

NEW ISSUE

Ratings: See “RATINGS” herein

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Maine Municipal Bond Bank, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2012 Series A Refunding Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the 2012 Series A Refunding Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Maine Municipal Bond Bank, under existing statutes, interest on the 2012 Series A Refunding Bonds is exempt from the State of Maine income tax imposed on individuals. See “Tax Matters” herein.

\$17,375,000

MAINE MUNICIPAL BOND BANK

Sewer and Water Revenue Bonds

Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds

Dated: Date of Delivery

Due: November 1, as shown on the inside cover page

The 2012 Series A Refunding Bonds (the “2012 Series A Refunding Bonds” the “Offered 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 Offered Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 or whole multiples thereof. Purchasers of the Offered Bonds will not receive certificates representing their interest in the Offered Bonds purchased.

The Offered Bonds will be special obligations of the Bank, payable by the Bank solely out of the revenues, funds and other security pledged therefor pursuant to the Sewer and Water Resolutions, including without limitation amounts in the Capital Reserve Fund and Municipal Bonds Payments. The Bank has no taxing power. The Offered Bonds are not a debt or liability of the State of Maine. See “Security and Source of Repayment for the Offered Bonds.”

The principal of, semi-annual interest (May 1 and November 1, first interest payment May 1, 2012) and redemption premium, if applicable, on the Offered Bonds are payable by U.S. Bank National Association, Boston, Massachusetts, 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 Offered Bonds, as described herein.

The Offered Bonds maturing after November 1, 2021 shall be subject to redemption on and after May 1, 2022 at the option of the Bank, in whole or in part, all as more fully described herein.

The Offered Bonds are subject to extraordinary optional redemption in the event of destruction of one or more of the Wastewater SRF Projects financed with the proceeds thereof under certain circumstances, all as more fully described herein.

The Offered Bonds are offered when, as and if issued and received by 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 Offered Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York, on or about March 22, 2012.

Wells Fargo Securities

Morgan Keegan

March 7, 2012

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

\$17,375,000

MAINE MUNICIPAL BOND BANK

Sewer and Water Revenue Bonds

Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> [†]
2012	\$ 1,900,000	2.00%	0.27%	560462KY8
2013	1,615,000	3.00	0.30	560462KZ5
2014	1,620,000	3.00	0.45	560462LA9
2015	1,620,000	4.00	0.63	560462LB7
2016	1,595,000	4.00	0.74	560462LC5
2017	1,620,000	5.00	0.97	560462LD3
2018	1,590,000	4.00	1.34	560462LE1
2019	1,355,000	3.00	1.64	560462LF8
2020	1,065,000	2.00	1.93	560462LG6
2021	980,000	4.00	2.11	560462LH4
2022	940,000	5.00	2.26*	560462LJ0
2023	845,000	4.00	2.36*	560462LK7
2024	630,000	4.00	2.46*	560462LL5

* Priced at the stated yield to the May 1, 2022 optional redemption date at a Redemption Price of 100%.

[†] CUSIP numbers have been assigned by an independent company not affiliated with the Bank and are included on this page solely for convenience of the owners of the 2012 Series A Refunding 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.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
DESCRIPTION OF THE OFFERED BONDS	3
ESTIMATED SOURCES AND USES OF FUNDS	5
PLAN OF REFUNDING	6
SECURITY AND SOURCE OF REPAYMENT FOR THE OFFERED BONDS	7
ISSUANCE OF ADDITIONAL BONDS	14
THE MAINE MUNICIPAL BOND BANK.....	15
OUTSTANDING BONDS	19
TAX MATTERS.....	20
VERIFICATION OF MATHEMATICAL COMPUTATIONS.....	23
SECONDARY MARKET DISCLOSURE.....	23
LEGALITY FOR INVESTMENT	23
FINANCIAL STATEMENTS	23
LITIGATION.....	24
APPROVAL OF LEGAL PROCEEDINGS.....	24
RATINGS	24
UNDERWRITING	24
ADDITIONAL INFORMATION.....	26
APPENDIX A – Drinking Water SRF Program; Municipalities and Their Municipal Bonds	A-1
APPENDIX B – Wastewater SRF Program; Municipalities and Their Municipal Bonds.....	B-1
APPENDIX C – Financial Statements of the Maine Municipal Bond Bank	C-1
APPENDIX D – Summary of Certain Provisions of the Sewer and Water Resolutions and the Loan Agreements.....	D-1
APPENDIX E – Form of Continuing Disclosure Agreement	E-1
APPENDIX F – Definitions of Certain Terms.....	F-1
APPENDIX G – The Book-Entry Only System	G-1
APPENDIX H – Form of Opinion of Bond Counsel	H-1

No dealer, broker, salesperson or other person has been authorized by the Maine Municipal Bond Bank 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 Offered 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 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 OFFERED 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 inside 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 Offered 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 Offered Bonds or as indicated on the inside cover page hereof. The CUSIP number for a specific maturity is subject to change after the issuance of the Offered 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 certain maturities of the Offered Bonds.

\$17,375,000
MAINE MUNICIPAL BOND BANK
Sewer and Water Revenue Bonds
Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds

INTRODUCTION

This Official Statement sets forth certain information in connection with the issuance by the Maine Municipal Bond Bank (the “Bank”) of its Sewer and Water Revenue Bonds, \$17,375,000 Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds (the “2012 Series A Refunding Bonds” or the “Offered Bonds”). Capitalized terms used but not defined herein shall have the meanings set forth in Appendix F to this Official Statement.

Pursuant to the Maine Municipal Bond Bank Act, which is set forth as chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the “Act”), there is established within the Bank a revolving loan fund program (the “Wastewater SRF”) designed to implement the state revolving loan fund provisions of the federal Clean Water Act (the “Clean Water Act”) and a separate revolving loan fund program (the “Drinking Water SRF”) designed to implement the state revolving loan fund provisions of the federal Safe Drinking Water Act (the “Safe Drinking Water Act”). The Bank is authorized to make loans from its Wastewater SRF to any city, town, special district, county, plantation or municipal village corporation within the State of Maine and to make loans from its Drinking Water SRF to all of the above plus public water systems which may be privately owned. In addition, the Bank has other general powers to make loans to municipalities for a variety of projects, including water and sewer projects. As used herein with respect to each program, the term “Municipality” refers to entities eligible to borrow funds for eligible projects under the applicable program. Under the Act the Bank is authorized to issue its bonds and notes and apply the proceeds to purchase bonds, notes or other evidences of debt of Municipalities, the proceeds of which will be used to acquire, design, plan, construct, enlarge, repair or improve (i) in the case of the Wastewater SRF, publicly owned treatment plants or to implement related management programs (“Wastewater SRF Projects”) or (ii) in the case of the Drinking Water SRF, drinking water supplies or treatment systems (“Drinking Water SRF Projects”) or (iii) in the case of projects that are neither Wastewater SRF Projects nor Drinking Water SRF Projects, other water and sewer projects (“Non-SRF Projects”).

