.

The School Board

The District has a thirteen member School Board (the "School Board") of which two members are residents of the Town of Albion, two are residents of the Town of Benton, two are residents of the Town of Clinton, and six are residents of the Town of Fairfield. The School Board presently has one vacancy.

District Schools, Staffing and Enrollments

The District owns and operates seven schools, including four elementary schools, one middle school, one high school, and one adult and community education center. The staff consists of one superintendent, one assistant superintendent, one finance director, eight principals, 212.05 full-time equivalent teachers, and various other professional and non-professional staff. The District's schools and enrollments for the 2010-2011 school year are listed below.

Location	School	Grades	Capacity[1]	Enrollment
Albion	Albion Elementary School	K-6	250	138
Benton	Benton Elementary School	1-6	900	673
Clinton	Clinton Elementary School	K-6	450	294
Fairfield	Fairfield Primary School	Preschool-K	200	168
Fairfield	Lawrence Junior High School	7-8	475	363
Fairfield	Lawrence High School	9-12	900	744

[1]Capacity data is estimated.

The table below displays the enrollment history for the District (including out-of- District vocational school students) for the past two years.

School Year	Albion Elem	Benton Elem	Clinton Elem	Fairfield Prim	LJHS	LHS	District Total
2008-2009	155	664	292	173	368	792	2,444
2009-2010	151	663	308	181	357	806	2,466

The following table displays the District's enrollment projections (including out of District vocational school students) for the school years 2011-2012 through 2014-2015.

School Year	Students
2011-2012	2372
2012-2013	2369
2013-2014	2338
2014-2015	2296

Security for Governmental Unit Obligations

The District may borrow money to pay for current operating expenses, school construction projects and minor capital costs. Obligations issued for school construction projects and minor capital costs must be approved by the District voters at referendum vote. Bonds and notes of the District are legal obligations. All bonds, notes or other evidences of indebtedness issued by the District for major capital expenses, bus purchases and current operating expenses are general obligations of the District. The School Board, through the budget approval process, is required to assess and collect the sums necessary to meet in full the principal of and interest on such bonds, notes or other evidences of indebtedness in the manner provided by law for the

assessment and collection of taxes. The sum assessed and collected for payment of principal and interest is reduced by an amount appropriated by the Legislature and allocated to the District for payment of debt service approved by the State for subsidy purposes, if any. After this reduction, the remaining sum must be paid from ad valorem taxes, which may be levied without limit as to the rate or amount upon all the taxable property within the District.

The enforceability of rights or remedies with respect to the Bonds and other indebtedness of the District may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditor's rights or remedies heretofore or hereafter enacted and by the availability of equitable remedies.

The following table sets forth trends in the District's general fund revenues and expenditures for its operating budget (figures are actual and audited through 2010 and projected and unaudited for 2011).

SAD#49			
Fiscal Year Ending June 30,	2009	2010	2011*
REVENUES			
Balance Forward	0	0	920,000
Town Assessments	6,340,673	6,740,268	6,724,938
State Subsidy	16,364,435	15,892,451	14,772,524
State – Other	119,470	100,801	25,000
Medicaid	471,425	448,784	25,000
On Behalf Pymts MSRS	2,255,795	2,194,893	2,232,182
Miscellaneous	311,219	299,910	67,500
TOTAL REVENUES	25,863,017	25,677,107	24,767,144
EXPENDITURES			
K-12 Regular Education	9,660,118	9,649,356	9,683,342
Vocational Education	303,906	282,605	285,000
Special Education	3,289,736	3,334,139	3,263,827
School Administration	1,114,679	1,144,180	1,172,021
Student Staff Support	1,998,554	2,140,409	2,279,138
Other Instruction	503,016	509,595	557,133
Maintenance	3,305,928	3,012,563	3,278,884
Transportation	1,209,969	1,227,668	1,329,083
Sup't/Business Office	600,783	594,345	686,534
Debt Service Principal	366,300	366,300	0
Debt Service Interest	13,370	0	0
On Behalf Pymts MSRS	2,255,795	2,194,893	2,232,182
Other	542,496	515,677	
TOTAL EXPENDITURES	25,164,650	24,971,730	24,767,144
EXCESS REVENUES	698,367	705,377	

*2011 estimated revenues and expenditures do not include $411,681.60 in Federal ARRA grant revenues and ARRA grant-eligible expenditures. The District anticipates that, consistent with treatment in prior years, its final audit will account for these ARRA funded expenditures separately from its general fund budget.

In 2010 the District received $271,206 in Federal ARRA funding, and in 2011 the District is eligible to receive $411,681.60 in Federal ARRA funding. For audit purposes, these revenues and expenditures are accounted for separately from the general fund budget, and the District expects the same audit treatment for fiscal year 2011. The Federal ARRA funding will not continue beyond fiscal year 2011.

Financial Statements

The District's accounts are subject to annual audit under the procedure of Title 30-A Chapter 223, subchapter 8 of the Maine Revised Statutes, as amended. Additionally, the District is subject to audit requirements applicable to school administrative units as set forth in section 6051 of Title 20-A of the Maine Revised Statutes, as amended. The results of the audit of a school unit, including the District, must be reported to the Maine Department of Education. The Commissioner of Education is authorized to review these audits and, if applicable, require the submission of a corrective action plan. If a school administrative unit does not meet the conditions for submitting a corrective action plan or provide sufficient assurances that the plan is implemented, the Commissioner is authorized to withhold the school unit's state subsidy following a hearing, and may refer the matter to the Attorney General for an enforcement action. In order to ensure conformance with these requirements, the District currently engages the services of Brantner, Thibodeau & Associates**.** The District's financial statement reports for FY2008, FY2009 and FY2010, each audited by Brantner, Thibodeau & Associates, can be accessed through the following link: http://munios.com/MEAB.

The District's *Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund* for its most recent three audited fiscal periods 06/30/2008 through 06/30/2008 through 06/30/2010 are as follows:

SAD#49			
BALANCE SHEET – GENERAL FUND			
Fiscal Year Ending June 30,	**2008**	**2009**	**2010**
ASSETS			
Cash/Investments	3,307,411	4,482,933	5,067,721
Accounts Receivable		89	656
Prepaid Expenses			
Due from Other Funds	137,347	98,913	92,588
TOTAL ASSETS	3,444,758	4,581,935	5,160,965
LIABILITIES AND FUND EQUITY			
Liabilities			
Accrued Payroll	1,167,986	1,351,416	1,364,206
Accrued Expenses	114,794	138,360	66,300
Due to Other Funds	136,129	364,003	371,621
TOTAL LIABILITIES	1,418,909	1,853,779	1,802,127
Designated	269,369	263,394	275,509
Undesignated	1,756,480	2,464,762	3,083,329
TOTAL FUND EQUITY	2,025,849	2,728,156	3,358,838
TOTAL LIABILITIES AND FUND EQUITY	3,444,758	4,581,935	5,160,965

Property Taxation

The principal tax of the Member Municipalities is the tax on real and personal property. There is no limit as to rate or amount, although procedural requirements apply to exceed the property tax levy limit. A single tax applies for each fiscal year to the assessed value of the

taxable real or personal property. Each Member Municipality's Tax Collector receives the tax commitment from the Member Municipality's Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For the current fiscal year, the tax due date(s) for the Town of Albion are September, 30; for the Town of Benton, September, 30; for the Town of Clinton, September, 30; and for the Town of Fairfield, quarterly in September, November, February and May. All taxes paid after the due date will be subject to interest at 9% per annum for Albion and 7% per annum for Benton, Clinton and Fairfield.

Collection of real estate taxes is ordinarily enforced in the Member Municipalities by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, for the collection of delinquent real estate taxes. Real Estate tax liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the respective Member Municipality.

State Aid

State aid for funding in Maine is based upon a funding model called Essential Programs and Services, or "EPS." The stated goal of EPS is to determine the costs, and to provide state subsidy to eligible school units, deemed necessary for students to achieve proficiency in the State's 8 content standard subject areas comprising the "system of learning results."

The Legislature in any year may change the factors includible in the EPS funding model (and for that matter, the model itself); the level of support for those factors and for education as a whole; the required local effort to receive state funding; and the basis upon which that local effort is measured. Additionally, the characteristics of each school unit that are taken into account by the EPS model change from year-to-year and change at different rates relative to each other's characteristics. Finally, the Legislature may change transition and other adjustments within the EPS funding model. For reasons such as these, it is not possible to predict the level of state subsidy that a school unit will receive in subsequent years. Typically, each year the Department of Education publishes preliminary and final reports that set forth the amount of state support that each school unit may receive and the level of local tax effort required to receive that support. This report is utilized by the school unit administration and school board to develop the annual school budget. The state subsidy amount is subject to curtailment in any particular year.

In broad terms, to achieve a degree of property equity, the State requires each school unit to pay its EPS costs up to a maximum local effort. In school units with more than one municipality, the EPS costs are allocated between the municipalities based upon their respective pupil counts, and the maximum local effort is applied on a municipality-by-municipality basis.

The maximum local effort is that mill rate which, applied to all taxable property in the entire state, would raise the statewide aggregate required local contribution to the statewide total EPS costs. The statewide education mill rate from fiscal year 2006 through fiscal year 2011 has been as follows:

In fiscal year 2005-06: 8.26 mills
In fiscal year 2006-07: 7.60 mills
In fiscal year 2007-08: 7.44 mills
In fiscal year 2008-09: 6.79 mills
In fiscal year 2009-10: 6.69 mills
In fiscal year 2010-11: 6.90 mills
In fiscal year 2011-12: 7.47 mills (proposed, not yet enacted)

If a municipality's total EPS costs exceed the amount that it can raise by applying the full value education mill rate to its equalized property valuation, the municipality pays the amount that can be raised by the full value education mill rate as its local contribution, and the state pays the remainder as the state share of EPS costs. In a school unit with more than one member, the state payment is made to the school unit.

In recent years, the state has not achieved its stated goal of funding 55% of the statewide aggregate costs recognized by the EPS model. It has allowed less than 100% of the operating cost component recognized by the EPS model to be admitted for funding purposes, and it has funded levels of costs admitted by the model at less than 55%. From fiscal year 2009 through fiscal year 2011, the funding has been as follows:

Percent of EPS operating costs recognized	Percent of recognized costs funded by the State
For fiscal year 2008-09, 97%	In fiscal year 2008-09, 52.52%
For fiscal year 2009-10, 97%	In fiscal year 2009-10, 48.93%
For fiscal year 2010-11, 97%	In fiscal year 2010-11, 46.00%
For fiscal year 2011-12, 97% (projected)	In fiscal year 2011-12, 45.22% (projected)

In addition, in recent years the State has adjusted the State's allocation of the school unit's EPS total allocation amount by the amount of federal ARRA grant funds provided to the school administrative unit. These ARRA grant funds have not been continued past 2011. The above projected percentages reflect the loss of ARRA grant funds after 2011.

In practice, the result of the EPS funding formula is that school units with relatively high property valuations and relatively small student populations will pay a much higher percentage of their EPS costs than will school units with relatively low property valuations and large student populations.

In order to ensure that all school units receive at least some state subsidy, the EPS funding law provides for a minimum state allocation at least equal to 3% of certain operating costs, or a certain percentage of special education costs, whichever is greater.

The following chart shows the amount of State subsidy the District has received in recent years.

SAD#49			
State Subsidy	2008	2009	2010
General Revenue & Debt Service	16,436,783	16,364,435	15,892,451

Local Cost

The District allocates among its Member Municipalities the total amount that the District voters have authorized to be raised locally. First, those costs that qualify for inclusion in the State's EPS funding model and which the State admits for the year in question ("EPS Costs"), are allocated in the manner described above (see State Aid).

The District also allocates among its Member Municipalities that portion of the District's budget approved to be raised from local taxes that do not qualify for funding under the State's EPS funding model. Each Member Municipality's required contribution is based upon its state equalized property valuation in the second year prior to the allocation year.

	State Valuations			
	Town of Albion		Town of Benton	
Year	Valuation	% of District	Valuation	% of District
2011	121,850,000	14.40%	171,950,000	20.32%
2010	129,150,000	15.33	162,500,000	19.29
2009	128,650,000	15.81	155,200,000	19.08
2008	116,850,000	15.51	143,350,000	19.03
2007	100,550,000	15.00	127,250,000	18.98
2006	92,850,000	15.11	122,000,000	19.86
2005	79,750,000	14.50	103,000,000	18.73
2004	72,100,000	14.06	99,200,000	19.35

	State Valuations				
	Town of Clinton		Town of Fairfield		SAD 49
Year	Valuation	% of District	Valuation	% of District	Valuation
2011	171,100,000	20.22%	381,300,000	45.06%	846,200,000
2010	165,100,000	19.60	385,700,000	45.78	842,450,000
2009	163,050,000	20.04	366,700,000	45.07	813,600,000
2008	150,050,000	19.92	343,100,000	45.54	753,350,000
2007	136,550,000	20.27	306,000,000	45.65	670,350,000
2006	127,850,000	20.81	271,600,000	44.22	614,300,000
2005	115,100,000	20.93	252,200,000	45.84	550,050,000
2004	108,100,000	21.08	233,350,000	45.51	512,750,000

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The following table shows the District's budget and its assessments of each of the Member Municipalities for the last three audited fiscal years and the current fiscal year (unaudited).

SAD49	2008	2009	2010	2011
Budget	22,782,044	23,494,479	23,539,535	22,534,962
Assessment	5,703,704	6,210,473	6,603,568	6,724,938
TOWN OF ALBION				
Assessment	862,101	931,548	1,024,261	1,063,377
% of Budget	3.8%	4.0%	4.4%	4.7%
% of Assessment	15.12%	15.00%	15.51%	15.81%
TOWN OF BENTON				
Assessment	1,132,756	1,178,911	1,256,549	1,282,830
% of Budget	5.0%	5.0%	5.3%	5.7%
% of Assessment	19.86%	18.98%	19.03%	19.08%
TOWN OF CLINTON				
Assessment	1,187,072	1,265,071	1,315,279	1,347,715
% of Budget	5.2%	5.4%	5.6%	6.0%
% of Assessment	20.81%	20.37%	19.92%	20.04%
TOWN OF FAIRFIELD				
Assessment	2,521,775	2,834,943	3,007,479	3,031,016
% of Budget	11.1%	12.1%	12.8%	13.5%
% of Assessment	44.21%	45.65%	45.54%	45.07%

Indebtedness

Governmental Unit Debt Limitations

The aggregate principal amount of outstanding bonds or notes issued by a regional school unit for school construction purposes may not exceed, at any one time, 10% of the total of the last preceding state valuation of all the municipalities within the regional school unit plus an amount not to exceed 4% of that total regional school unit valuation set by the state board at the time of the initial approval of the school construction project.

The total of the 2011 State valuations of the Member Municipalities is $846,200,000 (the "Total Valuation"). The District's 10% debt limitation is $84,620,000 (the "Debt Limit"). As of the date of this letter, the aggregate principal amount of the District's long-term outstanding debt is $1,394,000, which amount represents 0.1647% of the Total Valuation, and which amount and percentage do not include: the Project debt of the District to be issued in connection with the Bonds. The District will certify on the date of issue of the Bonds that the District has not exceeded the Debt Limit and that the issuance of the Bonds will not cause the District to exceed the Debt Limit.

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APPENDIX B-5

UPDATED INFORMATION REGARDING
MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 61
(A 2011 Series B Taxable Qualified School Construction Bond Borrower)

All references to "Appendix A" in this Appendix B-5 shall be references to Appendix A of the Official Statement for the Maine Municipal Bond Bank 2011 Series B Taxable Direct Payment Qualified School Construction Bonds.

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Maine School Administrative District No. 61

The table after the last paragraph under "Labor Relations" on page A-4 of Appendix A is deleted and replaced with the following:

Union	Members	Bargaining Unit	Date of Contract	
			Effective	Expiration
Lake Region Educational Support Personnel Association	50	Secretaries, Clerks and Educational Technicians	7/1/2008	6/30/2011
Lake Region Non-Teaching Association	41	Custodians, Bus Drivers and Food Service Workers	7/1/2010	6/30/2011
Lake Region Teachers Association	160	Certified Teachers	8/31/2009	8/31/2010

The first column of each of the eight tables after the last paragraph under "Financial Statements" on page A-11 and ending on page A-18 of Appendix A is deleted, and the following "2010" information is inserted in the last column of each table:

TOWN OF BRIDGTON	
BALANCE SHEET - GENERAL FUND	
Fiscal Year Ending June 30,	2010
ASSETS	
Cash/Equivalents	2,975,824
Investments	-
Receivables	857,127
Interfund Loans Receivable	-
TOTAL ASSETS	3,832,951
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts Payable	164,102
Accrued Payroll	14,478
Taxes Paid in Advance	28,924
Deferred Revenue	561,000
Interfund Loans Payable	235,194
TOTAL LIABILITIES	1,003,698
Fund Equity	
Reserved for noncurrent notes receivable	973
Reserved for CDBG program	59,033
Designated	406,549
Undesignated	2,362,698
TOTAL FUND EQUITY	2,829,253
TOTAL LIABILITIES AND FUND EQUITY	3,832,951

TOWN OF BRIDGTON	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
GENERAL FUND	
Fiscal Year Ending June 30,	2010
REVENUES	
Taxes	12,138,913
Licenses and Permits	72,556
Intergovernmental	859,275
Charges for Services	243,432
Investment Earnings	9,800
Unclassified	69,310
TOTAL REVENUES	13,393,286
EXPENDITURES	
General Government	1,332,504
Health and Sanitation	660,380
Public Safety	1,258,279
Public Works	967,763
Education	7,593,097
Culture and Recreation	320,378
Unclassified	1,051,549
Debt Service	81,385
Capital Outlay	307,714
TOTAL EXPENDITURES	13,573,049
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(179,763)
OTHER FINANCING SOURCES (USES)	
Transfers in (out)	51,613
Donated Assets	-
Proceeds from Capital Leases	-
TOTAL OTHER FINANCING SOURCES	51,613
Net Change in Fund Balances	(128,150)
FUND BALANCES - JULY 1	2,957,403
FUND BALANCES - JUNE 30	2,829,253

TOWN OF CASCO	
BALANCE SHEET - GENERAL FUND	
Fiscal Year Ending June 30,	2010
ASSETS	
Cash/Equivalents	2,292,690
Investments	-
Receivables	885,324
Prepaid Expenses	6,245
Tax Aquired Property	37,995
Due from Other Funds	9,718
TOTAL ASSETS	3,231,972
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts Payable	65,233
Taxes Paid in Advance	762
Deferred Revenue	635,000
Due to Other Governments	8,793
Due to Other Funds	1,043,654
TOTAL LIABILITIES	1,753,442
Fund Equity	
Designated	362,923
Undesignated	1,115,607
TOTAL FUND EQUITY	1,478,530
TOTAL LIABILITIES AND FUND EQUITY	3,231,972

TOWN OF CASCO	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
GENERAL FUND	
Fiscal Year Ending June 30,	2010
REVENUES	
Taxes	6,700,472
Intergovernmental	351,935
Unclassified	603,236
TOTAL REVENUES	7,655,643
EXPENDITURES	
General Government	678,040
Health and Sanitation	509,310
Public Safety	383,443
Public Works	896,225
Education	4,712,808
Social Services	115,223
Unclassified	536,858
Debt Service	130,048
Capital Outlay	521,349
TOTAL EXPENDITURES	8,483,304
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(827,661)
OTHER FINANCING SOURCES (USES)	
Operating Transfers In	5,543
Operating Transfers Out	(105,000)
Proceeds from Debt Obligations	530,000
TOTAL OTHER FINANCING SOURCES	430,543
Net Change in Fund Balances	(397,118)
FUND BALANCES - JULY 1	1,875,648
Prior Period Adjustment	
FUND BALANCES - JUNE 30	1,478,530

TOWN OF NAPLES	
BALANCE SHEET - GENERAL FUND	
Fiscal Year Ending June 30,	2010
ASSETS	
Cash/Equivalents	3,506,883
Investments	264,017
Receivables	791,385
Prepaid Expenses	-
Tax Aquired Property	10,096
Due from Other Funds	-
TOTAL ASSETS	4,572,381
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts Payable	35,027
Taxes Paid in Advance	21,619
Accrued Payroll	24,455
Deferred Revenue	499,176
Other Liabilities	-
Due to Other Funds	1,536,302
TOTAL LIABILITIES	2,116,579
Fund Equity	
Designated	329,260
Undesignated	2,126,542
TOTAL FUND EQUITY	2,455,802
TOTAL LIABILITIES AND FUND EQUITY	4,572,381

TOWN OF NAPLES	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
GENERAL FUND	
Fiscal Year Ending June 30,	2010
REVENUES	
Taxes	8,631,890
Permits and Fees	89,831
Intergovernmental	215,822
Unclassified	394,377
TOTAL REVENUES	9,331,920
EXPENDITURES	
General Government	642,621
Health and Sanitation	319,360
Public Safety	614,258
Public Works	390,898
Education	6,077,083
Grants	-
Social Services	109,418
County Tax	430,284
Unclassified	145,247
Debt Service	-
Capital Outlay	83,106
TOTAL EXPENDITURES	8,812,275
EXCESS REVENUES OVER (UNDER) EXPENDITURES	519,645
OTHER FINANCING SOURCES (USES)	
Loan Proceeds	
Operating Transfers In	3,925
Operating Transfers Out	(615,287)
TOTAL OTHER FINANCING SOURCES	(611,362)
Net Change in Fund Balances	(91,717)
FUND BALANCES - JULY 1	2,547,519
FUND BALANCES - JUNE 30	2,455,802

TOWN OF SEBAGO, MAINE	
BALANCE SHEETS - GENERAL FUND	
Fiscal year Ending June 30,	2010
ASSETS:	
Cash and Cash Equivalent	$ 1,254,995
Receivables:	
Taxes - Current and Prior Years	451,090
Tax Liens	112,512
Accounts	33,732
Prepaid Expenses	0
Due from Other Funds	20,556
TOTAL ASSETS	$ 1,872,885
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts Payable	$ 39,079
Accrued Expenses	8,017
Deferred Revenues	356,916
Due to Other Funds	15,271
TOTAL LIABILITIES	419,283
Fund Balances:	
Unreserved:	
Undesignated	1,453,602
	1,453,602
TOTAL LIABILITIES AND FUND BALANCES	$ 1,872,885

TOWN OF SEBAGO, MAINE	
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	
Fiscal Year Ending June 30,	2010
REVENUES:	
Taxes	$ 4,630,287
Intergovernmental	191,721
Licenses, Permits, and Fees	53,229
Charges for Services	14,577
Other Revenues	129,555
TOTAL REVENUES	5,019,369
EXPENDITURES:	
General Government	443,171
Public Safety	130,121
Public Works	699,612
Education	3,142,268
Health, Sanitation, and Welfare	203,109
Cultural and Recreational	42,482
Fixed Charges	245,558
TOTAL EXPENDITURES	4,906,321
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	113,048
OTHER FINANCING SOURCES (USES):	
Transfer In	0
Operating Transfer Out	(274,389)
TOTAL OTHER FINANCING SOURCES (USES)	(274,389)
NET CHANGE IN FUND BALANCES	(161,341)
FUND BALANCES - JULY 1	1,614,944
FUND BALANCES - JUNE 30	$ 1,453,603

The table after the last paragraph under "Property Taxation" on page A-20 of Appendix A is deleted and replaced with the following:

TOWN OF BRIDGTON			Collected by End of Fiscal Year		Collected by End of Second Year	
Fiscal Year	**Tax Rate (*Per $1,000 of Assessed Value)***	**Total Taxes Billed**	**Dollar Amount**	**% of Tax Levy**	**Dollar Amount**	**% of Tax Levy**
6/30/2011	$ 12.20	$ 11,781,741.88				%
6/30/2010	$ 12.20	$ 11,420,875.37	$ 10,635,119.14	97.000%		%
6/30/2009	$ 12.20	$ 11,486,512.32	$ 11,081,215.64	99.700%		%
6/30/2008	$ 12.17	$ 10,628,613.86	$ 10,047,424.05	99.400%		%
6/30/2007	$ 11.45	$ 10,343,470.72	$ 9,499,190.68	98.600%		%
6/30/2006	$ 11.45	$ 9,477,715.84	$ 8,773,188.14	98.900%		

TOWN OF CASCO			Collected by End of Fiscal Year		Collected by End of Second Year	
Fiscal Year	**Tax Rate (*Per $1,000 of Assessed Value)***	**Total Taxes Billed**	**Dollar Amount**	**% of Tax Levy**	**Dollar Amount**	**% of Tax Levy**
6/30/2011	$ 10.85	$ 6,983,792.17	$ 5,119,579.10	73.307%		
6/30/2010	$ 9.65	$ 6,193,927.84	$ 5,972,820.09	96.430%		
6/30/2009	$ 9.50	$ 6,088,489.00	$ 6,679,212.00	93.000%	$ 5,954,852.00	98.000%
6/30/2008	$ 9.65	$ 6,046,656.00	$ 5,596,792.00	93.000%	$ 5,903,261.00	98.000%
6/30/2007	$ 17.80	$ 5,500,975.00	$ 5,161,506.00	94.000%	$ 5,396,817.00	98.000%
6/30/2006	$ 17.80	$ 5,133,985.00	$ 4,835,086.00	94.000%	$ 5,072,229.00	99.000%
6/30/2005	$ 17.30	$ 4,974,498.00	$ 4,750,107.00	95.000%	$ 4,920,073.00	99.000%

TOWN OF NAPLES			Collected by End of Fiscal Year		Collected by End of Second Year	
Fiscal Year	**Tax Rate (*Per $1,000 of Assessed Value)***	**Total Taxes Billed**	**Dollar Amount**	**% of Tax Levy**	**Dollar Amount**	**% of Tax Levy**
6/30/2011	$ 11.60	$ 8,434,217.49	$ 4,401,128.89	52.182%		
6/30/2010	$ 10.85	$ 7,877,955.00				
6/30/2009	$ 15.70	$ 7,495,456.00	$ 6,848,723.20	91.300%	$ 7,260,291.00	96.863%
6/30/2008	$ 15.80	$ 7,411,786.00	$ 7,014,645.00	94.642%	$ 7,277,988.00	98.195%
6/30/2007	$ 15.20	$ 6,926,340.00	$ 6,578,869.00	94.983%	$ 6,820,218.00	98.468%
6/30/2006	$ 15.10	$ 6,657,012.00	$ 6,387,705.00	95.955%	$ 6,588,213.00	98.967%
6/30/2005	$ 14.70	$ 6,263,386.00	$ 2,943,773.00	47.000%	$ 5,904,863.00	94.276%

TOWN OF SEBAGO			Collected by End of Fiscal Year		Collected by End of Second Year	
Fiscal Year	**Tax Rate**	**Total Taxes Billed**	**Dollar Amount**	**% of Tax**	**Dollar Amount**	**% of Tax**
6/30/2011	* Won't have until September 2011					%
6/30/2010	$ 12.82	$ 4,436,684.72	$ 3,992,436.67	89.987%		
6/30/2009	$ 12.53	$ 4,281,432.94	$ 3,873,465.81	90.471%		%
6/30/2008	$ 12.30	$ 4,134,047.00	$ 3,720,848.03	90.005%		%
6/30/2007	$ 11.60	$ 4,383,302.00	$ 3,581,039.00	81.697%		%
6/30/2006	$ 12.00	$ 3,904,058.00	$ 3,620,584.00	92.739%		%
6/30/2005	$ 11.40	$ 3,675,237.00	$ 3,420,827.79	93.078%		%

The text "In fiscal year 2010-11: 7.09 mills" before the last paragraph under "State Aid" on page A-21 of Appendix A is deleted and replaced with the following:

In fiscal year 2010-11: 6.90 mills

In the table after the first paragraph on page A-22 of Appendix A under "State Aid" the following is added as the last row of the table:

Percent of EPS operating costs recognized	Percent of recognized costs funded by the State
For fiscal year 2011-12, 97% (projected, not yet final)	In fiscal year 2011-12, 45.22% (projected, not yet final)

The last row of each of the two tables on page A-23 of Appendix A after the second paragraph under "Local Cost" is deleted and the following is inserted as the first row of each table:

	State Valuations			
	Town of Bridgton		Town of Casco	
Year	Valuation	% of District	Valuation	% of District
2011	1,032,250,000	37.087%	611,650,000	21.975%

	State Valuations				
	Town of Naples		Town of Sebago		SAD/RSU 61
Year	Valuation	% of District	Valuation	% of District	Valuation
2011	747,750,000	31.265%	391,700,000	16.378%	2,391,850,000

After the third paragraph under "Member Municipalities' Debt Limitations" on page A-25 of Appendix A the fourth, fifth, sixth and seventh paragraphs are deleted and replaced with the following:

Town of Bridgton, Maine

The 2011 State Valuation for the Town of Bridgton is $1,032,250,000. The Town's overall 15% debt limit is $154,837,500. As of April 4, 2011, the principal amount of the Town's long-term outstanding debt is $504,719 or .05% of its 2011 State Valuation.

Town of Casco, Maine

The 2011 State Valuation for the Town of Casco is $611,650,000. The Town's overall 15% debt limit is $91,747,500. As of April 4, 2011, the principal amount of the Town's long-term outstanding debt is $5,722,467 or 0.94% of its 2011 State Valuation.

Town of Naples, Maine

The 2011 State Valuation for the Town of Naples is $747,750,000. The Town's overall 15% debt limit is $112,162,500. As of April 4, 2011, the principal amount of the Town's long-term outstanding debt is $8,130,000 or 1.09% of its 2011 State Valuation.

Town of Sebago, Maine

The 2011 State Valuation for the Town of Sebago is $391,700,000. The Town's overall 15% debt limit is $58,755,000. As of April 4, 2011, the principal amount of the Town's long-term outstanding debt is $12,417,569 or 3.17% of its 2011 State Valuation.

The two tables after the first paragraph under "Debt Summary" on page A-25 of Appendix A are deleted and replaced with the following:

Year Issued	Purpose	Amount Issued	Date of Final Maturity	Balance on		
				6/30/2009	*6/30/2010*	*6/30/2011*
2011	RRF	355,111.00	2016			248,578.00
2011	the Project	3,927,000.00	2031			3,927,000.00
2011	the Project	9,210,000.00	2028	-	-	7,899,746.00
2010	the Project	700,000.00	2030	-	-	700,000.00
2000	Stevens Brook Elementary	7,207,118.00	2020	4,756,115.00	4,469,021.00	3,658,550.00
1998	Middle School Add'n/Fields	3,955,000.00	2019	2,373,000.00	2,175,250.00	1,779,750.00
1992	Songo Locks School	5,090,000.00	2013	1,272,500.00	1,018,000.00	509,000.00
	Totals:	30,444,229.00		8,401,615.00	7,662,271.00	18,722,624.00

MSAD/RSU 61			
LAKE REGION SCHOOL DISTRICT			
Projected Debt Service Requirement for Current Long Term Debt			
DATE	PRINCIPAL	INTEREST	TOTALS
2011-12	1,396,554.71	556,618.44	1,953,173.15
2012-13	1,592,904.71	503,307.14	2,096,211.85
2013-14	1,338,404.71	454,980.46	1,793,385.17
2014-15	1,338,404.71	414,835.74	1,753,240.45
2015-16	1,338,404.71	374,482.35	1,712,887.06
2016-17	1,288,689.11	333,894.97	1,622,584.08
2017-18	1,288,689.11	293,068.79	1,581,757.90
2018-19	1,288,689.11	251,979.67	1,540,668.78
2019-20	1,288,689.11	210,646.85	1,499,335.96
2020-21	1,090,939.11	174,939.95	1,265,879.06
2021-22	725,084.11	155,647.60	880,731.71
2022-23	725,084.11	146,977.37	872,061.48
2023-24	725,084.11	138,175.28	863,259.39
2024-25	725,084.11	129,241.31	854,325.42
2025-26	725,084.11	120,209.17	845,293.28
2026-27	725,084.11	80,695.47	805,779.58
2027-28	231,350.00	41,050.19	272,400.19
2028-29	231,350.00	31,705.81	263,055.81
2029-30	231,350.00	22,361.44	253,711.44
2030-31	231,350.00	13,017.07	244,367.07
2031-32	196,350.00	4,172.44	200,522.44
TOTALS	18,722,623.76	4,452,007.51	23,174,631.27

The one paragraph under "Future Financing" on page A-27 of Appendix is deleted and replaced with the following:

On or about May 26, 2011, the Series Borrower intends to issue general obligation bonds in the principal amount of $3,927,000 to refund its $2,130,000 bond anticipation note issued on May 12, 2010 for the Project and to provide funds to complete the Project. Additionally, on May 24, 2011, the voters of the District will consider authorizing the Series Borrower to issue taxable general obligation bonds under the State's School Revolving Renovation Fund Program (the "SRRF Program") in the aggregate amount not to exceed $355,113 to fund a portion of the costs of for various renovation projects. If approved by the voters, the Series Borrower expects to issue these bonds in calendar year 2011. Under the terms of the SRRF program, these bonds would be payable at zero interest for a term of five (5) years. The balance of the costs of these projects would be funded by SRRF Program loan forgiveness grants. Otherwise, the Series Borrower has no other authorized debt that is not yet issued.

Unless otherwise noted, all information, including statistics, is taken from Series Borrower records or in the case of information pertaining to Member Municipalities within the Series Borrower (the "Member Municipalities"), records and financial statements provided by the Member Municipalities to the Series Borrower.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a summary of certain provisions of the General Bond Resolution (Taxable Direct Payment Qualified School Construction Bonds) (the "Resolution"). This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Resolution, to which reference is hereby made and copies of which are available from the Trustee or the Bank.

Definitions of Certain Terms

Summarized below are definitions of certain words and terms appearing in this Appendix C. Words and terms that are capitalized in this Summary, whether or not defined below or elsewhere in the Resolution, are qualified by reference to the meanings assigned to such words and terms in the Resolution or in other documents in which they appear.

"Account" or "Accounts" means each account or all of the accounts established pursuant to the Resolution and includes each Sub-Account or all Sub-Accounts established pursuant to the Resolution.

"Accountant's Certificate" means a certificate signed by a certified public accountant or a firm of certified public accountants of recognized standing selected by the Bank and satisfactory to the Trustee.

"Act" means the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended from time to time.

"Administrative Expenses" means the Bank's expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, and includes, the administrative and operating expenses, legal, accounting and consultant's services and expenses, payments to pension, retirement, health and hospitalization funds, the fees and expenses of the Trustee and the Paying Agents, payments to the United States Treasury to satisfy any arbitrage rebate requirements under the Code, and any other expenses required or permitted to be paid by the Bank under the provisions of the Act or the Resolution or otherwise.

"Authorized Governmental Unit Representative" means such persons designated in the Loan Agreement and any such other persons from time to time authorized to act on behalf of a Governmental Unit pursuant to State law or charter, or ordinance or resolution of the governing body of such Governmental Unit, a copy of which is filed with the Secretary of the Bank, to perform such act or execute such document on behalf of the Governmental Unit pursuant to a certificate signed by any of the above and giving the name and specimen signature of the person or persons so designated.

"Authorized Officer" means the Chairman, Vice Chairman or Executive Director of the Bank and any other commissioner, officer or employee of the Bank authorized by resolution of the Bank to perform the act or sign the document in question.

"Bank" means the Maine Municipal Bond Bank, a public body corporate and politic constituted as an instrumentality of the State of Maine exercising public and essential

governmental functions and created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Bank.

"Bond" or "Bonds" means any Maine Municipal Bond Bank Bond or Bonds, as the case may be, authenticated and delivered under the Resolution pursuant to a Series Resolution.

"Bondholders" or "Holder of Bonds" or "Holder" (when used with reference to Bonds) or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond or Bonds.

"Bond Payment Account" means the Account by that name established by the Resolution.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal United States office of the Trustee or any Paying Agent is located are required or authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

"Closing" means, with respect to each Loan, the events resulting in the effectiveness of the related Loan Agreement as provided thereby.

"Closing Date" means, with respect to each Series of Bonds, the date of initial delivery of and payment for the Bonds of such Series.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including applicable regulations and revenue rulings thereunder, or any successor provisions and reference within the Resolution to sections of the Code are to the sections thereof as they exist on the date of adoption of the Resolution, but include any successor provisions thereof to the extent applicable to a Series of Bonds.

"Cost" or "Costs of the Projects" shall have the meaning ascribed thereto in the Loan Agreement; provided, however, that all Costs of the Projects shall relate to the construction, rehabilitation or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed or as otherwise permitted under applicable provisions of the Code for "qualified school construction bonds".

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Bank (who may be counsel to the Bank) and of recognized standing in the field of law relating to municipal bonds selected by the Bank, and provided, further, that, such term when used with respect to the Municipal Bonds and the Loan Agreements of a Governmental Unit means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, selected by the Governmental Unit and approved by the Bank.

"Credit Facility" means any irrevocable letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond or agreement, guarantee or similar instrument which is obtained by the Bank and is issued by a financial, insurance or other institution, or by the State or any of its agencies or instrumentalities, and which provides credit

enhancement, in respect of Bonds of a Series (and which, with respect to a policy of bond insurance, guarantees the payment of principal of and interest on Bonds of a Series).

"Debt Service" for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, and (ii) that portion of Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of delivery of such Series of Bonds if such date occurred less than one year prior to the due date of such Principal Installment). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

"Defeasance Obligations" means direct obligations of (including issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America or the State or obligations the principal and interest of which are guaranteed by the United States of America, or any bond, debenture, note, participation or other similar obligation issued by any of the following Federal agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, Farmers' Home Administration and Export-Import Bank, or any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association, which in each case will not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof.

"Event of Default" means an event so defined in the Resolution.

"Fees and Charges" means all fees and charges authorized to be charged by the Bank pursuant to the Act and charged by the Bank to Governmental Units pursuant to the terms and provisions of Loan Agreements.

"Fiduciary" or "Fiduciaries" means the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

"Fiscal Year" means any twelve (12) consecutive calendar months commencing with the first day of July and ending on the last day of the following June.

"Fitch" means Fitch Ratings, or any successor then maintaining a rating on any Series of Bonds at the request of the Bank.

"Fund" or "Funds" means each fund or all of the funds established under the Resolution.

"General Account" means the Account by that name established by the Resolution.

"General Fund" means the Fund by that name established by the Resolution.

"Governmental Unit" means any governmental unit as defined by the Act that executes a Loan Agreement.

"Governmental Unit's Allocable Proportion" means the proportionate amount of the total requirement in respect of which the term is used determined by the ratio that the Loan then outstanding bears to the total of all Loans then outstanding.

"Governmental Unit Loan Sub-Account" means the Sub-Account by that name established by the Resolution.

"Governmental Unit Repayment Account" means the Account by that name established by the Resolution.

"Interest Account" means the Account by that name established by the Resolution.

"Interest Payment Date", means each date on which interest on such Bonds shall be due and payable.

"Loan" means a loan made by the Bank to a Governmental Unit pursuant to the Act as evidenced by a Municipal Bond and more particularly described in the applicable Series Resolution.

"Loan Agreement" means an agreement entered into between the Bank and a Governmental Unit setting forth the terms and conditions of a Loan.

"Loan Fund" means the Fund by that name established by the Resolution.

"Loan Repayment Account" means the Account by that name established by the Resolution.

"Loan Repayments" means the payments on account of the principal of and interest on a Loan, Administrative Expenses and any other amounts payable by a Governmental Unit under a Loan Agreement.

"Moody's" shall mean Moody's Investors Service, Inc., or any successor then maintaining a rating on any Bonds at the request of the Bank.

"Municipal Bonds" means the bonds or other evidence of debt issued by any Governmental Unit and authorized pursuant to the Act and other laws of the State and which have been or will be acquired by the Bank from the proceeds of Bonds or Notes pursuant to a Loan Agreement as evidence of indebtedness of a Loan to the Governmental Unit pursuant to the Act.

"Municipal Bonds Interest Payment" means that portion of a Municipal Bonds Payment made or required to be made by a Governmental Unit to the Bank which represents the interest due or to become due on the Governmental Unit's Municipal Bonds.

"Municipal Bonds Payment" means the amounts paid or required to be paid, from time to time, for principal and interest by a Governmental Unit to the Bank on its Municipal Bonds.

"Municipal Bonds Principal Payment" means that portion of a Municipal Bonds Payment made or required to be made by a Governmental Unit to the Bank which represents the principal due or to become due on the Governmental Unit's Municipal Bonds.

"Notes" means any obligations referred to in the Resolution issued by the Bank other than Bonds.

"Operating Account" means the Account by that name established by the Resolution.

"Optional Prepayment Price" means the amount determined by the Bank to be payable by a Governmental Unit in order to prepay in whole or in part its Loan Repayments.

"Outstanding," when used with reference to Bonds, other than Bonds owned or held by or for the account of the Bank, means, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (ii) any Bonds for the payment or redemption of which monies equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the Resolution, and (iv) Bonds deemed to have been paid as provided in the Resolution.

"Paying Agent" for the Bonds of any Series means the bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution and a Series Resolution or any other resolution of the Bank adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents is appointed.

"Person" means any individual, corporation, partnership, limited partnership, joint venture, association, joint stock company, trust, unincorporated association, limited liability company, corporation or partnership, or government or any agency or subdivision thereof, or other legal entity or group of entities.

"Principal Account" means the Account by that name established by the Resolution.

"Principal Installment" means, as of the date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a future date for which no Sinking Fund Installments have been established, or (ii) the Sinking Fund Installment due on a future date for Bonds of such Series, or (iii) if such future dates coincide, the sum of such principal amount of Bonds and of such Sinking Fund Installment due on such future date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds.

"Project" has the meaning set forth in the respective Loan Agreement; provided, however, that each Project shall be a "qualified school construction project" as defined under applicable provisions of the Code.

"Proportionate Share" has the meaning set forth in each Loan Agreement.