Pursuant to a Sewer and Water General Bond Resolution of the Bank adopted on February 7, 1990, as amended by a First Supplemental Sewer and Water Resolution adopted on March 6, 1991, a Second Supplemental Sewer and Water General Bond Resolution adopted on August 21, 1998, and a Third Supplemental Sewer and Water General Bond Resolution adopted on August 21, 2003 (the “Sewer and Water General Resolution”), the Bank is authorized to issue bonds (the “Bonds”) for a number of purposes, including making Loans to Municipalities for municipal water and sewer projects. The Offered Bonds will be issued pursuant to a Series Resolution adopted by the Bank on February 8, 2012 and a certificate of determination of an authorized officer of the Bank (together, the “Offered Bonds Series Resolution”). The Offered Bonds Series Resolution and the Sewer and Water General Resolution are hereinafter referred to collectively as the “Sewer and Water Resolutions.” Pursuant to its Sewer and Water General Resolution, the Bank has previously issued (a) \$173,280,000 of its Wastewater SRF Bonds, \$34,045,000 of which are outstanding as of the date hereof and (b) \$10,945,000 of its Drinking Water SRF Bonds, \$4,630,000 of which are outstanding as of the date hereof. See “Outstanding

Bonds” herein. The Bank has not yet issued any bonds under the Sewer and Water General Resolution for Non-SRF Projects. Certain of the provisions of the Sewer and Water Resolutions and the Loan Agreements entered into with Municipalities are summarized and appear in Appendix D to this Official Statement. Capitalized words and terms used in this Official Statement have the meanings ascribed to such words and terms in the Sewer and Water Resolutions or, if not defined in the Sewer and Water Resolutions, in Appendix E to this Official Statement.

The Bank has authorized the issuance of the Offered Bonds to provide moneys (i) to refund, with proceeds of the Offered Bonds, the principal amounts of those Series of the Bank’s Bonds that are identified under the heading “Plan of Refunding” (the “Bonds to be Refunded”), all of which were issued pursuant to the Sewer and Water General Resolution (see “Plan of Refunding”) and (ii) to pay the Bank’s costs of issuance of the Offered Bonds.

Bonds issued under the Sewer and Water General Resolution, including the Offered Bonds, are special obligations of the Bank payable by the Bank solely out of the revenues, funds and other security pledged therefor pursuant to the Sewer and Water Resolutions, including without limitation amounts in the Capital Reserve Fund, Municipal Bonds Payments and investment earnings thereon. The Bank has no taxing power. Bonds issued under the Sewer and Water General Resolution, including the Offered Bonds, are not a debt or liability of the State of Maine (the “State”) and do not constitute a loan of the credit of the State or create any debt or debts, liability or liabilities on behalf of the State or constitute a pledge of the faith and credit of the State. Bonds issued under the Sewer and Water General Resolution, including the Offered Bonds, unless refunded by additional Bonds of the Bank, are payable solely from revenues or funds pledged or available for their payment as authorized in the Act.

As a condition of entering into a Loan Agreement with a Municipality which has the power to levy ad valorem taxes, the Bank requires such Municipality to agree to assess ad valorem taxes upon the taxable property within its jurisdiction and to covenant and agree, in its Loan Agreement with the Bank, that such Municipality will charge user fees in accordance with law and in amounts such that revenues of such Municipality with respect to its Project shall be sufficient, together with other funds available to such Municipality for such purposes, to pay all costs of operating and maintaining its Project in accordance with its Loan Agreement with the Bank, including the establishment of reasonable or required reserves, and to pay all amounts due under its Loan Agreement and its Municipal Bonds. As a condition of entering into a Loan Agreement with a Municipality which does not have the power to levy ad valorem taxes, the Bank requires such Municipality to covenant and agree, in its Loan Agreement with the Bank, that such Municipality will charge user fees, in accordance with law and in amounts such that revenues of such Municipality with respect to its Project or the system of which it is a part shall be sufficient, together with other funds available to such Municipality for such purposes, to pay all costs of operating and maintaining its Project in accordance with its Loan Agreement with the Bank, including the establishment of reasonable or required reserves, and to pay all amounts due under its Loan Agreement and its Municipal Bonds.

Brief descriptions of, among other things, the Offered Bonds, the Bank and the Sewer and Water Resolutions are included in this Official Statement. The proposed forms of opinions of Bond Counsel are included in Appendix F hereto. The information and descriptions in this Official Statement do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Sewer and Water Resolutions and the Offered

Bonds, are summaries of, and subject to, the detailed provisions of such documents and are qualified in their entirety by reference to each such document, copies of which will be on file with the Bank at its office at 127 Community Drive, Augusta, Maine 04330 (telephone number: 207-622-9386).

DESCRIPTION OF THE OFFERED BONDS

General Description

The Offered Bonds will bear interest from their date of delivery, payable commencing May 1, 2012, and semi-annually thereafter on May 1 and November 1 of each year until payment of the principal or redemption price of the Offered Bonds. Principal of and interest on the Offered Bonds will be payable by the Trustee. So long as The Depository Trust Company, New York, New York (“DTC”) or its nominee is the registered owner of the Offered Bonds, disbursement of such payments to DTC is the responsibility of the Trustee, disbursement of such payments to DTC Participants (hereinafter defined) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (hereinafter defined) is the responsibility of DTC Participants or Indirect Participants (hereinafter defined) as more fully described herein. See “Book-Entry-Only System.” The Offered Bonds will be dated, will bear interest at the rates and, subject to the redemption provisions thereof set forth below, will mature on the dates and in the amounts set forth on the cover page hereof. Interest on the Offered Bonds will be computed on the basis of a 30-day month and 360-day year.

Denominations, Form and Registration

The Offered Bonds will be issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as owner of the Offered Bonds and as nominee for DTC. Purchase of beneficial interests in the Offered Bonds will be made in book-entry form, in the denomination of \$5,000 or any whole multiple thereof. Purchasers of such beneficial interests will not receive certificates representing their interests in the Offered Bonds. So long as Cede & Co. is the owner of the Offered Bonds, as nominee of DTC, reference herein to the owners of the Offered Bonds or the Holders of the Offered Bonds shall mean Cede & Co., as aforesaid, and shall not mean the owners of beneficial interests in the Offered Bonds. See APPENDIX G – “THE BOOK-ENTRY ONLY SYSTEM” attached hereto.

Redemption and Notices

(i) Optional Redemption

The Offered Bonds maturing after November 1, 2021 shall be subject to redemption on and after May 1, 2022 at the option of the Bank, in whole or in part on any date in such order of maturity and related interest rate as the Bank shall determine and by lot within a maturity and related interest rate upon at least sixty (60) days notice at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Offered Bonds to be redeemed, plus interest accrued thereon to the redemption date.

(ii) *Extraordinary Optional Redemption*

The Offered Bonds are subject to optional redemption prior to maturity, at the option of the Bank, in whole or in part, at any time, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the date of redemption from proceeds of prepayments of Municipal Bonds which are prepaid due to damage or destruction of the Drinking Water SRF Project or the Wastewater SRF Project financed with the proceeds of such Offered Bonds to the extent that, as evidenced by a certificate of the Technical Consultant filed with the Bank and the Trustee, (i) the Drinking Water SRF Project or the Wastewater SRF Project cannot be reasonably restored within a period of one year from the date of such damage or destruction to a condition at least equivalent, in value, function and operating efficiency, to the condition of the Drinking Water SRF Project or the Wastewater SRF Project immediately preceding such damage or destruction, or (ii) the Municipality is thereby prevented or likely to be prevented from carrying on its normal operation of the Drinking Water SRF Project or the Wastewater SRF Project for a period of at least one year from the date of such damage or destruction. The Bank will have the option of using the proceeds derived from the redemption of Municipal Bonds for making Loans to Municipalities.

(iii) *Notice of Redemption*

The Trustee is required to give notice of any redemption of the Offered Bonds, which notice shall specify (a) the Offered Bonds to be redeemed, (b) the maturities of such Offered Bonds to be redeemed, (c) the redemption date and the place or places where amounts due upon such redemption will be payable, (d) if less than all of any maturity of the Offered Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Offered Bonds so to be redeemed, and (e) in the case of such Offered Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each of the Offered Bonds to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Offered Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Notice of redemption of Offered Bonds or any portion thereof shall be given by the Trustee by mailing a copy of such redemption notice by registered or first class mail, postage prepaid, not less than thirty (30) days prior to the date fixed for redemption to the Holders of the Offered Bonds which are to be redeemed, at their last addresses appearing on the registration books of the Bank held by the Trustee.

Failure to give any required notice of redemption as to any particular Offered Bonds will not affect the validity of the call for redemption of any Offered Bonds in respect of which no such failure has occurred. Any notice mailed as provided in this section shall be conclusively presumed to have been duly given, whether or not the registered Holder receives the notice.

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) payments of debt service on the Offered Bonds paid to DTC or its nominee, as the registered owner, or (ii) any redemption or other notices, or that DTC or the Participants will serve and act on a timely basis or in a manner described in this Official Statement.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Offered Bonds are expected to be applied as follows:

Sources:

Principal amount of the Offered Bonds	\$17,375,000.00
Premium	<u>1,987,841.40</u>
Total	<u>\$19,362,841.40</u>

Uses:

Deposit under the Trust Agreement to defease the Bonds to be Refunded	\$19,184,092.00
Underwriters' Discount (see "Underwriting" herein)	105,987.50
Deposit to the Operating Account, to pay certain costs of issuance	<u>72,761.90</u>
Total	<u>\$19,362,841.40</u>

PLAN OF REFUNDING

The Offered Bonds are being issued to refund, at the call price set forth below, certain amounts of certain Series of the Wastewater SRF Bonds, which are more fully described in the table below and which were issued pursuant to the Resolution (collectively, the “Bonds to be Refunded”):

<u>Series of Bonds</u>	<u>Maturity Date (November 1)</u>	<u>Amount Outstanding</u>	<u>Amount to be Refunded</u>	<u>Call Date</u>	<u>Call Price</u>
2003 Series A	2012	\$860,000	\$860,000	11/01/2012†	100%
	2013	875,000	875,000	11/01/2013†	100
	2014	890,000	890,000	11/01/2013	100
	2015	900,000	900,000	11/01/2013	100
	2016	885,000	885,000	11/01/2013	100
	2017	895,000	895,000	11/01/2013	100
	2018	830,000	830,000	11/01/2013	100
	2023	1,560,000	1,560,000	11/01/2013	100
2003 Series C	2012	\$765,000	\$745,000	11/01/2012†	100%
	2013	775,000	755,000	11/01/2013†	100
	2014	780,000	760,000	11/01/2013	100
	2015	785,000	765,000	11/01/2013	100
	2016	775,000	755,000	11/01/2013	100
	2017	790,000	770,000	11/01/2013	100
	2018	820,000	795,000	11/01/2013	100
	2019	820,000	795,000	11/01/2013	100
	2024	4,135,000	3,965,000	11/01/2013	100
TOTAL		\$18,140,000	\$17,800,000		

† Maturity Date.

The Bonds to be Refunded are currently outstanding in the aggregate principal amount of \$17,800,000.00 and the refunding will achieve debt service savings for the Bank and the Municipalities. In order to accomplish the refunding of the Bonds to be Refunded a portion of the proceeds of the sale of the Offered Bonds will be deposited into a special trust fund created by a trust agreement (the “Trust Agreement”) to be entered into between the Bank and U.S. Bank National Association, as Trustee. The moneys so deposited in the special trust fund will be used to acquire direct obligations of the United States of America (the “Investment Securities”), the principal of and interest on which, when due, will provide moneys sufficient for, and the Investment Securities will be deposited with the Trustee pursuant to the Resolution upon the issuance and delivery of the Offered Bonds and will be held in trust for, the payment of the principal or Redemption Price of, as the case may be, the Bonds to be Refunded, and the interest due and to become due on the Bonds to be Refunded on and prior to their respective maturity or redemption dates.

The accuracy of the arithmetical computations of the adequacy of the amounts of maturing principal of and interest on the Investment Securities to pay when due the principal and Redemption Price of, as the case may be, and interest on the Bonds to be Refunded will be verified by AMTEC. In the opinion of Bond Counsel, and in reliance upon such verification of mathematical computations, upon making such deposit with the Trustee pursuant to the Resolution and upon the issuance of certain irrevocable instructions to the Trustee, the Bonds to be Refunded will, under the terms of the Resolution, be deemed to have been paid, and the covenants, agreements and other obligations of the Bank to the holders of the Bonds to be Refunded will be discharged and satisfied.