"Qualified Investments" means the following investments, to the extent permitted by law:

(a) direct obligations of the United States of America or direct obligations of the State or obligations the principal and interest of which are guaranteed as to payment by the United States of America;

(b) any bond, debenture, note, participation or other similar obligation issued by any of the following Federal agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, Farmers' Home Administration and Export-Import Bank;

(c) any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association;

(d) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or held in the State treasury;

(e) (i) repurchase agreements with respect to obligations listed in paragraphs (a), (b), (c) or (d) above within this definition if entered into with a bank, including the Trustee, trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a dealer in government bonds which reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, and which is a member of the Securities Investors Protection Corporation if (A) such obligations that are the subject of such repurchase agreement are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price, (B) a prior perfected security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee, (C) such obligations are free and clear of any adverse third party claims, and (D) such repurchase agreement is a "repurchase agreement" as defined in the Bankruptcy Amendments and Federal Judgeship Act of 1984, as amended, as follows: repurchase agreements providing for the transfer of certificates of deposit, eligible bankers' acceptances or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or any agency of the United States against transfer of funds by the transferee of such certificates of deposit, eligible bankers' acceptances or securities with a simultaneous agreement by such transferee to transfer to the transferor thereof certificates of deposit, eligible bankers' acceptances or securities as described above, at a date certain not later than one year after such transfers or on demand, against the transfer of funds; or (ii) investment agreements continuously secured by the obligations listed in paragraphs (a), (b), (c), (d) or (f) within this definition, with any

bank, trust company, insurance company or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by, a Federal Reserve Bank, and is a member of the Securities Investors Protection Corporation if (A) such obligations are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such investment agreements must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the amount deposited thereunder, (B) a prior perfected security interest in the obligations which are securing such agreement has been granted to the Trustee, and (C) such obligations are free and clear of any adverse third party claims;

(f) obligations the interest on which is excludable from gross income for Federal income tax purposes, that are fully and irrevocably secured as to principal and interest by United States government securities held in trust for the payment thereof, and which have been rated by Moody's Investors Service (if Bonds are then rated by such rating agency) and Standard & Poor's Corporation (if Bonds are then rated by such rating agency) in their respective highest rating category and which municipal securities are serial bonds or term bonds non-callable prior to maturity except at the option of the holder thereof;

(g) debt obligations of the Resolution Funding Corporation; and

(h) obligations of the State or any municipality or quasi-municipal corporation of the State, provided that such obligations have been rated by Moody's Investors Service (if Bonds are then rated by such rating agency) and Standard & Poor's Corporation (if Bonds are then rated by such rating agency) in either of their two highest rating categories.

The term "insurance company" as used in the Resolution includes a company engaged in the insurance business through its wholly-owned subsidiary corporation; and an investment agreement with an insurance company includes an investment agreement guaranteed by an insurance company. Notwithstanding the foregoing, investment of moneys in the General Fund (and each of the Accounts therein) shall only be invested in the manner as permitted for investment of funds belonging to the State or held in the State treasury unless otherwise permitted by law.

"QSCB Interest Account" means the Account by that name established by the Resolution.

"QSCB Principal Account" means the Account by that name established by the Resolution.

"QSCB Redemption Account" means the Account by that name established by the Resolution.

"QSCB Sinking Fund Installment Account" shall mean the Account by that name established by the Resolution.

"Rating Agency" shall mean, at any applicable time, Moody's, S&P, Fitch and any other nationally recognized rating agency, or any of them, as appropriate; provided, however, that the same maintains at such time a rating on a Series of Bonds at the request of the Bank.

"Redemption Account" means the Account by that name established by the Resolution.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution and the Series Resolution pursuant to which the same was issued.

"Refunding Bonds" means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to the Resolution.

"Reimbursement Obligation" means any obligation of the Bank to make payments to a provider of a Credit Facility in reimbursement of or as interest on an advance, loan or other payment made by such provider for the purpose of paying the principal, Sinking Fund Installment, if any, or Redemption Price, if any, of or interest, if any, on any Bonds of a Series, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include any payments of any fees, expenses, or other similar obligations to any such provider, which payments shall be Administrative Expenses.

"Resolution" means the General Bond Resolution (Taxable Direct Payment Qualified School Construction Bonds) as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

"S&P" means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, or any successor then maintaining a rating on any Series of Bonds at the request of the Bank.

"Securities Depository" means any depository or depositories for Bonds issued in book entry form as may be specified by Series Resolution.

"Series Bond Payment Account" means the Account by that name established by the Resolution.

"Series Loan Account" means the Account by that name established by the Resolution.

"Series of Bonds" or "Bonds of a Series" or words of similar meaning means the Series of Bonds authorized by a Series Resolution.

"Series Resolution" means a resolution of the Bank authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the Resolution adopted by the Bank in accordance with the Resolution.

"Sinking Fund Installment" means an amount so designated which is established pursuant to the Resolution.

"Sinking Fund Installment Account" means the Account by that name established by the Resolution.

"State" means the State of Maine.

"Sub-Account" means each sub-account or all of the sub-accounts established pursuant to the Resolution.

"Supplemental Resolution" means a resolution supplemental to or amendatory of the Resolution, adopted by the Bank in accordance with the Resolution.

"Trustee" means the bank, trust company or national banking association appointed pursuant to the Resolution to act as trustee under the Resolution, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the Resolution.

Resolution Constitutes Contract

In consideration of the purchase and acceptance of any and all of the Bonds issued under the Resolution by those who hold the same from time to time, the Resolution constitutes a contract between the Bank and the Holders of the Bonds, and the pledges made in the Resolution and the covenants and agreements in the Resolution set forth to be performed by the Bank are for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, without regard to the time or times of their authentication, issue, delivery or maturity, are of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Resolution.

Authorization and Issuance of Bonds

Authorization of Bonds

The Resolution establishes and creates an issue of Bonds of the Bank to be known and designated as "Maine Municipal Bond Bank Taxable Direct Payment Qualified School Construction Bonds," which Bonds may be issued as provided in the Resolution without limitation as to amount except as provided in the Resolution or as may be limited by law. The Resolution creates a continuing pledge and lien to secure the full and final payment of the principal or Redemption Price of, interest on and Sinking Fund Installments for, all of the Bonds issued pursuant to the Resolution. The Bonds shall be direct and general obligations of the Bank and the full faith and credit of the Bank are pledged by the Resolution for the payment of the principal or Redemption Price of, interest on and Sinking Fund Installments for, the Bonds. The Bonds shall further be secured by the Municipal Bonds, the Municipal Bonds Payments and the Loan Repayments, the investment thereof (including all Qualified Investments), and the proceeds of such investments, and all Funds, Accounts and Sub-Accounts established by the Resolution. The State shall not be liable on the Bonds and the Bonds shall not be a debt or liability, or constitute a pledge or loan of the faith and credit, of the State. The Bonds shall contain on the face thereof a statement to the effect that the Bank is obligated to pay the principal or Redemption Price, if any, of the Bonds, the Sinking Fund Installments for the Bonds, and the interest thereon only from revenues or funds of the Bank and that the State is not obligated to pay such principal or Redemption Price, if any, of, Sinking Fund Installments for, or interest on the

Bonds, and that neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments for, or the interest on, the Bonds.

Provisions for Issuance of Bonds

The issuance of the Bonds shall be authorized by a Series Resolution or Series Resolutions of the Bank adopted subsequent to the Resolution and the Bonds may be issued in one or more Series.

Each Series Resolution authorizing the issuance of a Series of Bonds shall also specify, among other matters:

(1) The authorized principal amount of said Series of Bonds, and the designation by the Bank of such Series of Bonds as "qualified school construction bonds" under applicable provisions of the Code;

(2) The purposes for which such Series of Bonds are being issued, which shall be one or more of the following: (i) making Loans to Governmental Units under the Loan Agreements to finance Costs of Projects of Governmental Units and costs incurred in connection with the issuance of said Series, (ii) making payments into the Loan Fund, the QSCB Interest Sub-Account and the Operating Account or any other Fund, Account or Sub-Account established under the Resolution, (iii) the funding of Notes theretofore issued by the Bank for any purposes for which Bonds may have been issued, and (iv) the refunding of Bonds and related purposes;

(3) The date or dates of issue, maturity date or dates and amounts of each maturity of the Bonds of said Series;

(4) The interest rate or rates, or the manner of determining such rate or rates of the Bonds of said Series, and the interest payment dates therefor;

(5) The Redemption Price or Redemption Prices, if any, and the redemption terms, if any, for the Bonds of such Series;

(6) Provisions relating to a Credit Facility, if any, in connection with the issuance of the Bonds of such Series;

(7) Directions for the application of the proceeds of the Bonds of such Series, including, if applicable, provisions relating to application of proceeds of a Series of Bonds solely to payment of other obligations (other than Bonds) whether or not issued in anticipation of such Bonds, including pledging and granting a lien on such proceeds to the holders of such obligations and, accordingly, with a priority over any other lien on or pledge of such proceeds otherwise created by the Resolution;

(8) If so determined by the Bank, provisions for the application of any moneys available therefor to the purchase or redemption of Bonds of such Series and for the order of purchase or redemption of Bonds of such Series;

(9) Any matters necessary or desirable in connection with crediting investment earnings pursuant to the Resolution; and

(10) Any other provisions determined to be necessary, convenient or desirable to better secure the Bonds of such Series or to make the Bonds of such Series more marketable, or otherwise, and which are in the best interests of the Bank and not in conflict with the provisions of the Act nor materially in conflict with the Resolution.

Provisions for Refunding Bonds

All or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the Resolution and of the Series Resolution authorizing said Series of Refunding Bonds.

A Series of Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other documents:

(1) If the Series of Bonds to be refunded are to be redeemed, the Bank shall have given to the Trustee instructions, satisfactory to it, to give due notice of redemption of all the Bonds so to be refunded on a redemption date specified in such instructions, subject to the provisions of the heading below entitled "Defeasance", if the Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in the Resolution;

(2) If the Series of Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in the heading below entitled "Defeasance", (y) the Bank shall have given to the Trustee instructions, satisfactory to it, to give due notice in the manner provided in the heading below entitled "Defeasance" with respect to the payment of such Bonds; and (z) the Trustee shall have received (i) moneys and/or (ii) Defeasance Obligations as shall be necessary to comply with the defeasance provisions of the Resolution, which Defeasance Obligations and moneys shall be held in trust and used only as provided in the Resolution.

If the principal amount of the Refunding Bonds of a Series shall exceed the principal amount of the Outstanding Bonds refunded thereby, from and after the delivery of such Series, the Trustee shall make appropriate adjustment between the Interest Account and the Principal Account when disbursing and applying Loan Repayments deposited in each Governmental Unit Repayment Account in the Loan Repayment Account of the related Series Bond Payment Account in the Bond Payment Account of the General Fund pursuant to the provisions of the last paragraph under the sub-heading entitled "*Interest Account, Principal Account, Redemption Account and Sinking Fund Installment Account*" under the heading entitled "Establishment of Funds and Accounts", to the end that such portion of the Loan Repayments as shall represent Municipal Bonds Interest Payments not required for deposit in the Interest Account for the purpose of paying interest accruing upon the Bonds shall be deposited in the Principal Account. Any surplus which might result upon and after such deposit shall be disposed of in the manner specified in the Series Resolution authorizing such Series.

The proceeds of the Series of Refunding Bonds shall be applied in the manner provided in the Series Resolution.

Credit Facilities and Other Arrangements

The Bank may authorize a Series of Bonds to be supported by a provider of a Credit Facility and may include such provisions in (y) a Series Resolution authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Bank deems appropriate, or (z) any other contractual arrangement between the Bank and the provider of a Credit Facility, and any such Series Resolution or contractual arrangement may include any or all of the provisions set forth below (or any such other provision as the Bank shall determine to be appropriate):

(i) the provider of the Credit Facility shall have all or any of the rights and remedies of the Holders of the Series of Bonds to which such Credit Facility relates and that the related Reimbursement Obligations shall have all or any of the payment, security and other rights applicable to the Series of Bonds to which such Reimbursement Obligations relate;

(ii) in the event that the principal, Sinking Fund Installments, if any, Redemption Price, if any, and interest, if any, due on any Series of Bonds Outstanding shall be paid under the provisions of a Credit Facility, the issuer of such Credit Facility shall be subrogated to the rights of such Holders in accordance with the terms of such Credit Facility;

(iii) such provisions as are necessary (A) to comply with the provisions of each such Credit Facility, (B) to provide relevant information to the provider of the Credit Facility, (C) to provide a mechanism for paying principal, Sinking Fund Installments, if any, Redemption Price, if any, of, and interest on such Series of Bonds under the Credit Facility, and (D) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility; and

(iv) authorization to enter into such agreements with the provider of any Credit Facility relating to, inter alia: (A) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (B) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (C) the security, if any, to be provided for the issuance of such Credit Facility, as provided for in, or permitted by, the Resolution. The Bank may also in an agreement with the provider of such Credit Facility agree to directly reimburse such provider for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation shall arise, for purposes of the Resolution, until amounts are paid under such Credit Facility. Interest on any such Reimbursement Obligation calculated at any rate, and principal amortization requirements with respect to such Reimbursement Obligation, may be secured by a pledge of and a lien on any or all of the same security pledged pursuant to the Resolution as security for the Bonds on a parity with the lien created by the Resolution. Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be payable from the Operating Account of the General Fund. All Reimbursement Obligations shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Reimbursement Obligations relates.

The Bank by Series Resolution may include any or all of the covenants and agreements set forth in the Resolution and such additional covenants and agreements as it may in its sole discretion determine to be necessary or appropriate (but not inconsistent with the Resolution) to provide for or secure a Credit Facility, in an agreement with the provider thereof or in an applicable Series Resolution. In such event, the Resolution shall continue in full force effect as a part of the contract of the Bank with the provider thereof until all payments by the Bank under such Credit Facility shall have been paid in accordance therewith, as applicable, or deemed paid under the Resolution, if applicable, or thereunder.

Custody and Application of Certain Proceeds of Bonds; Loans

Application of Certain Proceeds. Each Series Resolution authorizing the issuance of a Series of Bonds, the proceeds derived from the sale of which shall be applied in whole or in part to the purchase of Municipal Bonds, shall specify the name of each Governmental Unit which is to receive a Loan by the Bank from such proceeds and the amount of such proceeds to be applied to the making of each such Loan which shall be the amount of each such Loan. Contemporaneously with the issuance, sale and delivery of any Series of Bonds, the Bank shall apply such of the amount of the proceeds derived from the sale of such Series of Bonds, if any, as shall be specified in said Series Resolution for the purpose of making Loans to each of the Governmental Units specified in the Series Resolution authorizing the issuance of such Series of Bonds to pay the Costs of the Projects as provided below.

Loans; Loan Fund. A Loan to each Governmental Unit shall be made from all or a portion of the proceeds derived from the sale of each Series of Bonds specified in the Series Resolution authorizing the issuance of such Series of Bonds and the amount of each such Loan shall be the amount specified in such Series Resolution. All such payments made pursuant to such Series Resolution shall be subject to the provisions and restrictions set forth in this heading, and the Bank will not cause or permit to be paid from such portion of the proceeds derived from the sale of such Series of Bonds any sums except in accordance with such provisions and restrictions.

A special trust fund of the Bank is established by the Resolution and designated as the "Loan Fund." There shall be established within the Loan Fund an Account for each Series of Bonds to be identified by its Series designation (the "Series Loan Account"). Within each Series Loan Account, there shall be established for each Governmental Unit and related Loan a separate Governmental Unit Loan Sub-Account. Moneys in the Loan Fund shall be used to make Loans to Governmental Units under Loan Agreements funded by a related Series of Bonds to finance the Costs of the Projects upon the terms and conditions set forth in the Loan Agreements and upon submission of the documents so required under the Loan Agreements and the Resolution. The Trustee shall pay to each Governmental Unit ninety percent (90%) of the principal amount of the Loan (or such greater percentage as may be determined by the Bank written notice of which determination shall be given to the Trustee by an Authorized Officer) upon receipt by the Trustee of:

(i) a written requisition of the Bank signed by an Authorized Officer stating the name of the Governmental Unit to which the payment is to be made and the amount to be paid;

(ii) a certificate signed by an Authorized Officer and attached to the requisition certifying that, under the terms and provisions of the Loan Agreement providing for such

Loan, the Governmental Unit which is a party to such Loan Agreement has sold Municipal Bonds of such Governmental Unit to the Bank with respect to the Loan and such Governmental Unit is obligated to make Municipal Bonds Payments and Loan Repayments, and to pay Fees and Charges, all in accordance with the requirements contained in the sub-heading entitled "*Loan Agreement Provisions*", under the heading entitled "Covenants of the Bank" and that to the knowledge of such Authorized Officer such Governmental Unit is not in default under any of the terms or provisions of said Loan Agreement;

(iii) a Counsel's Opinion stating that such Municipal Bonds are valid obligations of such Governmental Unit as required by the Act and that the Loan Agreement has been duly authorized and executed by the Governmental Unit and constitutes a valid and binding obligation of the Governmental Unit enforceable in accordance with its terms; and

(iv) such Municipal Bonds of such Governmental Unit, registered as to both principal and interest and accompanied by appropriate assignments thereof from the Bank to the Trustee and delivered in accordance with the Act.

Upon receipt of such requisition, accompanying certificate, Counsel's Opinion and Municipal Bonds, together with a copy of each executed Loan Agreement, the Trustee shall pay such amount directly to the Governmental Unit entitled thereto as named in such requisition.

The remaining ten percent (10%) (or such lesser percentage of retainage as determined by the Bank as provided above) of the proceeds of each Loan shall be held in the related Governmental Unit Loan Sub-Account of the Series Loan Account and shall be invested at the direction of the Bank in Qualified Investments, with any investment earnings to remain in such Sub-Account. Upon receipt by the Bank and the Trustee of a certificate from the Governmental Unit stating that the Project has been completed in all material respects, in the form required by the Loan Agreement, the Trustee shall, at the written direction of the Bank, pay over the balance in such Sub-Account to the Governmental Unit.

The balance of any moneys remaining in a Governmental Unit Loan Sub-Account in the Loan Fund upon completion of all related Projects shall be used to redeem the related Series of Bonds, or applied to such other purpose as the Bank shall direct upon receipt of a Counsel's Opinion to the effect that such other purpose will not adversely affect the qualification of the related Series of Bonds as "qualified school construction bonds" within the meaning of applicable provisions of the Code.

Retention and Inspection of Documents. All requisitions, certificates, Counsel's Opinions, Loan Agreements and Municipal Bonds received by the Trustee, as required above as conditions of payment, may be relied upon by and shall be retained in the possession of the Trustee, subject at all times during normal business hours to the inspection of the Bank and, after written request received by the Trustee at least five (5) Business Days prior to the date of inspection, by any Holder(s) of at least five per cent (5%) in aggregate principal amount of the related Series of Outstanding Bonds.

Report. The Bank shall require a report to be made by an officer or employee of the Trustee on behalf of the Trustee within sixty (60) days after the delivery of each Series of Bonds

covering all receipts and all disbursements made pursuant to the above provisions; and each such report shall be mailed by the Trustee to the Bank and, upon written request, to any Holder(s) of at least five per cent (5%) in aggregate principal amount of the related Series of Outstanding Bonds.

Establishment of Funds and Accounts

Pledge. The Municipal Bonds, the Municipal Bonds Payments, the Loan Repayments, the Loan Agreements, the investments thereof (including all Qualified Investments) and the proceeds of such investments, if any, and all the Funds, the Accounts and the Sub-Accounts established by the Resolution are pledged by the Resolution for the payment of the principal of, Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds in accordance with the terms and provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. Subject to the provisions of the Resolution, such pledge shall be valid and binding from and after the date of adoption of the Resolution, the Municipal Bonds, the Municipal Bonds Payments, the Loan Repayments, the Loan Agreements and all other monies and securities in the Funds, the Accounts and the Sub-Accounts established by the Resolution (including all Qualified Investments) pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and such lien shall be a just lien and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bank, irrespective of whether such parties have notice thereof.

The moneys and Qualified Investments set aside from time to time with the Fiduciaries for the payment of the principal of, Sinking Fund Installments for, if any, Redemption Price, if any, of and interest on the Bonds shall be held in trust for the Holders of the Bonds. Monies so set aside for the payment of principal, Sinking Fund Installments, if any, Redemption Price, if any, of and interest on the Bonds and all moneys and Qualified Investments in each Series Bond Payment Account of the Bond Payment Account shall be held in trust for the benefit of the Holders of all Bonds at the time Outstanding, equally and ratably without preference or distinction as between Bonds of different Series or maturities. The moneys and Qualified Investments credited to each Governmental Unit Sub-Account in the Loan Fund shall be held in trust and applied only to the payment of the Costs of the Project to which such Governmental Unit Sub-Account relates, as set forth above, and, pending such application, are pledged for the benefit of the Holders of the Bonds, and for the security of the payment of the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on the Bonds, and shall at all times be subject to the lien of such pledge until paid out and transferred as provided in the Resolution.

The Municipal Bonds Payments and the Loan Repayments and all rights under the Loan Agreements or otherwise to receive the same, which are to be transferred to the Funds, the Accounts or the Sub-Accounts held by the Bank, are pledged and assigned by the Resolution to the Trustee for the benefit of the Holders of Bonds and for the application thereof in accordance with the provisions of the Resolution, and the Trustee shall have the legal right to enforce such assignment. All Municipal Bonds Payments and Loan Repayments which are to be transferred to the Funds, the Accounts or the Sub-Accounts held by the Trustee may, at the direction of the Bank, be paid directly to the Trustee for the account of the Bank and deposited by the Trustee as if transferred by the Bank.

Establishment of Funds. (a) The following special Funds, Accounts and Sub-Accounts are established by the Resolution and shall be maintained and held by the Trustee pursuant to the provisions of the Resolution:

(i) General Fund

(1) Bond Payment Account

(A) Series Bond Payment Account

(I) Loan Repayment Account

(a) Governmental Unit Repayment Account

(i) QSCB Interest Sub-Account
(ii) QSCB Principal Sub-Account
(iii) QSCB Redemption Sub-Account
(iv) QSCB Sinking Fund Installment Sub-Account

(2) Interest Account

(3) Principal Account

(4) Redemption Account

(5) Sinking Fund Installment Account

(6) General Account

(7) Operating Account

(ii) Loan Fund

(1) Series Loan Account

(A) Governmental Unit Loan Sub-Account

General Fund. (a) There is created and established by the Resolution in the General Fund a "Bond Payment Account", an "Interest Account", a "Principal Account", a "Redemption Account", a "Sinking Fund Installment Account", a "General Account" and an "Operating Account", each of which shall be held by the Trustee. All Fees and Charges and Administrative Expenses (paid as Loan Repayments) received by the Trustee shall be deposited upon receipt in the Operating Account in the General Fund. All monies received as Municipal Bonds Payments shall be deposited upon receipt by the Trustee or the Bank in the Interest Account, the Principal Account, the Sinking Fund Installment Account and the Redemption Account in the manner provided in the Resolution. There shall be transferred to and deposited in the General Account in the General Fund any monies available for such purpose as provided in the Resolution. Monies and the proceeds of the sale of securities from time to time in the General Fund shall be paid out and applied for the uses and purposes for which the same are pledged by the provisions of the Resolution, in the manner provided in the Resolution. In addition to the foregoing amounts

there shall be deposited in such Funds, Accounts and Sub-Accounts, such amounts received as proceeds of the sale of a Series of Bonds, including the amount received as a premium over the principal amount of such Series of Bonds, as are specified in the Series Resolution authorizing such Series of Bonds.

On or before each Interest Payment Date, with the prior written consent of the Bank, the Trustee shall withdraw from the General Account (to the extent amounts then on deposit in the Operating Account shall not be sufficient) and deposit in the Operating Account the aggregate of the amounts requisitioned by the Bank as of such Interest Payment Date for the six month period to and including the next succeeding Interest Payment Date, for the following purposes:

(i) To pay the estimated Administrative Expenses of the Bank due and to become due during such six month period; and

(ii) To pay the fees and expenses of the Trustee and Paying Agents then due and to become due during such six month period.

As of the last day of each Fiscal Year, and not later than the twentieth (20th) day of the succeeding Fiscal Year, after providing for all payments required to have been made during such Fiscal Year into the Operating Account as provided above, the Trustee may (or at the direction of the Bank, shall) withdraw from the General Account and, if withdrawn, shall pay to or at the direction of the Bank for any of its lawfully authorized purposes the balance of the monies remaining in the General Account, provided, however, that the Bank, in its absolute discretion, may direct the Trustee to deposit any or all of such balance to be withdrawn from the General Account to the credit of the Redemption Account or the Sinking Fund Installment Account and the payment to the Bank of such balance shall be reduced accordingly.

Bond Payment Account.

A special trust account of the Bank under the General Fund is established and designated by the Resolution as the "Bond Payment Account." There shall be established within the Bond Payment Account an Account for each Series of Bonds to be identified by its Series designation (the "Series Bond Payment Account"). Within each Series Bond Payment Account there shall be established a Loan Repayment Account. Within each Loan Repayment Account there shall be established for each Governmental Unit a separate Governmental Unit Repayment Account. Within each such Governmental Unit Repayment Account there shall be established a QSCB Principal Sub-Account, a QSCB Interest Sub-Account, a QSCB Redemption Sub-Account and a QSCB Sinking Fund Installment Sub-Account.

(1) (A) With respect to each Series of Bonds, there shall be deposited to (x) the QSCB Principal Sub-Account and to the QSCB Interest Sub-Account in each Governmental Unit Repayment Account in the Loan Repayment Account in the related Series Bond Payment Account in the Bond Payment Account, as and when received, each Loan Repayment representing payments of, respectively, (i) principal under the respective Governmental Units' Loan Agreements relating to such Series of Bonds, and investment losses (to the extent such investment losses resulted from the acts or omissions of the Governmental Unit) allocable to such QSCB Principal Sub-Account, and (ii) interest under such respective Governmental Units' Loan Agreements relating to such Series of Bonds (including the interest portion of any Optional Prepayment Price under such respective Loan Agreements), and investment losses (to the extent

such investment losses resulted from the acts or omissions of the Governmental Unit) allocable to such QSCB Interest Sub-Account, (y) the QSCB Redemption Sub-Account in each Governmental Unit Repayment Account in the Loan Repayment Account in the related Series Bond Payment Account in the Bond Payment Account, as and when received, each Loan Repayment representing the principal and premium, if any, portion of the payments of the Optional Prepayment Price under the respective Governmental Units' Loan Agreements relating to such Series of Bonds, and investment losses (to the extent such investment losses resulted from the acts or omissions of the Governmental Unit) allocable to such QSCB Redemption Sub-Account, and (z) the QSCB Sinking Fund Installment Sub-Account in each Governmental Unit Repayment Account in the Loan Repayment Account in the related Series Bond Payment Account in the Bond Payment Account, as and when received, each Loan Repayment representing payments of Sinking Fund Installments under the respective Governmental Units' Loan Agreements relating to such Series of Bonds, and investment losses (to the extent such investment losses resulted from the acts or omissions of the Governmental Unit) allocable to such QSCB Sinking Fund Installment Sub-Account. There shall also be deposited to any QSCB Principal Sub-Account, QSCB Interest Sub-Account, QSCB Redemption Sub-Account or QSCB Sinking Fund Installment Sub-Account any such other amounts, including without limitation any amounts derived by the Bank or any related Governmental Unit by reason of any federal interest subsidy, as shall be delivered to the Trustee by the Bank with a written direction as to the particular Sub-Account into which such other amounts are to be deposited. All funds held in a QSCB Principal Sub-Account, a QSCB Interest Sub-Account, a QSCB Redemption Sub-Account and a QSCB Sinking Fund Installment Sub-Account in each Governmental Unit Repayment Account within a Series Bond Payment Account in the Bond Payment Account shall be invested by the Bank or the Trustee at the direction of the Bank in Qualified Investments, subject to the sub-heading entitled *"Investment of Funds, Account and Sub-Accounts Held by the Trustee"* under the heading entitled "Security for Deposits and Investment of Funds". Except as otherwise provided in the Resolution or directed by the Bank, all income derived from the investment of amounts on deposit in each QSCB Principal Sub-Account, QSCB Interest Sub-Account, QSCB Redemption Sub-Account and QSCB Sinking Fund Installment Sub-Account as realized shall be retained therein. Subject to the provisions of this section and under the sub-heading entitled "*Interest Account, Principal Account, Redemption Account and Sinking Fund Account*" under this heading, amounts on deposit in (w) each QSCB Interest Sub-Account shall be transferred to the Interest Account as provided below and applied to the payment of the interest on the Bonds as and when the same become due; (x) each QSCB Principal Sub-Account shall be transferred to the Principal Account as provided below and applied to the payment of the principal of the Bonds as and when the same shall become due; (y) each QSCB Redemption Sub-Account shall be transferred to the Redemption Account as provided below and applied to the payment of the Redemption Price of the Bonds as and when the same shall become due; and (z) each QSCB Sinking Fund Installment Sub-Account shall be transferred to the Sinking Fund Installment Account as provided below and applied to the payment of the Sinking Fund Installments of the Bonds as and when the same shall become due. However, if there exists on the Business Day immediately preceding any Interest Payment Date (or other date upon which principal, Sinking Fund Installments, Redemption Price or interest is due under the related Series of Bonds), a deficiency in any Governmental Unit's Sub-Account, the amount of such deficiency may be paid from any other QSCB Sub-Account of such Governmental Unit, and then transferred to the required Account within the General Fund, if the Trustee is so directed in writing by an Authorized Officer.

(B) Except as may otherwise be provided by the Series Resolution authorizing a Series of Bonds, each Governmental Unit shall receive a credit against each related Loan Repayment representing principal and interest in an amount equal to the earnings derived from the investment of its QSCB Principal Sub-Account and QSCB Interest Sub-Account, respectively, of the related Governmental Unit Repayment Account and reported to the Bank, and, except as set forth below, such earnings shall be credited to such Governmental Unit's next succeeding Loan Repayment; provided, however, that the Bank may (y) direct the Trustee to apply any such credit to any of the QSCB Principal Sub-Account, the QSCB Sinking Fund Installment Sub-Account and/or the QSCB Interest Sub-Account, and/or (z) transfer any such earnings to the Operating Account deemed by it necessary to satisfy any arbitrage rebate requirements under the Code in which event the amount of any such transfer shall not be credited as aforesaid.

(C) With the prior written consent of the Bank (which consent shall be accompanied by a Counsel's Opinion to the effect that the action to be taken will not cause the related Series of Bonds to cease to be "qualified school construction bonds" under applicable provisions of the Code), a Governmental Unit may pay the principal portion and interest, if any, of the Optional Prepayment Price by depositing moneys to the QSCB Redemption Sub-Account of its Governmental Unit Repayment Account in the Loan Repayment Account of the Series Bond Payment Account of the Bond Payment Account in an amount sufficient for such payment or, with the consent of the Bank, moneys which, together with the credit provided in the paragraph immediately above, will be sufficient to pay, the Governmental Unit's principal of and interest on its Loan. If a Governmental Unit has paid the Optional Prepayment Price and Bonds of the related Series in a like amount are still Outstanding and have not been redeemed, then the credit provided in the paragraph immediately above (to the extent it does not constitute a part of the Optional Prepayment Price) shall be held for the benefit of the Governmental Unit and paid to the Governmental Unit (i) upon payment in full of the Series of Bonds or upon redemption of a like principal amount of Bonds in such Series of Bonds or (ii) on the next succeeding Loan Repayment date or dates, at the option of the Bank. If a Governmental Unit has paid the Optional Prepayment Price or has fully paid the principal portion of its Loan Repayments, and Bonds of the related Series are still Outstanding and have not been redeemed, then the Bank, at its option, may deduct from the credit which may be allocated and paid to the Governmental Unit as provided in clause (ii) of the preceding sentence (to the extent it does not constitute a part of the Optional Prepayment Price) an amount equal to such Governmental Unit's share of the Administrative Expenses which shall then be credited to the Operating Account, and an amount equal to a reasonable reserve as determined by the Bank prior to remitting any credit to such Governmental Unit. Upon payment in full of the Outstanding related Series of Bonds, all such amounts shall be disbursed to each such Governmental Unit.

(2) With respect to each Series of Bonds, there shall be deposited to the Operating Account, when and as received, (i) costs incurred in connection with the issuance of the Series of Bonds, and (ii) all portions of Loan Repayments constituting Administrative Expenses received pursuant to any of the provisions of the Resolution or the Governmental Units' Loan Agreements relating to such Series of Bonds, including the Administrative Expenses of any Optional Prepayment Price. All income derived from the investment of such amounts on deposit in the Operating Account shall be credited to the Operating Account.

(3) With respect to each Series of Bonds, there shall be deposited to the applicable Governmental Unit Repayment Account (and to the QSCB Principal Sub-Account, the QSCB

Interest Sub-Account, the QSCB Redemption Sub-Account and/or the QSCB Sinking Fund Installment Sub-Account therein, as appropriate) in the Loan Repayment Account in the related Series Bond Payment Account, all amounts, if any, paid by the Bank for deposit therein including, without limitation, any amounts derived by the Bank pursuant to action taken under applicable provisions of the Code or section 6014 or 6017 of the Act, as necessary to pay the principal of, Sinking Fund Installments, if any, Redemption Price, if any, of, and interest on, such Series of Bonds.

The Trustee shall transfer from the Loan Repayment Account in the Series Bond Payment Account in the Bond Payment Account, and from the amounts on deposit in each QSCB Principal Sub-Account, QSCB Interest Sub-Account, QSCB Redemption Sub-Account and/or QSCB Sinking Fund Installment Sub-Account in each Governmental Unit Repayment Account that is allocable thereto, to the Principal Account, the Interest Account, the Redemption Account and/or Sinking Fund Installment Account, sufficient moneys and at such times as will provide the Paying Agents with funds required to pay the principal, Sinking Fund Installments, if any, Redemption Price, if any, of and interest on the Bonds as the same become due and payable.

With respect to each Series of Bonds, funds for payment of costs of issuance and Administrative Expenses of the Series of Bonds shall be disbursed from the Operating Account as and when due and payable.

If any Bond shall not be presented for payment at maturity, provided moneys sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Bank to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, subject to the provisions of the paragraph below, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on his part under the Resolution or on, or with respect to, such Bond.

Except as may be set forth in the Series Resolution authorizing a Series of Bonds, any moneys remaining in a Governmental Unit Repayment Account in the Loan Repayment Account after payment of the related Series of Bonds and after payment of the fees, charges and expenses accrued and to accrue and all other items required to be paid or held under the Resolution (including pursuant to the paragraph above) with respect to such Series of Bonds not otherwise held as a credit and paid to a Governmental Unit as provided above, shall be paid to the respective Governmental Units.

Interest Account, Principal Account, Redemption Account and Sinking Fund Installment Account. The monies in the Interest Account, the Principal Account, the Redemption Account and the Sinking Fund Installment Account shall be used solely for the purpose of paying the principal of, Redemption Price of, interest on and Sinking Fund Installments for, the Bonds and of retiring such Bonds at or prior to maturity in the manner provided in the Resolution and in any Series Resolution. All monies deposited in the Interest Account, the Principal Account, the Redemption Account and the Sinking Fund Installment Account in the General Fund shall be disbursed and applied by the Trustee at the times and in the manner provided in this paragraph and as provided above with respect to the issuance of Refunding Bonds.

Except as otherwise provided above in connection with the issuance of Refunding Bonds, and as provided in the last paragraph of this sub-heading, the Trustee, upon receipt and deposit in

the General Fund of Municipal Bonds Payments, shall credit to the Interest Account such portion of the Municipal Bonds Payments as shall represent Municipal Bonds Interest Payments. The Trustee shall, on or before each Interest Payment Date of the Bonds, pay, out of the monies then held for the credit of the Interest Account, including the monies credited thereto pursuant to this section and the amounts deposited therein as accrued interest upon delivery of a Series of Bonds, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the interest becoming due on the Bonds on such Interest Payment Date, and such amounts so withdrawn are irrevocably pledged for and shall be applied to the payment of such interest. The Trustee shall also pay out of the Interest Account to itself and the appropriate Paying Agents, on or before any redemption date for Bonds being refunded by Refunding Bonds or redeemed, the amount required for the payment of interest on the Bonds then to be redeemed, to the extent not otherwise provided pursuant to the other provisions of the Resolution. Any excess amounts remaining in the Interest Account after the application thereof as provided in this paragraph and in the last paragraph of this sub-heading, and derived from the investment or reinvestment of Municipal Bonds Payments, shall, upon receipt by the Trustee of direction by the Bank, be transferred by the Trustee to the General Account or as otherwise directed by the Bank.

The Trustee, upon receipt and deposit in the General Fund of Municipal Bonds Payments, shall, except as otherwise provided in the last paragraph of this sub-heading, credit to the Principal Account or the Sinking Fund Installment Account, as applicable, such portion of the Municipal Bonds Payments as shall represent Municipal Bonds Principal Payments. The Trustee shall, on or before each principal payment date of or Sinking Fund Installment date for, the Bonds, pay, out of the monies then held for the credit of the Principal Account or the Sinking Fund Installment Account, as applicable, including the monies credited thereto pursuant to this paragraph, and the amounts deposited therein in connection with the issuance of Refunding Bonds, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the principal or Sinking Fund Installment due on the Bonds on such date, and such amounts so withdrawn are irrevocably pledged for and shall be applied to the payment of such principal or Sinking Fund Installment. Any excess amounts remaining in the Principal Account or the Sinking Fund Installment Account after the application thereof as provided in this paragraph and in the last paragraph of this sub-heading, and derived from the investment or reinvestment of Municipal Bonds Payments, shall, upon receipt by the Trustee of direction by the Bank, be transferred by the Trustee to the General Account.

The Trustee shall establish in the Redemption Account a separate Sub-Account for the Bonds of each Series Outstanding.

(i) Any monies deposited into the Redemption Account pursuant to the paragraph above shall be set aside in each separate Sub-Account established as aforesaid, in the same ratio as the original principal amount of the Bonds of the Series of Bonds for which such Sub-Account is established bears to the total original principal amount of Bonds of all Series of Bonds then Outstanding. Monies so held in each such separate Sub-Account by the Trustee shall be applied to the purchase or retirement of the Bonds of the Series in respect of which such Sub-Account was created as follows:

(A) The Trustee shall promptly apply such monies to the purchase of Bonds of such maturity or maturities of the Series in respect of which such Sub-Account was created as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds shall then be

subject to redemption, such price, however, not to exceed the Redemption Price which would be payable on the next ensuing date on which the Bonds of the Series so purchased are redeemable according to their terms. The Trustee shall pay the interest accrued on the Bonds so purchased to the date of delivery thereof to the Trustee from the Interest Account and the balance of the purchase price from the applicable Sub-Account established with it, as hereinabove provided, but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding a date on which such Bonds are subject to redemption under the provisions of the Series Resolution authorizing the issuance thereof.

(B) In the event the Trustee is unable to purchase Bonds of a Series in accordance with and under the foregoing provisions of this paragraph, the Trustee shall call for redemption on the next ensuing redemption date such amount of Bonds of such maturity or maturities of the Series in respect of which such Sub-Account was created as directed by an Authorized Officer as, at the Redemption Price thereof, will exhaust said Sub-Account as nearly as may be. Such redemption shall be made pursuant to the redemption provisions of the Resolution. The Trustee shall pay the interest accrued on the Bonds so redeemed to, but not including, the date of redemption from the Interest Account and the Redemption Price from the applicable Sub-Account in the Redemption Account.

(ii) The Bank shall deposit or cause to be deposited in the Redemption Account (except as provided in the sub-heading entitled "*Disposition of the Proceeds of Sale or Redemption of Municipal Bonds*" under the heading entitled "Covenants of the Bank") such portion of the monies received as the proceeds of sale or redemption of Municipal Bonds (as required by such sub-heading) and, upon any such deposit, shall advise the Trustee in writing of the name of the Governmental Unit which is the issuer of the Municipal Bonds sold or redeemed, and the Series or Series of Bonds to which the same relates. Upon receipt of any such monies, the Trustee shall set aside in the appropriate Sub-Account or Sub-Accounts the applicable portion of the proceeds of sale or redemption of the Municipal Bonds. Monies so held in each separate Sub-Account by the Trustee shall be applied to the purchase or retirement of the Bonds of the Series in respect of which such Sub-Account was created as follows:

(A) The Trustee shall promptly apply such monies to the purchase of Bonds of the Series in respect of which such Sub-Account was created having the same maturity date or dates as the Municipal Bonds Principal Payments required to be made for the Municipal Bonds sold by the Bank or redeemed by the Governmental Unit at the most advantageous price obtainable with reasonable diligence, such price, however, not to exceed the Redemption Price which would be payable on the next ensuing date on which the Bonds of the Series so purchased are redeemable according to their terms. The Trustee shall pay the interest accrued on the Bonds so purchased to the date of sale or redemption of the Municipal Bonds from the Interest Account and the balance of such interest to the date of delivery thereof to the Trustee and the purchase price from the applicable Sub-Account established with it, as hereinabove provided, but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding a date on which such Bonds are subject to redemption under the provisions of the Series Resolution authorizing the issuance thereof.

(B) In the event the Trustee is able to purchase the requisite principal amount of Bonds for a Sub-Account in accordance with and under the foregoing provisions of this subheading at a purchase price less than the sum of the deposits to such Sub-Account from the proceeds from the sale or redemption of Municipal Bonds and the applicable transfers from the Interest Account, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the balance of monies remaining in such Sub-Account to, and deposit the same in, the General Account.