SECURITY AND SOURCE OF REPAYMENT FOR THE OFFERED BONDS

General

Bonds issued pursuant to the Sewer and Water General Resolution, including the Offered Bonds, are special obligations of the Bank. The Bank is obligated to pay the principal or Redemption Price of and the interest on the Offered Bonds solely out of the revenues, funds and other security pledged therefor pursuant to the Sewer and Water Resolutions. The Bank has no taxing power. The State is not obligated to pay the principal or Redemption Price of or the interest on the Offered 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 of or the interest on the Offered Bonds.

The Sewer and Water General Resolution authorizes the issuance, pursuant to Series Resolutions, of designated groups of Similarly Secured Bonds. Payment of principal and Redemption Price of, and interest on, each group of Similarly Secured Bonds is secured by, among other things, payments pursuant to Municipal Bonds purchased with the proceeds of such Similarly Secured Bonds. Except as described below, Municipal Bonds securing a designated group of Similarly Secured Bonds are not pledged to and do not secure any Bonds other than such designated group of Similarly Secured Bonds.

The Sewer and Water General Resolution establishes a Capital Reserve Fund (see “SECURITY AND SOURCE OF REPAYMENT FOR THE Offered Bonds - The Capital Reserve Fund” below), within which there is created a Debt Account. The Debt Account of the Capital Reserve Fund is pledged as security for all Bonds issued and Outstanding pursuant to the Sewer and Water General Resolution.

The Sewer and Water General Resolution provides that the Bank may create a designated group of Similarly Secured Bonds by establishing within the Capital Reserve Fund an Equity Account for such group of Bonds. All Series of Bonds designated in the Series Resolution authorizing the issuance of such Series of Bonds as being secured by a designated Equity Account are Similarly Secured with all other Series of Bonds designated by Series Resolution as being secured by such Equity Account.

Similarly Secured Bonds

Similarly Secured Bonds may be Bonds secured by a particular designated Equity Account or, as is permitted by the Sewer and Water General Resolution, may be Bonds not secured by any Equity Account.

Pursuant to the Sewer and Water General Resolution, the Bank has established as of the date hereof two groups of Similarly Secured Bonds: Wastewater SRF Bonds and Drinking Water SRF Bonds.

Drinking Water SRF Bonds

The Bank has established within the Capital Reserve Fund a Drinking Water SRF Equity Account. Pursuant to a Series Resolution for Drinking Water SRF Bonds, the Bank designates Drinking Water SRF Bonds as being secured by the Drinking Water SRF Equity Account. Therefore, Drinking Water SRF Bonds designated by the Bank as being secured by the Drinking Water SRF Equity Account will be Similarly Secured. Only Drinking Water SRF Bonds may be secured by the Drinking Water SRF Equity Account. With respect to all Drinking Water SRF Bonds, the Bank has established, pursuant to the Resolution, the Drinking Water SRF Revenue Fund, the Drinking Water SRF Debt Service Fund, the Drinking Water SRF Redemption Fund, the Drinking Water SRF Earnings Fund and the Drinking Water SRF Rebate Fund (the “Drinking Water SRF Funds”). Amounts in the Drinking Water SRF Funds (other than the Drinking Water SRF Earnings Fund and the Drinking Water SRF Rebate Fund), the investments thereof and the proceeds of such investments are pledged for the payment of the principal and Redemption Price of and interest on the Offered Bonds and any other Drinking Water SRF Bonds heretofore and hereafter issued and outstanding, but not for any other Bonds, in accordance with the terms and provisions of the Sewer and Water General Resolution.

To secure the payment of the principal and Redemption Price of and interest on the Drinking Water SRF Bonds which may hereafter be issued, the Bank has pledged, for the benefit of the Holders of such Drinking Water SRF Bonds, and in addition to the other collateral more fully described herein, all Municipal Bonds purchased with the proceeds of such Drinking Water SRF Bonds, together with the Municipal Bonds Payments relating to such Municipal Bonds, in accordance with the terms and provisions of the Sewer and Water General Resolution.

Wastewater SRF Bonds

The Bank has established within the Capital Reserve Fund a Wastewater SRF Equity Account. Pursuant to a Series Resolution for Wastewater SRF Bonds, the Bank designates Wastewater SRF Bonds as being secured by the Wastewater SRF Equity Account. Therefore, all Wastewater SRF Bonds designated by the Bank as being secured by the Wastewater SRF Equity Account will be Similarly Secured. Only Wastewater SRF Bonds may be secured by the Wastewater SRF Equity Account. With respect to all Wastewater SRF Bonds, the Bank has established, pursuant to the Sewer and Water General Resolution, the Wastewater SRF Revenue Fund, the Wastewater SRF Debt Service Fund, the Wastewater SRF Redemption Fund, the Wastewater SRF Earnings Fund and the Wastewater SRF Rebate Fund (the “Wastewater SRF Funds”). Amounts in the Wastewater SRF Funds (other than the Wastewater SRF Earnings Fund and the Wastewater SRF Rebate Fund), the investments thereof and the proceeds of such investments are pledged for the payment of the principal and Redemption Price of and interest on Wastewater SRF Bonds heretofore and hereafter issued and outstanding, but not for any other Bonds, in accordance with the terms and provisions of the Sewer and Water General Resolution. The 2012 Series A Refunding Bonds are designated as Wastewater SRF Bonds.

To secure the payment of the principal and Redemption Price of and interest on the Wastewater SRF Bonds which may hereafter be issued, the Bank pledges, for the benefit of the

Holders of such Wastewater SRF Bonds, and in addition to the other collateral more fully described herein, all Municipal Bonds purchased with the proceeds of such Wastewater SRF Bonds, together with the Municipal Bonds Payments relating to such Municipal Bonds, in accordance with the terms and provisions of the Sewer and Water General Resolution.

Pledged Funds Available for All Bonds

The Debt Account of the Capital Reserve Fund, the Operating Fund and any funds and accounts (other than the Surplus Fund) not pledged to a Series of Bonds secured by an Equity Account (other than proceeds in any Earnings Fund, any Rebate Fund and any Construction Fund established by the Sewer and Water General Resolution) are pledged pursuant to the Sewer and Water General Resolution for the payment of the principal of, Redemption Price of, interest on, and Sinking Fund Installments for, all Bonds issued pursuant to the Sewer and Water General Resolution, including the Offered Bonds, subject only to the provisions of the Sewer and Water General Resolution permitting or further limiting the application thereof for the purposes and on the terms and conditions set forth in the Sewer and Water General Resolution. For a description of the Sewer and Water General Resolution and the Funds and Accounts created thereunder, see Appendix D “Summary of Certain Provisions of the Sewer and Water Resolutions and the Loan Agreements.”