(C) In the event the Trustee is unable to purchase Bonds of a Series in accordance with and under the foregoing provisions of this subheading, the Trustee shall call for redemption on the next ensuing redemption date such amount of Bonds of the Series in respect of which such Sub-Account was created having the same maturity date or dates as the Municipal Bonds Principal Payments required to be made for the Municipal Bonds sold by the Bank or redeemed by the Governmental Unit, as, at the Redemption Price thereof, will exhaust said Sub-Account as nearly as may be. Such redemption shall be made pursuant to the provisions of the Resolution. The Trustee shall pay the interest accrued on the Bonds so redeemed to the date of sale of the Municipal Bonds from the Interest Account and the balance of such interest to the date of redemption and the Redemption Price from the applicable Sub-Account.

(iii) The Bank may, from time to time, by written instructions direct the Trustee to make purchases of Bonds as provided above only after receipt of tenders after mailed notice. The Bank may specify the length of notice to be given and the dates on which tenders are to be accepted or may authorize the Trustee to determine the same in its discretion. All such tenders shall be by sealed proposals and no tenders shall be considered or accepted at any price exceeding the price specified above for the purchase of Bonds. The Trustee shall accept bids with the lowest price and if the monies available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and there shall be tenders at an equal price above the amount of monies available for purchase then the Trustee shall select by lot, in such manner as the Trustee shall determine in its discretion, the Bonds tendered which shall be purchased. No purchase of Bonds, either on tenders or otherwise, shall be made by the Trustee within the period of forty-five (45) days next preceding any date on which such Bonds are subject to redemption.

The Interest Account, the Principal Account, the Redemption Account and the Sinking Fund Installment Account shall be drawn upon for the sole purpose of paying the principal or Redemption Price of, interest on and Sinking Fund Installments for, the Bonds. Monies set aside from time to time with the Trustee and Paying Agents for the payment of such principal, Redemption Price, interest and Sinking Fund Installments for, shall be held in trust for the Holders of the Bonds in respect of which the same shall have been so set aside. Until so set aside for the payment of principal, Redemption Price or interest, and Sinking Fund Installments for, as aforesaid, all monies in such Accounts shall be held in trust for the benefit of the Holders of all Bonds at the time Outstanding equally and ratably and without any preference or distinction as between Bonds of different Series, except that monies on deposit in the separate Sub-Accounts established in the Redemption Account or Sinking Fund Installment Account shall

be held in trust for and applied to the payment of the Bonds of the Series for which the applicable Sub-Account was established.

The Bank may deliver from time to time to the Trustee a written direction of an Authorized Officer to the effect that, notwithstanding the above provisions, the Trustee shall make adjustment in the portion of the Municipal Bonds Payments and Loan Repayments to be deposited among the Interest Account, the Principal Account and the Sinking Fund Installment Account in the amounts set forth in the schedule referred to below. Such direction of the Bank to the Trustee shall be accompanied by a schedule setting forth the allocations to be made from the Municipal Bonds Payments and Loan Repayments among the Interest Account, the Principal Account and the Sinking Fund Installment Account, and a certificate of an Authorized Officer of the Bank to the effect that such schedule will provide amounts sufficient to be deposited into the Interest Account, the Principal Account and the Sinking Fund Installment Account to pay the principal, Sinking Fund Installments and interest on the related Series of Bonds. Upon any redemption of Bonds or purchase and cancellation of Bonds, the Bank shall deliver to the Trustee a revised schedule and a new certificate.

Operating Account. There shall be deposited in the Operating Account monies otherwise deposited therein or withdrawn from the General Account as provided above, all Fees and Charges collected by the Trustee and any other monies which may be made available to the Bank for the purposes of the Operating Account from any other source or sources including the amount received as a premium over the principal amount of a Series of Bonds, if any, to the extent provided in the Series Resolution authorizing such Series. Monies at any time held for the credit of the Operating Account shall be used for and applied solely to the following purposes:

(i) To pay the Administrative Expenses of the Bank;

(ii) To pay the fees and expenses of the Trustee and Paying Agents; and

(iii) Financing costs incurred with respect to a Series of Bonds, including fees and expenses of the attorney or firm of attorneys of recognized standing in the field of municipal law selected by the Bank, initial Trustees' and Paying Agents' fees and expenses, costs of a Credit Facility, costs and expenses of financial consultants, attorneys, printing costs and expenses, the payment to any officers, departments, boards, agencies, divisions and commissions of, or reimbursement to, the State of any statement of cost and expense or advances rendered to the Bank pursuant to the Act, and all other financing and other miscellaneous costs, in the aggregate amount specified in the Series Resolution authorizing such Series of Bonds.

Disposition of Bonds Upon Payment. All Bonds paid and redeemed, or purchased by the Trustee, under the provisions of the Resolution, either at or before maturity, shall be cancelled when such payment, redemption or purchase is made, and such Bonds, unless then held by the Trustee, shall be delivered to the Trustee. All cancelled Bonds shall from time to time, upon direction of the Bank, be cremated or otherwise destroyed by the Trustee. The Trustee shall execute a certificate of cremation or other destruction in duplicate describing the Bonds so cremated or otherwise destroyed, and one executed certificate shall be filed with the Bank and the other executed certificate shall be retained by the Trustee.

Calculation of Obligations. At the time of issuance and delivery of each Series of Bonds under the Resolution and at the time of each purchase and redemption of Bonds pursuant to the provisions of the Resolution, the Bank shall compute or recompute and furnish the Trustee with a certificate setting forth (a) the principal amount, schedule of maturities, Sinking Fund Installments and interest rates on the Bonds of each Series then Outstanding, (b) the principal amount and schedule of maturities of each Municipal Bond and the schedule of the interest payments due thereon, and (c) the Loan Repayments schedule under each Loan Agreement.

Security for Deposits and Investment of Funds

Security for Deposits. All monies held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Bank and the Holders of the Bonds by direct obligations of the State or of the United States of America or obligations the principal and interest of which are guaranteed by the State or the United States of America of a market value equal at all times to the amount of the deposit so hold by the Trustee; provided, however, (y) that if the securing of such monies is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (z) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any monies with them held in trust for the payment of the principal or Redemption Price of, Sinking Fund Installments for, or interest on any Bonds, or for the Trustee to give security for any monies which shall be represented by obligations purchased under the provisions of this Resolution as an investment of such monies.

Investment of Funds, Accounts and Sub-Accounts Held by the Trustee. Monies in the Funds, Accounts and Sub-Accounts held under the Resolution shall, as nearly as may be practicable, be invested either by the Bank or by the Trustee upon direction of the Bank by telephone and confirmed in writing, signed by an Authorized Officer (which direction shall specify the amount thereof to be so invested and the Bank in issuing such direction shall take into consideration the dates and times when monies in such Fund, Account or Sub-Account will be required for the purposes of the Resolution but no such investment direction by the Bank shall direct any such investment which will result in moneys not being available and sufficient for any Interest Payment Date or any due date for a Principal Installment), to the extent permitted by law, in Qualified Investments. The maturity or redemption date at the option of the holder of any such investment shall coincide as nearly as practicable with the times at which monies in the Funds, Accounts and Sub-Accounts held under the Resolution will be required for the purposes in the Resolution provided.

Qualified Investments purchased as an investment of monies in any Fund, Account or Sub-Account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such Fund, Account or Sub-Account and the income or interest earned, profits realized or losses suffered by a Fund, Account or Sub-Account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such Fund, Account or Sub-Account.

In computing the amount in any Fund, Account or Sub-Account held by the Trustee under the provisions of the Resolution, Qualified Investments purchased as an investment of monies therein shall be valued at the cost or market price thereof, whichever is lower, inclusive of accrued interest. Amortized value, when used with respect to Qualified Investments

purchased at a premium above or a discount below par, means the value as of any given date obtained by dividing the total premium or discount at which such Qualified Investments were purchased by the number of days remaining to maturity on such Qualified Investments at the date of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of such purchase; and (y) in the case of Qualified Investments purchased at a premium by deducting the product thus obtained from the purchase price, and (z) in the case of Qualified Investments purchased at a discount by adding the product thus obtained to the purchase price.

Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable by the Trustee through its ordinary and customary practices, or present for redemption or exchange, or as directed in writing by the Bank, any Qualified Investment held by it in any Fund, Account or Sub-Account whenever it shall be necessary in order to provide moneys to meet any payment or transfer from a Fund, Account or Sub-Account from which such investment was made.

In lieu of the investment of monies in Qualified Investments, the Trustee shall, upon direction of the Bank in writing, signed by an Authorized Officer, deposit monies from any Fund, Account or Sub-Account held by the Trustee under the terms of the Resolution, in, to the extent permitted by law, interest-bearing time deposits, or shall make other similar banking arrangements, with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation; provided, that no monies in such Funds, Accounts or Sub-Accounts shall be so deposited unless the recipient of such deposit shall certify in writing to the Bank and the Trustee, upon the making of each such deposit or arrangement, that the interest to be earned thereon will be in excess of the interest, income or increment that would be earned by the investment of such monies in direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed as to payment by the United States of America or by the State at the then current market prices; provided further, that each such interest-bearing time deposit or other similar banking arrangement shall permit the monies so placed to be available for use at the times provided with respect to the investment or reinvestment of such monies; and provided further, that all monies in each such interest-bearing time deposit or other similar banking arrangement shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the United States of America or by the State, of a market value equal at all times to the amount of the deposit or of the other similar banking arrangement.

Investment of moneys in the Funds, Accounts and Sub-Accounts under the Resolution may be commingled for investment purposes either as a separate fund or as part of a common fund; provided, however, that (i) such investments and the income or interest earned, profits realized or losses suffered thereby shall be allocated and credited to the appropriate Funds, Accounts or Sub-Accounts or otherwise in accordance with the Resolution, and (ii) all Funds, Accounts and Sub-Accounts so commingled for investment purposes shall nevertheless be accounted for separately as required by the Resolution.

Qualified Investments purchased as an investment of moneys credited to any Fund, Account or Sub-Account held under the Resolution shall be deemed at all times to be part of such respective Fund, Account or Sub-Account, but, except for defeasance as provided for in the

Resolution, the income or interest earned, profits realized or losses suffered by a Fund, Account or Sub-Account due to the investment thereof shall be retained therein.

In computing the value of any Qualified Investments held in any Fund, Account or Sub-Account held by the Trustee under the provisions of the Resolution, obligations shall be valued at the lower of the amount invested or fair market value.

Resignation of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Bank and mailing notice thereof, specifying the date when such resignation shall take effect, to each Holder. Such resignation shall take effect upon the date specified in the notice to the Bank unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of such successor; provided, however, that no resignation shall take effect until a successor Trustee shall have been appointed and shall have accepted such appointment.

Removal of Trustee

During any period in which no Event of Default shall have occurred or be continuing, the Trustee may be removed for any reason, with or without cause (i) by the Bank, by written instrument delivered to the Trustee, or (ii) by the Holders of at least a majority in aggregate principal amount of the Outstanding Bonds, by written instrument or concurrent instruments in writing signed and acknowledged by such Holders or by their attorneys in fact and delivered to the Bank and the Trustee.

During any period in which any Event of Default shall have occurred and be continuing, the Trustee may be removed (i) by the Bank, with cause, by written instrument delivered to the Trustee, or (ii) by the Holders of at least a majority in aggregate principal amount of the Outstanding Bonds, with cause, by written instrument or concurrent written instruments signed and acknowledged by such Holders or by their attorneys in fact and delivered to the Bank and the Trustee. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Resolution with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Bank or of the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of the Outstanding Bonds.

The Trustee shall be removed by the Bank if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Bank, and signed by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Bank.

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Bank covenants that it will thereupon

appoint a successor Trustee. If in the reasonable judgment of the Bank any such event referred to in the preceding sentence is likely to occur, the Bank, in its sole discretion and without the request of the Holders of Bonds, may remove the Trustee and the Bank covenants and agrees that it will thereupon appoint a successor Trustee. The Bank shall mail, or cause to be mailed, notice of any such appointment made by it to each Holder, such notification to be made within thirty (30) days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the above paragraph within forty-five (45) days after the Trustee shall have given to the Bank written notice, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee so appointed in succession to the Trustee shall be a bank or trust company organized under the laws of any state of the United States of America, or a national banking association, and having a capital and surplus aggregating at least One Hundred Million Dollars ($100,000,000) if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

Covenants of the Bank

Payment of Bonds. The Bank shall punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually satisfy all Sinking Fund Installments, if any, which may be established for any Series.

Extension of Payment of Bonds. The Bank shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement. In case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Resolution to the benefit of the Resolution or to any payment out of any assets of the Bank or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee or any Paying Agent, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Bank (i) to issue Refunding Bonds as provided in the Resolution, and such issuance shall not be deemed to constitute an extension of maturity of Bonds or the time of payment of any of the claims for interest, or (ii) to apply any amount to the purchase or redemption of a related Series of Bonds.

Offices for Payment and Registration of Bonds. The Bank shall at all times maintain one or more offices or agencies where Bonds may be presented for payment, registration, transfer or exchange. The Bank may by a Series Resolution or by resolution adopted in accordance with the

Resolution designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment.

Further Assurances. At any and all times the Bank shall, so far as it may be authorized or permitted by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, confirming and effecting all and singular the rights, the Municipal Bonds Payments, the Municipal Bonds, the Loan Repayments, and all rights to receive the same, the Loan Agreements, the Funds, the Accounts, the Sub-Accounts, and the other monies, securities, funds and property pledged or assigned by the Resolution, or intended so to be, or which the Bank may become bound to pledge or assign.

Power to Issue Bonds and Make Pledges. The Bank is authorized pursuant to law to create and issue the Bonds and to adopt the Resolution and to pledge the Municipal Bonds Payments, the Municipal Bonds, the Loan Repayments and all rights to receive the same, the Loan Agreements, the Funds, the Accounts, the Sub-Accounts, and the other monies, securities, funds and property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution, in the manner and to the extent provided in the Resolution. The Municipal Bonds Payments, the Municipal Bonds, the Loan Repayments and all rights to receive the same, the Loan Agreements, the Funds, the Accounts, the Sub-Accounts, and the other monies, securities, funds and property so pledged and assigned are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and assignment created by the Resolution, and all corporate action on the part of the Bank to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Bank in accordance with their terms and the terms of the Resolution. The Bank shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Municipal Bonds Payments, the Municipal Bonds, the Loan Repayments and all rights to receive the same, the Loan Agreements, the Funds, the Accounts, the Sub-Accounts, and the other monies, securities, funds and property pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all Persons whomsoever.

General. The Bank shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Bank under law and the Resolution in accordance with the terms of such provisions. The Bank pledges to and agrees with the Holders of the Bonds that it will not cause the State to limit or alter the rights vested by the Act in the Bank to fulfill the terms of any agreements made with Bondholders, or in any way impair the rights and remedies of such Holders until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

Accounts and Reports. The Bank shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Municipal Bonds Payments, the Loan Repayments, the Municipal Bonds, the Fees and Charges, the Loan Agreements and all Funds, Accounts and Sub-Accounts established by the Resolution, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of

an aggregate of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The Bank shall annually, on or before the last day of December in each year, file with the Trustee a copy of an annual report for the preceding Fiscal Year, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (a) its operations; (b) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the Bank for its operating and capital outlay purposes; (c) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Municipal Bonds Payments, Municipal Bonds, Fees and Charges and the status of reserve, special or other funds and the Funds, Accounts and Sub-Accounts established by the Resolution; and (d) a schedule of its Bonds Outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. A copy of each such annual report and Accountant's Certificate shall be mailed promptly thereafter by the Bank to each Bondholder who shall have filed his name and address with the Bank for such purpose.

Budgets. The Bank shall, at least thirty (30) days prior to the beginning of each Fiscal Year (commencing July 1, 2011), prepare and file in the office of the Trustee a preliminary budget covering its fiscal operations for the succeeding Fiscal Year which shall be open to inspection by any Bondholder. The Bank shall also prepare a summary of such preliminary budget and on or before twenty (20) days prior to the beginning of each Fiscal Year mail a copy thereof to any Bondholder who shall have filed his name and address with the Bank for such purpose.

The Bank shall adopt an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than July 1 of each year and file the same with the Trustee and with such officials of the State as required by the Act, as then amended, which budget shall be open to inspection by any Bondholder. In the event the Bank shall not adopt an annual budget for the succeeding Fiscal Year on or before July 1, the budget for the preceding Fiscal Year shall be deemed to have been adopted and be in effect for such Fiscal Year until the annual budget for such Fiscal Year shall have been adopted as above provided. The Bank may at any time adopt an amended annual budget in the manner provided in the Act as then amended.

Waiver of Laws. The Bank shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time in force which may affect the covenants and agreements contained in the Resolution or in any Series Resolution or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Bank.

Fees and Charges. The Bank shall establish, make, maintain and charge such Fees and Charges to each Governmental Unit to which a Loan is made, and shall from time to time revise such Fees and Charges whenever necessary, so that such Fees and Charges actually collected from each such Governmental Unit will at all times produce monies which, together with such Governmental Unit's Allocable Proportion of other monies available under the provisions of the Resolution and other monies available therefor, including any grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof, will be at least sufficient:

(i) To pay, as the same become due, the Governmental Unit's Allocable Proportion of the Administrative Expenses of the Bank; and

(ii) To pay, as the same become due, the Governmental Unit's Allocable Proportion of the fees and expenses of the Trustee and Paying Agents.

The Bank shall provide the Trustee with a schedule of the Fees and Charges to be paid by each Governmental Unit, and of each revision thereof, and shall require each Governmental Unit to make payment of the Fees and Charges required to be paid by it directly to the Trustee. The Trustee shall promptly advise the Bank of each and every failure of a Governmental Unit to make payment of Fees and Charges when due in accordance with the applicable schedule.

Tax Qualification. The Bank may include in the applicable Loan Agreements for any Series of Bonds any and all covenants necessary or appropriate to maintain the related Series of Bonds as "qualified school construction bonds" within the meaning of applicable provisions of the Code.

Issuance of Additional Obligations. The Bank shall not, subsequent to the issuance of the initial Series of Bonds under the Resolution, create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Municipal Bonds, the Municipal Bonds Payments, the Loan Repayments or the Loan Agreements or which will be payable from the Funds, Accounts or Sub-Accounts established under the Resolution, except that additional Series of Bonds may be issued from time to time pursuant to a Series Resolution subsequent to the issuance of the initial Series of Bonds under the Resolution on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the Municipal Bonds, the Municipal Bonds Payments, the Loan Repayments and the Loan Agreements and payable equally and ratably from the Funds, Accounts or Sub-Accounts established under the Resolution.

No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under the Resolution unless

(i) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and Notes of the Bank theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(ii) there is at the time of the issuance of such additional Bonds no deficiency in the amounts required by the Resolution or any Series Resolution to be paid into any Fund, Account or Sub-Account established under the Resolution;

(iii) the scheduled Municipal Bonds Principal Payments to be made in respect of the Loans with respect to which such additional Series of Bonds are to be issued are at least equal to the maturities of, or Sinking Fund Installments for, the additional Bonds then being issued to make the Loans, unless such additional Bonds are being issued to refund Outstanding Bonds in accordance with the provisions of the Resolution; and

(iv) the Loan Repayments to be made under each Loan Agreement evidencing a Loan to be made from the proceeds of the additional Series of Bonds obligate the Governmental Unit to make payments sufficient to pay in the aggregate when due the

principal of, Sinking Fund Installments for, Redemption Price, if any, and interest under the Municipal Bond issued by such Governmental Unit evidencing such Loan.

The Bank expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue Notes and any other obligations so long as the same are not a charge or lien on the Municipal Bonds, the Municipal Bonds Payments, the Loan Repayments, the Loan Agreements and the Fees and Charges or payable from the Funds, Accounts or Sub-Accounts created pursuant to the Resolution.

Loan Agreement Provisions. No Loan shall be made by the Bank from the proceeds of the sale of Bonds, and no Bonds shall be issued by the Bank for the purpose of providing funds with which to make a Loan, unless the Loan Agreement under which such Loan is to be made shall comply with, and no Bonds shall be issued by the Bank to fund Notes or to refund Bonds unless the Loan Agreement under which the Loan was made from the proceeds of such Notes or Bonds, shall also comply with, the following terms, conditions, provisions and limitations:

(i) the Governmental Unit which is a party to such Loan Agreement must be a Governmental Unit as defined by the Act and the Loan Agreement must be executed in accordance with existing laws for a Loan to finance a Project eligible for financing as a "qualified school construction bond" under applicable provisions of the Code;

(ii) the Governmental Unit, prior to or simultaneously with the issuance of Bonds of the Bank issued to make a Loan to the Governmental Unit, shall issue Municipal Bonds which are valid obligations of the Governmental Unit as required by the Act payable from the levy of ad valorem taxes;

(iii) the Municipal Bonds Interest Payments to be made by the Governmental Unit under such Loan Agreement shall be not less than the rate or rates of interest the Bank is required to pay on the related Series of Bonds (net of any Federal Interest Subsidy) and shall be scheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay interest on the related Series of Bonds as the same becomes due, except as otherwise provided in the Resolution with respect to the Bank directing the Trustee to re-allocate Municipal Bonds Interest Payments and Municipal Bonds Principal Payments;

(iv) the Municipal Bonds Principal Payments to be made by the Governmental Unit under such Loan Agreement shall be scheduled or rescheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay the principal of the related Series of Bonds as the same matures, except as otherwise provided in the Resolution with respect to the Bank directing the Trustee to re-allocate Municipal Bonds Interest Payments and Municipal Bonds Principal Payments;

(v) the Governmental Unit shall be obligated to pay Fees and Charges to the Bank at the times and in the amounts which will enable the Bank to comply with the Resolution;

(vi) each Loan Agreement shall require the related Governmental Unit to make Loan Repayments in such amounts and at such times as shall be sufficient to permit the Bank to pay the principal, Sinking Fund Installments, if any, and Redemption Price, if any, of and interest on the Bonds issued to provide such Governmental Unit's Loan, as and when

the same shall become due and payable, and shall contain (i) representations and covenants of the Governmental Unit thereunder substantially to the effect set forth in the initial Loan Agreements, and (ii) defaults substantially the same as those contained in the initial Loan Agreements;

(vii) the term of each Loan funded with proceeds of each Series of Bonds shall commence on the Closing of such Loan as provided in the Loan Agreement and end on a date specified in the Loan Agreement;

(viii) the principal of and interest, if any, on each Loan (including any such principal and interest, if any, and redemption premium, if any, payable upon redemption of related Bonds prior to maturity) shall be repaid in such amounts and on such dates as shall be set forth or provided in the Loan Agreement;

(ix) the portions of each Loan Repayment constituting principal and interest shall be calculated by the Bank (and recalculated when necessary) as provided in the Loan Agreement and shall be paid on the dates specified in the Loan Agreement;

(x) the portion of each Loan Repayment constituting Administrative Expenses shall be calculated and apportioned among the Series of Bonds by the Bank and among the Governmental Units with Loan Agreements relating to such Series of Bonds as set forth in the Loan Agreement and shall be payable on the dates provided in the Loan Agreement; and

(xi) the Governmental Unit shall be obligated to make the Loan Repayments with respect to interest on its Municipal Bond on a semi-annual basis, and principal on its Municipal Bond on an annual basis, and principal on its Municipal Bond on an annual basis, in each case scheduled (and rescheduled by the Bank) in the amounts and on the dates as provided in the Loan Agreement and shall be obligated to pay the Fees and Charges imposed by the Bank on a semi-annual basis.

Upon the payment of all sums due and to become due under a Loan Agreement or the prepayment of a Loan Agreement by a Governmental Unit by payment of the Optional Prepayment Price pursuant to a Loan Agreement, the Bank and the Trustee shall cancel the Loan Agreement and shall take any other actions required of the Bank and the Trustee under the Loan Agreement and shall execute in their own names all relevant documents in connection with such actions.

If a Loan made under the Resolution is prepaid, the Governmental Unit's Proportionate Share of Administrative Expense may be calculated by the Bank as if it were making its regular Loan Repayments until the prepayment is used to redeem the related Series of Bonds as set forth in the Loan Agreement or until maturity of the related Series of Bonds.

Modification of Loan Agreement Terms. The Bank shall have the right to consent to the modification of, or modify, the rate or rates of interest of, or the amount or time of payment of any installment of principal or interest under any Loan Agreement or any Municipal Bonds evidencing a Loan, or the amount or time of payment of any Fees and Charges payable with respect to such Loan or the security for or any terms or provisions of such Loan, Loan Agreement or the Municipal Bonds evidencing the same, but only to the extent that such modification will not result in a default in the payment of principal, Redemption Price, Sinking

Fund Installments or interest on the related Series of Bonds when due; provided, further, that, in the event the related Series of Bonds is being or has been refunded and the Refunding Bonds therefor are in a principal amount in excess of or less than the principal amount of the Bonds refunded, the Bank may also consent to the modification of and modify the Loan Agreement relating to such Loan and the Municipal Bonds evidencing the same, and the Loan Repayments and the Municipal Bonds Payments to be made thereunder so long as such Loan Repayments and Municipal Bonds Payments are sufficient in amount and payable at the times required for the payment of the principal of and interest on such Refunding Bonds, and further provided, however, that, in the event the related Series of Bonds has been refunded and the interest the Bank is required to pay on the Refunding Bonds issued for the purpose of refunding such original Bonds is less than the interest the Bank was required to pay on such original Bonds refunded by the Bank, the Municipal Bonds Interest Payments and interest payments under the Loan Agreement to be made by the Governmental Unit in respect of such Loan shall be reduced so that the amounts required to be paid shall be sufficient to pay interest on such Refunding Bonds Outstanding.

Sale of Municipal Bonds by Bank. The Bank shall not sell (except as provided below) any Municipal Bonds prior to the date on which all Outstanding Bonds issued with respect to the applicable Loan are redeemable (except as provided below), and shall not after such date sell any such Municipal Bonds unless the sales price thereof received by the Bank shall not be less than the aggregate of (i) the principal amount of the related Series of Bonds so to be redeemed, (ii) the interest to accrue on the related Series of Bonds so to be redeemed to the next redemption date thereof not previously paid, (iii) the applicable premium, if any, payable on the related Series of Bonds so to be redeemed, and (iv) the costs and expenses of the Bank in effecting the redemption of the related Series of Bonds so to be redeemed, if any; provided, however, that, (y) in the event the related Series of Bonds has been refunded and the Refunding Bonds therefor were issued in a principal amount in excess of or less than the related Series of Bonds remaining unpaid at the date of issuance of such Refunding Bonds, the required amount to be included in such sales price under item (i) above shall be the principal amount of such Refunding Bonds Outstanding; and (z) in the event the Bank shall determine to sell prior to maturity any Municipal Bonds with respect to which a Loan is made prior to the date (the "Call Date") on which all Outstanding Bonds issued with respect to such Loan are redeemable, any such sale shall be for an amount to be held by the Trustee in a separate Sub-Account of the General Fund which (1) when invested in Defeasance Obligations and as set forth in a certificate of an Authorized Officer of the Bank delivered to the Trustee, shall be equal to the aggregate of clauses (i) through (iv) above, and (2) may be held in such Sub-Account until the final maturity date of the Outstanding Bonds issued with respect to such Loan. In the event the related Series of Bonds has been refunded and the interest the Bank is required to pay on the Refunding Bonds is less than the interest the Bank was required to pay on the related Series of Bonds, the required amount to be included in such sales price in item (ii) above shall be the amount of interest to accrue on such Refunding Bonds Outstanding.

Disposition of the Proceeds of Sale or Redemption of Municipal Bonds. In the event Municipal Bonds or other obligations securing a Loan shall be sold by the Bank in accordance with the terms of the applicable Loan Agreement or as provided in the sub-heading above or redeemed by the Governmental Unit, the Bank shall deposit the proceeds of such sale or redemption, except an amount thereof equal to the costs and expenses of the Bank in effecting the redemption or defeasance of the Bonds to be redeemed or defeased upon such sale by the Bank or redemption by the Governmental Unit, into the applicable Sub-Account or

Sub-Accounts in the Redemption Account and shall apply the same to the payment, retirement or redemption of the appropriate Bonds in accordance with the provisions of the Resolution. The balance in such applicable Sub-Account or Sub-Accounts of such proceeds of sale or redemption of Municipal Bonds shall be deposited in the General Account and applied by the Bank to the purposes for which the same have been allocated as aforesaid.

Enforcement of Municipal Bonds and Loan Agreements. The Bank shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Loan Agreements and the Municipal Bonds evidencing Loans made by the Bank, including the prompt payment of all Loan Repayments and all amounts due thereunder, and the giving of notice to the State Treasurer of any failure or default of any Governmental Unit in the payment, of its Municipal Bonds or of its Fees and Charges or as otherwise provided in sections 6014 or 6017 of the Act. The Bank shall promptly notify the Trustee (and the provider of a Credit Facility, if any, with respect to the related Series of Bonds) of the occurrence of any payment default under a Loan Agreement of which it has knowledge. The Bank shall not (without the prior written consent of the Trustee or the provider of any such Credit Facility) release the obligations of any Governmental Unit under any Loan Agreement and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Holders of the Bonds and of the Trustee under or with respect to such Loan Agreement, provided that this provision shall not be construed to prevent the Bank from settling a default under any Loan Agreement on terms as the Bank shall determine to be in the best interest of the Holders of the Bonds and of the Bank.

Incomplete Payments. If a Governmental Unit shall pay only a portion of a Loan Repayment when due, the payment shall be applied first as interest on the Loan, second as principal of the Loan, and then as Administrative Expenses.

Series Resolutions and Supplemental Resolutions

Modification and Amendment Without Consent. Notwithstanding any other provisions of this heading, or the heading below entitled "Amendments", the Bank may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

(a) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things so permitted under the Resolution, and also any other matters and things relative to such Series of Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to or, if and to the extent so provided therein for amendments effective only as to such Series of Bonds, after the first issuance and delivery of such Series of Bonds;

(b) To authorize Bonds of any Series to be issued in uncertificated form without physical delivery of any Bond, with indebtedness evidenced by means of electronic record keeping on the database or systems of the Bank, any Fiduciary and/or the Securities Depository or any other Person performing a similar central depository or clearinghouse function in the

capital markets as a nominee of beneficial owners, or in such other comparable form and manner as shall then be an acceptable practice of issuing and delivering securities;

(c) To modify, amend or supplement the Resolution in any manner in order to obtain or provide for or with respect to a Credit Facility with respect to any Series of Bonds, so long as the Bank determines that such Supplemental Resolution does not materially adversely affect the rights of the Holders of Outstanding Bonds (taking into account, among other things, the provisions of the sub-heading above entitled "*Credit Facilities and Other Arrangements*" under the heading entitled "Authorization and Issuance of Bonds") and grant such rights and remedies and make such other covenants (subject to the Resolution including any prior Supplemental Resolution) as may be necessary therefor;

(d) To add additional covenants and agreements of the Bank for the purpose of further securing the payment of the Bonds or any Series of Bonds provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Bank contained in the Resolution as theretofore in effect;

(e) To prescribe further limitations and restrictions upon the issuance of a Series of Bonds by the Bank;

(f) To surrender any right, power or privilege reserved to or conferred upon the Bank by the terms of the Resolution;

(g) To confirm as further assurance any pledge under the Resolution subject to any lien, claim or pledge created or to be created by the provisions of the Resolution, the Loan Agreements, the Municipal Bond Payments, the Loan Repayments or of any other moneys, securities or funds;

(h) At any time prior to the first authentication and delivery of any Bonds under the Resolution or at any other time when no Bonds are Outstanding under the Resolution, to modify the provisions of the Resolution in such manner as the Bank deems necessary or appropriate;

(i) To modify, amend or supplement the Resolution in such manner as to permit the qualification of the Resolution under the Trust Indenture Act of 1939, as amended, or any similar Federal statute in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, and, if the Bank so determines, to add to the Resolution other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar Federal statute;

(j) To modify, amend or supplement the Resolution in such manner as to permit the issuance of a Series of Bonds the purpose for which is related to public school projects but which do not otherwise qualify as "qualified school construction bonds" under applicable provisions of the Code, provided that the Bank shall have delivered to the Trustee a Counsel's Opinion to the effect that such modification, amendment or supplement will not have a material adverse effect on the rights of Holders;

(k) To modify, amend or supplement the Resolution in such manner as to permit the Bonds or any Series thereof and/or any of the Municipal Bonds to qualify as "qualified school construction bonds" under applicable provisions of the Code, provided that the Bank shall have

delivered to the Trustee a Counsel's Opinion to the effect that such modification, amendment or supplement will not have a material adverse effect on the rights of Holders;

(l) With respect to any Supplemental Resolution, as may be provided therein if not otherwise materially in conflict with the Resolution;

(m) To cure any ambiguity, or defect or inconsistent provision in the Resolution, or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to make any other modification or amendment of the Resolution which will not have a material adverse effect on the rights of Holders, provided that in making any such determination of no material adverse effect, the Trustee may conclusively rely upon a Counsel's Opinion or certificate of any Person deemed by the Trustee in its sole discretion to be reliable;

(n) To comply with the requirements of any Rating Agency in order to maintain or improve a rating on a Series of Bonds by such Rating Agency; or

(o) To modify any of the provisions of the Resolution in any respect whatsoever; provided, however, that (i) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution either shall cease to be Outstanding or the requisite percentage of the principal amount of such Bonds shall have consented thereto, as provided in the heading below entitled "Amendments" and such Supplemental Resolution, or (ii) the provisions of such Supplemental Resolution shall be effective only as to Series of Bonds issued after the effective date of the Supplemental Resolution.

Supplemental Resolutions Effective With Consent of Bondholders. The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the heading below entitled "Amendments", such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer and upon satisfaction of the other requirements of the heading below entitled "Amendments".

General Provisions Relating to Series Resolutions and Supplemental Resolutions. The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of this heading and the heading below entitled "Amendments". Nothing contained in this heading or the heading below entitled "Amendments" shall affect or limit the rights or obligations of the Bank to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the further assurances provisions of the Resolution or the right or obligation of the Bank to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Bank when filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted by the Bank in

accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Bank and enforceable in accordance with its terms.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent may be adopted by the Bank without the written consent of the Trustee or Paying Agent affected thereby.

Amendments

Powers of Amendment. Except as provided in the immediately preceding heading, any modification or amendment of the Resolution and of the rights and obligations of the Bank and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided below, (i) of the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in aggregate principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of one hundred percent (100%) in principal amount of the Bonds of the particular Series, maturity and interest rate, if any, entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this heading.

No such modification or amendment shall (i) permit a change in the terms of redemption or maturity of the principal of, or Sinking Fund Installment for, any Outstanding Bond or of any installment of interest, if any, thereon or a reduction in the principal amount, or Sinking Fund Installment for, or the Redemption Price thereof or in the rate of interest, if any, thereon without the consent of the Holder of such Bond, (ii) permit the creation of any pledge, lien, charge or encumbrance of or upon any of the items purported to be pledged pursuant to the Resolution, which pledge, lien, charge or encumbrance would be prior to, or of equal rank with, the pledge or source of payment for the Bonds created by the Resolution, without the consent of the Holders of all Outstanding Bonds affected by such change, or deprive any Holder of any Outstanding Bond of the benefit of such pledge or source of payment for the Bonds, without the consent of such Holder, except as permitted by the sub-heading below entitled "*Events of Default*" under the heading below entitled "Defaults and Remedies", (iii) create, with respect to the pledge effected by the Resolution, a preference or priority of any Bond of a Series over any other Bond of a Series without the consent of each Holder of a Bond affected by such change, or (iv) reduce the percentages of the Bonds the consent of the Holders of which is required to waive an Event of Default or otherwise effect any such modification or amendment.

For the purposes of this heading, a Series of Bonds shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects the rights of the Holders of such Series of Bonds.

Notwithstanding anything in the Resolution to the contrary, the consent of Holders of any Series of additional Bonds to be issued under the Resolution shall be deemed given if the

underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment; provided, however, that such modification, amendment and consent are disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold to the public.

Consent of Bondholders. The Bank may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the heading above to take effect when and as provided in this heading. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Bank (or by the Trustee at the request of the Bank) to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (A) the written consents of the Holders of the percentages of Outstanding Bonds specified in the heading above and (B) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted, is authorized or permitted by the Resolution, and is valid and binding upon the Bank and enforceable in accordance with its terms, and (ii) a notice shall have been mailed to Holders of Bonds then Outstanding as provided below. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) and, once given, shall be irrevocable as to such Holder and any subsequent Holder.

Modifications by Unanimous Consent. The terms and provisions of the Resolution and the rights and obligations of the Bank and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Bank of a copy of a Supplemental Resolution certified by an Authorized Officer and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the heading above, except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee or Paying Agents without the filing with the Trustee of his written assent thereto in addition to the consent of Bondholders.

Mailing. Any provision in the heading above providing for the mailing of a notice or other document to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each Holder of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Bank, and (ii) to the Trustee.

Exclusion of Bonds. Bonds owned or held by or for the account of the Bank shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Resolution, and the Bank shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Resolution, the Bank shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Consent of Provider of Credit Facility. For purposes of the above heading, but only so long as the Credit Facility provider has not defaulted on obligations under its Credit Facility,

(i) the provider of a Credit Facility shall be considered the sole Holder of all Series of Bonds to which such Credit Facility relates, except as otherwise provided in an applicable Series Resolution, and (ii) any provision of the above heading may be waived by such provider with respect to its consent to any amendment, by an instrument in writing filed with the Bank and the Trustee.

Defaults and Remedies

Trustee to Exercise Powers of Statutory Trustee. The Trustee is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 6023 of the Act and the right of Bondholders to appoint a trustee pursuant to Section 6023 of the Act is abrogated pursuant to Section 6004 of the Act.

Events of Default. Each of the following events is an "Event of Default," that is to say; if

(a) the Bank shall default in the payment of the principal or Redemption Price of, Sinking Fund Installment for, or interest on, any Bond of any Series when and as the same shall become, due whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days; or

(b) the pledge created by the Resolution shall, at any time and for any reason, cease to be in full force and effect or a judgment or order of any court of competent jurisdiction, or of any arbitrator or panel of arbitrators, as to which all appeals have been exhausted, shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in any material respect the lien it purports to establish, or that the pledge is not for the exclusive benefit of the Holders of the Bonds, except as provided in or permitted by the Resolution; or

(c) the Bank shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolution, any Supplemental Resolution, or in any Series of Bonds, and such default shall continue for a period of ninety (90) days after notice thereof (specifying such default and requiring that such notice is a "Notice of Default" under the Resolution) is given to the Bank by the Trustee or to the Bank and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds of such Series; however, in the event that the default be such that it cannot be corrected within such ninety (90) day period, it shall not constitute an Event of Default if corrective action is instituted by the Bank within such period and diligently pursued (as determined by the Trustee) until the default is corrected; or

(d) a court having jurisdiction in the premises shall enter a decree or order providing for relief in respect of the Bank in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Bank, or for any substantial part of its property, or ordering the winding up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of ninety (90) days; or

(e) the Bank shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law, now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the

appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Bank, or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any action in furtherance of the foregoing; provided, however, that an Event of Default shall not be deemed to exist under the provisions of clause (c) above upon the failure of the Bank to make and collect Fees and Charges required to be made and collected by the provisions of the Resolution or upon the failure of the Bank to enforce any obligation undertaken by a Governmental Unit pursuant to a Loan Agreement including the making of the stipulated Municipal Bonds Payments so long as the Bank may be otherwise directed by law and so long as the Bank shall provide, or be provided with, monies from the State or otherwise, sufficient in amount to pay the principal of and interest on all Bonds as the same shall become due during the period for which the Bank shall be directed by law to abstain from making and collecting such Fees and Charges and from enforcing the obligations of a Governmental Unit under the applicable Loan Agreement.

Remedies. (a) Upon the happening and continuance of (i) any Event of Default specified in paragraphs (a), (d) or (e) of the sub-heading above, the Trustee shall proceed, (ii) any other Event of Default specified in the sub-heading above, subject to the Trustee receiving appropriate compensation and indemnities, the Trustee may proceed, and (iii) upon the written request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Bank to make and collect Fees and Charges, Municipal Bonds Payments and Loan Repayments adequate to carry out the covenants and agreements as to, and pledge of, such Fees and Charges, Municipal Bonds Payments and Loan Repayments, and other properties and to require the Bank to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(ii) by bringing suit upon the Bonds;

(iii) by action or suit in equity, require the Bank to account as if it were the trustee of an express trust for the Holders of the Bonds;

(iv) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds;

(v) in accordance with the provisions of the Act, declare upon the occurrence of an Event of Default under the sub-heading above all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Bank for principal, Sinking Fund

Installments, Redemption Price, interest or otherwise, under any provision of the Resolution, a Supplemental Resolution or a Series Resolution or of the Bonds, and unpaid, with interest, to the extent permitted by law, on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders; and to recover and enforce a judgment or decree against the Bank for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

All remedies conferred upon or reserved to the Holders of Bonds of a Series under the Resolution may be conferred upon and reserved in lieu thereof to the provider of a related Credit Facility authorized by a Series Resolution. Nothing contained in the Resolution shall preclude the Bank from providing in an applicable Series Resolution, or in any Credit Facility authorized thereby, or in any other contractual arrangement entered into between the Bank and a provider of a related Credit Facility, that the exercise of any remedy under the Resolution or the waiver of any Event of Default under the Resolution by the Trustee or the Holder of any such Bond shall be subject to the prior written consent of the provider of any related Credit Facility. Such Series Resolution or related Credit Facility may provide that any and all default notices required to be given by the Bank or the Trustee to the Holder of any Bond shall also be given to the provider of any related Credit Facility.

Priority of Payments After Default. In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest, Sinking Fund Installments, principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act and this heading, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Resolution, shall be applied as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments, if any, or Redemption Price, if any, of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal, Sinking Fund Installments, if any, or

Redemption Price, if any, due on such date, to the Persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal, Sinking Fund Installments, if any, and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

The provisions of this section are in all respects subject to the provisions of the sub-heading above entitled "*Extension of Payment of Bonds*" under the heading entitled "Covenants of the Bank".

Whenever monies are to be applied by the Trustee pursuant to the provisions of this heading, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such monies with the Paying Agents, or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Bank, to any Bondholder or to any other Person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. Unless otherwise required by the book-entry system for the Bonds, the Trustee shall not be required to make payment to the Holder of any unpaid principal of, or premium, if any, Sinking Fund Installment or interest on any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Termination of Proceedings. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Bank, the Trustee and the Bondholders shall be restored to their former positions and rights under the Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding bad been taken.

Bondholders' Direction of Proceedings. Anything in the Resolution to the contrary notwithstanding, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the

Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Rights of Bondholders. No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Resolution, or for the protection or enforcement of any right under the Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Resolution or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Resolution or for any other remedy under the Resolution or under law. It is understood and intended that no one or more Holders of the Bonds secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right or under law with respect to the Bonds or the Resolution, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the benefit of all Holders of the Outstanding Bonds.

Notwithstanding the foregoing provisions, the obligation of the Bank shall be absolute and unconditional to pay the principal or Redemption Price of, Sinking Fund Installments and interest on the Bonds to the respective Holders thereof at the respective due dates thereof, and nothing in the Resolution shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary notwithstanding contained in this heading, or any other provision of the Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Resolution or any Series Resolution or Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of, Sinking Fund Installment for, or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Possession of Bonds by Trustee Not Required. All rights of action under the Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative

thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of such Bonds, subject to the provisions of the Resolution.

Remedies Not Exclusive. No remedy in the Resolution conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Resolution existing at law or in equity or by statute.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default under the Resolution known to the Trustee within fifteen (15) Business Days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal or Redemption Price of, Sinking Fund Installment for, or interest on any of the Bonds, or in the making of any payment required to be made into the Bond Payment Account of the General Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (1) to all Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; and (2) to such other Persons as is required by law.

Trustee May File Proof of Claim. In the case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Bank or any Governmental Unit, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Bank for the payment of overdue principal and interest, if any) shall be entitled and empowered, by intervention in such proceeding or other means:

(i) to file and prove a claim for the whole amount of the principal, Sinking Fund Installments, if any, Redemption Price, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of

the Trustee, its agents and counsel, and any other amounts due the Trustee under the Resolution.

No provision of the Resolution shall empower the Trustee to authorize or consent to or accept or adopt on behalf of any Holders of the Bonds any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Defeasance

If the Bank shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds or any Series of Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if any, and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the covenants, agreements and other obligations of the Bank to all Bondholders or to the Holders of such Series shall be discharged and satisfied, unless and except as otherwise may be elected by the Bank in an instrument in writing signed by an Authorized Officer and delivered to the Trustee. In such event, the Trustee shall, upon the request of the Bank, execute and deliver to the Bank all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Bank all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of all Bonds or any Series of Bonds not theretofore surrendered for such payment or redemption. If the Bank shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding Series of Bonds the principal, Sinking Fund Installments, if any, interest or Redemption Price, if any, due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the Bank to the Holders of such Bonds or Series of Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, unless and except as otherwise may be elected by the Bank in an instrument in writing signed by an Authorized Officer and delivered to the Trustee.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Bank of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph, but subject to the election of the Bank referred to in such above paragraph. Any Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect, but subject to the election of the Bank referred to in the above paragraph, if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Bank shall have given to the Trustee instructions to give notice of redemption, as provided in the Resolution, on said date of such Series of Bonds (other than Bonds which have been purchased by a Fiduciary at the direction of the Bank or purchased or otherwise acquired by the Bank and delivered to a Fiduciary prior to the mailing of such notice of redemption), (ii) there shall have been deposited with any Fiduciary either (1) moneys in an amount which shall be sufficient, or (2) Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such Fiduciary at the same time, shall be sufficient, to pay, when due, the principal or Redemption Price, if any, and interest (calculated at the maximum rate applicable thereto), due and to become due on said Bonds on and prior to the redemption date or maturity

date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Bank shall have given the Trustee instructions to mail, as soon as practicable, a notice to the Holders of such Bonds, at their last addresses appearing upon the registry books at any time (but not more than twenty (20) days) prior to such mailing, that the deposit required by (ii) above has been made with a Fiduciary and that said Bonds are deemed to have been paid in accordance with this heading and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if any, of said Bonds (other than Bonds which have been purchased by a Fiduciary at the direction of the Bank or purchased or otherwise acquired by the Bank and delivered to a Fiduciary prior to the mailing of the notice of redemption referred to in clause (i) above). In the event that the notice required to be mailed pursuant to clause (iii) above would cover less than all of the Bonds of any maturity within a Series then Outstanding, the Trustee shall prior to mailing such notice, select the Bonds of such maturity to be redeemed in the manner provided in the Resolution, but only if directed to do so in an instrument in writing signed by an Authorized Officer. Any notice of redemption mailed pursuant to clause (i) above or, if so directed by the Bank, notice of deposit of required moneys required to be mailed pursuant to clause (iii) above with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond to which such notice applies. Such Fiduciary shall, as and to the extent necessary, apply moneys held by it pursuant to this heading to the retirement of Bonds in amounts equal to the unsatisfied balances.

Such Fiduciary shall, if so directed by an instrument in writing signed by an Authorized Officer, (i) prior to the maturity date of Bonds of a Series deemed to have been paid in accordance with this section which are not to be redeemed prior to their maturity date or (ii) prior to the time of the mailing of the notice referred to in clause (i) of the paragraph above with respect to any Bonds of a Series deemed to have been paid in accordance with this heading which are to be redeemed on any date prior to their maturity, apply moneys deposited with such Fiduciary in respect of such Bonds, and redeem or sell Defeasance Obligations so deposited with such Fiduciary and apply the proceeds thereof, to the purchase of such Bonds and such Fiduciary shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Defeasance Obligations remaining on deposit with such Fiduciary after the purchase and cancellation of such Bonds shall be sufficient to pay when due the principal of or Redemption Price, if any, and interest due or to become due on all remaining Bonds in respect of which such moneys and Defeasance Obligations are being held by such Fiduciary on or prior to the redemption date or maturity date thereof, as the case may be.

If, at any time (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this heading which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (i) of the paragraph second above with respect to any Bonds deemed to have been paid in accordance with this heading which are to be redeemed on any date prior to their maturity, the Bank shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered. The Bank shall give the Trustee written directions signed by an Authorized Officer as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this heading. The directions given by the Bank to the Trustee referred to in the preceding sentence shall also specify the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the

Trustee to pay Bonds deemed paid in accordance with this heading upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this heading on any date or dates prior to their maturity.

In the event that, on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this heading, the total amount of moneys and Defeasance Obligations remaining on deposit with the Fiduciary is in excess of the total amount which would have been required to be deposited with the Fiduciary on such date in respect of the remaining Bonds in order to satisfy clause (ii) of the paragraph third above, the Fiduciary shall, if requested by an instrument in writing signed by an Authorized Officer, pay the amount of such excess to the Bank free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

Except as otherwise provided in this heading, neither Defeasance Obligations nor moneys deposited with the Fiduciary pursuant to this heading nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; provided, however, that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Fiduciary, (i) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Bank as received by the Fiduciary, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, and (ii) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient, together with other moneys available to the Fiduciary for the purpose, to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on or prior to such maturity date or redemption date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Bank, as received by the Fiduciary, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

Unclaimed Moneys

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price, if any, of or interest, if any, on any of the Bonds of any Series which remain unclaimed for three years (or such other period as may at the time be prescribed by the laws of the State) after the date when such principal or Redemption Price, if any, or interest, if any, respectively, became due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years (or such other period as may be prescribed by the laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such principal or Redemption Price, if any, or interest, if any, became due and payable, shall, at the written request of the Bank, be repaid by the Fiduciary to the Bank, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Bank for the payment of such Bonds.

No Recourse Under Resolution or on Bonds

All covenants, stipulations, promises, agreements and obligations of the Bank contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Bank and not of any member, officer or employee of the Bank in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of, Sinking Fund Installments for, or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Bank or any natural person executing the Bonds or a Credit Facility.

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APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement") dated as of May __, 2011 by and among Maine Municipal Bond Bank (the "Bank"), Regional School Unit No. 34, a Maine regional school unit ("RSU 34"), City of Waterville, a municipal corporation established pursuant to the laws of the State of Maine ("City of Waterville"; together with RSU 34 the "Series Borrowers"), and U.S. Bank National Association, as Trustee (the "Trustee") under a General Bond Resolution (Taxable Direct Payment Qualified School Construction Bonds) (the "Resolution") adopted by the Issuer on November 18, 2010, and a Series Resolution adopted by the Bank on April 27, 2011 (the "Series Resolution"), is executed and delivered in connection with the issuance of the Bank's $12,650,000 2011 Series D Taxable Direct Payment Qualified School Construction Bonds (the "Bonds"). Capitalized terms used in this Agreement that are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. Pursuant to Section 212 of the Series Resolution, the parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information.

(a) (i) The Bank shall provide Bank Annual Financial Information with respect to each fiscal year of the Bank, commencing with the fiscal year ending June 30, 2011, within nine months after the end of its fiscal year, to the Trustee. The Trustee shall provide notice in writing to the Bank that such Bank Annual Financial Information is required to be provided by such date, at least five (5) Business Days but not more than ten (10) Business Days in advance of such date. The Trustee shall provide such Bank Annual Financial Information to the MSRB within five (5) Business Days after receipt by the Trustee.

(ii) The Trustee shall provide, in a timely manner, notice of any failure of the Trustee to provide the Bank Annual Financial Information by the date specified in subsection (a)(i) above, in each case to (i) the MSRB and, (ii) if such failure is of the Bank, the Bank.

(b) (i) Each Series Borrower shall provide its Series Borrower Annual Financial Information with respect to each fiscal year of such Series Borrower commencing with the fiscal year ending June 30, 2011, within nine months after the end of its fiscal year, to the Bank and the Trustee. The Trustee shall provide notice in writing to each Series Borrower and the Bank that such Series Borrower Annual Financial Information is required to be provided by such date, at least five (5) Business Days but not more than ten (10) Business Days in advance of such date. The Trustee shall provide each Series Borrower Annual Financial Information to the Bank and the MSRB within five (5) Business Days after receipt by the Trustee.

(ii) The Trustee shall provide, in a timely manner, notice of any failure of the Trustee to provide any Series Borrower Annual Financial Information by the date specified in subsection (b)(i) above, in each case to (i) MSRB and, (ii) if such failure is of any Series Borrower, the Bank and such Series Borrower.

Section 1.3. Audited Financial Statements.

(a) The Bank shall provide Audited Bank Financial Statements with respect to each fiscal year of the Bank commencing with the fiscal year ending June 30, 2011, within one year after the end of its fiscal year, or if not then available, when and if available, to the Trustee. The Trustee shall provide any such Audited Bank Financial Statements to the MSRB within five (5) Business Days after receipt by the Trustee.

(b) Each Series Borrower shall provide Audited Series Borrower Financial Statements with respect to each fiscal year of such Series Borrower commencing with the fiscal year ending June 30, 2011, within one year after the end of its fiscal year, or if not then available, when and if available, to the Bank and the Trustee. The Trustee shall provide any such Audited Series Borrower Financial Statements to the MSRB within five (5) Business Days after receipt by the Trustee.

Section 1.4. Notice Events.

(a) If a Notice Event occurs, the Bank and the affected Series Borrower shall provide, in a timely manner not in excess of nine (9) Business Days after the occurrence of such Notice Event, notice of such Notice Event to the Trustee. The Trustee shall provide notice of each such Notice Event to the MSRB within one Business Day after receipt by the Trustee.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Bank whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Bank to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Bank shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Bank or any Series Borrower from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Bank Annual Financial Information or such Series Borrower Annual Financial Information or notice of a Notice Event hereunder, in addition to that which is required by this Agreement. If the Bank or any Series Borrower chooses to do so, neither the Bank nor such Series Borrower shall have any obligation under this Agreement to update such additional information or include it in any future Bank Annual Financial Information or such Series Borrower Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6 Additional Disclosure Obligations. (a) The Bank and each Series Borrower acknowledge and understand that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Bank or any Series Borrower and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Bank or any Series Borrower under such laws.

(b) Each Series Borrower acknowledges and agrees that it shall update the information contained in its Series Borrower Annual Financial Information as the Bank may request from time to time in connection with additional bonds issued by the Bank pursuant to the Resolution.

Section 1.7 No Previous Non-Compliance. Each of the Bank and the Series Borrowers, on behalf of itself, represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Bank and each Series Borrower provide, respectively, the Bank Annual Financial Information or such Series Borrower Annual Financial Information, as applicable, by specific reference to documents either (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. The Bank Annual Financial Information or any Series Borrower Annual Financial Information, as applicable, may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Trustee, with the prior written consent of the Bank in each instance, may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Bank or of any Series Borrower under this Agreement, and revoke or modify any such designation.

Section 2.4. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year.

(a) The current fiscal year of the Bank and of the Series Borrowers is July 1-June 30, and the Bank and the Series Borrowers shall promptly notify each other and the Trustee in writing of each change in any such fiscal year. The Trustee shall provide such notice to the MSRB within five (5) Business Days after receipt by the Trustee.

(b) The Bank Annual Financial Information or each Series Borrower Annual Financial Information, as applicable, shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date, Termination.

(a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The obligations of the Bank, each Series Borrower, and the Trustee under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that (1) the Bank delivers to the Trustee an opinion of Counsel, addressed to the Bank, each Series Borrower and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Trustee delivers copies of such opinion to the MSRB. The Trustee shall so deliver such opinion within one Business Day after receipt by the Trustee.

Section 3.2. Amendment.

(a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Bank shall have delivered to the Trustee an opinion of Counsel, addressed to the Bank, each Series Borrower and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Bank shall have delivered to the Trustee an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Bank (such as bond counsel or the Trustee), addressed to the Bank, each Series Borrower and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of

Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Trustee shall have delivered copies of such opinion(s) and amendment to (i) the MSRB and (ii) the Bank and the Series Borrowers. The Trustee shall so deliver such opinion(s) and amendment within one Business Day after receipt by the Trustee.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Bank shall have delivered to the Trustee an opinion of Counsel, addressed to the Bank, each Series Borrower and the Trustee, to the effect that performance by the Bank, each Series Borrower and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Trustee shall have delivered copies of such opinion and amendment to (i) the MSRB and (ii) the Bank and each Series Borrower. The Trustee shall so deliver such opinion and amendment within one Business Day after receipt by the Trustee.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Bank shall have delivered to the Trustee an opinion of Counsel, addressed to the Bank, each Series Borrower and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to (i) the MSRB and (ii) the Bank and each Series Borrower. The Trustee shall so deliver such opinion and amendment within one Business Day after receipt by the Trustee.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Bank Annual Financial Information or applicable Series Borrower Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Bank or any Series Borrower in preparing its financial statements, the Bank Annual Financial Information or the applicable Series Borrower Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that (i) beneficial owners of Bonds shall be third-party beneficiaries of this Agreement and (ii) the Bank shall be entitled to enforce the rights of the Trustee under this Agreement to the extent the Trustee

shall fail or refuse or shall be unable to take any enforcement action hereunder. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer and each Series Borrower to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Bank (but the Bank shall have no obligation to take any such action), or the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding, who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the obligations of the Bank or any Series Borrower under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Bank, any Series Borrower or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Audited Bank Financial Statements" means the annual financial statements, if any, of the Bank, audited by such auditor as shall then be required or permitted by State law. Audited Bank Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Bank may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific Federal or State law or regulation describing such accounting principles, or other description thereof. If Audited Bank Financial Statements are not available, then "Audited Bank Financial Statements" means Unaudited Bank Financial Statements.

(2) "Audited Series Borrower Financial Statements" means the annual financial statements, if any, of RSU 34 or City of Waterville, as applicable, audited by such auditor as shall then be required or permitted by State law. Audited Series Borrower Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, a Series Borrower may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific Federal or State law or regulation describing such accounting principles, or other description thereof. If Audited Series Borrower Financial Statements are not available for a Series Borrower, then "Audited Series Borrower Financial Statements" means Unaudited Series Borrower Financial Statements of such Series Borrower.

(3) "Bank Annual Financial Information" means, collectively, (i) the information regarding amendments to this Agreement required pursuant to Section 3.2(d) and (e) of this Agreement, and (ii) the Audited Bank Financial Statements.

(4) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(5) "GAAP" means generally accepted accounting principles as prescribed from time to time by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties or responsibilities of either of them.

(6) "Material Obligated Person" means the Bank, and shall mean any other entity constituting an "obligated person" (as such term is used in the Rule) and, in the determination of the Bank, the Bank shall use the following objective criteria in selecting which entities that constitute obligated persons are to be considered Material Obligated Persons for purposes of this Agreement.

(i) an entity shall be considered a Material Obligated Person if the aggregate outstanding principal amount of its loans from the Bank under the Resolution is in excess of twenty percent (20%) of the aggregate principal amount of all loans outstanding made by the Bank to all governmental units from proceeds of bonds of the Bank issued under the Resolution, including the Bonds; and

(ii) in addition to any Material Obligated Persons described in paragraph (i) above, the Bank may at any time, by written notice to the Trustee, (a) designate additional Material Obligated Persons and (b) withdraw any such designation of Material Obligated Persons.

The Bank has determined in accordance with the above that each Series Borrower is a Material Obligated Person.

(7) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(8) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the Bank or any Series Borrower or otherwise:

(i) principal and interest payment delinquencies;

(ii) non payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Bank or the Series Borrower.

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Bank or any Series Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Bank or any Series Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Bank or any Series Borrower;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Bank or any Series Borrower or the sale of all or substantially all of the assets of the Bank or any Series Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement

relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(9) "Official Statement" means the Official Statement dated April 27, 2011 of the Bank relating to the Bonds.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "Series Borrower Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to RSU 34 or City of Waterville, as applicable, and, if applicable, its constituent municipalities as such information and operating data are set forth in Appendix A of the Official Statement with respect to the Bonds, (ii) the information regarding amendments to this Agreement required pursuant to Section 3.2(d) and (e) of this Agreement, and (iii) the Audited Series Borrower Financial Statements.

The descriptions contained in Section 4.1(12)(i) hereof of financial information and operating data constituting Series Borrower Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Series Borrower Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(13) "State" mean the State of Maine.

(14) "Unaudited Bank Financial Statements" or "Unaudited Series Borrower Financial Statements" means the same as Audited Bank Financial Statements or Audited Series Borrower Financial Statements, as applicable, except that they shall not have been audited.

(15) "Underwriters" means Wells Fargo Bank, National Association and Morgan Keegan & Company, Inc.

ARTICLE V

Miscellaneous

Section 5.1. Responsibilities of Trustee. Article VIII of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution.

Section 5.2 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

MAINE MUNICIPAL BOND BANK

By:_____
Stephen R. Crockett
Chairman

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:_____
An Authorized Representative

REGIONAL SCHOOL UNIT NO. 34

By:_____
[Name]
[Title]

By:_____
[Name]
[Title]

CITY OF WATERVILLE

By:_____
[Name]
[Title]

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement (Taxable Direct Payment Qualified School Construction Bonds) (the "Loan Agreement"). This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Loan Agreement, to which reference is hereby made and copies of which are available from the Trustee or the Bank.

Definitions of Certain Terms. Summarized below are definitions of certain words and terms appearing in the Summary of the Loan Agreement. Words and terms that are capitalized in this Summary, whether or not defined below or elsewhere in the Loan Agreement, are qualified by reference to the meanings assigned to such words and terms in the Loan Agreement or in other documents in which they appear.

"Accountable Event of Loss of Qualified School Construction Bond Status" shall mean (i) any act or any failure to act on the part of the Bank or the Governmental Unit, as applicable, which act or failure to act is a breach of a covenant or agreement of the Bank or the Governmental Unit, as applicable, contained in the Municipal Bond, the Loan Agreement or any tax certificate executed in connection with the issuance of the Bank Bonds (the "Tax Certificate") and which act or failure to act causes the Bank Bonds to lose their status, or fail to qualify, as "qualified school construction bonds" as defined in Section 54F and applicable provisions of the Code, or (ii) the making by the Bank or the Governmental Unit, as applicable, of any representation contained in the Municipal Bond, the Loan Agreement or in the Tax Certificate, which representation was untrue when made and the untruth of which representation at such time causes the Bank Bonds to lose their status, or fail to qualify, as "qualified school construction bonds" under applicable provisions of the Code.

"Authorized Governmental Unit Representative" means the Superintendent of Schools, the Treasurer, or the Chair of the School Board of the Governmental Unit or his/her designee as evidenced by a certificate of the Superintendent of Schools, the Treasuruer, or the Chair of the School Board, and any such other person from time to time authorized to act in behalf of the Governmental Unit pursuant to State law or charter, or ordinance or resolution of the governing body of the Governmental Unit, a copy of which is filed with the Secretary of the Bank, to perform such act or execute such document on behalf of the Governmental Unit pursuant to a certificate signed by any of the above and giving the name and specimen signature of the person or persons so designated.

"Available Project Proceeds" shall mean (A) the excess of (i) the proceeds from the sale of the Bank Bonds allocable to the Projects, over (ii) the issuance costs of the Bank Bonds allocable to the Loan financed by the issue (to the extent that such costs do not exceed 2% of such proceeds), and (B) the proceeds from any investment of the excess described in subparagraph (A).

"Bank Bonds" shall mean the Bank's 2011 Series D Taxable Direct Payment Qualified School Construction Bonds to be issued by the Bank under the General Bond Resolution, as supplemented by the Series Resolution.

"Bank Trustee" shall mean the trustee for the Bank Bonds issued by the Bank under the General Bond Resolution, as supplemented by the Series Resolution, to make the Loan and purchase the Municipal Bond.

"Closing Date" shall mean the date of issuance and delivery of the Municipal Bond. Reference herein to sections of the Code are to the sections thereof as they exist on the date of execution of the Loan Agreement, but include any successor provisions thereof to the extent applicable to the Bank Bonds.

"Code" shall mean the Internal Revenue Code of 1986, as amended, including applicable regulations and revenue rulings thereunder and any successor provisions applicable. Reference in the Loan Agreement to sections of the Code are to the sections thereof as they exist on the date of execution of the Loan Agreement, but include any successor provisions thereof to the extent applicable to the Bank Bonds.

"Cost" or "Cost of the Projects" means the following, to the extent for Qualified Purposes:

(a) the cost of improving, equipping, and repairing the Projects, or any combination of such purposes, demolishing structures on the Project sites, and acquiring the site upon which any of the Projects is to be constructed and easements necessary or convenient for the Projects;

(b) the cost of labor, materials, machinery and equipment as payable to contractors, builders and materialmen in connection with the Projects;

(c) governmental charges levied or assessed during equipping of the Projects or upon any property acquired therefor, and premiums on insurance in connection with the Projects during construction;

(d) fees and expenses of architects and engineers for estimates, surveys and other preliminary investigations, environmental tests, soil borings, appraisals, preparation of plans, drawings and specifications and supervision of the Projects properly chargeable to the Projects, as well as for the performance of all other duties of architects and engineers in relation to the construction and installation of the Projects;

(e) expenses of administration, supervision and inspection properly chargeable to the acquisition and construction of Projects, including the fees of the Governmental Unit relating to the design, construction and equipping of the Projects and all other items of expense, not elsewhere specified in the Loan Agreement, incident to the construction, installation and placing in operation of the Projects;

(f) fees and expenses incurred in connection with the issuance, sale, execution and delivery of the Bank Bonds and the Loan Agreement, including but not limited to, fees and expenses of the Bank and its counsel, Bond Counsel to the Bank, Bond Counsel to the Government Unit, the Trustee, Paying Agent and its counsel, printing costs, rating fees and discount; and

(g) any other cost of the Projects permitted to be financed pursuant to the Act and the Code.

"Date of Loss of Qualified School Construction Bond Status" shall mean the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the Bank Bonds lost their status, or failed to qualify, as "qualified school construction bonds" under applicable provisions of the Code, which date could be as early as the date of issuance of the Bank Bonds.

"Determination of Loss of Qualified School Construction Bond Status" shall mean (i) a final determination by the IRS (after the Bank or the Governmental Unit has exhausted all administrative appeal remedies) determining that the Bank Bonds have lost their status, or failed to qualify, as "qualified school construction bonds" under applicable provisions of the Code, or that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred, and in either case specifying the Date of Loss of Qualified School Construction Bond Status and the principal amount of the Bank Bonds that are so subject, (ii) a non-appealable holding by a court of competent jurisdiction holding that the Municipal Bond has lost its status, or failed to qualify, as a "qualified school construction bond" under applicable provisions of the Code, or that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred, and in either case specifying the Date of Loss of Qualified School Construction Bond Status, or (iii) a determination by the Bank that a material adverse change has occurred to applicable provisions of the Code, or there is any guidance published by the IRS or the Treasury Department or any other determination by the IRS or the Treasury Department, which determination is not the result of an Accountable Event of Loss of Qualified School Construction Bond Status, pursuant to which the Federal Interest Subsidy is or will be reduced or eliminated.

"Federal Interest Subsidy" shall mean that amount, if any, received directly or indirectly by the Bank from the United States Department of Treasury pursuant to Sections 54A and 54F of the Code (including any successor provision) by reason of the Bank Bonds being designated as "qualified school construction bonds", to be received by the Bank or its designee (which designee may be the Bank Trustee).

"Fees and Charges" shall mean all fees and charges authorized to be charged by the Bank for the use of its services or facilities pursuant to the Act and charged by the Bank to the Governmental Unit pursuant to the terms and provisions of the Loan Agreement.

"General Bond Resolution" shall mean the General Bond Resolution (Taxable Direct Payment Qualified School Construction Bonds) adopted by the Bank on November 18, 2010, as the same may be supplemented from time to time.

"Governmental Unit Loan Sub-Account" shall mean the Sub-Account for the Governmental Unit in the Series Loan Account of the Loan Fund created under the General Bond Resolution in which the proceeds of the Loan to the Governmental Unit are deposited.

"Governmental Unit Repayment Account" shall mean that Account of the Loan Repayment Account created under the General Bond Resolution within the Bond Payment Account for the Governmental Unit in respect of the Bank Bonds.

"Governmental Unit Request", "Governmental Unit Order" and "Governmental Unit Consent" shall mean, respectively, a written request, order or consent signed by an Authorized Governmental Unit Representative and delivered to the Bank.

"Governmental Unit's Allocable Proportion" shall mean the proportionate amount of the total requirement in respect of which the term is used determined by the ratio that the Loan then outstanding bears to the total of all Loans which are then outstanding under the General Bond Resolution as certified by the Bank.

"Investment Income" shall mean, with respect to the applicable period of determination, all amounts received by the Bank during such period in connection with the Bank's investment of amounts in the applicable Fund, Account or Sub-Account subject to such determination, established under the General Bond Resolution in connection with the Bank Bonds, excluding the principal portion of any such investments.

"Investment Losses" shall mean, with respect to the applicable period of determination, all losses of principal incurred during such period in connection with the Bank's investment of amounts in the applicable Fund, Account or Sub-Account subject to such determination, established under the General Bond Resolution in connection with the Bank Bonds.

"IRS" shall mean the Internal Revenue Service.

"Loan" shall mean the loan made by the Bank to the Governmental Unit pursuant to the Loan Agreement.

"Loan Agreement" shall mean the Loan Agreement as it now exists and as it may thereafter be amended.

"Loan Fund" shall mean the Fund by that name established under the General Bond Resolution.

"Loan Repayment Account" shall mean all Governmental Unit Repayment Accounts in the Loan Repayment Account relating to the Bank Bonds.

"Loan Repayment Dates" shall mean: (i) with respect to that portion of the Loan Repayments consisting of Administrative Expenses, the thirtieth (30^{th}) day preceding each May 1 and November 1 commencing with the thirtieth (30^{th}) day preceding November 1, 2011, and continuing thereafter until all Administrative Expenses and the Loan are paid in full, or, with respect to non-scheduled payments, at any time on demand of the Bank; (ii) with respect to that portion of the Loan Repayments attributable to any payment into (y) the QSCB Principal Sub-Account of the Governmental Unit Repayment Account related to the principal of the Municipal Bond, (z) the QSCB Sinking Fund Installment Sub-Account of the Governmental Unit Repayment Account related to Sinking Fund Installments under the Municipal Bond, on the thirtieth (30^{th}) day preceding each November 1 commencing with the thirtieth (30^{th}) day preceding November 1, _____, and continuing thereafter until the Loan is paid in full, and as more fully described by exhibit attached to the Loan Agreement; (iii) with respect to that portion of the Loan Repayments attributable to any payment into the QSCB Interest Sub-Account of the Governmental Unit Repayment Account related to interest on the Municipal Bond, on the thirtieth (30^{th}) day preceding each May 1 and November 1 commencing with the thirtieth (30^{th}) day preceding November 1, _____, and continuing thereafter until the Loan is paid in full, and as more fully described by exhibit attached to the Loan Agreement; and (iv) with respect to all other Loan Repayments, at any time on demand by the Bank.

"Loan Repayments" shall mean the payments on account of the principal of and interest on the Loan, Administrative Expenses and any other amounts payable by the Governmental Unit under the Loan Agreement, including amounts attributable to additional payments, Investment Losses and Redemption Price or the Governmental Unit's Proportionate Share of the foregoing, when applicable.

"Mandatory Prepayment Date" shall mean the date selected by the Bank, with written notice thereof provided to a Governmental Unit, as the date on which the Loan shall be mandatorily prepaid in whole or in part.

"Mandatory Prepayment Price" shall mean the amount determined pursuant to the provisions of the section heading entitled "*Prepayment*" required to be paid by the Governmental Unit in prepayment of its Loan.

"Municipal Bond Interest Payments" shall mean the amount to be paid by the Governmental Unit pursuant to the Loan Agreement with respect to interest due or to become due on its Municipal Bond.

"Municipal Bond Principal Payments" shall mean the amount to be paid by the Governmental Unit pursuant to the Loan Agreement with respect to principal due or to become due on its Municipal Bond.

"Outstanding Loan Principal Amount" shall mean that amount necessary to repay the unpaid principal amount of the Loan at the time of determination.

"Prepayment Date" shall mean the date on which the Governmental Unit is required to deposit the Mandatory Prepayment Price with the Bank Trustee pursuant to the section heading entitled "*Prepayment*", which day may be any Business Day.

"Project" or "Projects" shall mean the construction, rehabilitation or repair of public school facilities, acquisition of land for construction of public school facilities, if any, and equipment for public school facilities as described by exhibit attached to the Loan Agreement. Where more than one Project is being financed, the Project applies to each Project individually or collectively, as the context requires.

"Proportionate Share" shall mean, (y) with respect to Investment Income and Investment Losses in the Loan Repayment Account of the Series Bond Payment Account (with respect to the Bank Bonds) for such period of determination, a fraction, the numerator of which is the aggregate of all amounts in the Governmental Unit's Loan Repayment Account and the denominator of which is all amounts invested from the Loan Repayment Account with respect to the Bank Bonds; and (z) with respect to the allocation of Administrative Expense, and/or any Redemption Price on any Loan, (1) if such payment is directly attributable to the actions of the Governmental Unit (including the Governmental Unit's action or failure to act when otherwise required to act under the Loan Agreement), one hundred percent (100%) of such expense, and (2) if such payment is attributable to the general administration of the Bank Bonds, a fraction the numerator of which is the principal amount of the Loan made under the Loan Agreement and the denominator of which is the principal amount of the Bank Bonds, and (3) if such payment is attributable to the general administration of all Series of Bonds under the General Bond

Resolution and the Bank's obligations in connection therewith, a fraction the numerator of which is the Outstanding Loan Principal Amount and the denominator of which is an amount equal to all Series of Bonds under the General Bond Resolution which are Outstanding.

"Qualified Purposes" shall include only costs properly allocable to (i) the construction, rehabilitation or repair of a public school facility, (ii) the acquisition of land on which such a facility is to be constructed with part of the proceeds of the Loan, and (iii) the acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of the Loan.

"Redeemed Amount" shall mean the principal portion of the Municipal Bond redeemed from the Mandatory Prepayment Price.

"Redemption Date" shall mean that date any portion of the Municipal Bond is required to be redeemed.

"Redemption Price" shall mean the amount required to be paid to the Holders of the Bank Bonds upon early redemption of the Bank Bonds as described in the General Bond Resolution, as supplemented by the Series Resolution and as described in the section heading entitled "*Prepayment*".

"Resolution" shall mean, collectively, the General Bond Resolution and the Series Resolution.

"Series Resolution" shall mean the Series Resolution adopted by the Bank on May ___, 2011 under the General Bond Resolution, authorizing, among other matters, the execution and delivery by this Bank of the Loan Agreement and the issuance of the Bank Bonds.

The Loan; Use of Proceeds; Completion of the Projects. The Bank agrees to make the Loan and the Governmental Unit agrees to accept the Loan. As evidence of the Loan made to the Governmental Unit, the Governmental Unit agrees to sell to the Bank the Municipal Bond in the principal amount of the Loan. The Municipal Bond shall bear interest from the date of its delivery to the Bank at such rate or rates per annum as will result in an interest cost rate to the Governmental Unit of eight per centum (8%) per annum, as calculated by the "Interest Cost Per Annum" method, or at such rate or rates per annum as will result in a lesser interest cost rate to the Governmental Unit as determined by the Bank. The interest cost rate for purposes of the Loan Agreement will be computed as if the Municipal Bond bore interest from the delivery date of the Bank Bonds. Subject to any applicable legal limitations, the rate or rates of interest borne by the Municipal Bond shall be not less than the rate or rates of interest borne by the Bank Bonds (for corresponding maturities) the proceeds of sale of which were used to make the Loan and to purchase the Municipal Bond. Notwithstanding the above, the obligation of the Bank to make the Loan shall be conditioned upon receipt by the Bank of the proceeds of the Bank Bonds issued by the Bank for the purposes set forth in the Loan Agreement, the General Bond Resolution and the Series Resolution, and upon satisfaction of the conditions set forth in the Loan Agreement and the Resolution.

The portion of the proceeds received from the sale of the Bank Bonds in an amount equal to the costs of issuance of the Bank Bonds allocable to the Loan shall be deposited by the Bank in the Operating Account and the portion of the balance of the proceeds of the Bank Bonds

allocable to the Loan shall be deposited by the Bank in the Governmental Unit Loan Sub-Account of the Loan Fund pursuant to the General Bond Resolution.

Upon the receipt by the Governmental Unit of that initial portion of the proceeds of the Loan as described in the General Bond Resolution (such initial portion to be at least equal to ninety percent (90%) of the principal amount of the Loan), the Governmental Unit agrees to deposit such initial proceeds into a separate designated account with a financial institution and to concurrently therewith (y) to deliver notice in writing to the Bank of such account and financial institution, and (z) to direct such financial institution to deliver copies of all account statements to the Bank. Further, the Governmental Unit shall deliver to the Bank on the dates set forth below (the "Expenditure Report Dates") a statement of an Authorized Governmental Unit Representative setting forth the aggregate percentage of the Available Project Proceeds expended as of a date not earlier than ten (10) days prior to the Expenditure Report Dates. "Expenditure Report Dates" shall mean:

(i) the first anniversary of the Closing Date;

(ii) the 18-month anniversary of the Closing Date;

(iii) the 24-month anniversary of the Closing Date;

(iv) the 27-month anniversary of the Closing Date;

(v) the 30-month anniversary of the Closing Date;

(vi) the 33-month anniversary of the Closing Date; and

(vii) the 36-month anniversary of the Closing Date.

The Governmental Unit will use the funds loaned to it by the Bank pursuant to the Loan Agreement solely for Qualified Purposes to pay the Costs of the Projects. The Bank does not make any warranty, either express or implied, that the Available Project Proceeds will be sufficient to pay all of the Costs of the Projects.

When requesting final payment from the Governmental Unit Loan Sub-Account of the Loan Fund as provided in the General Bond Resolution, the Governmental Unit shall cause to be submitted to the Bank the requisition and certificate signed by an Authorized Governmental Unit Representative in the form attached by exhibit to the Loan Agreement.

All Available Project Proceeds shall be expended by the third year anniversary of the Closing Date (or by such longer period as permitted by the Secretary of the Treasury as provided in the section heading entitled "*Use of Available Project Proceeds*"). If all of the Available Project Proceeds, inclusive of all moneys remaining in the Governmental Unit Loan Sub-Account of the Loan Fund, and any investment earnings relating to such remaining moneys (such remaining moneys, together with such related investment earning, being referred to as the "Remaining Moneys"), shall not be so expended for Qualified Purposes by the third year anniversary of the Closing Date (or by such longer period as permitted by the Secretary of the Treasury as provided in the section below), the Governmental Unit shall promptly pay to the Bank any unexpended Available Project Proceeds, which sum, together with the Remaining

Moneys, shall be used to redeem Bank Bonds on a redemption date as set forth in the Series Resolution and in the second paragraph of the section heading entitled "*Prepayment*". Any premium or additional amounts required to redeem Bank Bonds shall be paid from the Governmental Unit's funds other than any derived from the Available Project Proceeds.

Any moneys held by the Bank in the Governmental Unit Loan Sub-Account of the Loan Fund shall be invested or reinvested by the Bank in Qualified Investments and shall be retained in such Sub-Account to be used for Costs of the Projects or for partial redemption of the Bank Bonds as set forth in the Series Resolution and as contemplated in the second paragraph of the section heading entitled "*Prepayment*".

Use of Available Project Proceeds. The Governmental Unit represents, warrants and covenants that (i) all Available Project Proceeds will be spent on Costs of the Project to the extent for Qualified Purposes; (ii) the description of the Projects to be financed with the proceeds of the Bank Bonds is included by exhibit attached to the Loan Agreement; (iii) all applicable State and local law requirements governing conflicts of interest are satisfied with respect to the Loan; (iv) if the Secretary of the Treasury has prescribed additional conflicts of interest rules governing appropriate Members of Congress, Federal, State and local officials and their spouses, such additional rules as may have been prescribed are satisfied with respect to the Loan; (v) it will not change the ownership, use or nature of any property financed with the proceeds of the Loan or take any deliberate action that will adversely affect the qualification of the Bank Bonds as "qualified school construction bonds" under Section 54F and applicable provisions of the Code as long as any portion of the Bank Bonds remains outstanding (whether or not defeased), and shall notify the Bank in writing in advance of any proposed changes as aforesaid; and (vi) it acknowledges and understands that (y) to the extent that less than 100% of the Available Project Proceeds are expended for Qualified Purposes by the third anniversary of the Closing Date, or any longer period permitted by the Secretary of the Treasury pursuant to Section 54A(d)(2)(B)(iii) and applicable provisions of the Code, the unspent Available Project Proceeds shall be required to be used to redeem the Bank Bonds within 90 days after such third anniversary, and (z) the Bank may be required to call any or all of the Bank Bonds for redemption prior to maturity in the event the Governmental Unit defaults in its obligations under the Loan Agreement, any or all of which may result in increased costs under the Loan Agreement including costs incidental to redeeming the Bank Bonds in authorized denominations.

Federal Interest Subsidy. The Governmental Unit acknowledges that the Bank or its designee (which may be the Bank Trustee) will file with the Department of Treasury and the IRS with respect to the Bank Bonds and will submit periodic filings with the United States Department of Treasury to receive periodic payments from the Secretary of the Department of Treasury pursuant to Section 6431 of the Code of the Federal Interest Subsidy with respect to the interest payable by the Bank under the Bank Bonds. Any such payments received by the Bank Trustee on or prior to an interest payment date under the Bank Bonds in the form of the Federal Interest Subsidy shall constitute a credit to the obligation of the Governmental Unit under the Municipal Bond and under the Loan Agreement to make the interest payment due under the Municipal Bond with respect to such interest payment date. The Governmental Unit acknowledges and agrees that any failure of the Bank Trustee or the Bank to timely submit for the payment of such Federal Interest Subsidy, or of the Secretary of the Department of Treasury to make timely payment of the Federal Interest Subsidy to the Bank Trustee or the Bank, shall not constitute a defense or offset to the obligation of the Governmental Unit to make the full payment of interest when due under the Loan Agreement or the Municipal Bond, nor shall any

such failure by the Bank Trustee or the Bank give rise to any claim against or liability of the Bank Trustee or of the Bank to the Governmental Unit.

It is the expectation of the Governmental Unit that the Bank Trustee will be receiving the Federal Interest Subsidy on a timely basis so as to permit the amount so received to be credited in part against the Governmental Unit's obligation under its Municipal Bond and under the Loan Agreement to make the full payments of interest due under its Municipal Bond on each interest payment date. In the event, however, that no such Federal Interest Subsidy shall be received by the Bank Trustee prior to any such interest payment date, or a Federal Interest Subsidy payment shall be received but in a reduced amount, the Governmental Unit shall remain obligated under the Loan Agreement and its Municipal Bond to make that payment required under its Municipal Bond such that the Bank Trustee shall have on such interest payment date the full amount of interest due under the Governmental Unit's Municipal Bond on such date. If the Governmental Unit shall fail to timely make such payment of interest in the amount so required as stated above, and the Bank (in its absolute discretion, the Bank having no obligation to do so) shall advance and pay to the Bank Trustee any portion of such deficiency, the Governmental Unit agrees to promptly pay to the Bank upon demand the amount so advanced and, until so paid, such advance shall bear interest at a rate equal to the United States Government Treasury bond rate applicable on the date the advance is made to the Governmental Unit for a Treasury bond or note with a term of three (3) years, or such shorter term for a United States Government Treasury bond or note as may be determined by the Bank (such advance by the Bank, together with any interest as above stated, is referred to as the "Bank Advance"). If there shall exist a Bank Advance which is unpaid, either in whole or in part, the Bank shall have the ability to retain the allocable portion of the next Federal Interest Subsidy as and when received, to be paid to the Bank toward payment of the Bank Advance. If the Governmental Unit shall make the full payment of interest due under its Municipal Bond with respect to an interest payment date, and the Federal Interest Subsidy with respect to the interest due under the Bank Bonds on such interest payment date shall be received by the Bank Trustee subsequent to such interest payment date, the Bank shall direct the Bank Trustee to promptly remit the allocable portion of such Federal Interest Subsidy to the Governmental Unit, whether or not the Municipal Bond shall have been paid in full.