The Capital Reserve Fund

Pursuant to the Act and the Sewer and Water Resolutions, the Bank has established and will maintain a capital reserve fund (the “Capital Reserve Fund”) in which there shall be deposited:

- (i) All moneys appropriated by the State and paid to the Bank for the purpose of the Capital Reserve Fund;
- (ii) All proceeds of Bonds required to be deposited therein by the terms of any contract between the Bank and its Bondholders or any resolution of the Bank with respect to such proceeds of Bonds; and
- (iii) Any other moneys or funds of the Bank which it determines to deposit therein and any other moneys made available to the Bank for the purpose of the Capital Reserve Fund from any other source.

Pursuant to the Sewer and Water General Resolution, the Required Debt Service Reserve shall be, as of any Valuation Date, an aggregate amount equal to at least the largest amount of money required by the Sewer and Water General Resolution to be raised in the then current or any succeeding calendar year for the payment of interest on and maturing principal of all Bonds Outstanding as of the date of computation. See Appendix D, “Summary of Certain Provisions of the Sewer and Water Resolutions and the Loan Agreements.”

Moneys in the Capital Reserve Fund shall be held and applied solely to the payment of the interest on and principal of the Bonds as they become due and payable and for the retirement of Bonds. Moneys may not be withdrawn if such withdrawal would reduce the amount in the Capital Reserve Fund to an amount less than the Required Debt Service Reserve, except for payment of interest then due and payable on Bonds and the principal of Bonds then maturing and

payable and for the retirement of Bonds in accordance with the terms of any contract between the Bank and its Bondholders and for which payments other moneys of the Bank are not then available.

The Act provides that in order to assure the maintenance of the Required Debt Service Reserve in the Capital Reserve Fund, there shall be annually appropriated and paid to the Bank for deposit in the Capital Reserve Fund, such sum, if any, as shall be certified by the Chairman of the Bank to the Governor, as necessary to restore the Capital Reserve Fund to an amount equal to the Required Debt Service Reserve. The Chairman shall annually, on or before December 1, make and deliver to the Governor his certificate stating the sum, if any, required to restore the Capital Reserve Fund to an amount equal to the Required Debt Service Reserve and the sum or sums so certified shall be appropriated and paid to the Bank during the then current State fiscal year.

While the Bonds and the aforesaid provisions of the Act do not constitute a legally enforceable obligation upon the State of Maine nor create a debt on behalf of the State, there is no constitutional bar to future Legislatures to appropriate such sum as shall have been certified by the Chairman of the Bank to the Governor as necessary to restore the Capital Reserve Fund to an amount equal to the Required Debt Service Reserve.

Each Municipality, in its Loan Agreement, agrees that, if at any time the Capital Reserve Fund shall be less than the Required Debt Service Reserve as a result of any deficiency created therein due to a failure by such Municipality to make timely payments on its Municipal Bonds (including interest with respect to such deficiency at a rate equal to the interest rate on the Municipal Bonds), such Municipality will pay to the Bank all such deficiencies, and amounts so paid by such Municipality shall be deposited in the Capital Reserve Fund.

Additional Pledge Securing Eligible Drinking Water SRF Loans and Drinking Water SRF Bonds

Pursuant to the Resolution, to secure Eligible Drinking Water SRF Loans and Drinking Water SRF Bonds, the Bank will pledge (a) Drinking Water Equity Loan Payments and (b) Drinking Water Revolving Loan Fund Bank Equity.

Drinking Water Equity Loan Payments. If on any date on which principal of or interest on an Eligible Drinking Water SRF Loan is due the Municipality that is the obligor thereon shall have paid less than the full amount of such Eligible Drinking Water SRF Loan due on such date, payments under the applicable Loan Agreement shall be allocated first, to the Drinking Water SRF Loan (to be deposited in the Drinking Water SRF Revenue Fund), second, to the Servicing Fee (to be deposited in the Operating Fund) and third, to the Drinking Water SRF Equity Loan. All Drinking Water SRF Equity Loan Payments (including those made with respect to Direct Loans) shall be applied, on the payment date, first, to cure all defaults, if any, on all Eligible Drinking Water SRF Loans (to be allocated among all such loans then in default pro rata based on the respective amounts in default) and second, to be deposited in the Drinking Water SRF (as Drinking Water Revolving Loan Fund Bank Equity).

If and to the extent the Bank has applied proceeds of Drinking Water SRF Equity Loans, or amounts in the Drinking Water Revolving Loan Fund Bank Equity, to cure a loan default or to cure a deficiency in a Debt Service Fund, the Bank shall be subrogated to the rights of the holders of the

Bonds to the right to collect from the any defaulting Municipality the defaulted amount for which the Bank has provided funds as described herein.

For a table of Drinking Water SRF Equity Loan Payments scheduled to be due under Drinking Water SRF Equity Loans made as of February 1, 2012, see Appendix A hereto.

Drinking Water SRF Bank Equity. If on any date on which principal of or interest on any Eligible Drinking Water SRF Loan is due there shall have been paid less than the full amount of all Drinking Water SRF Loan payments due on such date, after application of amounts as set forth in the preceding paragraphs, the Bank shall apply Available Amounts in the Drinking Water SRF to cure all such defaults (provided, however, that if there shall be insufficient funds available to cure all deficiencies, available funds shall be allocated among all such loans then in default pro rata based on the respective amounts in default). As used in this paragraph, Available Amounts means all amounts in the Drinking Water SRF other than (i) amounts that the Bank has committed to disburse under existing Loan Agreements with Municipalities and (ii) amounts the disbursement of which will not adversely affect the exclusion from gross income of any Bonds or any other bonds of which the amounts to be disbursed constitute proceeds.

After application of Available Amounts as set forth in the preceding paragraph, on any date when principal of or interest is due with respect to Drinking Water SRF Bonds there shall be a deficiency in the Drinking Water SRF Debt Service Fund with respect to such bonds, the Bank shall apply Available Amounts to cure such deficiency (prior to applying any amounts in the Capital Reserve Fund to such purpose).

As of February 1, 2012, the Bank estimates that approximately \$14,782,077 of the Drinking Water Revolving Loan Fund Bank Equity is Available Amounts.

Summary of Debt Service Coverage Levels on Drinking Water SRF Program Bonds. The following table summarizes the debt service coverage on all Outstanding Drinking Water SRF Bonds assuming: (i) coverage from revenues from Drinking Water SRF Debt Loans and reserve fund earnings only, (ii) coverage from revenues from Drinking Water SRF Equity Loans in addition to revenues described in clause (i), and (iii) coverage from funds available in the Equity Account of the Drinking Water SRF in addition to revenues described in clauses (i) and (ii). The table assumes fund balances as of February 1, 2012 and does not take into account Drinking Water SRF capitalization grants (and related State matching funds) that may be received in the future, and Drinking Water SRF Equity Loans that may be made in the future.