In respect of each date on which interest is payable by the Bank under the terms of the Bank Bonds (hereinafter, "interest payment date") the proceeds of which have been applied in part to fund the Municipal Bond, the Bank will file an IRS Form 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds* with the Department of the Treasury, Internal Revenue Service Center, Ogden, Utah 84201-0020 requesting payment of the refundable credit in respect of the Bank Bonds as and when required under applicable Treasury regulations. As and to the extent timely received by the Bank, and to the extent any failure to receive the refundable credit shall not derive from any action or failure to act on the part of the Governmental Unit, the Bank shall pay over such refundable credit to the Bank Trustee for the Bank Bonds and direct that the refundable credit allocable to the Municipal Bond be applied against the interest portion of the Governmental Unit's debt service obligations under the Loan Agreement and the Municipal Bond.

Compliance With Davis-Bacon Act. The Governmental Unit acknowledges and understands that applicable provisions of the American Recovery and Reinvestment Act of 2009, as amended, require that projects financed with qualified school construction bonds issued pursuant to the Internal Revenue Code are subject to the requirements of Subchapter IV of Chapter 31 of Title 40 of the United States Code (i.e., the "Davis-Bacon Act") to the effect that

the minimum wage paid must be the average local wage as determined by the United State Department of Labor. To this end, the Governmental Unit represents and warrants that, with respect to the Project to be financed or refinanced with the proceeds of the Loan, it represents, covenants and agrees that it (i) has and will comply with all requirements of the Davis-Bacon Act, (ii) has caused and will cause all contractors and subcontractors who are employed at the actual work sites to comply with all requirements of the Davis-Bacon Act, (iii) will monitor such compliance by contractors and subcontractors, and (iv) upon request of the Bank, will confirm compliance with this paragraph, all in connection with the Project to be financed or refinanced with the proceeds of the Loan. The Governmental Unit acknowledges that such compliance includes, but is not limited to, causing contractors and subcontractors employed with respect to the Project to pay workers who are employed on the actual work sites no less than the prevailing wage locally, as established by the Wage and Hour Division of the United States Department of Labor, plus fringe benefits normally paid on similar projects in conformity with the Davis-Bacon Act, the inclusion in contracts of required contractual language, and the posting of job-site notices as required by the Davis-Bacon Act.

Certification as to Compliance with Legal Requirements and Conflicts of Interest Rules. The Governmental Unit certifies that all applicable State and local law requirements governing conflicts of interest have been satisfied with respect to the Municipal Bond and the Loan, and that any additional conflicts of interest rules as may have been prescribed by the Secretary of the Department of Treasury governing the appropriate Members of Congress, Federal, State and local officials and their spouses have also been satisfied with respect to the Municipal Bond.

Limitations on Expenditure Period. The Governmental Unit acknowledges and agrees that the proceeds of the Loan must be expended only for qualified purposes under the Code within the three (3) year period following the date of issuance of the Bank Bonds (subject to any extension as the Secretary of the Department of Treasury may provide to the Governmental Unit as provided below). The Governmental Unit further acknowledges and understands that (i) to the extent that less than one hundred percent (100%) of the Available Project Proceeds are expended for Qualified Purposes under the Code by the close of the three (3) year period beginning on the date of issuance of the Bank Bonds, or any longer period permitted by the Secretary of the Department of Treasury pursuant to Section 54A(d)(2)(B)(iii) of the Code, the unspent proceeds shall be required to be used to redeem the Bank Bonds within ninety (90) days after the end of such period as provided in the second paragraph of the section heading entitled "*Prepayment*".

Project to Comply with Law. The Governmental Unit agrees that it will undertake, and in the case of any refinancing the Governmental Unit represents and warrants that it has undertaken, the Projects to be funded or refinanced in whole or in part with the proceeds of the Loan, in compliance with any and all federal, state or local laws, ordinances or regulation applicable to the use of such proceeds.

Adoption of Necessary Resolutions. The Governmental Unit has duly adopted or will adopt all necessary resolutions and has taken or will take all proceedings required by law to enable it to enter into the Loan Agreement and issue its Municipal Bond for purchase by the Bank.

Municipal Bond Payments. The Municipal Bond Interest Payments shall not be less than the total amount of interest the Bank is required to pay on the principal portion of the Bank

Bonds utilized to fund the Loan and shall be scheduled by the Bank in such manner and at such times as to provide funds sufficient to pay interest as the same becomes due on the principal portion of the Bank Bonds utilized to fund the Loan and the Governmental Unit shall make such funds available to the Bank at least thirty (30) days prior to each interest payment date.

The Municipal Bond Principal Payments shall be scheduled by the Bank in such manner and at such times as to provide funds sufficient to pay the principal portion of the Bank Bonds utilized to fund the Loan as the same matures and the Governmental Unit shall make such funds available to the Bank on the dates and in the amounts set forth by exhibit to the Loan Agreement, subject to adjustment by the Bank upon written notice by the Bank to the Governmental Unit.

Loan Repayments. The Governmental Unit agrees to pay to the Bank all Loan Repayments on each Loan Repayment Date, in the amounts and in the manner provided in the Loan Agreement, to be deposited by the Bank to the Governmental Unit Repayment Account to be applied to the payment of principal and interest on the Bank Bonds, whether at maturity or upon redemption, and to pay all Administrative Expenses and Investment Losses (but only to the extent any such Investment Losses shall derive from any action, or failure to take action, by the Governmental Unit). The Governmental Unit agrees to make each Loan Repayment directly to the Bank Trustee on or before each Loan Repayment Date in lawful money of the United States of America by wire transfer of immediately available funds. The Bank or the Bank Trustee shall send a statement to the Governmental Unit setting forth the amount of the Governmental Unit's Loan Repayment with respect to each Loan Repayment Date.

The amount of each of the Loan Repayments to be made on each Loan Repayment Date shall be determined, allocated and deposited as set forth below:

The following amounts shall be deposited to and retained in the QSCB Interest Sub-Account and the QSCB Principal Sub-Account of the Governmental Unit Repayment Account for use as provided in the Loan Agreement:

(A) The related "Principal" amount and "Interest" amount set forth by such exhibit attached to the Loan Agreement and paid by the Governmental Unit to the Bank on each of the Loan Payment Dates, as such amount may be adjusted by the Bank at the time of determination, with respect to the Municipal Bond until the Municipal Bond is paid in full, as follows:

(1) decreased by an amount equal to the Governmental Unit's Investment Income in the Governmental Unit Repayment Account, applied as directed by an Authorized Officer toward the particular Loan Repayment as the same shall become due;

(2) decreased by that portion of the Federal Interest Subsidy as shall be deposited with the Bank Trustee by the Bank to be applied as directed by an Authorized Officer toward the particular Loan Repayment as the same shall become due;

(3) decreased by the Governmental Unit's Proportionate Share of the Redeemed Amount, if any, in inverse order of the Loan Repayment Dates; and

(4) increased by an amount equal to the Governmental Unit's Investment Losses in the Governmental Unit Repayment Account (but only to the extent any such Investment Losses shall derive from any action, or failure to take action, by the Governmental Unit);

(B) the Mandatory Prepayment Price, if any, and earnings thereon; and

(C) the Governmental Unit's Investment Income reduced by the Governmental Unit's Investment Losses (but only to the extent any such Investment Losses shall derive from any action, or failure to take action, by the Governmental Unit), if any, from amounts on deposit in the Governmental Unit Repayment Account.

The amounts deposited to the Governmental Unit Repayment Account as provided in the Loan Agreement shall be used by the Bank to pay principal of and interest on the Bank Bonds as the same shall become due and in the manner provided by the General Bond Resolution.

In the event the Governmental Unit shall fail to make any Loan Repayment in whole or in part relative to interest or principal due under the Loan, the Bank shall have the right to

(i) in the case of a deficiency in interest, direct the Bank Trustee to transfer moneys in the QSCB Principal Sub-Account of the Governmental Unit Repayment Account to the QSCB Interest Sub-Account of the Governmental Unit Repayment Account in the required amount, and the Governmental Unit acknowledges that such use of moneys shall not discharge the Governmental Unit's obligation to satisfy any resulting deficiency of amounts on deposit in the QSCB Principal Sub-Account of the Governmental Unit Repayment Account;

(ii) make a Bank Advance as provided in the section heading entitled "*Federal Interest Subsidy*" (whether as to principal and/or interest on the Loan) for the benefit of the Governmental Unit and pay such Bank Advance to the Bank Trustee to the extent of any such deficiency;

(iii) exercise any or all of the remedies provided in the section heading entitled "*Default and Remedies*"; and/or

(iv) modify the "Principal" portion of the Loan Repayment Schedule set forth by exhibit attached to the Loan Agreement.

The Bank reserves the right, consistent with the provisions of the General Bond Resolution, to modify the Loan Payment Schedule as set forth by exhibit attached to the Loan Agreement in the event that the Bank reasonably determines that such modification is necessary to maintain the tax status of the Bank Bonds as "qualified school construction bonds" under applicable provisions of the Code.

The Bank and the Governmental Unit are entering into the Loan Agreement upon the expectation that (y) the "Principal" portion of the Loan Repayment Schedule set forth by exhibit attached to the Loan Agreement (the "Gross Obligation Schedule") will be reduced over the term of the Loan through the receipt of Investment Income, and (z) the "Interest" portion of the Loan Repayment Schedule set forth by exhibit attached to the Loan Agreement will be reduced over

the term of the Loan through the anticipated receipt of the Federal Interest Subsidy prior to each interest payment date on the Bank Bonds. The Bank and the Governmental Unit agree that the Governmental Unit will not be deemed in default under the Loan Agreement to the extent it makes its Loan Repayments on each Loan Repayment Date in accordance with the related "Principal" amounts and "Interest" amounts set forth by a different exhibit to the Loan Agreement (the "Assumed Loan Repayment Schedule") until the passage of five (5) business days following demand by the Bank that the Governmental Unit (either through the failure to receive sufficient or timely Investment Income or Federal Interest Subsidy payments) must pay such greater additional amount with respect to a Loan Repayment Date but not to exceed in the aggregate the "Principal" amount and "Interest" amount portions set forth on the Gross Obligation Schedule as it relates to such Loan Repayment Date. The Bank reserves the right to modify from time to time the "Principal" and "Interest" portions of the Assumed Loan Repayment Schedule set forth by exhibit attached to the Loan Agreement.

The Governmental Unit shall also pay to the Bank upon demand by the Bank (but in all events prior to the maturity of the Bank Bonds) the Governmental Unit's Proportionate Share of any Investment Losses (but only to the extent any such Investment Losses shall derive from any action, or failure to take action, by the Governmental Unit) resulting in insufficient funds to pay the Bank Bonds when due, and any such payment by the Governmental Unit shall be deposited by the Bank to the QSCB Principal Sub-Account or the QSCB Interest Sub-Account of the Governmental Unit Repayment Account, as the case may be, to be applied to the payment of the Bank Bonds, whether at maturity, on any Interest Payment Date or on the Redemption Date.

Upon demand by the Bank (but in all events prior to the Redemption Date), the Governmental Unit shall also pay to the Bank an amount equal to (y) the Governmental Unit's Proportionate Share of any Redemption Price required to be paid to the Holders of the Bank Bonds upon partial redemption of the Bank Bonds from Available Project Proceeds which will not be used to pay Costs of the Projects plus (z) such additional amount, if any, as shall be determined to be required by the Bank to effect the contemplated redemption of the Bank Bonds in authorized denominations, and any such payment by the Governmental Unit shall be deposited by the Bank to the QSCB Redemption Sub-Account of the Governmental Unit's Repayment Account, to be applied to the payment of any such Redemption Price of the Bank Bonds upon redemption.

Upon demand by the Bank, the Governmental Unit shall pay to the Bank the Mandatory Prepayment Price and the Mandatory Prepayment Price shall be used to redeem the Bank Bonds, in whole or in part, in accordance with the Series Resolution and to pay any redemption premium thereon.

The Administrative Expenses portion of each of the Loan Repayments shall be paid by the Governmental Unit in an amount equal to the Governmental Unit's Proportionate Share of Administrative Expenses for any period commencing on the Closing Date, or the Business Day on which Administrative Expenses were last paid to and ending on the day next preceding the Loan Repayment Date and shall be deposited to the Operating Account. Any Investment Income earned on amounts in the Operating Account shall be retained by the Bank without credit to the Governmental Unit.

It is understood and agreed that the rights of the Bank under the Loan Agreement, together with the Municipal Bond Payments, the Municipal Bond and the Loan Repayments, are

assigned to the Bank Trustee pursuant to the General Bond Resolution. The Governmental Unit consents to such assignment. The Governmental Unit agrees to pay to the Bank Trustee, or at the option of the Bank, unless there shall exist an Event of Default under the General Bond Resolution, to the Bank or a separate custodian, all amounts payable by the Governmental Unit that are so assigned. All such assigned payments shall be deposited as provided in the General Bond Resolution.

The obligation of the Governmental Unit to make payments under the Loan Agreement and to perform and observe all other covenants, conditions and agreements under the Loan Agreement shall be absolute and unconditional until payment of all Governmental Unit obligations under the Loan Agreement, irrespective of any defense or any rights of setoff, recoupment or counterclaim which the Governmental Unit might otherwise have against the Bank or the Bank Trustee.

Fees and Charges and Administrative Expenses. The Governmental Unit agrees to be obligated to pay Fees and Charges and Administrative Expenses to the Bank. The Fees and Charges and Administrative Expenses, if any, collected from the Governmental Unit shall be in an amount sufficient, together with the Governmental Unit's Proportionate Share of other monies available therefor, including any grants made by the United States of America or any agency or instrumentality thereof (excluding therefrom any Federal Interest Subsidy) or by the State or any agency or instrumentality thereof, to pay on a semi annual basis:

(a) as the same become due, the Governmental Unit's Proportionate Share of the Administrative Expenses; and

(b) as the same become due, the Governmental Unit's Proportionate Share of the Fees and Charges.

Default and Remedies. In the event the Governmental Unit shall fail to remit all or any portion the Loan Repayments when and as required under the Loan Agreement, the Bank or the Bank Trustee shall proceed to enforce the Loan Agreement, including the exercise by the Bank of any or all of its rights under the Act (including, without limitation, section 6014 or 6017 of the Act), and the right to take any action at law or in equity to collect amounts then due and thereafter to become due under the Loan Agreement, or to enforce performance and observance of any obligation, agreement or covenant of the Governmental Unit under the Loan Agreement. Any amounts collected pursuant to action taken under this section shall be applied in accordance with the General Bond Resolution.

Prepayment. The Governmental Unit shall not have the right to optionally prepay its Loan without the prior written consent of the Bank. The Governmental Unit shall be required to prepay a portion of its Loan from unexpended Available Project Proceeds as set forth in the next paragraph.

The Loan shall be subject to mandatory prepayment in such amount as shall be determined under the third paragraph of this section if the Governmental Unit fails to expend all Available Project Proceeds, either (i) within three years of the issuance of the Bank Bonds and no extension of the period for expenditures has been granted by the IRS or (ii) by the expiration of such extension period.

The Loan shall be subject to defeasance by the Governmental Unit upon a Determination of Loss of Qualified School Construction Bond Status if the Governmental Unit so elects and pays the amount required to defease its Loan obligations as provided in the sixth paragraph of this section.

Following the occurrence of the event specified in the second paragraph of this section, the Governmental Unit shall prepay the Loan on the Mandatory Prepayment Date at the Mandatory Prepayment Price.

The Mandatory Prepayment Price with respect to an event as discussed in the second paragraph of this section, shall be that amount that the Governmental Unit shall be required to prepay as of the designated Mandatory Prepayment Date, which shall be equal to unspent Available Project Proceeds (which shall be used, to the extent possible, to redeem Bank Bonds), plus the Governmental Unit's Proportionate Share of any Redemption Price for the Bank Bonds that will be redeemed (which shall be paid by the Governmental Unit from sources other than the Available Project Proceeds), if any, plus such additional amount as shall be determined to be required by the Bank to permit the contemplated redemption of the Bank Bonds in authorized denominations.

To defease the Loan obligations, the Governmental Unit shall be required to pay as of the designated defeasance date (which shall be agreed upon with the Bank) an amount which (less the aggregate amount of remaining Available Project Proceeds available to be applied to the defeasance of the Loan obligations) shall be equal to or, if agreed by the Bank, which upon investment will produce an amount equal to the sum of the Outstanding Loan Principal Amount together with interest from the date the same has been previously paid until the maturity date of the Municipal Bond or earlier redemption date. Notwithstanding the foregoing, the Governmental Unit shall continue to be responsible for the payment of all amounts required by the section heading entitled "*Loan Repayments*" whether theretofore or thereafter determined to be payable, except to the extent the same is paid in conjunction with the defeasance.

Any principal prepayment amount shall be applied in reduction of payment obligations set forth by exhibit attached to the Loan Agreement as the Governmental Unit shall elect by written notice to the Bank with the consent of the Bank.

The prepayment amount shall be deposited with the Bank Trustee in immediately available funds not later than 10:00 a.m., Augusta time, on the Prepayment Date.

Notwithstanding any other provision of the Loan Agreement, the Loan Agreement shall not terminate on the date on which the Governmental Unit shall be obligated to prepay (whether or not any delay in the completion of such prepayment shall be the fault of Bank), nor shall the Governmental Unit's obligations under the Loan Agreement cease when the Governmental Unit shall have paid all amounts payable under the Loan Agreement without set-off, counterclaim, abatement, suspension, deduction, diminution, or defense for any reason whatsoever, so long as the Municipal Bond is unpaid, and until the Governmental Unit shall have discharged or provision satisfactory to the Bank shall have been made for the discharge of, all of its obligations under the Loan Agreement, which obligations have arisen on or after the date for prepayment, including the obligation to pay amounts due and payable on the date of the prepayment.

Delivery of Bond Counsel Opinion. Simultaneously with the delivery to the Bank of the Municipal Bond, which Municipal Bond shall be in a form acceptable to the Bank, the Governmental Unit shall furnish to the Bank an opinion in a form acceptable to the Bank of bond counsel to the Governmental Unit satisfactory to the Bank which shall set forth, among other things, the unqualified approval of said Municipal Bond then being delivered to the Bank and that said Municipal Bond and the Loan Agreement will constitute valid obligations of the Governmental Unit as required by the Act.

Notification of Name of Official to Receive Invoices. The Governmental Unit shall be obligated to notify the Bank and the corporate trust office of the Bank Trustee in writing at least 45 days prior to each interest payment date of the name of the official of the Governmental Unit to whom invoices for the payment of interest and principal should be addressed, provided, however, that no such notice shall be required if the name of the official of the Governmental Unit has not changed.

Surrender and Exchange of Municipal Bond. The Governmental Unit agrees upon surrender to it of the Municipal Bond by the Bank that it will, at the option of the Bank, cause there to be delivered to the Bank a new registered Municipal Bond in an authorized denomination and having the same interest rate and maturity.

Bank's Right to Not Make Loan. Prior to payment of the amount of the Loan, or any portion thereof, and the delivery of the Governmental Unit's Municipal Bond to the Bank or its designee, the Bank shall have the right to cancel all or any part of its obligations under the Loan Agreement if:

(a) any representation made by the Governmental Unit to the Bank in connection with its application for Bank assistance shall be incorrect or incomplete in any material respect; or

(b) the Governmental Unit has violated commitments made by it in its application and supporting documents or has violated any terms of the Loan Agreement.

Disclosure Information; Continuing Disclosure Requirement. The Governmental Unit agrees to provide such information about such Governmental Unit as the Bank shall request in connection with the preparation of the official statement of the Bank relating to the offering of the Bank Bonds with respect to the Loan, including but not limited to financial statements, litigation and the Project being financed or refinanced with the proceeds of the Loan. The Governmental Unit understands and agrees that the Bank may include such information (or a part thereof) in such official statement, and the Governmental Unit agrees to execute and deliver or cause to be delivered to the Bank such certificates and opinions as the Bank shall reasonably request to confirm and verify the adequacy and accuracy of such information, and to indemnify the Bank and to hold it harmless for any loss, liability, claim, cost or expense as may derive from such information or any material exclusion therefrom. In particular, the Governmental Unit represents and warrants that such information with respect to the Governmental Unit and the Projects included in the official statement of the Bank in connection with the offering of the Bank Bonds is correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, with respect to the Governmental Unit and the Projects, not misleading.

The Governmental Unit further covenants and agrees to provide:

(1) annual audited financial statements to the Bank as soon as reasonably practical upon their becoming available and if not made available within one year of the end of its fiscal year, then the Governmental Unit shall provide unaudited annual financial statements for such fiscal year within one year of the end of its fiscal year and audited financial statements for such fiscal year when they become available and, upon request, such other financial information as shall be reasonably requested to the Bank;

(2) if a Notice Event (as defined below) occurs, timely notice to the Bank not in excess of nine (9) business days after the occurrence of such Notice Event. "Notice Event" means any of the following events with respect to the Municipal Bond, whether relating to the Governmental Unit or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bank Bonds, or other material events affecting the tax status of the Bank Bonds;

(vii) modifications to rights of the Bank as holder of the Municipal Bond, if material;

(viii) Bond calls for the Municipal Bond, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Governmental Unit;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur:

the appointment of a receiver, fiscal agent or similar officer for the Governmental Unit in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Governmental Unit, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Governmental Unit;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Governmental Unit or the sale of all or substantially all of the assets of the Governmental Unit, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(3) to the Bank any notice of a defeasance of the Municipal Bond which shall state whether the Municipal Bond has been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

The Governmental Unit acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Governmental Unit and that, under some circumstances, compliance with the Loan Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Governmental Unit under such laws.

The Governmental Unit represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of Rule 15c2-12 (i.e., Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, 17 CFR Part 240, §240.15c2-12, as amended, as in effect on the date of this Loan Agreement, including any official interpretations thereof issued either before or after the effective date of the Loan Agreement).

If the Governmental Unit's obligations under the Loan Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with the Loan Agreement in the same manner as if it were the Governmental Unit, and thereupon the original Governmental Unit shall have no further responsibility thereunder.

The Governmental Unit also agrees to submit to the Bank and to such other persons as directed by the Bank (including, without limitation, the Municipal Securities Rulemaking Board) from time to time such information relating to the Governmental Unit (including, without

limitation, annual financial reports as they become available) as the Bank requests as being necessary or desirable to comply with securities laws and rules relating to the Bank Bonds or to the Bank. Such request may take the form of a general direction to supply certain types of information in the event that certain types of events occur (for example, to submit information relating to material adverse changes to the financial condition of the Governmental Unit).

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APPENDIX F

BOOK-ENTRY SYSTEM ONLY

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2011 Series D Taxable Bonds. The 2011 Series D Taxable Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the single maturity and related interest rate of the 2011 Series D Taxable Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the 2011 Series D Taxable Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 Series D Taxable Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011 Series D Taxable Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 Series D Taxable Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2011 Series D Taxable Bonds, except in the event that use of the book-entry system for the 2011 Series D Taxable Bonds is discontinued.

To facilitate subsequent transfers, all 2011 Series D Taxable Bonds are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2011 Series D Taxable Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 Series D Taxable Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 Series D Taxable Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2011 Series D Taxable Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2011 Series D Taxable Bonds, such as redemptions, tenders, defaults, and proposed amendments to the General Resolution. For example, Beneficial Owners of the 2011 Series D Taxable Bonds may wish to ascertain that the nominee holding such 2011 Series D Taxable Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2011 Series D Taxable Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2011 Series D Taxable Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2011 Series D Taxable Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2011 Series D Taxable Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, interest and redemption premium, if any, on the 2011 Series D Taxable Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bank or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bank or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any or all of the 2011 Series D Taxable Bonds at any time by giving reasonable notice to the Bank or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Bank may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the 2011 Series D Taxable Bonds will be printed and delivered to DTC.

The preceding information under this heading "Book-Entry-Only System" has been extracted from a schedule prepared by DTC as sample offering document language describing book-entry-only issuance. No representation is made by the Bank or the Underwriters as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

Neither the Bank nor the Trustee shall have any responsibility or obligation to any DTC Participant, any Beneficial Owner or other persons claiming a beneficial ownership interest in any of the 2011 Series D Taxable Bonds under or through DTC or any DTC Participant, with respect to: (i) the accuracy of any records maintained by DTC or any DTC Participant with respect to the beneficial ownership interest in the 2011 Series D Taxable Bonds; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, premium, if any, or interest on any of the 2011 Series D Taxable Bonds to any Beneficial Owner or other person for the 2011 Series D Taxable Bonds; or (iii) the delivery to any Beneficial Owner of any of the 2011 Series D Taxable Bonds, or any other person, of any notice which is permitted or required to be given to owners under the General Resolution. Neither the Bank nor the Trustee shall have any responsibility with respect to obtaining consents from anyone other than the registered owners.

No assurance can be given by the Bank or the Trustee that DTC will distribute to the Participants or the Participants will distribute to the Beneficial Owners: (i) payment of debt service on the 2011 Series D Taxable Bonds paid to DTC or its nominee, as the registered owner; or (ii) any redemption or other notices, or that DTC or the DTC Participants will serve or act on a timely basis or in a manner described in this Official Statement.

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APPENDIX G

FINANCIAL STATEMENTS OF THE MAINE MUNICIPAL BOND BANK

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Maine Municipal Bond Bank

We have audited the accompanying financial statements which include the General Operating Account, General Tax-Exempt Fund Group, Grant Anticipation Fund Group, Transportation Infrastructure Fund Group, Special Obligation Taxable Fund Group, Waste Water and Drinking Water Revolving Loan Fund Groups and Operating Fund Group and the School Facilities Fund Group, which collectively comprise the basic financial statements of Maine Municipal Bond Bank, which is an instrumentality of the State of Maine and is required by Governmental Accounting Standards Board Statements No. 14 and 39 to be shown as a component unit of the State of Maine for accounting purposes only, as of and for the year ended June 30, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Bond Bank, as well as the individual fund groups referred to above, as of June 30, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2010 on our consideration of Maine Municipal Bond Bank's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Commissioners
Maine Municipal Bond Bank

The Management's Discussion and Analysis on pages 3 – 10 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Baker Newman & Noyes

Limited Liability Company

Portland, Maine
September 10, 2010

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

As financial management of the Maine Municipal Bond Bank (the "Bond Bank"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Bond Bank for the fiscal year ended June 30, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Bond Bank and to identify any significant changes in financial position. Readers should consider the information presented here only in conjunction with the basic financial statements as a whole.

Financial Highlights

- Revenues for the Bond Bank's General Operating Account were $3,534,518 for fiscal year 2010, an increase of $1,952,383 or 123.4% over fiscal year 2009. This was primarily attributed to $2,510,883 of grant revenue from the State of Maine to fund the Riverfront Community Development and Municipal Investment Trust Fund programs (pass-through grant expense of $2,510,833 is included in operating expenses). This increase in revenue is offset by a decrease in interest income from investments of approximately $203,000, a net decrease in the fair value of investments of approximately $234,900 in 2010 as compared to a net increase of $101,498 in 2009, and a decrease in other income of approximately $64,000.

- Net assets in the Bond Bank's General Operating Account had an increase of $728,748 in fiscal year 2010. This increase is the net result of Operating Revenues totaling $3,534,518, Operating Transfers totaling $988,621 and Operating Expenses totaling $3,794,391. Operating Transfers from the General Tax-Exempt Fund Group are mandated by the Bond Bank's annual operating budget. At June 30, 2010, the Bond Bank's General Operating Account had net assets of $26,350,749.

- The Bond Bank's gross principal amount of bonds outstanding at June 30, 2010 of $1,381,459,230 represents a net increase of $146,528,959 over the balance at June 30, 2009. This increase was the result of the General Tax Exempt Resolution issuing Series 2009C, 2009DEF, 2009G, 2009H and 2010A&B bonds; the Transportation Infrastructure Fund Group issuing Series 2009A and 2009B bonds; and the Sewer and Water Fund Group issuing 2009ABC bonds, less the scheduled debt service principal payments of $111,061,040 and in-substance defeased bonds totaling $45,675,000. Refer to note 4 to the basic financial statements for a detail of bonds payable activity in 2010.

- The Bond Bank committed loans to local governmental units during fiscal year 2010 totaling $244,712,620, which was a 1.6% increase from the loans committed in fiscal year 2009. The Bond Bank also advanced $135,000,000 to the State of Maine for qualified transportation projects within its Transportation Fund Groups. The Bond Bank also provided borrowers participating in the Drinking Water Revolving Loan Fund Program, the Waste Water Revolving Loan Fund Program, and the School Facilities Revolving Loan Fund Program $16,729,247 in potential loan forgiveness in fiscal year 2010, which was a 25% decrease from fiscal year 2009.

Overview of the Bond Bank

The Bond Bank was created in 1972 by an Act of the Maine Legislature, as a public body corporate and politic and is constituted as an instrumentality exercising public and essential governmental functions of the State. The Bond Bank was established to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school administrative districts, community school districts or other quasi-municipal corporations (the "governmental units") within the State of Maine. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services or assessments.

For financial statement reporting purposes, the Bond Bank is considered a component unit of the State of Maine. However, the Bond Bank does not receive any State appropriations for its operations. The Bond Bank does receive grant monies from the State to fund the revolving loan funds for clean water, drinking water and school renovations. The Bond Bank also administers pass-through grants for the Maine Rural Water Association and the Maine Department of Economic and Community Development. The Bond Bank periodically receives allocations of the State's tax-exempt bond cap and is a member of the State's Tax Cap Allocation Committee.

The Bond Bank administers the Grant Anticipation Loan Fund under which the Bond Bank issues bonds or notes for the purpose of making advances to finance qualified transportation projects approved by the State of Maine Department of Transportation. These bonds or notes are repaid from future federal highway grant monies received by the State of Maine.

The Bond Bank administers the Transportation Infrastructure Fund Group under which the Bond Bank issues bonds or notes for the purpose of making advances to finance qualified transportation projects approved by the State of Maine Department of Transportation. These bonds or notes are repaid from a portion of allocated fees and taxes (i.e., motor fuel taxes, title fees, registration fees, excise taxes, etc.) collected by the State of Maine.

The Bond Bank administers the Federal Clean Water Act and Drinking Water Act Revolving Loan Funds. Each of the Revolving Loan Funds periodically receives capitalization grants from the Environmental Protection Agency and matching funds from the State of Maine. Additionally, both of the revolving loan funds received *American Recovery and Reinvestment Act of 2009* (ARRA) grant awards in 2009 (see note 6 to the accompanying financial statements) and continued to commit and disburse grants to local borrowers during 2010. The State of Maine Department of Environmental Protection approves low interest revolving loans to eligible borrowers, under the Clean Water Act Fund, that may be comprised of bond proceeds and federal and state equity monies or solely equity monies. The Drinking Water Revolving Loan Fund operates similar to the Clean Water Revolving Loan Fund whereby the Maine Department of Human Services (Office of Drinking Water) approves low interest revolving loans, under the Drinking Water Act, to eligible borrowers that may be comprised of bond proceeds and federal and state equity monies or solely equity monies. Under the base Drinking Water Revolving Loan Program, up to 30% of each federal capitalization grant may be provided to borrowers as loan forgiveness. Eligible borrowers typically receive up to a maximum of 75% loan forgiveness. The base Clean Water Revolving Loan Program does not provide any loan forgiveness at this time. Starting in fiscal 2009, both the Clean Water and the Drinking Water Revolving Funds received ARRA funding, 50% of which was required to be provided as subsidies including grants, loan forgiveness or negative interest rates. Each of the programs opted to meet the 50% subsidy requirement by providing up to a maximum of 100% loan forgiveness on ARRA funded loans.

The Bond Bank administers the School Facilities Revolving Loan Fund, which is capitalized by monies received from the State of Maine. The Department of Education approves qualified projects that are eligible for interest-free revolving loans, subject to the Bond Bank's approval, to school administrative units for renovation and maintenance of school facilities. Borrowers are eligible to receive a minimum of 20% and a maximum of 70% loan forgiveness.

As the result of the Bond Bank issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of tax-exempt bonds outstanding and remit payment to the Internal Revenue Service every five years. The Bond Bank's policy is to prepare and review the calculations every six months for financial statement purposes and to annually fund rebate accounts for any rebate liability.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bond Bank's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the Bond Bank operates under six separate resolutions, the financial statements reflect individual fund activity.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Bond Bank's finances, in a manner similar to a private-sector business.

The balance sheets present information on all of the Bond Bank's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net assets increases when revenues exceed expenses. An increase to assets without a corresponding increase in liabilities results in increased net assets, which may indicate an improved financial position.

The statements of revenues, expenses and changes in net assets present information showing how the Bond Bank's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, assets exceeded liabilities by $558,506,342 at June 30, 2010. This represents an increase of $21,817,240 (4.1%) over the previous fiscal year. Most of this increase is due to revenue exceeding expenses in the Sewer and Water Fund Groups as federal and state matching grants are received to fund revolving loans to eligible borrowers. Restricted net assets are $491,573,325 and unrestricted net assets are $66,933,017 at June 30, 2010. The largest portion of the Bond Bank's net assets is its investment in loans to governmental units and investments held by trustee included in the Sewer and Water and School Facilities Fund Groups (provided by grants).

The Bond Bank's financial position and operations for the past two years are summarized below based on information included in the financial statements.

MAINE MUNICIPAL BOND BANK
Balance Sheet
June 30, 2010 and 2009

	2010	2009	Percentage Change
Current assets:			
Cash	$ 305,228	$ 248,246	23.0%
Investments held by trustee	170,462,629	153,297,806	11.2
Board designated cash and investments	21,939,812	24,284,872	(9.7)
Loans receivable from governmental units	124,571,892	120,856,058	3.1
Advances to State of Maine	18,062,143	9,694,705	86.3
Accrued investment income receivable	1,117,552	1,159,787	(3.6)
Accrued interest and fees receivable on loans to governmental units and advances to the State of Maine	9,602,363	9,441,896	1.7
Undisbursed federal letter of credit payments	23,611,762	74,588,820	(68.3)
Refunding benefits rebated to governmental units, net of amortization	1,272,172	909,239	39.9
Due from other funds	6,482,569	4,010,423	61.6
Other assets	122,466	216,485	(43.4)
Total current assets	377,550,588	398,708,337	(5.3)
Noncurrent assets:			
Investments held by trustee	139,451,502	131,197,335	6.3
Loans receivable from governmental units	1,268,206,673	1,230,445,180	3.1
Advances to State of Maine	239,559,828	121,407,623	97.3
Land and building, net of depreciation	740,982	769,256	(3.7)
Refunding benefits rebated to governmental units, net of amortization	3,174,097	2,626,769	20.8
Total noncurrent assets	1,651,133,082	1,486,446,163	11.1
Total assets	$ 2,028,683,670	$ 1,885,154,500	7.6%

	2010	2009	Percentage Change
Current liabilities:			
Accounts payable and accrued liabilities	$ 369,328	$ 550,954	(33.0)%
Due to other funds	6,482,569	4,010,423	61.6
Accrued interest payable	11,980,228	10,132,536	18.2
Deferred revenue	2,060,189	24,208,614	(91.5)
Pass-through grants payable	3,596,564	3,654,819	(1.6)
Undisbursed loans	24,627,826	61,646,254	(60.0)
Accrued interest rebate payable to U.S. Government	709,468	792,312	(10.5)
Due to State of Maine	19,344,253	1,253,573	1,443.1
Bonds payable	123,376,588	111,161,789	11.0
Total current liabilities	192,547,013	217,411,274	(11.4)
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	2,680,833	3,692,314	(27.4)
Bonds payable	1,274,949,482	1,127,361,810	13.1
Total noncurrent liabilities	1,277,630,315	1,131,054,124	13.0
Total liabilities	1,470,177,328	1,348,465,398	9.0
Net assets:			
Restricted	491,573,325	473,396,076	3.8
Unrestricted	66,933,017	63,293,026	5.8
Total net assets	558,506,342	536,689,102	4.1
Total liabilities and net assets	$ 2,028,683,670	$ 1,885,154,500	7.6%

Total short and long-term investments held by trustee at June 30, 2010 increased $25,418,990 or 8.9% from June 30, 2009. The increase was the net result of an increase in the fair value of investments, additional reserve fund investments purchased in conjunction with 2010 bond issuances of approximately $17,969,000, the receipt of approximately $32,374,600 from the State of Maine for the Transportation Infrastructure Fund Group and also the net impact of drawdowns of investments for equity loans to borrowers and the repayment on equity loans from borrowers in 2010. The Bond Bank also received additional pass-through grants from the Maine Department of Economic and Community Development, of which $3,596,564 has been deferred at June 30, 2010. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), U.S. Government-sponsored enterprises securities (i.e. FNMA, FMLMC), U.S. Treasury and U.S. Government-sponsored enterprise strips, guaranteed investment contracts and certificates of deposit. The Bond Bank's investments are carried at fair value. Unrealized gains and losses (primarily due to fluctuations in market interest rates) are recognized in the statement of revenues, expenses and changes in net assets.

The Bond Bank's net loans (bond and equity) to governmental units increased $41,477,327 in fiscal year 2010. The Bond Bank's total new loan commitments in 2010 of $244,712,620 were a 1.6% increase over the 2009 commitments of $240,933,969. Net bonds payable increased $159,802,471.

Advances to the State of Maine increased $126,519,643 or 96.5% from June 30, 2009. This increase is primarily the net result of issuing Series 2009A and 2009B bonds totaling $135,000,000.

Undisbursed federal letter of credit payments decreased $50,977,058 in 2010 which is a 68.3% decrease from fiscal 2009. This decrease is primarily the result of the disbursement of $40,852,343 in federal ARRA grants awarded to the Bond Bank in 2009 and the disbursement of $15,345,515 of other federal grants, offset by federal grants awarded totaling $5,220,800.

Refunding benefits rebated to governmental units, net of approximately $1,400,000 of amortization, had a net increase of $910,261 in 2010, which is a 25.7% increase over fiscal 2009. The Bond Bank issued $43,360,000 of refunding bonds in 2010 and passed on savings to the borrowers in one-time lump sum payments totaling $2,313,915.

The balance of the due to/from other funds, which increased $2,472,146 or 61.6% in 2010, represents amounts that were disbursed from one fund and are to be reimbursed by another fund in subsequent years. This increase is primarily due to the General Operating Account paying $1,769,623 to governmental units for the refunding savings from Series 2009ABC Refunding Bonds in the Sewer and Water Fund Groups. The Sewer and Water Fund Groups will reimburse the General Operating Account for this payment in future years.

Accrued interest payable increased $1,847,692 or 18.2% in fiscal 2010 over fiscal 2009. This was due to the issuance of $303,265,000 in new bond series in 2010.

Undisbursed loans decreased $37,018,428 in 2010 which is a 60.0% decrease over fiscal 2009. This decrease is primarily a timing issue between when grants are awarded, loans are committed and related funds are disbursed.

As a result of the Bond Bank issuing tax-exempt debt and investing some of the proceeds in US Government securities, it earns arbitrage that is required to be rebated to the US Government every 5 years. The Bond Bank maintains rebate calculations for each tax-exempt bond issue and updates the calculations every 6 months for financial statement purposes. Accrued interest rebate payable to US Government decreased $1,094,325 or 24.4% in fiscal year 2010 over fiscal year 2009 as a result of refunding of outstanding bonds and subsequent call of remaining defeased bonds, which resulted in final calculations and payments not otherwise anticipated.

Deferred revenue decreased $22,148,425 or 91.5% in fiscal year 2010 over fiscal year 2009. The decrease is primarily the result of committing $22,804,265 of ARRA grants in fiscal year 2010 that were deferred when received in fiscal year 2009.

Fund availability in the Transportation Infrastructure Fund Group consists of the net between motor fuel taxes and other program fees collected less annual debt service on bonds outstanding and administrative fees paid to the Bond Bank. The net difference results in the Due to the State of Maine increasing $18,090,680 or 1,443.1% in fiscal year 2010 over fiscal year 2009 as the net result of the Bond Bank issuing a total of $135,000,000 in Series 2009A and 2009B Bonds, collecting motor fuel taxes and other program fees from the State and disbursing funds to the State for various purposes of the program and paying administrative fees and scheduled debt service payments.

The Bond Bank's financial position improved as net assets increased 4.1% in fiscal year 2010. The Bond Bank continued to maintain a positive spread of income from investments, interest on loans to governmental units and fee revenue from State of Maine over bond interest and operating expenses.

MAINE MUNICIPAL BOND BANK
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

	2010	2009	Percentage Change
Interest on loans receivable from governmental units	$ 48,232,263	$ 47,904,277	0.7%
Program revenue from State of Maine	9,779,281	4,143,214	136.0
Interest income from investments	7,192,210	8,145,538	(11.7)
Net increase in the fair value of investments	3,336,083	1,787,693	86.6
Grant revenue from Environmental Protection Agency	28,025,065	48,545,335	(42.3)
Grant revenue from State of Maine	3,555,043	4,879,156	(27.1)
Other income	1,490,262	1,510,643	(1.3)
Total operating revenue	101,610,207	116,915,856	(13.1)
Interest expense	57,647,184	52,169,653	10.5
Operating expenses (direct and shared)	6,328,692	4,433,785	42.7
Pass-through grant expense	2,510,883	–	–
Loan forgiveness	11,348,146	4,046,530	180.4
Amortization of deferred financing costs and refunding benefits rebated to governmental units	1,958,062	1,650,207	18.7
Total operating expenses	79,792,967	62,300,175	28.1
Operating income	21,817,240	54,615,681	(60.1)
Net assets, beginning of year	536,689,102	482,073,421	11.3
Net assets, end of year	$558,506,342	$536,689,102	4.1%

The General Tax-Exempt Fund Group reimburses the Operating Fund for the annual budget approved by the Board of Commissioners.

Interest income from investments in 2010 decreased 11.7% from 2009. This decrease was primarily the result of a declining short-term interest rate environment in 2010 that resulted in less interest earned on cash and cash equivalents, and an increase in arbitrage rebate expense over fiscal 2009 (due to final calculations on bonds refunded and subsequently called in 2010).

Program revenue from the State of Maine increased 136% in fiscal year 2010 over 2009. This revenue represents recognized motor fuel taxes and other program fees that are used to make annual debt service payments on the bonds issued in the Transportation Infrastructure Fund Group and any administrative fees paid to the Bank. The increase is the result of additional bonds being issued during fiscal year 2010 and the related increase in interest expense.

Grant revenues from the Environmental Protection Agency and the State of Maine are contingent on continued funding by the U.S. Congress and the State of Maine Legislature. The Bond Bank recorded grant revenues from the Environmental Protection Agency totaling $28,025,065 in fiscal year 2010, which was a 42.3% decrease from 2009. The net decrease is primarily the result of the timing of loan commitments for federal ARRA grants. The Bond Bank recorded $22,804,265 as AARA grant revenues in 2010 and $27,032,535 in 2009, a decrease of $4,228,270. Other federal grants in the Sewer and Water Fund Groups were down by $16,292,000 in 2010 from 2009. The Bond Bank recorded grant revenue from the State of Maine totaling $3,555,043 in 2010, which decreased $1,324,113 or 27.1% from 2009 grants. The fiscal year 2010 State grants were made up of State of Maine matching funds for the Sewer and Water Funds Groups totaling $1,044,160 and grants to the General Operating Fund Group totaling $2,510,883 from the Maine Department of Economic and Community Development.

Operating expenses (direct and shared) increased $1,894,907 or 42.7% in fiscal 2010 over fiscal 2009. This is a direct result of the draw down of administrative expenses used by our co-administrators at the State of Maine. These include the Department of Education, the Department of Environmental Protection and the Department of Health and Human Services.

Pass through grant expense increased $2,510,833 in fiscal 2010. This is due to the Bond Bank jointly administering the Riverfront Community Development and Municipal Investment Trust Fund programs with the Maine Department of Economic Development (DECD). All grant revenue recognized in 2010 was passed-through to municipalities designated for such grants by the DECD (see note 10).

Loan forgiveness expense (see notes 6 and 7 in the accompanying financial statements) increased 180.4 % in fiscal year 2010 over 2009. Portions of the loans made to eligible borrowers under the Drinking Water and Waste Water (under ARRA grants) Revolving Loan Fund Programs may be forgiven if certain continuing criteria are met as the borrowers repay the loans. The total amount forgiven under these programs in 2010 was $1,190,886 and $7,038,704 within the Drinking Water and Waste Water Revolving Loan Fund Program, respectively. Also, portions of the loans made to school administrative units under the School Facilities Fund Group are forgiven at the time the loans are disbursed to the units. The amount forgiven within the School Facilities Fund Group in 2010 was $3,118,556. Forgiveness expense will vary from year to year depending upon repayment and drawdown activity within the respective programs.

Requests for Information

This financial report is designed to provide a general overview of the Bond Bank's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, Maine Municipal Bond Bank, P.O. Box 2268, Augusta, Maine 04338-2268.

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MAINE MUNICIPAL BOND BANK

BALANCE SHEET

June 30, 2010

			Transportation Fund Groups	
	General Operating Account	General Tax-Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group
ASSETS				
Current assets:				
Cash	$ 305,228	$ –	$ –	$ –
Investments held by trustee (notes 3 and 5)	–	42,803,888	–	21,828,345
Board designated cash and investments (notes 3 and 10)	21,939,812	–	–	–
Loans receivable from governmental units (note 4)	96,573	86,535,169	–	–
Advances to State of Maine (note 4)	–	–	8,037,796	10,024,347
Accrued investment income receivable	66,808	413,482	–	60,164
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	12,156	7,147,720	968,814	–
Undisbursed federal letter of credit payments	–	–	–	–
Refunding benefits rebated to governmental units, net of amortization	–	807,611	–	–
Due from other funds	5,937,851	–	–	–
Other assets	118,633	–	–	–
Total current assets	28,477,061	137,707,870	9,006,610	31,912,856
Noncurrent assets:				
Investments held by trustee (notes 3 and 5)	–	122,281,062	–	8,667,651
Loans receivable from governmental units (note 4)	1,073,498	871,616,906	–	–
Advances to State of Maine (note 4)	–	–	67,769,202	171,790,626
Land and building, net of depreciation of $1,037,017	740,982	–	–	–
Refunding benefits rebated to governmental units, net of amortization	–	1,941,173	–	–
Total noncurrent assets	1,814,480	995,839,141	67,769,202	180,458,277
Total assets	$30,291,541	$1,133,547,011	$76,775,812	$212,371,133

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating		
	Waste Water	Drinking Water	Fund Group		
$ –	$ –	$ –	$ –	$ –	$ 305,228
–	70,477,866	14,636,762	5,038,668	15,677,100	170,462,629
–	–	–	–	–	21,939,812
–	27,939,346	4,512,865	–	5,487,939	124,571,892
–	–	–	–	–	18,062,143
–	424,650	83,155	6,237	63,056	1,117,552
–	1,273,643	200,030	–	–	9,602,363
–	15,659,119	7,952,643	–	–	23,611,762
–	414,211	50,350	–	–	1,272,172
–	476,716	–	68,002	–	6,482,569
–	2,583	1,250	–	–	122,466
–	116,668,134	27,437,055	5,112,907	21,228,095	377,550,588
–	7,874,480	628,309	–	–	139,451,502
–	262,574,707	115,613,226	–	17,328,336	1,268,206,673
–	–	–	–	–	239,559,828
–	–	–	–	–	740,982
–	1,060,207	172,717	–	–	3,174,097
–	271,509,394	116,414,252	–	17,328,336	1,651,133,082
$ –	$388,177,528	$143,851,307	$5,112,907	$38,556,431	$2,028,683,670

MAINE MUNICIPAL BOND BANK

BALANCE SHEET (CONTINUED)

June 30, 2010

			Transportation Fund Groups	
	General Operating Account	General Tax-Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$ 344,228	$ –	$ –	$ –
Due to other funds	–	3,762,040	–	18,739
Accrued interest payable	–	8,117,059	968,814	2,653,035
Deferred revenue (note 6)	–	–	–	–
Pass-through grants payable (note 10)	3,596,564	–	–	–
Undisbursed loans	–	–	–	–
Accrued interest rebate payable to U.S. Government	–	709,468	–	–
Due to State of Maine	–	–	–	19,344,253
Bonds payable (note 4)	–	98,770,092	8,037,796	10,024,347
Total current liabilities	3,940,792	111,358,659	9,006,610	32,040,374
Noncurrent liabilities:				
Accrued interest rebate payable to U.S. Government	–	2,577,838	–	–
Bonds payable (note 4)	–	981,862,152	67,769,202	180,330,759
Total noncurrent liabilities	–	984,439,990	67,769,202	180,330,759
Total liabilities	3,940,792	1,095,798,649	76,775,812	212,371,133
Net assets:				
Restricted (notes 5, 6 and 7)	–	4,670,829	–	–
Unrestricted (notes 6 and 7)	26,350,749	33,077,533	–	–
Total net assets	26,350,749	37,748,362	–	–
Total liabilities and net assets	$30,291,541	$ 1,133,547,011	$76,775,812	$212,371,133

See accompanying notes.

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating Fund Group		
	Waste Water	Drinking Water			
$ –	$ 15,129	$ 6,146	$ –	$ 3,825	$ 369,328
–	1,814,216	768,395	45,340	73,839	6,482,569
–	208,801	32,519	–	–	11,980,228
–	1,663,897	396,292	–	–	2,060,189
–	–	–	–	–	3,596,564
–	15,805,103	8,070,256	–	752,467	24,627,826
–	–	–	–	–	709,468
–	–	–	–	–	19,344,253
–	6,123,531	420,822	–	–	123,376,588
–	25,630,677	9,694,430	45,340	830,131	192,547,013
–	102,995	–	–	–	2,680,833
–	39,902,516	5,084,853	–	–	1,274,949,482
–	40,005,511	5,084,853	–	–	1,277,630,315
–	65,636,188	14,779,283	45,340	830,131	1,470,177,328
–	322,087,253	128,341,156	–	36,474,087	491,573,325
–	454,087	730,868	5,067,567	1,252,213	66,933,017
–	322,541,340	129,072,024	5,067,567	37,726,300	558,506,342
$ –	$388,177,528	$ 143,851,307	$5,112,907	$38,556,431	$2,028,683,670

MAINE MUNICIPAL BOND BANK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

			Transportation Fund Groups	
	General Operating Account	General Tax-Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group
Operating revenues:				
Interest on loans receivable from governmental units	$ 45,291	$43,241,407	$ –	$ –
Program revenue from State of Maine	–	–	2,939,614	6,839,667
Interest income from investments	452,498	4,456,569	–	144,762
Net (decrease) increase in the fair value of investments	(234,900)	4,390,944	–	42,854
Grant revenue from Environmental Protection Agency (note 6)	–	–	–	–
Grant revenue from State of Maine (notes 6, 7 and 10)	2,510,883	–	–	–
Other income (note 10)	760,746	–	–	–
Total operating revenue	3,534,518	52,088,920	2,939,614	7,027,283
Operating expenses:				
Interest expense	–	45,792,198	2,841,266	6,935,703
Operating expenses (direct and shared) (note 8)	1,283,508	25,440	98,348	91,580
Pass-through grant expense (note 10)	2,510,883	–	–	–
Loan forgiveness (notes 6 and 7)	–	–	–	–
Amortization of deferred financing costs and refunding benefits rebated to governmental units	–	1,470,377	–	–
Total operating expenses	3,794,391	47,288,015	2,939,614	7,027,283
Operating income (loss) before operating transfers	(259,873)	4,800,905	–	–
Operating transfers	988,621	(988,621)	–	–
Operating income (loss)	728,748	3,812,284	–	–
Net assets (deficit), beginning of year	25,622,001	33,936,078	–	–
Net assets, end of year	$26,350,749	$37,748,362	$ –	$ –

See accompanying notes.

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating		
	Waste Water	Drinking Water	Fund Group		
$ 6,321	$ 4,120,589	$ 818,655	$ –	$ –	$ 48,232,263
–	–	–	–	–	9,779,281
–	1,721,186	190,950	11,828	214,417	7,192,210
–	(695,273)	(87,242)	(8,830)	(71,470)	3,336,083
–	19,485,667	8,539,398	–	–	28,025,065
–	1,044,160	–	–	–	3,555,043
10,611	–	–	718,905	–	1,490,262
16,932	25,676,329	9,461,761	721,903	142,947	101,610,207
6,321	1,866,074	205,622	–	–	57,647,184
–	1,059,251	2,490,679	196,453	1,083,433	6,328,692
–	–	–	–	–	2,510,883
–	7,038,704	1,190,886	–	3,118,556	11,348,146
–	446,461	41,224	–	–	1,958,062
6,321	10,410,490	3,928,411	196,453	4,201,989	79,792,967
10,611	15,265,839	5,533,350	525,450	(4,059,042)	21,817,240
–	125,712	(11,842)	(113,870)	–	–
10,611	15,391,551	5,521,508	411,580	(4,059,042)	21,817,240
(10,611)	307,149,789	123,550,516	4,655,987	41,785,342	536,689,102
$ –	$322,541,340	$129,072,024	$5,067,567	$37,726,300	$558,506,342

MAINE MUNICIPAL BOND BANK

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

		Transportation Fund Groups		
	General Operating Account	General Tax-Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group
OPERATING ACTIVITIES:				
Cash received from governmental units and State of Maine	$ 79,479	$ 129,636,888	$ 10,748,374	$ 32,374,652
Cash payments to governmental units	(3,727,298)	(121,023,264)	–	–
Cash advances to State of Maine	–	–	–	(141,785,233)
Cash received from other income	760,746	–	–	–
Cash payments for operating expenses	(1,123,002)	(25,440)	(98,395)	–
Cash (paid to) received from other funds	(1,028,855)	(754,794)	–	18,739
Cash received for other assets and liabilities	90,311	–	–	–
Net cash (used) provided by operating activities	(4,948,619)	7,833,390	10,649,979	(109,391,842)
NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from bonds payable	–	155,192,686	–	142,856,871
Principal paid on bonds payable	–	(94,861,040)	(7,625,000)	(1,965,000)
Interest paid on bonds payable	–	(46,093,170)	(3,025,026)	(5,601,554)
Amount deposited to refunding escrow (note 9)	–	(24,859,179)	–	–
Issuance costs paid for refunding bonds (note 9)	–	(258,894)	–	–
Grant receipts from Environmental Protection Agency and State of Maine	2,450,000	–	–	–
Net cash provided (used) by noncapital financing activities	2,450,000	(10,879,597)	(10,650,026)	135,290,317
INVESTING ACTIVITIES:				
Purchase of investment securities	(36,217,592)	(217,933,855)	–	(52,851,510)
Proceeds from sale and maturities of investment securities	38,327,752	215,675,660	47	26,842,454
Income received from investments	503,295	8,640,678	–	110,581
Interest rebate paid to U.S. Government	–	(3,336,276)	–	–
Additions to land and building	(57,854)	–	–	–
Net cash (used) provided by investing activities	2,555,601	3,046,207	47	(25,898,475)
Increase in cash	56,982	–	–	–
Cash, beginning of year	248,246	–	–	–
Cash, end of year	$ 305,228	$ –	$ –	$ –

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating Fund Group		
	Waste Water	Drinking Water			
$ 194,343	$ 27,889,318	$ 5,285,766	$ –	$ 4,686,018	$ 210,894,838
(237,577)	(51,366,956)	(33,844,873)	–	(4,485,379)	(214,685,347)
–	–	–	–	–	(141,785,233)
10,611	–	–	718,905	–	1,490,262
–	(1,066,707)	(2,495,926)	(196,453)	(1,089,110)	(6,095,033)
–	1,099,068	731,423	(95,234)	29,653	–
–	2,875	833	–	–	94,019
(32,623)	(23,442,402)	(30,322,777)	427,218	(858,818)	(150,086,494)
–	18,103,406	2,472,657	–	–	318,625,620
(185,000)	(6,050,000)	(375,000)	–	–	(111,061,040)
(9,481)	(2,096,078)	(228,176)	–	–	(57,053,485)
–	(19,228,305)	(2,465,871)	–	–	(46,553,355)
–	(221,776)	(28,500)	–	–	(509,170)
–	29,491,573	28,406,285	–	–	60,347,858
(194,481)	19,998,820	27,781,395	–	–	163,796,428
–	(151,211,296)	(28,177,690)	(1,676,962)	(22,989,497)	(511,058,402)
227,104	152,804,417	30,593,081	1,243,404	23,654,805	489,368,724
–	1,928,847	125,991	6,340	193,510	11,509,242
–	(78,386)	–	–	–	(3,414,662)
–	–	–	–	–	(57,854)
227,104	3,443,582	2,541,382	(427,218)	858,818	(13,652,952)
–	–	–	–	–	56,982
–	–	–	–	–	248,246
$ –	$ –	$ –	$ –	$ –	$ 305,228

MAINE MUNICIPAL BOND BANK

STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2010

			Transportation Fund Groups	
	General Operating Account	General Tax-Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:				
Operating income (loss)	$ 728,748	$ 3,812,284	$ –	$ –
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Interest income from investments	(452,498)	(4,456,569)	–	(144,762)
Net (increase) decrease in the fair value of investments	234,900	(4,390,944)	–	(42,854)
Loan forgiveness	–	–	–	–
Depreciation	86,128	–	–	–
Amortization of deferred financing costs and refunding benefits rebated to units	–	1,470,377	–	–
Interest expense on bonds payable	–	45,792,198	2,841,266	6,935,703
Federal and State grants	(2,510,883)	–	–	–
Change in assets and liabilities:				
Loans receivable from governmental units and advances to to State of Maine	(1,170,071)	(33,849,226)	7,729,705	(134,249,348)
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	(12,156)	(234,217)	79,055	–
Due to/from other funds	(2,017,476)	233,827	–	18,739
Other assets	90,311	–	–	–
Accounts payable and accrued liabilities	74,378	–	(47)	–
Due to State of Maine	–	–	–	18,090,680
Refunding benefits rebated to governmental units	–	(544,340)	–	–
Net cash (used) provided by operating aetivities	$ (4,948,619)	$ 7,833,390	$10,649,979	$(109,391,842)

See accompanying notes.

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating		
	Waste Water	Drinking Water	Fund Group		
$ 10,611	$ 15,391,551	$ 5,521,508	$411,580	$(4,059,042)	$ 21,817,240
–	(1,721,186)	(190,950)	(11,828)	(214,417)	(7,192,210)
–	695,273	87,242	8,830	71,470	(3,336,083)
–	7,038,704	1,190,886	–	3,118,556	11,348,146
–	–	–	–		86,128
–	446,461	41,224	–	–	1,958,062
6,321	1,866,074	205,622	–	–	57,647,184
–	(20,529,827)	(8,539,398)	–	–	(31,580,108)
185,000	(26,038,850)	(29,171,393)	–	200,639	(216,363,544)
3,022	(50,303)	54,132	–	–	(160,467)
–	973,356	743,265	18,636	29,653	–
–	2,875	833	–	–	94,019
(237,577)	(7,456)	(5,247)	–	(5,677)	(181,626)
–	–	–	–	–	18,090,680
–	(1,509,074)	(260,501)	–	–	(2,313,915)
$ (32,623)	$(23,442,402)	$(30,322,777)	$427,218	$ (858,818)	$(150,086,494)

1. Organization

The Maine Municipal Bond Bank (the Bond Bank) is constituted as an instrumentality and, for accounting purposes under Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units*, is considered a component unit of the State of Maine, organized and existing under and pursuant to M.R.S.A., Article 30-A, Title 5901 (the Act), as amended.

Under the Act, the Bond Bank is authorized to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school administrative districts, community school districts, other quasi-municipal corporations or other eligible borrowers as designated by the Legislature (the "governmental units") within the State of Maine. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services, grants or assessments. The Bond Bank is also authorized by the Legislature to issue bonds on behalf of the State of Maine to finance qualified transportation projects, to be repaid by taxes, fees and grant revenues.

The Bond Bank has a management agreement with related parties, Maine Health and Higher Educational Facilities Authority and Maine Governmental Facilities Authority, whereby the Bond Bank allocates payroll and general overhead expenses from its operations to each Authority.

The General Operating Account consists of the operating revenues and expenses incurred by the Bond Bank in administering the six resolutions under which it is operating. The funds and accounts of these resolutions have been grouped within each of the resolutions and fund groups as described below.

The General Operating Account also administers various loan and grant programs in conjunction with the State of Maine. Additionally, the General Operating Account from time-to-time will provide loans to municipalities (governmental units) experiencing financial difficulties. During 2010, the General Operating Account provided a loan of approximately $1.2 million to a municipality, which is to be repaid in quarterly installments of $39,740, including interest at 5.5%, through October 2019.

General Tax-Exempt Fund Group: This fund group consists of funds and accounts established under the Bond Bank's General Bond Resolution adopted July 11, 1973, as amended and supplemented by the First Supplemental Resolution adopted September 20, 1977, the Second Supplemental Resolution adopted July 18, 1984, the Third Supplemental Resolution adopted May 7, 1993 and the Fourth Supplemental Resolution adopted June 25, 1993. Under these resolutions, the Bond Bank issues bonds exempt from federal and State of Maine income taxes and makes loans to local governmental units. In addition, the Bond Bank issues taxable bonds that receive a federal interest subsidy payment on each debt service payment date.

Transportation Fund Groups: These fund groups consist of funds and accounts established under the Bond Bank's Grant Anticipation General Bond Resolution adopted December 10, 2004 and the Bond Bank's Transportation Infrastructure General Bond Resolution adopted September 24, 2008. Under these resolutions, the Bond Bank issues bonds or notes exempt from Federal and State of Maine income taxes for the purpose of making advances to the State of Maine Department of Transportation to finance qualified transportation projects. The Grant Anticipation bonds or notes are to be repaid from future federal highway grant monies received by the State of Maine and the Transportation Infrastructure bonds or notes are to be repaid from a portion of future fees and taxes collected by the State of Maine.

1. Organization (Continued)

Special Obligation Taxable Fund Group: This fund group consists of funds and accounts established under the Bond Bank's Special Obligation Bond Resolution adopted May 25, 1990. Under this resolution, the Bond Bank issues bonds which are exempt from State of Maine income taxes (but not federal income taxes) and makes loans to governmental units. All loans to government units and related bonds were paid in full during 2010.

Sewer and Water Fund Groups: These fund groups consist of funds and accounts established under the Bond Bank's Sewer and Water General Bond Resolution adopted February 7, 1990, as amended and supplemented by the First Supplemental Resolution adopted March 6, 1991. Under this resolution, the Bond Bank issues bonds exempt from federal and State of Maine income taxes for the purpose of making revolving loans to governmental units to finance wastewater collection, treatment system or water supply system projects. Under the Drinking Water Fund Group, eligible borrowers consist of public water systems, which include municipalities, districts, private for-profit and non-profit water systems. Some of these projects may be partially financed by grants from the Environmental Protection Agency and the State of Maine under the State Revolving Fund Program and the Drinking Water State Revolving Loan Fund Program.

School Facilities Fund Group: This fund group consists of funds and accounts established under the Maine School Facilities Finance Program. Under this program, the Bond Bank receives appropriations from the State and also funding from various other sources for the purpose of making loans to school administrative units for school repair and renovation. This fund group is not a part of any boud resolution.

2. Significant Accounting Policies

Proprietary Fund Accounting: As the Bond Bank's operations are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing goods or services is financed through user charges, it meets the criteria for an enterprise fund and, therefore, is accounted for under the accrual basis of accounting.

The Bond Bank complies with GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.* This Statement requires that the Bond Bank apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

The financial statements are prepared in accordance with GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statement No. 21 and No. 34,* aud No. 38, *Certain Financial Statement Note Disclosures* (the Statements).

2. Significant Accounting Policies (Continued)

Accounting Method: As stated above, the Bond Bank uses the accrual basis of accounting and, accordingly, recognizes revenues as earned and expenses as incurred.

Cash and Cash Equivalents: The Bond Bank considers all checking and savings deposits and highly liquid investments with maturities of three months or less to be cash equivalents.

Investments: Investments are carried at fair value. Changes in fair value are recorded as net increase or decrease in the fair value of investments on the statements of revenues, expenses and changes in net assets. Interest earnings on principal-only strips within the general tax-exempt fund group of approximately $4,259,000 have been recorded as interest income from investments in 2010. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2011 have been classified as long-term.

Undisbursed Federal Letter of Credit Payment: The Bond Bank has received federal capitalization grants under the Sewer and Water Bond Resolution's State Revolving Fund Program. The grants have been made available in the form of letters of credit which can only be drawn upon when needed for administrative and actual construction related costs.

Building: The building is recorded at cost less accumulated depreciation. The provision for depreciation has been computed using the straight-line method.

Refunding Benefits Rebated to Governmental Units: The refunding benefits rebated to governmental units recognizes amounts paid to governmental units resulting from debt service savings on advance refunding of bonds outstanding. The rebated amounts are deferred and are being amortized over the life of the refunded bonds (which is equivalent to the life of the loans receivable) using a method which approximates the effective interest method.

Bond Issuance Costs and Deferred Financing Costs: Bond issuance and financing costs resulting from advance refunding of bonds outstanding have been deferred as part of deferred amounts on refunding and are being amortized over the life of the refunding bonds using the bonds outstanding method. Other bond issuance and finance costs paid by the Bond Bank are expensed as incurred.

Deferred Amounts on Refunding: The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as a deferred amount on refunding and reported as a deduction from or an addition to the new bonds. The deferred amount on refunding is amortized over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter, as a component of interest expense using the bonds outstanding method.

Origiual Issue Discounts: Original issue discounts, which are deducted from bond proceeds loaned to governmental units, are effectively paid by the governmental units and are not expenses of the Bond Bank. Original issue discounts resulting from the advance refunding of bonds outstanding have been deferred and are being accreted over the life of the refunding bonds using a method which approximates the effective interest method.

Original Issue Premiums: Original issue premiums are generally added to bond proceeds loaned to governmental units (and thus are deferred and amortized over the life of the bonds using a method which approximates the effective interest method) or used to pay costs of the bond issuance (and thus netted against issuance costs). Original issue premiums resulting from the advance refunding of bonds outstanding have been deferred and are being amortized over the life of the refunding bonds using a method which approximates the effective interest method.

2. Significant Accounting Policies (Continued)

Construction Funds: The Sewer and Water General Bond Resolution requires bond proceeds to be deposited into construction funds. Upon deposit into the construction funds, a loan receivable from the governmental unit is recorded and the construction funds are excluded from Sewer and Water Fund Groups. The Bond Bank maintains control over disbursement of these funds until the project is complete. Approximately $128,000 in investments are held in the construction funds at June 30, 2010.

Grant Revenue: Grant revenue is recognized when the qualifying commitments have been made and all other grant requirements have been met.

Interfund Transactions: Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Management Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires the Bond Bank to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Columns: The "total" columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the separate funds.

3. Investments Held By Trustee and Board Designated Investments

The Bond Bank is authorized, under Maine statutes, to invest in obligations of the U.S. Treasury, certain U.S. Government-sponsored enterprises, state and local government agencies, guaranteed investment contracts and collateralized repurchase agreements. At June 30, 2010, investments are categorized as follows:

	Fair Value
General Operating Account	
Board-designated investments:	
U.S. Government-sponsored enterprises	$ 9,982,398
Cash and cash equivalents	11,957,414
	$21,939,812

3. Investments Held By Trustee and Board Designated Investments (Continued)

	Fair Value
General Tax-Exempt Fund Group	
Investments held by trustee:	
Guaranteed investment contracts	$ 9,744,314
U.S. Government obligations	21,716,668
U.S. Government-sponsored enterprises	25,093,461
U.S. Treasury strips	65,902,885
U.S. Government-sponsored enterprise strips	26,914,369
Cash and cash equivalents	15,713,253
	$165,084,950
Transportation Infrastructure Fund Group	
Investments held by trustee:	
Guaranteed investment contracts	16,153
U.S. Government-sponsored enterprises	6,295,057
U.S. Government-sponsored enterprise strips	2,356,441
Cash and cash equivalents	21,828,345
	$ 30,495,996
Sewer and Water Fund Groups	
Investments held by trustee:	
Revolving Loan Fund Group – Waste Water:	
Guaranteed investment contracts	$ 3,302,304
U.S. Government obligations	215,801
U.S. Government-sponsored enterprises	37,027,198
U.S. Government-sponsored enterprise strips	3,220,054
Certificates of deposit	6,504,699
Cash and cash equivalents	28,082,290
	$ 78,352,346
Revolving Loan Fund Group – Drinking Water:	
U.S. Government-sponsored enterprises	$ 8,074,924
U.S. Government-sponsored enterprise strips	371,625
Cash and cash equivalents	6,818,522
	$ 15,265,071
Operating Fund Group:	
U.S. Government-sponsored enterprises	$ 504,453
Cash and cash equivalents	4,534,215
	$ 5,038,668
School Facilities Fund Group	
Investments held by trustee:	
U.S. Government-sponsored enterprises	$ 7,832,463
Cash and cash equivalents	7,844,637
	$ 15,677,100

3. Investments Held By Trustee and Board Designated Investments (Continued)

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Bond Bank's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. Further, guaranteed investment contracts, which maturities are also closely matched with future bond principal and interest requirements, contain provisions that allow the Bond Bank to terminate individual contracts at par. The Bond Bank's general practice has been to hold all debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments for the respective resolutions. The following table provides information on future maturities of the Bond Bank's investments in guaranteed investment contracts, U.S. Government obligations, U.S. Government-sponsored enterprises, U.S. Treasury Strips and U.S. Government-sponsored enterprise strips as of June 30, 2010:

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
General Operating Account					
U.S. Government-sponsored enterprises	$ 9,982,398	$ 3,807,078	$ 6,175,320	$ –	$ –
General Tax Exempt Fund Group					
Guaranteed investment contracts	$ 9,744,314	$ –	$ –	$ –	$ 9,744,314
U.S. Government obligations	21,716,668	13,741,003	1,080,399	1,829,542	5,065,724
U.S. Government-sponsored enterprises	25,093,461	1,598,455	6,880,445	8,476,832	8,137,729
U.S. Treasury strips	65,902,885	9,759,527	26,345,614	17,732,712	12,065,032
U.S. Government-sponsored enterprise strips	26,914,369	1,991,648	6,085,923	4,638,754	14,198,044
	$149,371,697	$27,090,633	$40,392,381	$32,677,840	$49,210,843
Transportation Infrastructure Fund Group					
Guaranteed investment contracts	$ 16,153	$ –	$ 16,153	$ –	$ –
U.S. Government-sponsored enterprises	6,295,057	485,410	5,809,647	–	–
U.S. Government sponsored enterprise strips	2,356,441	19,998	2,336,443	–	–
	$ 8,667,651	$ 505,408	$ 8,162,243	$ –	$ –

3. Investments Held By Trustee and Board Designated Investments (Continued)

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
Revolving Loan Fund Group – Waste Water					
Guaranteed investment contracts	$ 3,302,304	$ –	$ –	$ 1,937,638	$ 1,364,666
U.S. Government obligations	215,801	–	–	215,801	–
U.S. Government-sponsored enterprises	37,027,198	19,381,621	17,622,340	23,237	–
U.S. Government-sponsored enterprise strips	3,220,054	93,847	1,945,244	1,180,963	–
Certificates of deposit	6,504,699	316,597	6,188,102	–	–
	$ 50,270,056	$19,792,065	$25,755,686	$ 3,357,639	$ 1,364,666
Revolving Loan Fund Group–Drinking Water					
U.S. Government-sponsored enterprises	$ 8,074,924	$ 4,843,942	$ 3,048,866	$ 26,573	$ 155,543
U.S. Government-sponsored enterprise strips	371,625	–	313,273	58,352	–
	$ 8,446,549	$ 4,843,942	$ 3,362,139	$ 84,925	$ 155,543
Sewer and Water Fund Groups–Operating Fund Group					
U.S. Government-sponsored enterprises	$ 504,453	$ 253,515	$ 250,938	$ –	$ –
School Facilities Fund Group					
U.S. Government-sponsored enterprises	$ 7,832,463	$ 5,076,258	$ 2,756,205	$ –	$ –

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Bond Bank will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Bond Bank's investments are primarily held by U.S. Bank and Bangor Savings Bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at either bank at June 30, 2010.

3. Investments Held By Trustee and Board Designated Investments (Continued)

For an investment, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Bond Bank. Credit risk is measured by the credit quality ratings of issuers as described by nationally recognized rating organizations. The Bond Bank's investment policy limits its investments to those with high credit quality, such as U.S. Treasury Obligations and U.S. Government-sponsored enterprises securities, as rated by rating agencies such as Moody's Investor Service or Standard and Poor's, or guaranteed investment contracts backed by high credit quality banks and insurance companies. The Bond Bank requires providers of guaranteed investment contracts to have and maintain a long-term unsecured debt obligation rating or claims paying ability equal to or greater than "AA" or "Aa". If the long-term rating falls below these thresholds, the provider must either (i) pledge additional collateral to restore the rating or (ii) permit the Bond Bank to withdraw the funds at par and without penalty.

At June 30, 2010, the Bond Bank's guaranteed investment contracts within the General Tax Exempt Fund Group and Revolving Loan Fund Group are primarily with three institutions, all of which are AA rated or better.

The Bond Bank has invested some of its long-term funds in U.S. Treasury and U.S. Government-sponsored enterprise principal-only strips in order to maximize yields coincident with cash needs for operations, debt service, and arbitrage. These securities are similar to zero coupon bonds which are purchased deeply discounted, with the Bond Bank receiving its only repayment stream at maturity; therefore, they are sensitive to interest rate changes. These securities are reported at fair value in the balance sheet. The fair value of these investments is approximately $98,765,000 at June 30, 2010.

Trustee held cash and cash equivalents at June 30, 2010 consist primarily of money market funds secured by short-term U.S. Treasury obligations.

The cash and cash equivalents of the Bond Bank's General Operating Account at June 30, 2010 consist entirely of money market funds secured by short-term U.S. Treasury obligations, held by a trust company.

4. Bonds Payable

Total General Tax-Exempt Fund Group Bonds payable consist of the following at June 30, 2010:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2010
Series 1993 B and C, 5% – 5.85%, dated May 1, 1993	1994 – 2020	$ 40,070,000	$ 5,130,000
Series 1998 A, 3.70% – 5.50%, dated February 1, 1998	1999 – 2012	60,950,000	20,575,000

4. Bonds Payable (Continued)

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2010
Series 1998 D and E, 3.75% – 4.80%, dated October 1, 1998	1999 – 2018	$ 13,890,000	$ 975,000
Series 2000 A and B, 4.5% – 5.875%, dated May 1, 2000	2000 – 2020	70,125,000	10,085,000
Series 2000 C and D, 4.625% – 5.70%, dated October 1, 2000	2001 – 2021	39,560,000	5,990,000
Series 2001 A and B, 4.125% – 5.25%, dated May 1, 2001	2002 – 2021	34,635,000	7,005,000
Series 2001 C and D, 3.00% – 5.125%, dated October 1, 2001	2002 – 2022	68,835,000	16,255,000
Series 2002 A, 3.00% – 5.375%, dated March 1, 2002	2002 – 2021	36,520,000	8,690,000
Series 2002 B and C, 2.50% – 5.25%, dated May 1, 2002	2002 – 2032	77,575,000	51,675,000
Series 2002 D, 2.00% – 5.00%, dated July 1, 2002	2003 – 2015	49,315,000	16,815,000
Series 2002 E and F, 2.00% – 5.00%, dated October 1, 2002	2003 – 2023	32,720,000	11,750,000
Series 2003 A, 3.00% – 5.25%, dated March 1, 2003	2003 – 2020	186,050,000	55,214,230
Series 2003 B and C, 2.00% – 5.00%, dated May 1, 2003	2003 – 2024	17,290,000	10,950,000
Series 2003 D and E, 2.00% – 5.00%, dated October 1, 2003	2004 – 2033	18,460,000	11,890,000
Series 2004 A and B, 2.00% – 5.00%, dated May 27, 2004	2004 – 2025	94,565,000	69,310,000
Series 2004 C, 2.00% – 5.00%, dated September 23, 2004	2004 – 2020	58,675,000	52,895,000
Series 2004 D and E, 2.25% – 5.00%, dated October 28, 2004	2005 – 2034	46,850,000	32,275,000
Series 2005 A, 3.00% – 5.00%, dated March 8, 2005	2005 – 2021	91,250,000	88,865,000
Series 2005 B and C, 3.00% – 5.00%, dated May 26, 2005	2006 – 2031	22,050,000	17,185,000
Series 2005 D and E, 3.00% – 5.00%, dated October 27, 2005	2006 – 2034	60,395,000	47,285,000
Series 2006 A, 3.48% – 4.77%, dated May 25, 2006	2006 – 2036	14,040,000	11,505,000
Series 2006 B and C, 3.55% – 5.00%, dated October 26, 2006	2007 – 2027	24,065,000	18,565,000
Series 2007 A, 3.75% – 5.00%, dated April 5, 2007	2007 – 2022	51,335,000	50,630,000

4. Bonds Payable (Continued)

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2010
Series 2007 B and C, 4.00% – 5.00%, dated May 24, 2007	2007 – 2029	$ 69,380,000	$ 61,765,000
Series 2007 D and E, 4.00% – 5.00%, dated October 25, 2007	2008 – 2037	53,560,000	47,495,000
Series 2008 A and B, 3.00% – 5.00%, dated May 15, 2008	2008 – 2038	49,060,000	45,850,000
Series 2008 C, 4.00% – 5.50%, dated October 30, 2008	2009 – 2038	100,010,000	94,795,000
Series 2009 A, 2.00% – 5.00%, dated March 17, 2009	2009 – 2020	10,060,000	9,450,000
Series 2009 B, 3.00% – 5.00%, dated May 28, 2009	2009 – 2034	42,845,000	42,810,000
Series 2009 C, 1.10% – 4.25%, dated August 27, 2009	2010 – 2029	21,620,000	21,620,000
Series 2009 D, 3.00% – 5.00%, dated August 27, 2009	2010 – 2029	34,930,000	34,930,000
Series 2009 E, 1.25% – 3.00%, dated August 27, 2009	2009 – 2014	4,685,000	3,930,000
Series 2009 F, 3.00% – 5.00%, dated August 27, 2009	2010 – 2012	19,115,000	19,115,000
Series 2009 G, 3.00% – 5.00%, dated October 29, 2009	2010 – 2039	9,590,000	9,590,000
Series 2009 H, 3.00% – 5.00%, dated January 14, 2010	2010 – 2030	38,710,000	38,710,000
Series 2010 A, 2.00% – 4.25%, dated May 27, 2010	2010 – 2040	8,320,000	8,320,000
Series 2010 B, 3.28% – 5.67%, dated May 27, 2010	2010 – 2034	11,735,000	11,735,000
		$1,682,840,000	$1,071,629,230

Total General Tax-Exempt Fund Group Bonds payable is presented on the balance sheet at June 30, 2010 as follows:

Total principal outstanding	$1,071,629,230
Deferred amount on refunding	(15,173,697)
Unamortized original issue discount	(72,512)
Unamortized original issue premium	24,249,223
Total General Tax-Exempt Fund Group Bonds payable	1,080,632,244
Current portion	(98,770,092)
Noncurrent portion	$ 981,862,152

4. Bonds Payable (Continued)

The outstanding General Tax-Exempt Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2010	$ 97,930,468	$ 24,321,128	$ 122,251,596
2011	91,348,349	43,886,068	135,234,417
2012	85,986,067	40,099,837	126,085,904
2013	78,213,607	36,360,665	114,574,272
2014	77,425,406	33,003,237	110,428,643
2015 – 2019	317,610,333	119,475,063	437,085,396
2020 – 2024	207,405,000	56,367,979	263,772,979
2025 – 2029	106,000,000	17,001,165	123,001,165
2030 – 2034	8,645,000	1,432,037	10,077,037
2035 – 2039	1,055,000	142,569	1,197,569
2040	10,000	425	10,425
	$1,071,629,230	$372,090,173	$1,443,719,403

Repayment of the debt and interest thereon is to be funded by:

Municipal loan obligations – principal and interest	$1,268,512,753
Reserve Funds – principal and interest	175,206,650
	$1,443,719,403

Total Grant Anticipation Fund Group Bonds payable consist of the following at June 30, 2010:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2010
Series 2004 A, 2.50% – 5.00%, dated December 16, 2004	2005 – 2015	$48,395,000	$28,915,000
Series 2008 A, 3.25% – 4.00%, dated September 10, 2008	2009 – 2020	50,000,000	46,635,000
		$98,395,000	$75,550,000

4. Bonds Payable (Continued)

Total Grant Anticipation Fund Group Bonds payable is presented on the balance sheet at June 30, 2010 as follows:

Total principal outstanding	$75,550,000
Unamortized original issue premium	256,998
Total Grant Anticipation Fund Group Bonds payable	75,806,998
Less current portion	8,037,796
Noncurrent portion	$67,769,202

The outstanding Grant Anticipation Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending September 1	Principal	Interest	Total Debt Service
2010	$ 7,950,000	$ 1,453,222	$ 9,403,222
2011	8,195,000	2,659,044	10,854,044
2012	8,510,000	2,344,056	10,854,056
2013	8,795,000	2,056,875	10,851,875
2014	9,130,000	1,721,637	10,851,637
2015 – 2019	27,905,000	4,029,325	31,934,325
2020	5,065,000	202,600	5,267,600
	$75,550,000	$14,466,759	$90,016,759

Repayment of the debt and interest thereon is to be funded by:

Repayment of advances to State of Maine – principal and interest	$90,016,759

Total Transportation Infrastructure Fund Group Bonds payable consist of the following at June 30, 2010:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2010
Series 2008 A, 3.00% – 5.50%, dated November 20, 2008	2009 – 2023	$ 50,000,000	$ 48,035,000
Series 2009 A, 2.50% – 5.00%, dated July 22, 2009	2010 – 2023	105,000,000	105,000,000
Series 2009 B, 2.00% – 5.00%, dated September 10, 2009	2010 – 2024	30,000,000	30,000,000
		$185,000,000	$183,035,000

4. Bonds Payable (Continued)

Total Transportation Infrastructure Fund Group Bonds payable is presented on the balance sheet at June 30, 2010 as follows:

Total principal outstanding	$183,035,000
Unamortized original issue premium	7,320,106
Total Transportation Infrastructure Fund Group Bonds payable	190,355,106
Less current portion	10,024,347
Noncurrent portion	$180,330,759

The outstanding Transportation Infrastructure Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending September 1	Principal	Interest	Total Debt Service
2010	$ 9,110,000	$ 3,979,553	$ 13,089,553
2011	9,370,000	7,722,530	17,092,530
2012	9,710,000	7,443,143	17,153,143
2013	10,115,000	7,043,092	17,158,092
2014	10,495,000	6,629,992	17,124,992
2015 – 2019	59,240,000	26,783,955	86,023,955
2020 – 2024	74,995,000	11,632,030	86,627,030
	$183,035,000	$71,234,295	$254,269,295

Repayment of the debt and interest thereon is to be funded by:

Repayment of advances to State of Maine – principal and interest	$245,729,162
Reserve fund – principal	8,540,133
	$254,269,295

Sewer and Water Fund Group Waste Water Bonds payable consist of the following at June 30, 2010:

	Original Maturity	Amount Issued	Outstanding June 30, 2010
Series 2003 A and B, 1.05% – 5.00%, dated March 1, 2003	2003 – 2023	$32,165,000	$16,645,000
Series 2003 C, 1% – 4.9%, dated November 13, 2003	2004 – 2024	16,065,000	11,960,000
Series 2009 A, 3.00% – 5.00%, dated November 3, 2009	2010 – 2018	14,520,000	14,520,000
Series 2009 B, 2.50 – 3.625%, dated November 3, 2009	2010 – 2018	2,660,000	2,660,000
		$65,410,000	$45,785,000

4. Bonds Payable (Continued)

The Sewer and Water Fund Group Waste Water Bonds payable are presented on the balance sheet at June 30, 2010 as follows:

Total principal outstanding	$45,785,000
Deferred amount on refunding	(588,397)
Unamortized original issue discount	(9,777)
Unamortized original issue premium	839,221
Total Sewer and Water Fund Group Waste Water Bonds payable	46,026,047
Less current portion	6,123,531
Noncurrent portion	$39,902,516

The outstanding Sewer and Water Fund Group Waste Water Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2010	$ 6,095,000	$ 894,136	$ 6,989,136
2011	5,645,000	1,604,623	7,249,623
2012	5,745,000	1,377,822	7,122,822
2013	6,450,000	1,166,213	7,616,213
2014	3,410,000	873,725	4,283,725
2015 – 2019	13,345,000	2,653,010	15,998,010
2020 – 2024	5,095,000	692,885	5,787,885
	$45,785,000	$9,262,414	$55,047,414

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	$48,499,216
Reserve fund – principal and interest	6,548,198
	$55,047,414

Sewer and Water Fund Group Drinking Water Bonds payable consist of the following at June 30, 2010:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2010
Series 2005 A, 2.25% – 4.45%, dated March 24, 2005	2005 – 2025	$3,770,000	$3,080,000
Series 2009 C, 3.00% – 3.00% dated November 3, 2009	2010 – 2018	2,380,000	2,380,000
		$6,150,000	$5,460,000

4. Bonds Payable (Continued)

The Sewer and Water Fund Group Drinking Water Bonds payable are presented on the balance sheet at June 30, 2010 as follows:

Total principal outstanding	$5,460,000
Deferred amount on refunding	(8,958)
Unamortized original issue discounts and costs of issuance	(24,709)
Unamortized original issue premium	79,342
Total Sewer and Water Fund Group Drinking Water Bonds payable	5,505,675
Less current portion	420,822
Noncurrent portion	$5,084,853

The outstanding Sewer and Water Fund Group Drinking Water Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2010	$ 410,000	$ 97,558	$ 507,558
2011	420,000	182,740	602,740
2012	425,000	169,753	594,753
2013	435,000	156,362	591,362
2014	430,000	142,405	572,405
2015 – 2019	2,015,000	489,553	2,504,553
2020 – 2024	1,175,000	193,777	1,368,777
2025 – 2028	150,000	6,675	156,675
	$5,460,000	$1,438,823	$6,898,823

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	$6,898,823

4. Bonds Payable (Continued)

The following summarizes bond payable activity for the Bond Bank for the year ended June 30, 2010:

	General Tax Exempt Fund Group	Grant Anticipation Fund Group	Trans-portation Infra-structure Fund Group	Special Obligation Taxable Fund Group	Waste Water Fund Group	Drinking Water Fund Group
Balance, beginning of year	$1,045,518,172	$ 83,536,703	$ 50,000,000	$ 185,000	$ 53,373,724	$ 5,910,000
Issuances – face value	148,705,000	–	135,000,000	–	17,180,000	2,380,000
Redemptions	(94,861,040)	(7,625,000)	(1,965,000)	(185,000)	(6,050,000)	(375,000)
Refunded bonds (note 9)	(24,080,000)	–	–	–	(19,140,000)	(2,455,000)
Capitalized premiums	6,487,686	–	7,856,871	–	923,406	92,657
Deferred amounts on refunding	(611,582)	–	–	–	(304,503)	(38,690)
Accretion/amortization of discounts, premiums and deferred amounts on refunding	(525,992)	(104,705)	(536,765)	–	43,420	(8,292)
Balance, end of year	$1,080,632,244	$ 75,806,998	$ 190,355,106	$ –	$ 46,026,047	$ 5,505,675

Some bonds contain provisions for prepayment at the Bond Bank's option. All bonds within the General Tax-Exempt Fund Group, and Sewer and Water Fund Groups are secured by the payment stream of loans receivable from governmental units. The monies in the reserve funds shall be held and applied solely to the payment of the interest and principal of the reserve fund bonds as they become due and payable and for the retirement of the reserve fund bonds. In the event of a deficiency in an interest and/or principal payment from the governmental units, transfers can be made from the supplemental reserve and/or general reserve funds to cover the shortfall. If this transfer creates a deficiency in the required amount of the reserve funds, the State can annually appropriate and cover such deficiency. Except for deficiencies between the Waste Water and Drinking Water Revolving Loan Fund Groups, reserve funds of one fund group cannot be used to cover deficiencies of another fund group. In order to recover any shortfall covered by the reserve, the Bond Bank has the ability to attach certain State funds due to the governmental units. Additionally, the Bond Bank is required to utilize funds available within the general operating accounts as necessary.