<u>Aggregate Bond Debt Service</u>	<u>Debt Loan Payments Excluding Bond-Funded Reserve Fund Releases and Interest</u>	<u>Bond-Funded Reserve Fund Releases and Interest</u>	<u>Debt Loan Payments*</u>	<u>DS Coverage (Debt Loans* Only)</u>	<u>Equity Loan** Payments</u>	<u>DS Coverage (Debt Loans* and Equity Loans)</u>	<u>Equity Fund Balance (as of February 1, 2012)</u>	<u>DS Coverage (Debt Loans*, Equity Loans**, and Equity Balance)</u>
\$594,753	\$627,171	\$7,108	\$634,279	1.07x	\$4,583,526	8.77x	\$14,782,077	33.63x

Notes: The last column assumes a Drinking Water SRF Equity Fund balance as of February 1, 2012, with no new additions, no prior withdrawals, and no new Drinking Water SRF Equity Loans being made. To the extent Drinking Water SRF Equity Loans are made reducing the Drinking Water SRF Equity Fund Balance, amounts in the Equity Loan Payments column should increase.

*Including bond-funded reserve fund releases and interest.

**Including Direct Loan payments.

Additional Pledge Securing Eligible Wastewater SRF Loans and Wastewater SRF Bonds

Pursuant to the Resolution, to secure Eligible Wastewater SRF Loans and Wastewater SRF Bonds, the Bank will pledge (a) Wastewater Equity Loan Payments and (b) Wastewater Revolving Loan Fund Bank Equity.

Wastewater Equity Loan Payments. If on any date on which principal of or interest on an Eligible Wastewater SRF Loan is due the Municipality that is the obligor thereon shall have paid less than the full amount of such Eligible Wastewater SRF Loan due on such date, payments under the applicable Loan Agreement shall be allocated first, to the Wastewater SRF Loan (to be deposited in the Wastewater SRF Revenue Fund), second, to the Servicing Fee (to be deposited in the Operating Fund) and third, to the Wastewater SRF Equity Loan. All Wastewater SRF Equity Loan Payments (including those made with respect to Direct Loans) shall be applied, on the payment date, first, to cure all defaults, if any, on all Eligible Wastewater SRF Loans (to be allocated among all such loans then in default pro rata based on the respective amounts in default) and second, to be deposited in the Wastewater SRF (as Wastewater Revolving Loan Fund Bank Equity).

If and to the extent the Bank has applied proceeds of Wastewater SRF Equity Loans, or amounts in the Wastewater Revolving Loan Fund Bank Equity, to cure a loan default or to cure a deficiency in a Debt Service Fund, the Bank shall be subrogated to the rights of the holders of the Bonds to the right to collect from the any defaulting Municipality the defaulted amount for which the Bank has provided funds as described herein.

For a table of Wastewater SRF Equity Loan Payments scheduled to be due under Wastewater SRF Equity Loans made as of February 1, 2012, see Appendix B hereto.

Wastewater SRF Bank Equity. If on any date on which principal of or interest on any Eligible Wastewater SRF Loan is due there shall have been paid less than the full amount of all Wastewater SRF Loan payments due on such date, after application of amounts as set forth in the preceding paragraphs, the Bank shall apply Available Amounts in the Wastewater SRF to cure all such defaults (provided, however, that if there shall be insufficient funds available to cure all deficiencies, available funds shall be allocated among all such loans then in default pro rata based

on the respective amounts in default). As used in this paragraph, Available Amounts means all amounts in the Wastewater SRF other than (i) amounts that the Bank has committed to disburse under existing Loan Agreements with Municipalities and (ii) amounts the disbursement of which will not adversely affect the exclusion from gross income of any Bonds or any other bonds of which the amounts to be disbursed constitute proceeds.

After application of Available Amounts as set forth in the preceding paragraph, on any date when principal of or interest is due with respect to Wastewater SRF Bonds there shall be a deficiency in the Wastewater SRF Debt Service Fund with respect to such bonds, the Bank shall apply Available Amounts to cure such deficiency (prior to applying any amounts in the Capital Reserve Fund to such purpose).

As of February 1, 2012, the Bank estimates that approximately \$40,929,074 of the Wastewater Revolving Loan Fund Bank Equity is Available Amounts.

Summary of Debt Service Coverage Levels on Wastewater SRF Program Bonds. The following table summarizes the debt service coverage on all Outstanding Wastewater SRF Bonds assuming: (i) coverage from revenues from Wastewater SRF Debt Loans and reserve fund earnings only, (ii) coverage from revenues from Wastewater SRF Equity Loans in addition to revenues described in clause (i), and (iii) coverage from funds available in the Equity Account of the Wastewater SRF in addition to revenues described in clauses (i) and (ii). The table assumes fund balances as of February 1, 2012 and does not take into account the effects of the issuance of the Offered Bonds and the refunding of the Bonds to be refunded, Wastewater SRF capitalization grants (and related State matching funds) that may be received in the future, and Wastewater SRF Equity Loans that may be made in the future.

<u>Aggregate Bond Debt Service</u>	<u>Debt Loan Payments Excluding Bond-Funded Reserve Fund Releases and Interest</u>	<u>Bond-Funded Reserve Fund Releases and Interest</u>	<u>Debt Loan Payments*</u>	<u>DS Coverage (Debt Loans* Only)</u>	<u>Equity Loan** Payments</u>	<u>DS Coverage (Debt Loans* and Equity Loans)</u>	<u>Equity Fund Balance (as of February 1, 2012)</u>	<u>DS Coverage (Debt Loans*, Equity Loans**, and Equity Balance)</u>
\$7,027,920	\$6,403,188	\$1,050,555	\$7,453,743	1.06x	\$19,906,304	3.89x	\$40,929,074	9.72x

Notes: The last column assumes a Wastewater SRF Equity Fund balance as of February 1, 2012, with no new additions, no prior withdrawals, and no new Equity Loans being made. To the extent Wastewater SRF Equity Loans are made reducing the Wastewater SRF Equity Fund Balance, amounts in the Equity Loan Payments column should increase.

*Including bond-funded reserve fund releases and interest.