5. Reserve Funds

Each of the resolutions requires the Bond Bank to set up reserve funds as follows:

General Tax-Exempt Fund Group: The Bond Bank is required to maintain a debt service reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all governmental unit loan obligations then outstanding as of such date of calculation. At June 30, 2010, the required debt service reserve was approximately $121,651,000.

5. Reserve Funds (Continued)

In addition, the Bond Bank maintains the Special Reserve Account balance of $1,970,829 and the Supplemental Reserve Fund General Reserve Account principal balance of $2,700,000. These reserves represent segregated net assets and are pledged to the payment of the principal or interest on the outstanding bonds of the General Tax-Exempt Fund Group if a deficiency occurs. At June 30, 2010, the fair value of the reserve fund assets totaled approximately $151,200,000, which exceeded the required reserves by approximately $24,878,000.

Transportation Infrastructure Fund Group: The Bond Bank is required to maintain a capital reserve which is equal to 50% of the maximum amount of principal installments and interest maturing and becoming due in any succeeding fiscal year on all bonds payable within the fund group as of such date of calculation. At June 30, 2010, the required capital reserve was approximately $8,477,000 and the fair value of the capital reserve assets totaled approximately $8,880,000.

Sewer and Water Fund Groups: The Bond Bank is required to maintain a capital reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all government unit loan obligations within the fund groups as of such date of calculation. At June 30, 2010, the required capital reserve was approximately $7,650,000 and the fair value of the capital reserve assets totaled approximately $8,787,000.

6. Sewer and Water Revolving Fund Group

Pursuant to the Sewer and Water General Bond Resolution adopted February 7, 1990, the Bond Bank receives capitalization grants from the Environmental Protection Agency and twenty percent matching grants from the State of Maine which are designated to be used for revolving loans to governmental units to finance wastewater collection, treatment systems, or water supply system projects.

The Bond Bank was awarded American Recovery and Reinvestment Act (ARRA) grants for use in its Sewer and Water Revolving Fund Group. ARRA grants are for purposes consistent with the intent of the Sewer and Water Revolving Fund Group, including construction of wastewater treatment facilities, drinking water facilities and associated infrastructure, green infrastructure, nonpoint source projects, estuary projects and program administration. The grants do not contain any State of Maine matching provisions. The grants stipulated that the Bond Bank must have committed loans to recipients with signed construction contracts by February 17, 2010; this requirement was met in 2010. In 2010, the Bond Bank recognized ARRA grant revenues of $14,264,867 and $8,539,398 within the Waste Water and Drinking Water Revolving Loan Fund Groups, respectively, representing the total amount of loans committed during 2010 and allowable program administrative appropriations.

6. Sewer and Water Revolving Fund Group (Continued)

Net assets consist of the following at June 30, 2010:

	Waste Water	Drinking Water
Reserved for revolving loans:		
Grants received from Environmental Protection Agency under existing capitalization grant program	$211,073,659	$108,179,900
Grants received from Environmental Protection Agency under ARRA	30,336,800	19,500,000
Other administrative grants received from Environmental Protection Agency	$ 1,347,010	$ –
Hardship grants received from Environmental Protection Agency	643,800	–
Grants received from State of Maine	42,268,762	21,313,708
Other amounts reserved (utilized) for program loans and costs	36,417,222	(20,652,452)
	322,087,253	128,341,156
Unreserved amounts available	454,087	730,868
Net assets at June 30, 2010	$322,541,340	$129,072,024

Under the provisions of the grants from the Environmental Protection Agency (including ARRA grants), the Bond Bank is allowed administrative costs of up to 4% of the total grants awarded. In addition, the Bond Bank receives other grants from the Environmental Protection Agency that are used solely for administrative purposes. The total administrative costs allowed at June 30, 2010 are $11,003,428 (waste water) and $4,814,502 (drinking water), with $10,549,341 and $4,083,634, respectively, expended to date. The remaining amount of $454,087 in the Waste Water Revolving Loan Fund Group and $730,868 in the Drinking Water Revolving Loan Fund Group can be used for future administrative costs. The Bond Bank also charges annual administrative fees to borrowers that are used to administer the programs.

Portions of the loans made to eligible borrowers under the Drinking Water Revolving Loan Fund Program may be forgiven if certain continuing criteria are met, including that the borrower continues to make debt service payments, continues to operate the project in compliance with laws and regulations, and does not dispose of or discontinue the project. The Bond Bank has loaned approximately $33,388,437 at June 30, 2010, that, upon fulfillment of these requirements by the borrowing unit, could be forgiven at some future point. For purposes of the basic financial statements, the Bond Bank recognizes forgiveness expense within these funds as the related loans are repaid. The total amount forgiven under these programs in 2010 was $1,190,886.

6. Sewer and Water Revolving Fund Group (Continued)

During fiscal 2009, the Bond Bank and the State of Maine Department of Environmental Protection implemented a joint rule change in the Waste Water Revolving Loan Fund program in order to allow the program to make loans under ARRA grant provisions. The rule change allows the Bond Bank, after consultation with the State of Maine Department of Environmental Protection, to set interest rates at any level, including 0%. It also allows portions of loans made to eligible borrowers under the Waste Water Revolving Loan Fund Program to be forgiven if certain continuing criteria are met (similar to criteria in the Drinking Water Revolving Loan Fund Program). The Bond Bank has loaned approximately $11,995,978 at June 30, 2010 under the Waste Water Revolving Loan Fund Program that, upon fulfillment of these requirements by the borrowing unit, could be forgiven at some future point. For purposes of the basic financial statements, the Bond Bank recognizes forgiveness expense within these funds as the related loans are repaid. Loans forgiven under this program in 2010 were $7,038,704.

Within the Waste Water Revolving Loan Fund Group, the Bond Bank is participating in a linked deposit loan program with local banks to encourage environmentally sound logging practices. Under the program, the Bond Bank is subsidizing loans to loggers by investing in certificates of deposit at the respective banks at rates 2% below normal which is passed on as a subsidy to the borrower. At June 30, 2010, the Bond Bank has approximately $6,505,000 of certificates of deposits outstanding at various banks of which approximately $697,000 is in excess of the limits insured by the Federal Deposit Insurance Corporation.

7. School Facilities Fund Group

Pursuant to State law, the Bond Bank receives grants from the State of Maine which are designated to be used for interest-free revolving loans to school administrative units for the renovation and maintenance of school facilities. Net assets consist of the following:

Reserved for revolving loans:	
Grants received from State of Maine	$ 98,679,856
Loans forgiven	(73,443,571)
Other amounts reserved for program loans and costs	11,237,802
	36,474,087
Unreserved amounts available	1,252,213
Net assets at June 30, 2010	$ 37,726,300

Under the provisions of the grants, the Bond Bank is allowed administrative costs up to 0.5% of the highest fund balance in any fiscal year. The total administrative costs allowed through June 30, 2010 are $2,884,829, with $1,632,616 expended to date. The remaining amount of $1,252,213 can be used for future administrative costs.

Portions of the loans made to school administrative units from the School Facilities Fund Group are forgiven. For purposes of the general purpose financial statements, the Bond Bank recognizes forgiveness expense within this fund at the time the loans are disbursed to the school administrative unit. This accounting treatment differs from the treatment within the Drinking Water and Waste Water Revolving Loan Funds due to the fact that there are no relevant continuing criteria that would require recognition of the forgiven amount as the related loans are repaid. The total amounts forgiven under this program in 2010 were $3,118,556.

8. Defined Benefit Pension Plan and Other Postemployment Benefits

Pension Plan Description and Funding Policy

The Bond Bank participates in Regular Plan A of the Consolidated Plan for Participating Local Districts (the Plan), an agent multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MEPERS). The MEPERS is established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C. 421, 423 and 425. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the Plan. Benefits vest after ten years of service. Bond Bank employees who retire at or after age 60 are entitled to an annual retirement benefit in an amount equal to 2% of the average of their highest three year earnings for each year of credited service. The authority to establish and amend benefit provisions rests with the State legislature. The MEPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046.

In accordance with State statute, participants are required to contribute 6.5% of their annual covered salary to the Plan. The Bond Bank's payroll for the year ended June 30, 2010 for employees covered by the Plan was approximately $988,000, which was 100% of payroll. The Bond Bank is required to contribute at an actuarially determined rate that, when combined with the contributions of other reporting entities, will be adequate to fund the Plan. The contribution rate is determined using an entry age normal actuarial funding method for retirement benefits and a term cost method for ancillary benefits. The Bond Bank may be required to make contributions to fund the Plan's pooled unfunded actuarial liability, if any. The contribution requirements of the plan members and the Bond Bank are established by and may be amended by the State legislature. The contributions made for the years ended June 30, 2010, 2009 and 2008 were $27,676, $27,269 and $26,728 (employer) and $64,247, $63,303 and $62,047 (employee), respectively.

Other Postemployment Benefits (OPEB)

Plan Description: The Bond Bank sponsors a post-retirement health care benefit plan (the Plan). The Plan provides supplemental health care benefits to any full-time employee with ten or more years of employment who retires from the Bond Bank and has reached the age of 65 (Medicare eligible retirement age). The Bond Bank is a member of the Maine Municipal Association and participates in an agent multiple-employer postemployment healthcare plan administered by the Maine Municipal Employees Health Trust. The Bond Bank may terminate the Plan at its option, in which case future benefit payments would be limited to those employees that retired prior to the termination date (there are two retirees as of June 30, 2010).

Funding Policy: The post employment healthcare benefits are currently being funded on a pay-as-you-go basis (the Bond Bank paid approximately $3,184 in 2010). No assets have been segregated and restricted to provide post-employment benefits.

8. Defined Benefit Pension Plan and Other Postemployment Benefits (Continued)

Annual OPEB Cost: For 2010, the Bond Bank's annual OPEB cost (expense) of $68,846 for the Plan was equal to the Annual Required Contribution (ARC). The Bond Bank's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$68,846	0%	$137,692
6/30/09	68,846	0	68,846

Funded Status and Funding Progress:

For the year-end June 30, 2010, the Bond Bank's OPEB funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Unfunded ALL (UALL)	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
[1] 1/1/2009	$ –	$647,132	$647,132	0%	$988,000	66%

[1] GASB 45 requires triennial actuarial valuations for employers with fewer than 200 employees. The Bond Bank will obtain an updated valuation January 1, 2012.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the projected united credit (PUC) cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 9.6 percent initially, reduced by decrements to an ultimate rate of 4 percent after twenty years. Both rates include a 3.0 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2009, was twenty-nine years.

9. Refunding Issues

In periods of declining interest rates, the Bond Bank has refunded its bond obligations, reducing aggregate debt service. Where allowed, the Bond Bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the in-substance defeased bonds. The U.S. Treasury obligations were deposited with the trustees of the in-substance defeased bonds. The Bond Bank accounted for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and recorded a deferred amount on refunding.

On August 27, 2009, the Bond Bank issued $4,685,000 of Series E Refunding General Tax-Exempt bonds with an average interest rate of 2.02% to in-substance defease $4,670,000 of various outstanding maturities of the 1994 D bonds with an average interest rate of 6.30%. The net bond proceeds of approximately $4,607,000 (includes a net original issue discount of approximately $18,000 and after payment of approximately $60,000 in underwriting fees, insurance and other issuance costs), plus an equity contribution of $183,000, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $23,000 in the period ending June 30, 2010, the Bond Bank in effect reduced its aggregate debt service payments by approximately $628,000 over the next five years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $415,000.

On August 27, 2009, the Bond Bank issued $19,115,000 of Series F Refunding General Tax-Exempt bonds with an average interest rate of 4.00% to in-substance defease $19,410,000 of various outstanding maturities of the 1998 C, 1999 C, and 1999 E bonds with an average interest rate of 5.20%. The net proceeds of approximately $20,070,000, including a bond premium of approximately $1,154,000 and after payment of approximately $199,000 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $330,000 in the period ending June 30, 2010, the Bond Bank in effect reduced its aggregate debt service payments by approximately $800,000 over the next three years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $778,000.

As a result of the above 2010 in-substance defeasances within the General Tax-Exempt Fund Group, the Bond Bank disbursed a one-time, lump sum payment to the borrowers of approximately $544,000.

At June 30, 2010, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $88 million.

9. Refunding Issues (Continued)

On November 3, 2009, the Bond Bank issued $14,520,000 of Series A Refunding Sewer and Water bonds with an average interest rate of 3.56% to in-substance defease $16,355,000 of various outstanding matnrities of the 1993 B, 1996 A and 1997 A bonds with an average interest rate of 5.30%. The net proceeds of approximately $16,430,000, including a bond premium of approximately $906,000 and liquidation of existing excess reserve funds of $1,175,000, and after payment of approximately $171,000, in underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $75,000 in the period ending June 30, 2010, the Bond Bank in effect reduced its aggregate debt service payments by approximately $2,040,000 over thc next nine years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $1,302,000.

On November 3, 2009, the Bond Bank issued $2,660,000 of Series B Refunding Sewer and Water bonds with an average interest rate of 3.19% to in-substance defease $2,785,000 of various outstanding maturities of 1997 B bonds with an average interest rate of 5.44%. The net proceeds of approximately $2,798,000, including a bond premium of approximately $17,000 and liquidation of existing excess reserve funds of $172,000, and after payment of approximately $51,000 in underwriting fees, insurance and other costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $13,000 in the period ending June 30, 2010, the Bond Bank in effect reduced its aggregate debt service payments by approximately $374,000 over the next nine years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $179,000.

On November 3, 2009, the Bond Bank issued $2,380,000 of Series C Refunding Sewer and Water bonds with an average interest rate of 3.00% to in-substance defease $2,455,000 of various outstanding maturities of the 1998 A bonds with an average interest rate of 5.12%. The net proceeds of approximately $2,466,000, including a bond premium of approximately $93,000 and liquidation of existing excess reserve funds of $21,500, and after payment of approximately $28,500 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $10,000 in the period ending June 30, 2010, the Bond Bank in effect reduced its aggregate debt service payments by approximately $325,000 over the next nine years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $266,000.

As a result of the above 2010 in-substance defeasances within the Sewer and Water Fund Groups, the Bond Bank disbursed a one-tiine, lump sum payment to the borrowers of approximately $1,770,000 (approximately $1,509,000 and $261,000 within Waste Water and Drinking Water, respectively).

At June 30, 2010, there are no balances remaining of Sewer and Water Fund Group in-substance defeased bonds as all were called and repaid from refunding escrows prior to June 30, 2010.

10. Pass-Through State Grants

The Bond Bank entered into memoranda of understanding with the Maine Department of Economic and Community Development (DECD) to jointly administer the Riverfront Community Development and Municipal Investment Trust Fund programs within its General Operating Account. Under the programs, the Bond Bank receives grants from the DECD that are passed-through to municipalities designated for such grants by the DECD. A portion of the grants received from the DECD, up to a statutorily determined limit, are used to reimburse the Bond Bank for administrative expenses incurred. The Bond Bank recorded $50,000 as administrative fee revenue related to the programs in fiscal 2010, which is included in other income on the statement of revenues, expenses and changes in net assets.

Riverfront Community Development Program

Through June 30, 2010, the Bond Bank has received $4,900,000 from DECD, of which $2,006,957 was disbursed in 2010. At June 30, 2010, the remaining funds totaling $2,893,043, plus $4,868 of interest income earned on the related investment balances, is included in pass-through grants payable, representing remaining DECD funds to be passed on to qualified municipalities in future years.

Municipal Investment Trust Fund Program

Through June 30, 2010, the Bond Bank has received $1,470,000 from DECD. Grants have been made to qualified municipalities totaling $503,926 and $278,474 in 2010 and 2009, respectively. At June 30, 2010, the remaining $687,600, plus $11,053 of interest income earned on the related investment balances is included in pass-through grants payable, representing remaining DECD funds to be passed on to qualified municipalities in future years.

MAINE MUNICIPAL BOND BANK

BALANCE SHEET
(UNAUDITED)

December 31, 2010

ASSETS	General Operating Account	General Tax-Exempt Fund Group	Transportation Fund Groups: Grant Anticipation Fund Group	Transportation Fund Groups: Transportation Infrastructure Fund Group
Current assets:				
Cash	$ 165,817	$ –	$ –	$ –
Investments held by trustee (notes 3 and 5)	–	42,271,567	–	26,539,251
Board designated cash and investments (notes 3 and 10)	21,355,322	–	–	–
Loans receivable from governmental units (note 4)	99,248	87,397,836	–	–
Advances to State of Maine (note 4)	–	–	11,112,245	10,258,994
Accrued investment income receivable	53,255	397,154	–	60,358
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	11,489	6,847,023	1,260,074	–
Undisbursed federal letter of credit payments	–	–	–	–
Refunding benefits rebated to governmental units, net of amortization	–	697,626	–	–
Due from other funds	5,612,732	–	–	–
Other assets	86,253	–	–	–
Total current assets	27,384,116	137,611,206	12,372,319	36,858,603
Noncurrent assets:				
Investments held by trustee (notes 3 and 5)	–	118,931,380	–	8,615,723
Loans receivable from governmental units (note 4)	1,023,196	856,813,080	–	–
Advances to State of Maine (note 4)	–	–	108,407,912	161,984,580
Land and building, net of depreciation of $1,080,276	735,653	–	–	–
Refunding benefits rebated to governmental units, net of amortization	–	1,621,865	–	–
Total noncurrent assets	1,758,849	977,366,325	108,407,912	170,600,303
Total assets	$29,142,965	$1,114,977,531	$120,780,231	$207,458,906

Qualified School Construction Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating		
	Waste Water	Drinking Water	Fund Group		
$ –	$ –	$ –	$ –	$ –	$ 165,817
–	79,729,148	10,740,324	5,425,250	18,140,128	182,845,668
–	–	–	–	–	21,355,322
–	24,861,218	5,387,096	–	5,110,253	122,855,651
–	–	–	–	–	21,371,239
–	481,984	34,469	791	66,053	1,094,064
–	1,144,519	198,667	–	–	9,461,772
–	18,899,733	16,658,884	–	–	35,558,617
–	371,484	47,136	–	–	1,116,246
–	476,716	–	68,002	–	6,157,450
–	–	–	–	–	86,253
–	125,964,802	33,066,576	5,494,043	23,316,434	402,068,099
–	7,885,113	632,564	–	–	136,064,780
–	266,565,146	121,369,341	–	14,309,878	1,260,080,641
–	–	–	–	–	270,392,492
–	–	–	–	–	735,653
–	883,176	150,221	–	–	2,655,262
–	275,333,435	122,152,126	–	14,309,878	1,669,928,828
$ –	$ 401,298,237	$ 155,218,702	$ 5,494,043	$ 37,626,312	$ 2,071,996,927

MAINE MUNICIPAL BOND BANK

BALANCE SHEET (CONTINUED)
(UNAUDITED)

December 31, 2010

			Transportation Fund Groups	
	General Operating Account	General Tax-Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$ 462,545	$ –	$ –	$ –
Due to other funds	–	3,843,175	–	15,421
Accrued interest payable	–	7,785,891	1,260,074	2,574,177
Pass-through grants payable (note 10)	2,515,554	–	–	–
Undisbursed loans	–	–	–	–
Accrued interest rebate payable to U.S. Government	–	323,672	–	–
Due to State of Maine	–	–	–	24,085,602
Bonds payable (note 4)	–	97,127,869	11,112,245	10,258,994
Total current liabilities	2,978,099	109,080,607	12,372,319	36,934,194
Noncurrent liabilities:				
Accrued interest rebate payable to U.S. Government	–	2,673,001	–	–
Bonds payable (note 4)	–	968,301,796	108,407,912	170,524,712
Total noncurrent liabilities	–	970,974,797	108,407,912	170,524,712
Total liabilities	2,978,099	1,080,055,404	120,780,231	207,458,906
Net assets:				
Restricted (notes 5, 6 and 7)	–	4,670,829	–	–
Unrestricted (notes 6 and 7)	26,164,866	30,251,298	–	–
Total net assets	26,164,866	34,922,127	–	–
Total liabilities and net assets	$ 29,142,965	$ 1,114,977,531	$ 120,780,231	$ 207,458,906

See accompanying notes.

Qualified School Construction Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating		
	Waste Water	Drinking Water	Fund Group		
$ –	$ 28,805	$ 8,550	$ –	$ 8,000	$ 507,900
–	1,451,077	758,167	51,626	37,984	6,157,450
–	178,193	95,495	–	–	11,893,830
–	–	–	–	–	2,515,554
–	18,808,561	5,316,492	–	542,217	24,667,270
–	–	–	–	–	323,672
–	–	–	–	–	24,085,602
–	5,675,822	430,093	–	–	124,605,023
–	26,142,458	6,608,797	51,626	588,201	194,756,301
–	91,990	–	–	–	2,764,991
–	34,243,528	4,660,100	–	–	1,286,138,048
–	34,335,518	4,660,100	–	–	1,288,903,039
–	60,477,976	11,268,897	51,626	588,201	1,483,659,340
–	340,502,269	142,961,627	–	35,701,588	523,836,313
–	317,992	988,178	5,442,417	1,336,523	64,501,274
–	340,820,261	143,949,805	5,442,417	37,038,111	588,337,587
$ –	$401,298,237	$ 155,218,702	$ 5,494,043	$ 37,626,312	$ 2,071,996,927

MAINE MUNICIPAL BOND BANK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(UNAUDITED)

For the Six Months ended December 31, 2010

			Transportation Fund Groups	
	General Operating Account	General Tax-Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group
Operating revenues:				
Interest on loans receivable from governmental units	$ 31,186	$ 21,731,234	$ —	$ —
Program revenue from State of Maine	—	—	1,771,908	3,423,022
Interest income from investments	156,143	7,215,734	—	85,221
Net (decrease) increase in the fair value of investments	(108,678)	(7,665,424)	—	(32,017)
Grant revenue from Environmental Protection Agency (note 6)	–	–	–	–
Grant revenue from State of Maine (notes 6, 7 and 10)	1,081,949	–	–	–
Other income (note 10)	280,456	—	—	—
Total operating revenue	1,441,056	21,281,544	1,771,908	3,476,226
Operating expenses:				
Interest expense	–	23,221,279	1,697,710	3,439,295
Operating expenses (direct and shared) (note 8)	760,746	13,640	74,198	36,931
Pass-through grant expense (note 10)	1,081,949	–	–	–
Loan forgiveness (notes 6 and 7)	–	–	–	–
Amortization of deferred financing costs and refunding benefits rebated to governmental units	–	657,104	–	–
Total operating expenses	1,842,695	23,892,023	1,771,908	3,476,226
Operating income (loss) before operating transfers	(401,639)	(2,610,479)	–	–
Operating transfers	215,756	(215,756)	–	–
Operating income (loss)	(185,883)	(2,826,235)	–	–
Net assets (deficit), beginning of year	26,350,749	37,748,362	–	–
Net assets, end of year	$ 26,164,866	$ 34,922,127	$ –	$ –

See accompanying notes.

Qualified School Construction Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating		
	Waste Water	Drinking Water	Fund Group		
$ –	$ 1,936,487	$ 410,034	$ –	$ –	$ 24,108,941
–	–	–	–	–	5,194,930
–	558,585	133,351	13,924	55,673	8,218,631
–	(280,681)	(120,804)	(13,048)	(50,196)	(8,270,848)
–	15,773,000	13,573,000	–	–	29,346,000
–	4,663,897	3,096,292	–	299,898	9,142,036
–	–	–	577,517	–	857,973
–	22,651,288	17,091,873	578,393	305,375	68,597,663
–	817,318	152,312	–	–	29,327,914
–	830,306	1,343,134	107,229	690,405	3,856,589
–	–	–	–	–	1,081,949
–	2,566,786	690,196	–	303,159	3,560,141
–	254,271	28,450	–	–	939,825
–	4,468,681	2,214,092	107,229	993,564	38,766,418
–	18,182,607	14,877,781	471,164	(688,189)	29,831,245
–	96,314	–	(96,314)	–	–
–	18,278,921	14,877,781	374,850	(688,189)	29,831,245
–	322,541,340	129,072,024	5,067,567	37,726,300	558,506,342
$ –	$ 340,820,261	$ 143,949,805	$ 5,442,417	$ 37,038,111	$ 588,337,587

MAINE MUNICIPAL BOND BANK

STATEMENT OF CASH FLOWS
(UNAUDITED)

For the Six Months ended December 31, 2010

	General Operating Account	General Tax-Exempt Fund Group	Transportation Fund Groups: Grant Anticipation Fund Group	Transportation Fund Groups: Transportation Infrastructure Fund Group
OPERATING ACTIVITIES:				
Cash received from governmental units and State of Maine	$ 30,519	$ 108,177,045	$ 9,477,420	$ 17,680,099
Cash payments to governmental units	(1,034,322)	(72,203,955)	–	–
Cash advances to State of Maine	–	–	(51,709,930)	–
Cash received from other income	280,456	–	–	–
Cash payments for operating expenses	(599,170)	(13,640)	(74,198)	–
Cash (paid to) received from other funds	540,875	(134,621)	–	15,421
Cash received for other assets and liabilities	32,380	–	–	–
Net cash (used) provided by operating activities	(749,262)	35,824,829	(42,306,708)	17,695,520
NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from bonds payable	–	196,119,502	51,709,930	–
Principal paid on bonds payable	–	(97,930,468)	(7,950,000)	(9,110,000)
Interest paid on bonds payable	–	(24,378,402)	(1,453,222)	(3,979,552)
Amount deposited to refunding Escrow (note 9)	–	(112,186,980)	–	–
Issuance costs paid for refunding Bonds (note 9)	–	(606,492)	–	–
Grant receipts from Environmental Protection Agency and State of Maine	2,130	–	–	–
Net cash provided (used) by noncapital financing activities	2,130	(38,982,840)	42,306,708	(13,089,552)
INVESTING ACTIVITIES:				
Purchase of investment securities	(10,049,833)	(159,123,657)	–	(18,189,107)
Proceeds from sale and maturities of investment securities	10,525,788	155,636,456	–	13,498,112
Income received from investments	169,696	7,341,434	–	85,027
Interest rebate paid to U.S. Government	–	(696,222)	–	–
Additions to land and building	(37,930)	–	–	–
Net cash (used) provided by investing activities	607,721	3,158,011	–	(4,605,968)
Decrease in cash	(139,411)	–	–	–
Cash, beginning of year	305,228	–	–	–
Cash, end of year	$ 165,817	$ –	$ –	$ –

Qualified School Construction Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating		
	Waste Water	Drinking Water	Fund Group		
$ –	$ 25,079,476	$ 3,562,087	$ –	$ 3,429,428	$ 167,436,074
–	(23,489,504)	(13,224,996)	–	(546,693)	(110,499,470)
–	–	–	–	–	(51,709,930)
–	–	–	577,157	–	857,973
–	(816,630)	(1,340,634)	(107,229)	(686,230)	(3,637,731)
–	(266,825)	(10,228)	(90,028)	(35,855)	18,739
–	2,583	1,250	–	–	36,213
–	509,100	(11,012,521)	380,260	2,160,650	2,501,868
–	–	–	–	–	247,829,432
–	(6,095,000)	(410,000)	–	–	(121,495,468)
–	(894,136)	(97,557)	–	–	(30,802,869)
–	–	–	–	–	(112,186,980)
–	–	–	–	–	(606,492)
–	15,528,984	7,566,756	–	299,898	23,397,768
–	8,539,848	7,059,199	–	299,898	6,135,391
–	(90,363,414)	(14,514,297)	(1,513,347)	(4,367,882)	(298,121,537)
–	80,824,220	18,285,679	1,126,765	1,854,658	281,751,678
–	490,246	181,940	6,322	52,676	8,327,341
–	–	–	–	–	(696,222)
–	–	–	–	–	(37,930)
–	(9,048,948)	3,953,322	(380,260)	(2,460,548)	(8,776,670)
–	–	–	–	–	(139,411)
–	–	–	–	–	305,228
$ –	$ –	$ –	$ –	$ –	$ 165,817

MAINE MUNICIPAL BOND BANK

STATEMENT OF CASH FLOWS (CONTINUED)
(UNAUDITED)

For the Six Months ended December 31, 2010

			Transportation Fund Groups	
	General Operating Account	General Tax-Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:				
Operating income (loss)	$ (185,883)	$ (2,826,235)	$ –	$ –
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Interest income from investments	(156,143)	(7,215,734)	–	(85,221)
Net (increase) decrease in the fair value of investments	108,678	7,665,424	–	32,017
Loan forgiveness	–	–	–	–
Depreciation	43,259	–	–	–
Amortization of deferred financing costs and refunding benefits rebated to units	–	657,104	–	–
Interest expense on bonds payable	–	23,221,279	1,697,710	3,439,295
Federal and State grants	(1,081,949)	–	–	–
Change in assets and liabilities:				
Loans receivable from governmental units and advances to to State of Maine	46,960	13,941,159	(43,713,159)	9,571,399
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	–	300,697	(291,259)	–
Due to/from other funds	325,119	81,135	–	(3,318)
Other assets	32,380	–	–	–
Accounts payable and accrued liabilities	118,317	–	–	–
Due to State of Maine	–	–	–	4,741,348
Net cash (used) provided by operating activities	$ (749,262)	$ 35,824,829	$(42,306,708)	$ 17,695,520

See accompanying notes.

Qualified School Construction Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating		
	Waste Water	Drinking Water	Fund Group		
$ –	$ 18,278,921	$ 14,877,781	$ 374,850	$ (688,189)	$ 29,831,245
–	(558,585)	(133,351)	(13,924)	(55,673)	(8,218,631)
–	280,681	120,804	13,048	50,196	8,270,848
–	2,566,786	690,196	–	303,159	3,560,141
–	–	–	–	–	43,259
–	254,271	28,450	–	–	939,825
–	817,318	152,312	–	–	29,327,914
–	(20,436,897)	(16,669,292)	–	(299,898)	(38,488,036)
–	(475,639)	(10,074,306)	–	2,882,735	(27,820,851)
–	129,124	1,363	–	–	139,925
–	(363,139)	(10,228)	6,286	(35,855)	–
–	2,583	1,250	–	–	36,213
–	13,676	2,500	–	4,175	138,668
–	–	–	–	–	4,741,348
$ –	$ 509,100	$ (11,012,521)	$ 380,260	$ 2,160,650	$ 2,501,868

1. Organization

The Maine Municipal Bond Bank (the Bond Bank) is constituted as an instrumentality and, for accounting purposes under Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units*, is considered a component unit of the State of Maine, organized and existing under and pursuant to M.R.S.A., Article 30-A, Title 5901 (the Act), as amended.

Under the Act, the Bond Bank is authorized to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school administrative districts, community school districts, other quasi-municipal corporations or other eligible borrowers as designated by the Legislature (the "governmental units") within the State of Maine. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services, grants or assessments. The Bond Bank is also authorized by the Legislature to issue bonds on behalf of the State of Maine to finance qualified transportation projects, to be repaid by taxes, fees and grant revenues.

The Bond Bank has a management agreement with related parties, Maine Health and Higher Educational Facilities Authority and Maine Governmental Facilities Authority, whereby the Bond Bank allocates payroll and general overhead expenses from its operations to each Authority.

The General Operating Account consists of the operating revenues and expenses incurred by the Bond Bank in administering the six resolutions under which it is operating. The funds and accounts of these resolutions have been grouped within each of the resolutions and fund groups as described below.

The General Operating Account also administers various loan and grant programs in conjunction with the State of Maine. Additionally, the General Operating Account from time-to-time will provide loans to municipalities (governmental units) experiencing financial difficulties. During 2010, the General Operating Account provided a loan of approximately $1.2 million to a municipality, which is to be repaid in quarterly installments of $39,740, including interest at 5.5%, through October 2019.

General Tax-Exempt Fund Group: This fund group consists of funds and accounts established under the Bond Bank's General Bond Resolution adopted July 11, 1973, as amended and supplemented by the First Supplemental Resolution adopted September 20, 1977, the Second Supplemental Resolution adopted July 18, 1984, the Third Supplemental Resolution adopted May 7, 1993 and the Fourth Supplemental Resolution adopted June 25, 1993. Under these resolutions, the Bond Bank issues bonds exempt from federal and State of Maine income taxes and makes loans to local governmental units. In addition, the Bond Bank issues taxable bonds that receive a federal interest subsidy payment on each debt service payment date.

Transportation Fund Groups: These fund groups consist of funds and accounts established under the Bond Bank's Grant Anticipation General Bond Resolution adopted December 10, 2004 and the Bond Bank's Transportation Infrastructure General Bond Resolution adopted September 24, 2008. Under these resolutions, the Bond Bank issues bonds or notes exempt from Federal and State of Maine income taxes for the purpose of making advances to the State of Maine Department of Transportation to finance qualified transportation projects. The Grant Anticipation bonds or notes are to be repaid from future federal highway grant monies received by the State of Maine and the Transportation Infrastructure bonds or notes are to be repaid from a portion of future fees and taxes collected by the State of Maine.

1. Organization (Continued)

Qualified School Construction Fund Group: This fund group consists of funds and accounts established Bonds adopted November 18, 2010. Under this resolution, the Bond Bank issues bonds which are exempt from State of Maine income taxes (but not federal income taxes) and makes loans to qualified Governmental Units.

Sewer and Water Fund Groups: These fund groups consist of funds and accounts established under the Bond Bank's Sewer and Water General Bond Resolution adopted February 7, 1990, as amended and supplemented by the First Supplemental Resolution adopted March 6, 1991. Under this resolution, the Bond Bank issues bonds exempt from federal and State of Maine income taxes for the purpose of making revolving loans to governmental units to finance wastewater collection, treatment system or water supply system projects. Under the Drinking Water Fund Group, eligible borrowers consist of public water systems, which include municipalities, districts, private for-profit and non-profit water systems. Some of these projects may be partially financed by grants from the Environmental Protection Agency and the State of Maine under the State Revolving Fund Program and the Drinking Water State Revolving Loan Fund Program.

School Facilities Fund Group: This fund group consists of funds and accounts established under the Maine School Facilities Finance Program. Under this program, the Bond Bank receives appropriations from the State and also funding from various other sources for the purpose of making loans to school administrative units for school repair and renovation. This fund group is not a part of any bond resolution.

2. Significant Accounting Policies

Proprietary Fund Accounting: As the Bond Bank's operations are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing goods or services is financed through user charges, it meets the criteria for an enterprise fund and, therefore, is accounted for under the accrual basis of accounting.

The Bond Bank complies with GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This Statement requires that the Bond Bank apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

The financial statements are prepared in accordance with GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statement No. 21 and No. 34,* and No. 38, *Certain Financial Statement Note Disclosures* (the Statements).

Accounting Method: As stated above, the Bond Bank uses the accrual basis of accounting and, accordingly, recognizes revenues as earned and expenses as incurred.

2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents: The Bond Bank considers all checking and savings deposits and highly liquid investments with maturities of three months or less to be cash equivalents.

Investments: Investments are carried at fair value. Changes in fair value are recorded as net increase or decrease in the fair value of investments on the statements of revenues, expenses and changes in net assets. Interest earnings on principal-only strips within the general tax-exempt fund group of approximately $2,060,000 have been recorded as interest income from investments, to date, in 2011. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after December 31, 2011 have been classified as long-term.

Undisbursed Federal Letter of Credit Payment: The Bond Bank has received federal capitalization grants under the Sewer and Water Bond Resolution's State Revolving Fund Program. The grants have been made available in the form of letters of credit which can only be drawn upon when needed for administrative and actual construction related costs.

Building: The building is recorded at cost less accumulated depreciation. The provision for depreciation has been computed using the straight-line method.

Refunding Benefits Rebated to Governmental Units: The refunding benefits rebated to governmental units recognizes amounts paid to governmental units resulting from debt service savings on advance refunding of bonds outstanding. The rebated amounts are deferred and are being amortized over the life of the refunded bonds (which is equivalent to the life of the loans receivable) using a method which approximates the effective interest method.

Bond Issuance Costs and Deferred Financing Costs: Bond issuance and financing costs resulting from advance refunding of bonds outstanding have been deferred as part of deferred amounts on refunding and are heing amortized over the life of the refunding bonds using the bonds outstanding method. Other bond issuance and finance costs paid by the Bond Bank are expensed as incurred.

Deferred Amounts on Refunding: The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as a deferred amount on refunding and reported as a deduction from or an addition to the new bonds. The deferred amount on refunding is amortized over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter, as a component of interest expense using the bonds outstanding method.

Original Issue Discounts: Original issue discounts, which are deducted from bond proceeds loaned to governmental units, are effectively paid by the governmental units and are not expenses of the Bond Bank. Original issue discounts resulting from the advance refunding of bonds outstanding have been deferred and are being accreted over the life of the refunding bonds using a method which approximates the effective interest method.

Original Issue Premiums: Original issue premiums are generally added to bond proceeds loaned to governmental units (and thus are deferred and amortized over the life of the bonds using a method which approximates the effective interest method) or used to pay costs of the bond issuance (and thus netted against issuance costs). Original issue premiums resulting from the advance refunding of bonds outstanding have been deferred and are being amortized over the life of the refunding bonds using a method which approximates the effective interest method.

2. Significant Accounting Policies (Continued)

Construction Funds: The Sewer and Water General Bond Resolution requires bond proceeds to be deposited into construction funds. Upon deposit into the construction funds, a loan receivable from the governmental unit is recorded and the construction funds are excluded from Sewer and Water Fund Groups. The Bond Bank maintains control over disbursement of these funds until the project is complete. Approximately $81,000 in investments are held in the construction funds at December 31, 2010.

Grant Revenue: Grant revenue is recognized when the qualifying commitments have been made and all other grant requirements have been met.

Interfund Transactions: Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Management Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires the Bond Bank to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Columns: The "total" columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the separate funds.

3. Investments Held By Trustee and Board Designated Investments

The Bond Bank is authorized, under Maine statutes, to invest in obligations of the U.S. Treasury, certain U.S. Government-sponsored enterprises, state and local government agencies, guaranteed investment contracts and collateralized repurchase agreements. At December, 2010, investments are categorized as follows:

	Fair Value
General Operating Account	
Board-designated investments:	
U.S. Government-sponsored enterprises	$ 13,130,325
Cash and cash equivalents	8,224,997
	$ 21,355,322

3. Investments Held By Trustee and Board Designated Investments (Continued)

	Fair Value
General Tax-Exempt Fund Group	
Investments held by trustee:	
Guaranteed investment contracts	$ 9,605,147
U.S. Government obligations	21,183,485
U.S. Government-sponsored enterprises	24,403,302
U.S. Treasury strips	57,450,642
U.S. Government-sponsored enterprise strips	31,622,302
Cash and cash equivalents	16,938,069
	$ 161,202,947
Transportation Infrastructure Fund Group	
Investments held by trustee:	
Guaranteed investment contracts	16,097
U.S. Government-sponsored enterprises	6,246,714
U.S. Government-sponsored enterprise strips	2,352,912
Cash and cash equivalents	26,539,251
	$ 35,154,974
Sewer and Water Fund Groups	
Investments held by trustee:	
Revolving Loan Fund Group – Waste Water:	
Guaranteed investment contracts	$ 3,302,304
U.S. Government obligations	211,798
U.S. Government-sponsored enterprises	48,887,651
U.S. Government-sponsored enterprise strips	3,197,487
Certificates of deposit	6,996,177
Cash and cash equivalents	25,018,844
	$ 87,614,261
Revolving Loan Fund Group – Drinking Water:	
U.S. Government-sponsored enterprises	$ 2,201,952
U.S. Government-sponsored enterprise strips	405,280
Cash and cash equivalents	8,765,656
	$ 11,372,888
Operating Fund Group:	
U.S. Government-sponsored enterprises	$ 250,153
Cash and cash equivalents	5,175,097
	$ 5,425,250
School Facilities Fund Group	
Investments held by trustee:	
U.S. Government-sponsored enterprises	$ 8,574,975
Cash and cash equivalents	9,565,153
	$ 18,140,128

3. Investments Held By Trustee and Board Designated Investments (Continued)

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Bond Bank's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. Further, guaranteed investment contracts, which maturities are also closely matched with future bond principal and interest requirements, contain provisions that allow the Bond Bank to terminate individual contracts at par. The Bond Bank's general practice has been to hold all debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments for the respective resolutions. The following table provides information on future maturities of the Bond Bank's investments in guaranteed investment contracts, U.S. Government obligations, U.S. Government-sponsored enterprises, U.S. Treasury Strips and U.S. Government-sponsored enterprise strips as of December 31, 2010:

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
General Operating Account					
U.S. Government-sponsored enterprises	$ 13,130,325	$ 3,068,125	$ 10,062,200	$ –	$ –
General Tax Exempt Fund Group					
Guaranteed investment contracts	$ 9,605,147	$ –	$ –	$ –	$ 9,605,147
U.S. Government obligations	21,183,485	14,201,175	166,100	5,762,361	1,053,849
U.S. Government-sponsored enterprises	24,403,302	1,649,195	7,507,439	7,171,156	8,075,512
U.S. Treasury strips	57,450,642	8,174,753	22,125,325	17,841,700	9,308,864
U.S. Government-sponsored enterprise strips	31,622,302	1,266,052	7,642,726	6,895,088	15,818,436
	$ 144,264,878	$ 25,291,175	$ 37,441,590	$ 37,670,305	$ 43,861,808
Transportation Infrastructure Fund Group					
Guaranteed investment contracts	$ 16,097	$ 16,097	$ –	$ –	$ –
U.S. Government-sponsored enterprises	6,246,714	1,032,699	5,214,015	–	–
U.S. Government sponsored enterprise strips	2,352,912	1,464,645	888,267	–	–
	$ 8,615,723	$ 2,513,441	$ 6,102,282	$ –	$ –

3. Investments Held By Trustee and Board Designated Investments (Continued)

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
Revolving Loan Fund Group – Waste Water					
Guaranteed investment contracts	$ 3,302,304	$ –	$ –	$ 1,937,638	$ 1,364,666
U.S. Government obligations	211,798	–	–	211,798	–
U.S. Government-sponsored enterprises	48,887,651	20,234,689	28,629,973	22,989	–
U.S. Government-sponsored enterprise strips	3,197,487	29,948	1,996,085	1,171,454	–
Certificates of deposit	6,996,177	168,834	6,827,343	–	–
	$ 62,595,417	$ 20,433,471	$ 37,453,401	$ 3,343,879	$ 1,364,666
Revolving Loan Fund Group–Drinking Water					
U.S. Government-sponsored enterprises	$ 2,201,952	$ 2,048,455	$ –	$ –	$ 153,497
U.S. Government-sponsored enterprise strips	405,280	–	319,932	85,348	–
	$ 2,607,232	$ 2,048,455	$ 319,932	$ 85,348	$ 153,497
Sewer and Water Fund Groups–Operating Fund Group					
U.S. Government-sponsored enterprises	$ 250,153	$	$ 250,153	$ –	$ –
School Facilities Fund Group					
U.S. Government-sponsored enterprises	$ 8,574,975	$ 5,040,430	$ 3,534,545	$ –	$ –

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Bond Bank will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Bond Bank's investments are primarily held by U.S. Bank and Bangor Savings Bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at either bank at December 31, 2010.

3. Investments Held By Trustee and Board Designated Investments (Continued)

For an investment, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Bond Bank. Credit risk is measured by the credit quality ratings of issuers as described by nationally recognized rating organizations. The Bond Bank's investment policy limits its investments to those with high credit quality, such as U.S. Treasury Obligations and U.S. Government-sponsored enterprises securities, as rated by rating agencies such as Moody's Investor Service or Standard and Poor's, or guaranteed investment contracts backed by high credit quality banks and insurance companies. The Bond Bank requires providers of guaranteed investment contracts to have and maintain a long-term unsecured debt obligation rating or claims paying ability equal to or greater than "AA" or "Aa". If the long-term rating falls below these thresholds, the provider must either (i) pledge additional collateral to restore the rating or (ii) permit the Bond Bank to withdraw the funds at par and without penalty.

At December 31, 2010, the Bond Bank's guaranteed investment contracts within the General Tax Exempt Fund Group and Revolving Loan Fund Group are primarily with three institutions, all of which are AA rated or better.

The Bond Bank has invested some of its long-term funds in U.S. Treasury and U.S. Government-sponsored enterprise principal-only strips in order to maximize yields coincident with cash needs for operations, debt service, and arbitrage. These securities are similar to zero coupon bonds which are purchased deeply discounted, with the Bond Bank receiving its only repayment stream at maturity; therefore, they are sensitive to interest rate changes. These securities are reported at fair value in the balance sheet. The fair value of these investments is approximately $89,073,000 at December 31, 2010.

Trustee held cash and cash equivalents at December 31, 2010 consist primarily of money market funds secured by short-term U.S. Treasury obligations.

The cash and cash equivalents of the Bond Bank's General Operating Account at December 31, 2010 consist entirely of money market funds secured by short-term U.S. Treasury obligations, held by a trust company.

4. Bonds Payable

Total General Tax-Exempt Fund Group Bonds payable consist of the following at December 31, 2010:

	Original Maturity	Amount Issued	Amount Outstanding December 31, 2010
Series 1993 B and C, 5% – 5.85%, dated May 1, 1993	1994 – 2020	$ 40,070,000	$ 5,130,000
Series 1998 A, 3.70% – 5.50%, dated February 1, 1998	1999 – 2012	60,950,000	15,080,000
Series 1998 D and E, 3.75% – 4.80%, dated October 1, 1998	1999 – 2018	13,890,000	650,000
Series 2000 A and B, 4.5% – 5.875%, dated May 1, 2000	2000 – 2020	70,125,000	5,915,000

4. Bonds Payable (Continued)

	Original Maturity	Amount Issued	Amount Outstanding December 31, 2010
Series 2000 C and D, 4.625% – 5.70%, dated October 1, 2000	2001 – 2021	$ 39,560,000	$ 2,925,000
Series 2001 A and B, 4.125% – 5.25%, dated May 1, 2001	2002 – 2021	34,635,000	4,990,000
Series 2001 C and D, 3.00% – 5.125%, dated October 1, 2001	2002 – 2022	68,835,000	12,700,000
Series 2002 A, 3.00% – 5.375%, dated March 1, 2002	2002 – 2021	36,520,000	1,730,000
Series 2002 B and C, 2.50% – 5.25%, dated May 1, 2002	2002 – 2032	77,575,000	7,805,000
Series 2002 D, 2.00% – 5.00%, dated July 1, 2002	2003 – 2015	49,315,000	12,965,000
Series 2002 E and F, 2.00% – 5.00%, dated October 1, 2002	2003 – 2023	32,720,000	9,500,000
Series 2003 A, 3.00% – 5.25%, dated March 1, 2003	2003 – 2020	186,050,000	38,973,762
Series 2003 B and C, 2.00% – 5.00%, dated May 1, 2003	2003 – 2024	17,290,000	9,850,000
Series 2003 D and E, 2.00% – 5.00%, dated October 1, 2003	2004 – 2033	18,460,000	10,815,000
Series 2004 A and B, 2.00% – 5.00%, dated May 27, 2004	2004 – 2025	94,565,000	25,235,000
Series 2004 C, 2.00% – 5.00%, dated September 23, 2004	2004 – 2020	58,675,000	51,190,000
Series 2004 D and E, 2.25% – 5.00%, dated October 28, 2004	2005 – 2034	46,850,000	13,930,000
Series 2005 A, 3.00% – 5.00%, dated March 8, 2005	2005 – 2021	91,250,000	86,325,000
Series 2005 B and C, 3.00% – 5.00%, dated May 26, 2005	2006 – 2031	22,050,000	15,970,000
Series 2005 D and E, 3.00% – 5.00%, dated October 27, 2005	2006 – 2034	60,395,000	43,575,000
Series 2006 A, 3.48% – 4.77%, dated May 25, 2006	2006 – 2036	14,040,000	10,630,000
Series 2006 B and C, 3.55% – 5.00%, dated October 26, 2006	2007 – 2027	24,065,000	16,715,000
Series 2007 A, 3.75% – 5.00%, dated April 5, 2007	2007 – 2022	51,335,000	50,420,000
Series 2007 B and C, 4.00% – 5.00%, dated May 24, 2007	2007 – 2029	69,380,000	58,135,000
Series 2007 D and E, 4.00% – 5.00%, dated October 25, 2007	2008 – 2037	53,560,000	44,545,000

4. Bonds Payable (Continued)

	Original Maturity	Amount Issued	Amount Outstanding December 31, 2010
Series 2008 A and B, 3.00% – 5.00%, dated May 15, 2008	2008 – 2038	$ 49,060,000	$ 43,350,000
Series 2008 C, 4.00% – 5.50%, dated October 30, 2008	2009 – 2038	100,010,000	89,905,000
Series 2009 A, 2.00% – 5.00%, dated March 17, 2009	2009 – 2020	10,060,000	8,780,000
Series 2009 B, 3.00% – 5.00%, dated May 28, 2009	2009 – 2034	42,845,000	40,600,000
Series 2009 C, 1.10% – 4.25%, dated August 27, 2009	2010 – 2029	21,620,000	20,595,000
Series 2009 D, 3.00% – 5.00%, dated August 27, 2009	2010 – 2029	34,930,000	32,980,000
Series 2009 E, 1.25% – 3.00%, dated August 27, 2009	2009 – 2014	4,685,000	3,105,000
Series 2009 F, 3.00% – 5.00%, dated August 27, 2009	2010 – 2012	19,115,000	11,445,000
Series 2009 G, 3.00% – 5.00%, dated October 29, 2009	2010 – 2039	9,590,000	9,185,000
Series 2009 H, 3.00% – 5.00%, dated January 14, 2010	2010 – 2030	38,710,000	38,610,000
Series 2010 A, 2.00% – 4.25%, dated May 27, 2010	2010 – 2040	8,320,000	7,925,000
Series 2010 B, 3.28% – 5.67%, dated May 27, 2010	2010 – 2034	11,735,000	11,735,000
Series 2010 C, 2.00% – 5.0%, dated October 7, 2010	2012 – 2034	99,425,000	99,425,000
Series 2010 DEF, 0.71% – 5.12%, dated October 28, 2010	2011 – 2040	80,165,000	80,165,000
		$ 1,862,430,000	$ 1,053,503,762

Total General Tax-Exempt Fund Group Bonds payable is presented on the balance sheet at December 31, 2010 as follows:

Total principal outstanding	$ 1,053,503,762
Deferred amount on refunding	(26,186,438)
Unamortized original issue discount	(64,314)
Unamortized original issue premium	38,176,655
Total General Tax-Exempt Fund Group Bonds payable	1,065,429,665
Less Current portion	97,127,869
Noncurrent portion	$ 968,301,796

4. Bonds Payable (Continued)

The outstanding General Tax-Exempt Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2011	$ 95,788,349	$ 46,353,660	$ 142,142,009
2012	90,351,067	42,179,620	132,530,687
2013	82,713,607	38,346,804	121,060,411
2014	81,585,406	34,946,016	116,531,422
2015	73,592,358	31,542,991	105,135,349
2016 – 2020	322,592,975	114,140,272	436,733,247
2021 – 2025	195,485,000	53,346,613	248,831,613
2026 – 2030	100,480,000	15,457,329	115,937,329
2031 – 2035	9,020,000	1,468,889	10,488,889
2036 – 2040	1,895,000	264,080	2,159,080
	$ 1,053,503,762	$ 378,046,274	$ 1,431,550,036

Repayment of the debt and interest thereon is to be funded by:

Municipal loan obligations – principal and interest	$ 1,255,666,012
Reserve Funds – principal and interest	175,884,024
	$ 1,431,550,036

Total Grant Anticipation Fund Group Bonds payable consist of the following at December 31, 2010:

	Original Maturity	Amount Issued	Amount Outstanding December 31, 2010
Series 2004 A, 2.50% – 5.00%, dated December 16, 2004	2005 – 2015	$ 48,395,000	$ 24,525,000
Series 2008 A, 3.25% – 4.00%, dated September 10, 2008	2009 – 2020	50,000,000	43,075,000
Series 2010 A, 2.00% – 5.00%, dated December 2, 2010	2011 – 2017	25,915,000	25,915,000
Series 2010 B, 4.52% – 5.32%, dated December 2, 2010	2018 – 2022	24,085,000	24,085,000
		$ 148,395,000	$ 117,600,000

4. Bonds Payable (Continued)

Total Grant Anticipation Fund Group Bonds payable is presented on the balance sheet at December 31, 2010 as follows:

Total principal outstanding	$ 117,600,000
Unamortized original issue premium	1,920,157
Total Grant Anticipation Fund Group Bonds payable	119,520,157
Less current portion	11,112,245
Noncurrent portion	$108,407,912

The outstanding Grant Anticipation Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending September 1	Principal	Interest	Total Debt Service
2011	$ 10,770,000	$ 4,353,412	$ 15,123,412
2012	12,005,000	4,560,112	16,565,112
2013	12,465,000	4,098,180	16,563,180
2014	12,930,000	3,634,493	16,564,493
2015	13,460,000	3,103,980	16,563,980
2016 – 2020	45,890,000	8,803,578	54,693,578
2011 – 2022	10,080,000	796,848	10,876,848
	$117,600,000	$ 29,350,603	$146,950,603

Repayment of the debt and interest thereon is to be funded by:

Repayment of advances to State of Maine – principal and interest	$146,950,603

Total Transportation Infrastructure Fund Group Bonds payable consist of the following at December 31, 2010:

	Original Maturity	Amount Issued	Amount Outstanding December 31, 2010
Series 2008 A, 3.00% – 5.50%, dated November 20, 2008	2009 – 2023	$ 50,000,000	$ 45,455,000
Series 2009 A, 2.50% – 5.00%, dated July 22, 2009	2010 – 2023	105,000,000	99,285,000
Series 2009 B, 2.00% – 5.00%, dated September 10, 2009	2010 – 2024	30,000,000	29,185,000
		$ 185,000,000	$ 173,925,000

4. Bonds Payable (Continued)

Total Transportation Infrastructure Fund Group Bonds payable is presented on the balance sheet at December 31, 2010 as follows:

Total principal outstanding	$ 173,925,000
Unamortized original issue premium	6,858,706
Total Transportation Infrastructure Fund Group Bonds payable	180,783,706
Less current portion	10,258,994
Noncurrent portion	$ 170,524,712

The outstanding Transportation Infrastructure Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending September 1	Principal	Interest	Total Debt Service
2011	$ 9,370,000	$ 7,722,530	$ 17,092,530
2012	9,710,000	7,443,143	17,153,143
2013	10,115,000	7,043,092	17,158,092
2015	10,495,000	6,629,992	17,124,992
2015	10,875,000	6,279,468	17,154,468
2016 – 2020	61,910,000	24,248,287	86,158,287
2021 – 2024	61,450,000	7,888,230	69,338,230
	$ 173,925,000	$ 67,254,742	$ 241,179,742

Repayment of the debt and interest thereon is to be funded by:	
Repayment of advances to State of Maine – principal and interest	$ 232,639,609
Reserve fund – principal	8,540,133
	$ 241,179,742

Sewer and Water Fund Group Waste Water Bonds payable consist of the following at December 31, 2010:

	Original Maturity	Amount Issued	Amount Outstanding December 31, 2010
Series 2003 A and B, 1.05% – 5.00%, dated March 1, 2003	2003 – 2023	$ 32,165,000	$ 14,280,000
Series 2003 C, 1% – 4.9%, dated November 13, 2003	2004 – 2024	16,065,000	11,205,000
Series 2009 A, 3.00% – 5.00%, dated November 3, 2009	2010 – 2018	14,520,000	11,825,000
Series 2009 B, 2.50 – 3.625%, dated November 3, 2009	2010 – 2018	2,660,000	2,380,000
		$ 65,410,000	$ 39,690,000

4. Bonds Payable (Continued)

The Sewer and Water Fund Group Waste Water Bonds payable are presented on the balance sheet at December 30, 2010 as follows:

Total principal outstanding	$ 39,690,000
Deferred amount on refunding	(480,342)
Unamortized original issue discount	(6,843)
Unamortized original issue premium	716,535
Total Sewer and Water Fund Group Waste Water Bonds payable	39,919,350
Less current portion	5,675,822
Noncurrent portion	$ 34,243,528

The outstanding Sewer and Water Fund Group Waste Water Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2011	$ 5,645,000	$ 1,604,623	$ 7,249,623
2012	5,745,000	1,377,822	7,122,822
2013	6,450,000	1,166,213	7,616,213
2014	3,410,000	873,725	4,283,725
2015	3,110,000	751,985	3,861,985
2016 – 2020	11,405,000	2,148,040	13,553,040
2021 – 2024	3,925,000	445,870	4,370,870
	$ 39,690,000	$ 8,368,278	$ 48,058,278

Repayment of the debt and interest thereon is to be funded by:	
Governmental unit loan obligations – principal and interest	$ 41,478,322
Reserve fund – principal and interest	6,579,956
	$ 48,058,278

Sewer and Water Fund Group Drinking Water Bonds payable consist of the following at December 31, 2010:

	Original Maturity	Amount Issued	Amount Outstanding December 31, 2010
Series 2005 A, 2.25% – 4.45%, dated March 24, 2005	2005 – 2025	$ 3,770,000	$ 2,930,000
Series 2009 C, 3.00% – 3.00% dated November 3, 2009	2010 – 2018	2,380,000	2,120,000
		$ 6,150,000	$ 5,050,000

4. Bonds Payable (Continued)

The Sewer and Water Fund Group Drinking Water Bonds payable are presented on the balance sheet at December 31, 2010 as follows:

Total principal outstanding	$ 5,050,000
Deferred amount on refunding	(8,034)
Unamortized original issue discounts and costs of issuance	(21,970)
Unamortized original issue premium	70,197
Total Sewer and Water Fund Group Drinking Water Bonds payable	5,090,193
Less current portion	430,093
Noncurrent portion	$ 4,660,100

The outstanding Sewer and Water Fund Group Drinking Water Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2011	$ 420,000	$ 182,740	$ 602,740
2012	425,000	169,753	594,753
2013	435,000	156,362	591,362
2014	430,000	142,405	572,405
2015	440,000	128,315	568,315
2016 – 2020	1,785,000	419,210	2,204,210
2021 – 2025	1,115,000	142,480	1,257,480
	$ 5,050,000	$ 1,341,265	$ 6,391,265

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	$ 6,391,265

4. Bonds Payable (Continued)

The following summarizes bond payable activity for the Bond Bank for the year ended December 30, 2010:

	General Tax Exempt Fund Group	Grant Anticipation Fund Group	Trans-portation Infra-structure Fund Group	Qualified School Construction Fund Group	Waste Water Fund Group	Drinking Water Fund Group
Balance, beginning of year	$1,080,632,244	$ 75,806,998	$190,355,106	$ –	$ 46,026,047	$ 5,505,675
Issuances – face value	179,590,000	50,000,000	–	–	–	–
Redemptions	(97,930,468)	(7,950,000)	(9,110,000)	–	(6,095,000)	(410,000)
Refunded bonds (note 9)	(99,785,000)	–	–	–	–	–
Capitalized premiums	16,529,502	1,709,993	–	–	–	–
Deferred amounts on refunding	(13,008,473)	–	–	–	–	–
Accretion/amortization of discounts, premiums and deferred amounts on refunding	(598,140)	(46,834)	(461,400)	–	(11,697)	(5,482)
Balance, end of year	$1,065,429,665	$ 119,520,157	$180,783,706	$ –	$ 39,919,350	$ 5,090,193

Some bonds contain provisions for prepayment at the Bond Bank's option. All bonds within the General Tax-Exempt Fund Group, and Sewer and Water Fund Groups are secured by the payment stream of loans receivable from governmental units. The monies in the reserve funds shall be held and applied solely to the payment of the interest and principal of the reserve fund bonds as they become due and payable and for the retirement of the reserve fund bonds. In the event of a deficiency in an interest and/or principal payment from the governmental units, transfers can be made from the supplemental reserve and/or general reserve funds to cover the shortfall. If this transfer creates a deficiency in the required amount of the reserve funds, the State can annually appropriate and cover such deficiency. Except for deficiencies between the Waste Water and Drinking Water Revolving Loan Fund Groups, reserve funds of one fund group cannot be used to cover deficiencies of another fund group. In order to recover any shortfall covered by the reserve, the Bond Bank has the ability to attach certain State funds due to the governmental units. Additionally, the Bond Bank is required to utilize funds available within the general operating accounts as necessary.

5. Reserve Funds

Each of the resolutions requires the Bond Bank to set up reserve funds as follows:

General Tax-Exempt Fund Group: The Bond Bank is required to maintain a debt service reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all governmental unit loan obligations then outstanding as of such date of calculation. At December 31, 2010, the required debt service reserve was approximately $128,041,000.

5. Reserve Funds (Continued)

In addition, the Bond Bank maintains the Special Reserve Account balance of $1,970,829 and the Supplemental Reserve Fund General Reserve Account principal balance of $2,700,000. These reserves represent segregated net assets and are pledged to the payment of the principal or interest on the outstanding bonds of the General Tax-Exempt Fund Group if a deficiency occurs. At December 31, 2010, the fair value of the reserve fund assets totaled approximately $147,500,000, which exceeded the required reserves by approximately $19,459,000.

Transportation Infrastructure Fund Group: The Bond Bank is required to maintain a capital reserve which is equal to 50% of the maximum amount of principal installments and interest maturing and becoming due in any succeeding fiscal year on all bonds payable within the fund group as of such date of calculation. At December 31, 2010, the required capital reserve was approximately $8,477,000 and the fair value of the capital reserve assets totaled approximately $8,926,000.

Sewer and Water Fund Groups: The Bond Bank is required to maintain a capital reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all government unit loan obligations within the fund groups as of such date of calculation. At December 31, 2010, the required capital reserve was approximately $7,591,000 and the fair value of the capital reserve assets totaled approximately $8,651,000.

6. Sewer and Water Revolving Fund Group

Pursuant to the Sewer and Water General Bond Resolution adopted February 7, 1990, the Bond Bank receives capitalization grants from the Environmental Protection Agency and twenty percent matching grants from the State of Maine which are designated to be used for revolving loans to governmental units to finance wastewater collection, treatment systems, or water supply system projects.

The Bond Bank was awarded American Recovery and Reinvestment Act (ARRA) grants for use in its Sewer and Water Revolving Fund Group. ARRA grants are for purposes consistent with the intent of the Sewer and Water Revolving Fund Group, including construction of wastewater treatment facilities, drinking water facilities and associated infrastructure, green infrastructure, nonpoint source projects, estuary projects and program administration. The grants do not contain any State of Maine matching provisions. The grants stipulated that the Bond Bank must have committed loans to recipients with signed construction contracts by February 17, 2010; this requirement was met in 2010.

6. Sewer and Water Revolving Fund Group (Continued)

Net assets consist of the following at December 31, 2010:

	Waste Water	Drinking Water
Reserved for revolving loans:		
Grants received from Environmental Protection Agency under existing capitalization grant program	$ 226,846,658	$ 121,752,900
Grants received from Environmental Protection Agency under ARRA	30,336,800	19,500,000
Other administrative grants received from Environmental Protection Agency	$ 1,347,010	$ –
Hardship grants received from Environmental Protection Agency	643,800	–
Grants received from State of Maine	46,932,656	24,410,000
Other amounts reserved (utilized) for program loans and costs	34,395,345	(22,701,273)
	340,502,269	142,961,627
Unreserved amounts available	317,992	988,178
Net assets at December 31, 2010	$ 340,820,261	$ 143,949,805

Under the provisions of the grants from the Environmental Protection Agency (including ARRA grants), the Bond Bank is allowed administrative costs of up to 4% of the total grants awarded. In addition, the Bond Bank receives other grants from the Environmental Protection Agency that are used solely for administrative purposes. The total administrative costs allowed at December 31, 2010 are $11,634,348 (waste water) and $5,357,422 (drinking water), with $11,316,356 and $4,369,244, respectively, expended to date. The remaining amount of $317,992 in the Waste Water Revolving Loan Fund Group and $988,178 in the Drinking Water Revolving Loan Fund Group can be used for future administrative costs. The Bond Bank also charges annual administrative fees to borrowers that are used to administer the programs.

Portions of the loans made to eligible borrowers under the Drinking Water Revolving Loan Fund Program may be forgiven if certain continuing criteria are met, including that the borrower continues to make debt service payments, continues to operate the project in compliance with laws and regulations, and does not dispose of or discontinue the project. The Bond Bank has loaned approximately $35,352,929 at December 31, 2010, that, upon fulfillment of these requirements by the borrowing unit, could be forgiven at some future point. For purposes of the basic financial statements, the Bond Bank recognizes forgiveness expense within these funds as the related loans are repaid. The total amount forgiven under these programs, to date, in 2011 was $690,196.

6. Sewer and Water Revolving Fund Group (Continued)

During fiscal 2009, the Bond Bank and the State of Maine Department of Environmental Protection implemented a joint rule change in the Waste Water Revolving Loan Fund program in order to allow the program to make loans under ARRA grant provisions. The rule change allows the Bond Bank, after consultation with the State of Maine Department of Environmental Protection, to set interest rates at any level, including 0%. It also allows portions of loans made to eligible borrowers under the Waste Water Revolving Loan Fund Program to be forgiven if certain continuing criteria are met (similar to criteria in the Drinking Water Revolving Loan Fund Program). The Bond Bank has loaned approximately $11,908,874 at December 31, 2010 under the Waste Water Revolving Loan Fund Program that, upon fulfillment of these requirements by the borrowing unit, could be forgiven at some future point. For purposes of the basic financial statements, the Bond Bank recognizes forgiveness expense within these funds as the related loans are repaid. Loans forgiven under this program, to date, in 2011 were $2,566,786.

Within the Waste Water Revolving Loan Fund Group, the Bond Bank is participating in a linked deposit loan program with local banks to encourage environmentally sound logging practices. Under the program, the Bond Bank is subsidizing loans to loggers by investing in certificates of deposit at the respective banks at rates 2% below normal which is passed on as a subsidy to the borrower. At December 31, 2010, the Bond Bank has approximately $6,996,000 of certificates of deposits outstanding at various banks of which approximately $860,000 is in excess of the limits insured by the Federal Deposit Insurance Corporation.

7. School Facilities Fund Group

Pursuant to State law, the Bond Bank receives grants from the State of Maine which are designated to be used for interest-free revolving loans to school administrative units for the renovation and maintenance of school facilities. Net assets consist of the following:

Reserved for revolving loans:	
Grants received from State of Maine	$ 98,979,753
Loans forgiven	(73,746,729)
Other amounts reserved for program loans and costs	10,468,564
	35,701,588
Unreserved amounts available	1,336,523
Net assets at December 31, 2010	$ 37,038,111

Under the provisions of the grants, the Bond Bank is allowed administrative costs up to 0.5% of the highest fund balance in any fiscal year. The total administrative costs allowed through December 31, 2010 are $3,048,198, with $1,711,675 expended to date. The remaining amount of $1,336,523 can be used for future administrative costs.

Portions of the loans made to school administrative units from the School Facilities Fund Group are forgiven. For purposes of the general purpose financial statements, the Bond Bank recognizes forgiveness expense within this fund at the time the loans are disbursed to the school administrative unit. This accounting treatment differs from the treatment within the Drinking Water and Waste Water Revolving Loan Funds due to the fact that there are no relevant continuing criteria that would require recognition of the forgiven amount as the related loans are repaid. The total amounts forgiven under this program, to date, in 2011 were $303,159.

8. Defined Benefit Pension Plan and Other Postemployment Benefits

Pension Plan Description and Funding Policy

The Bond Bank participates in Regular Plan A of the Consolidated Plan for Participating Local Districts (the Plan), an agent multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MEPERS). The MEPERS is established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C. 421, 423 and 425. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the Plan. Benefits vest after ten years of service. Bond Bank employees who retire at or after age 60 are entitled to an annual retirement benefit in an amount equal to 2% of the average of their highest three year earnings for each year of credited service. The authority to establish and amend benefit provisions rests with the State legislature. The MEPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046.

In accordance with State statute, participants are required to contribute 6.5% of their annual covered salary to the Plan. The Bond Bank's payroll for the quarter ended December 31, 2010 for employees covered by the Plan was approximately $518,000, which was 100% of payroll. The Bond Bank is required to contribute at an actuarially determined rate that, when combined with the contributions of other reporting entities, will be adequate to fund the Plan. The contribution rate is determined using an entry age normal actuarial funding method for retirement benefits and a term cost method for ancillary benefits. The Bond Bank may be required to make contributions to fund the Plan's pooled unfunded actuarial liability, if any. The contribution requirements of the plan members and the Bond Bank are established by and may be amended by the State legislature. The contributions made for the quarter ended December 31, 2010, and the years ended June 30, 2010 and 2009 were $18,138, $27,676 and $27,269 (employer) and $33,686, $64,247 and $63,303 (employee), respectively.

Other Postemployment Benefits (OPEB)

Plan Description: The Bond Bank sponsors a post-retirement health care benefit plan (the Plan). The Plan provides supplemental health care benefits to any full-time employee with ten or more years of employment who retires from the Bond Bank and has reached the age of 65 (Medicare eligible retirement age). The Bond Bank is a member of the Maine Municipal Association and participates in an agent multiple-employer postemployment healthcare plan administered by the Maine Municipal Employees Health Trust. The Bond Bank may terminate the Plan at its option, in which case future benefit payments would be limited to those employees that retired prior to the termination date (there are two retirees as of December 31, 2010).

Funding Policy: The post employment healthcare benefits are currently being funded on a pay-as-you-go basis (the Bond Bank paid approximately $2,657 of expense under this plan during fiscal 2011, to date). No assets have been segregated and restricted to provide post-employment benefits.

8. Defined Benefit Pension Plan and Other Postemployment Benefits (Continued)

Annual OPEB Cost: For 2011, the Bond Bank's annual OPEB cost (expense) of $68,846 for the Plan was equal to the Annual Required Contribution (ARC). The Bond Bank's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$ 68,846	0%	$ 137,692
6/30/09	68,846	0	68,846

Funded Status and Funding Progress:

For the quarter-end December 31, 2010, the Bond Bank's OPEB funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Unfunded ALL (UALL)	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
[1] 1/1/2009	$ –	$ 647,132	$ 647,132	0%	$ 988,000	66%

[1] GASB 45 requires triennial actuarial valuations for employers with fewer than 200 employees. The Bond Bank will obtain an updated valuation January 1, 2012.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the projected united credit (PUC) cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 9.6 percent initially, reduced by decrements to an ultimate rate of 4 percent after twenty years. Both rates include a 3.0 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2009, was twenty-nine years.

9. Refunding Issues

In periods of declining interest rates, the Bond Bank has refunded its bond obligations, reducing aggregate debt service. Where allowed, the Bond Bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the in-substance defeased bonds. The U.S. Treasury obligations were deposited with the trustees of the in-substance defeased bonds. The Bond Bank accounted for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and recorded a deferred amount on refunding.

On October 7, 2010, the Bond Bank issued $99,425,000 in General Tax-Exempt bonds with an average interest rate of 4.47% to in-substance defease $99,785,000 of various outstanding maturities of the 2002 A, 2002 C, 2004 B and 2004E bonds with an average interest rate of 5.04%. The net proceeds of approximately $114,389,000, including a bond premium of approximately $15,574,060 and after payment of approximately $610,000 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance will resulted in the recognition of a deferred accounting loss of approximately $12.4 million in the year ending June 30, 2011, the Bond Bank in effect reduced its aggregate debt service payments by approximately $8.1 million over the next twenty four years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $5.9 million. As a result of the in-substance defeasance, the Bond Bank will reduce future debt service requirements of borrowers by approximately $5.7 million over a period of fourteen years commencing in fiscal 2011.

At December 31, 2010, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $149 million.

10. Pass-Through State Grants

The Bond Bank entered into memoranda of understanding with the Maine Department of Economic and Community Development (DECD) to jointly administer the Riverfront Community Development and Municipal Investment Trust Fund programs within its General Operating Account. Under the programs, the Bond Bank receives grants from the DECD that are passed-through to municipalities designated for such grants by the DECD. A portion of the grants received from the DECD, up to a statutorily determined limit, are used to reimburse the Bond Bank for administrative expenses incurred.

Riverfront Community Development Program

The Bond Bank received no additional State of Maine grants as of December 31, 2010. Of the deferred monies from the previous year totaling $2,897,911, $731,949 has been passed on to qualifying municipalities. The balance of 2,165,962 plus $743 of interest income earned on the related investment balances, is included in pass-through grants payable, representing remaining DECD funds to be passed on to qualified municipalities in future years.

10. Pass-Through State Grants (Continued)

Municipal Investment Trust Fund Program

The Bond Bank received no additional State of Maine grants as of December 31, 2010. Of the deferred monies from the previous year totaling $698,653, $350,000 has been passed on to qualifying municipalities. The balance of $348,653 plus $196 of interest income earned on the related investment balances is included in pass-through grants payable, representing remaining DECD funds to be passed on to qualified municipalities in future years.

11. Subsequent Events

On January 27, 2011, the Bond Bank issued $80,275,000 of series 2011 A General Resolution Bonds. The Bonds mature from 2011 – 2031 and carry an interest rate ranging from 2.38% to 5.00%.

On January 27, 2011, the Bond Bank issued $9,210,000 of Series 2011 B Taxable Direct Payment Qualified School Construction Bonds. The Term Bond matures on November 1, 2026 and carry's an interest rate of 6.118%. The borrowers are required to make annual sinking fund payments of $493,734 from November 1, 2011 through November 1, 2025. These bonds receive a federal interest subsidy payment on each debt service payment date.

APPENDIX H

Upon the delivery of the 2011 Series D Taxable Bonds, Bond Counsel to the Bank proposes to issue its approving opinion in substantially the following form:

Hawkins Delafield & Wood LLP

ONE CHASE MANHATTAN PLAZA
NEW YORK, NY 10005
WWW.HAWKINS.COM

May __, 2011

Maine Municipal Bond Bank
Augusta, Maine

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $12,650,000 2011 Series D Taxable Direct Payment Qualified School Construction Bonds (the "2011 Series D Taxable Bonds") of the Maine Municipal Bond Bank (herein called the "Bank"), a public body corporate and politic, constituted as an instrumentality of the State of Maine (the "State"), organized and existing under and pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the "Act").

The 2011 Series D Taxable Bonds are issued under and pursuant to the Act and under and pursuant to the General Bond Resolution (Taxable Direct Payment Qualified School Construction Bonds) of the Bank entitled: "A Resolution Creating and Establishing an Issue of Taxable Direct Payment Qualified School Construction Bonds of the Maine Municipal Bond Bank; Providing for the Issuance from Time to Time of Said Bonds; Providing for the Payment of Principal and Interest of Said Bonds; and Providing for the Rights of the Holders Thereof," adopted November 18, 2010 (the "General Resolution") and the Series Resolution of the Bank adopted April 27, 2011 and entitled: "A Series Resolution Authorizing the Issuance of $12,650,000 2011 Series D Taxable Bonds (QSCB) of the Maine Municipal Bond Bank" (the "Series Resolution"). The General Resolution and the Series Resolution are herein sometimes collectively referred to as the "Resolutions."

The 2011 Series D Taxable Bonds are dated, mature on the date and in the principal amount, bear interest and are payable, and are subject to redemption, all as provided in the General Resolution and the Series Resolution.

The 2011 Series D Taxable Bonds are issuable in fully registered form in the denomination of $5,000 each or any integral whole multiple thereof, and are lettered DR and numbered separately from one (1) upwards.

Pursuant to the General Resolution, the Bank is authorized to issue additional series of bonds from time to time upon the terms and conditions therein set forth and any such bonds will be on a parity with the 2011 Series D Taxable Bonds and all other bonds issued pursuant to the General Resolution.

We have also examined certain opinions of bond counsel to the Governmental Unit (as defined in the Resolutions) relative to the validity of the Municipal Bond (as defined in the Resolutions) securing the Loan (as defined in the Resolutions) financed by the Bank from the proceeds of the 2011 Series D Taxable Bonds and the validity of the Loan Agreement (as defined in the Resolutions) entered into by such Governmental Unit.

We are of the opinion that:

1. The Bank has been duly created and validly exists as a public body corporate and politic, constituted as an instrumentality of the State, under and pursuant to the laws of the State (including the Act as amended to the date hereof), with good right and power to adopt the Resolutions which have been duly and lawfully adopted by the Bank, are in full force and effect and are valid and binding upon the Bank and enforceable in accordance with their terms and no other authorization for the Resolutions is required.

2. The Bank is duly authorized to issue the 2011 Series D Taxable Bonds which have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date hereof, and in accordance with the Resolutions, and constitute valid, binding general obligations of the Bank as provided in the Resolutions, payable and enforceable in accordance with their terms and the terms of the Resolutions and entitled to the benefits of the Resolutions and of the Act and for the payment of the principal and redemption price of and interest on which, pursuant to the Resolutions, the full faith and credit of the Bank are pledged.

3. The 2011 Series D Taxable Bonds are secured by pledge in the manner and to the extent set forth in the Resolutions. The Resolutions create the valid pledge which they purport to create of the Municipal Bonds, the Municipal Bonds Payments (as defined in the General Resolution), the Loan Agreements and the Loan Repayments, the Funds, the Accounts and the Sub-Accounts established and defined in the Resolutions and the moneys, securities and funds held or set aside thereunder, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

4. The foregoing opinion is qualified only to the extent that the enforceability of the 2011 Series D Taxable Bonds and the Resolutions may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5. The 2011 Series D Taxable Bonds are not a debt or liability nor do they constitute a pledge of the faith and credit of the State, nor shall the 2011 Series D Taxable Bonds be payable out of any revenues or funds other than those of the Bank.

6. Under existing statutes and court decisions, interest on the 2011 Series D Taxable Bonds is included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Under existing statutes, interest on the 2011 Series D Taxable Bonds is exempt from the State of Maine income tax imposed on

individuals. This opinion is not intended or provided by Bond Counsel to be used and cannot be used by an owner of 2011 Series D Taxable Bonds for the purpose of avoiding penalties that may be imposed on the owner of such 2011 Series D Taxable Bonds. The opinion set forth in this paragraph is not provided to support the promotion or marketing of the 2011 Series D Taxable Bonds. Each owner of 2011 Series D Taxable Bonds should seek advice based on its particular circumstances from an independent tax advisor.

Except as stated in paragraph 6 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the 2011 Series D Taxable Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves (if such opinion of other counsel shall have been given without consultation with us or after consultation with us and to which we shall not concur) on the exclusion of interest on the 2011 Series D Taxable Bonds under the State of Maine tax imposed on individuals.

We are rendering this opinion under existing statutes and court decisions as of the date hereof. We assume no obligation to update our opinion after the date hereof to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise.

We have examined an executed 2011 Series D Taxable Bond numbered DR-1, and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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