**Including Direct Loan payments.

Special Investments of Wastewater SRF and Drinking Water SRF

Drinking Water SRF. If on any date on which principal of or interest on any Eligible Wastewater SRF Loan is due there shall have been paid less than the full amount of all Wastewater SRF Loan payments due on such date, after application of amounts as set forth under the headings “Additional Pledge Securing Eligible Wastewater SRF Loans and Wastewater SRF Bonds” and “Additional Pledge Securing Eligible Drinking Water SRF Loans and Drinking Water SRF Bonds”, to the extent of Available Amounts in the Drinking Water SRF, the Bank shall issue obligations of the Wastewater SRF (“Wastewater SRF Deficiency Obligations”) in an amount equal to the amount

of Wastewater SRF Loan payments due and unpaid. Wastewater SRF Deficiency Obligations shall be instruments in written form, executed by the Bank on behalf of the Wastewater SRF, and shall be special limited obligations of the Bank (as custodian of the Wastewater SRF), secured solely by Available Amounts in the Wastewater SRF, and shall be without recourse to other assets of the Bank. Such obligations shall be short-term obligations with maturity dates and prepayment provisions as shall be determined by the Bank. Such obligations shall bear interest that, in the reasonable judgment of the Bank, shall equal the rate of interest on Bonds issued under the Resolution having a maturity substantially similar to that of the Wastewater SRF Deficiency Obligation would bear (or, if such Wastewater SRF Deficiency Obligations bear interest at a floating rate, an interest rate calculated based on the floating rate of tax-exempt commercial paper). To the extent the Bank has Available Amounts in the Drinking Water SRF, the Bank shall invest such funds in the Wastewater SRF Deficiency Obligations. Wastewater SRF Deficiency Obligations shall be repaid as soon as practicable with the first funds becoming available that are Available Amounts in the Wastewater SRF.

Wastewater SRF. If on any date on which principal of or interest on any Eligible Drinking Water SRF Loan is due there shall have been paid less than the full amount of all Drinking Water SRF Loan payments due on such date, after application of amounts as set forth under the headings “Additional Pledge Securing Eligible Wastewater SRF Loans and Wastewater SRF Bonds” and “Additional Pledge Securing Eligible Drinking Water SRF Loans and Drinking Water SRF Bonds”, to the extent of Available Amounts in the Wastewater SRF, the Bank shall issue obligations of the Drinking Water SRF (“Drinking Water SRF Deficiency Obligations”) in an amount equal to the amount of Drinking Water SRF Loan payments due and unpaid. Drinking Water SRF Deficiency Obligations shall be instruments in written form, executed by the Bank on behalf of the Drinking Water SRF, and shall be special limited obligations of the Bank (as custodian of the Drinking Water SRF), secured solely by Available Amounts in the Drinking Water SRF, and shall be without recourse to other assets of the Bank. Such obligations shall be short-term obligations with maturity dates and prepayment provisions as shall be determined by the Bank. Such obligations shall bear interest that, in the reasonable judgment of the Bank, shall equal the rate of interest on Bonds issued under the Resolution having a maturity substantially similar to that of the Drinking Water SRF Deficiency Obligation would bear (or, if such Drinking Water SRF Deficiency Obligations bear interest at a floating rate, an interest rate calculated based on the floating rate of tax-exempt commercial paper). To the extent the Bank has Available Amounts in the Wastewater SRF, the Bank shall invest such funds in the Drinking Water SRF Deficiency Obligations. Drinking Water SRF Deficiency Obligations shall be repaid as soon as practicable with the first funds becoming available that are Available Amounts in the Drinking Water SRF.

ISSUANCE OF ADDITIONAL BONDS

Additional Series of Similarly Secured Bonds may be issued from time to time pursuant to the Sewer and Water General Resolution and a Series Resolution on a parity with such Similarly Secured Bonds and secured by an equal charge and lien on the Municipal Bonds purchased with the proceeds of Bonds and the corresponding Municipal Bonds Payments, and be payable equally and ratably from the Equity Account and the Debt Service Fund for such Similarly Secured Bonds, for the purposes of (i) making Loans to Municipalities, (ii) making payments into the Interest Account for such Similarly Secured Bonds, the Operating Fund or the Capital Reserve Fund, (iii) the funding of Notes theretofore issued by the Bank to provide funds to make loans, and (iv) subject to the provisions and limitations on the issuance of Refunding

Bonds, the refunding of any Bonds then Outstanding, under the conditions and subject to the limitations stated in the Sewer and Water General Resolution.

No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under the Sewer and Water General Resolution unless:

(a) 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;

(b) there is at the time of the issuance of such additional Bonds no deficiency in the amounts required by the Sewer and Water General Resolution or any Series Resolution to be paid into the Debt Service Fund and into the Capital Reserve Fund;

(c) the amount of the Capital Reserve Fund, upon the issuance and delivery of such additional Bonds and the deposit in the Capital Reserve Fund of any amount provided therefor in the Series Resolution authorizing the issuance of such additional Bonds, shall not be less than the Required Debt Service Reserve applicable to all Bonds issued pursuant to the Sewer and Water General Resolution;

(d) the provisions of Section 6006 subsection 1-A of the Act providing for the maintenance of the Capital Reserve Fund in an amount equal to the Required Debt Service Reserve by the appropriation and payment of moneys by the State for such purpose shall not have been repealed or amended to the detriment of Bondholders; and

(e) the Aggregate Debt Service for any year on the additional Bonds then being issued to make the Loans, unless such additional Bonds are being issued to refund Outstanding Bonds, shall be equal to or less than the scheduled Municipal Bonds Payments to be made for each corresponding year in respect of the Loans with respect to which such additional Bonds are to be issued.

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 and the Fees and Charges, or payable from the funds created pursuant to the Sewer and Water General Resolution.

THE MAINE MUNICIPAL BOND BANK

The Bank was established in 1971. The Bank is a public body, corporate and politic and an instrumentality of the State exercising public and essential governmental functions.

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. Such loans are made through the direct purchase by the Bank from such governmental units of their bonds, notes or other evidences of debt payable from taxes or from rates, charges or assessments. In addition, in 1988 and 1991, the Act was amended to enable the Bank to operate the Wastewater SRF Program and the Drinking Water SRF Program, respectively. See Appendices A and B hereto, "The Drinking Water SRF Program" and "The Wastewater SRF

Program,” respectively. 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.

As of the date hereof, the Bank has issued (i) \$4,249,230,000 of its bonds pursuant to its General Bond Resolution adopted July 11, 1973, as amended (the “1973 Resolution”), of which \$1,157,875,000 are outstanding (the “1973 Resolution Bonds”), (ii) \$1,700,000 of its taxable Special Obligation Bonds 1990 Series A (the “1990 Taxable Bonds”), which have been paid in full, (iii) \$3,520,000 of its Special Obligation Bonds 1994 Series A (Taxable) (the “1994 Taxable Bonds”), which have been paid in full, (iv) \$148,395,000 of its Grant Anticipation Bonds (Maine Department of Transportation) (the “GARVEE Bonds”), of which \$106,830,000 is outstanding as of the date hereof, (v) \$240,000,000 of its Transportation Infrastructure Revenue Bonds (TransCap Program) (the “TransCap Bonds”), of which \$219,555,000 is outstanding as of the date hereof, and (vi) \$30,375,000 of its Taxable Direct Payment Qualified School Construction Bonds (the “QSC Bonds”), of which the full amount 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 Special Obligation Bonds, the GARVEE Bonds and the TransCap Bonds are special obligations of the Bank payable solely out of the respective revenues, funds and other security pledged therefor, and the QSC Bonds are general obligations of the Bank but none of such bonds are entitled to the benefits of the Resolution. The Bank anticipates issuing its 2012A and 2012B bonds pursuant to the 1973 Resolution, its 2012C QSC Bonds, and is authorized to issue additional bonds on a parity with the Special Obligation Bonds, the GARVEE Bonds, the TransCap Bonds, and the QSC Bonds.

The Offered Bonds are special obligations of the Bank payable by the Bank solely out of the revenues, funds and other security pledged therefor pursuant to the Sewer and Water Resolutions and are not entitled to the benefits of the 1973 Resolution or the Special Obligation Resolutions or any of the revenues securing the GARVEE Bonds or the TransCap Bonds. The Bank expects that, from time to time, it will issue additional bonds for the purposes described in the preceding paragraph.

The Bank is under the direction of a board of five Commissioners, including the Treasurer of State and the Superintendent of Banking, both of whom serve as Commissioners ex officio. Three additional Commissioners are appointed by the Governor and are each required to be a resident of the State. Each holds office for a three-year term of 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 a Vice Chairman from among the Commissioners. The Commissioners appoint an Executive Director, who also serves as both Secretary and Treasurer. The Executive Director serves at the pleasure of the Commissioners. Three Commissioners constitute a quorum for exercising the powers of the Bank. 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. No vacancy in the office of a Commissioner of the Bank impairs the right of a quorum of the Commissioners to exercise all the powers and perform all the duties of the Bank.

The Commissioners of the Bank and its 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.

HON. PHILIP E. HARRIMAN, Chartered Financial Consultant

Phil Harriman is a lifelong resident of Yarmouth, Maine where he also served two terms on the Town Council.

He is a graduate of Husson University, Bangor, Maine with a B.S. in Business Administration. He earned the Chartered Life Underwriter and Chartered Financial Consultant designation from The American College, Bryn Mawr, PA.

Mr. Harriman is the founding partner of Lebel & Harriman, LLP, a financial planning firm. For over 35 years he has advised individuals, non-profit organizations and businesses in the areas of retirement, business succession and estate planning. He is the former President of MDRT, an international association of financial advisors with 34,000 members in 78 countries.

Mr. Harriman's public service includes serving on Husson University's Board of Trustees and serving four terms in the Maine Senate. In the Maine Senate he served on the Health and Human Services, Business and Economic Development, Natural Resources, Utilities and Energies and Appropriations Committees.

His current term expires in August, 2014.

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.

As of June 30, 2012, Mr. Lenna will no longer continue to serve as Executive Director of the Bank, and as of the date of this Official Statement, no successor has been appointed.

KAREN L. ASSELIN, Program Officer

Karen L. Asselin was appointed the Clean Water and Safe Drinking Water State Revolving Loan Fund Administrator of the Bank in April, 1997. Prior to her appointment by the Bank, Ms. Asselin served as a senior credit analyst for the commercial services division of a Maine bank. She received her undergraduate degree from the University of Vermont and her law degree from the University of Maine School of Law. Ms. Asselin is also admitted to practice law in Maine.

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

OUTSTANDING BONDS

Wastewater SRF Bonds

As shown below, the Bank has heretofore issued \$173,280,000.00 aggregate principal amount of its Wastewater SRF Bonds. The Bank has, through prior refunding issues, refunded \$51,465,000.00 principal amount of its Wastewater SRF Bonds which are no longer deemed Outstanding under the Resolution, so that Wastewater SRF Bonds in the aggregate principal amount of \$34,045,000.00 were Outstanding as of February 1, 2012.

	<u>Principal Amount of Bonds Issued</u>	<u>Municipal Bond Issues Purchased</u>	<u>Outstanding Principal Amounts</u>
1990 Series A	\$12,315,000	2	\$ -0-*
1991 Series A	19,810,000	7	-0-*
1992 Series A	20,300,000	10	-0-*
1993 Series A	6,545,000	6	-0-*
1993 Series B**	21,270,000	0	-0-*
1996 Series A	6,795,000	9	-0-*
1997 Series A	15,485,000	9	-0-*
1997 Series B	5,350,000	2	-0-*
2003 Series A†	15,285,000	26	7,695,000
2003 Series B**	16,880,000	0	4,205,000
2003 Series C†	16,065,000	18	10,445,000
2009 Series A**	14,520,000	0	9,605,000
2009 Series B**	<u>2,660,000</u>	<u>0</u>	<u>2,095,000</u>
	<u>\$173,280,000</u>	<u>89</u>	<u>\$34,045,000</u>

* Partially or fully refunded Wastewater SRF Bonds. The payments with respect to the Municipal Bonds refunded which are currently outstanding continue to secure all Outstanding Wastewater SRF Bonds. For information about Municipal Bonds which are currently outstanding, see Appendix B.

** Refunding Bonds.

† Bonds to be wholly or partially refunded with the Offered Bonds.

Drinking Water SRF Bonds

As shown below, the Bank has heretofore issued \$10,945,000.00 aggregate principal amount of its Drinking Water SRF Bonds. The Bank has, through prior refunding issues, refunded \$2,380,000.00 principal amount of its Drinking Water SRF Bonds which are no longer deemed Outstanding under the Resolution, so that Drinking Water SRF Bonds in the aggregate principal amount of \$4,630,000.00 were Outstanding as of February 1, 2012.

	<u>Principal Amount of Bonds Issued</u>	<u>Municipal Bond Issues Purchased</u>	<u>Outstanding Principal Amounts</u>
1998 Series A	\$4,795,000	7	\$-0-*
2005 Series A	3,770,000	9	2,775,000
2009 Series C**	<u>2,380,000</u>	<u>0</u>	<u>1,855,000</u>
	\$10,945,000	16	\$4,630,000

* Partially or fully refunded Drinking Water SRF Bonds. The payments with respect to the Municipal Bonds refunded which are currently outstanding continue to secure all Outstanding Drinking Water SRF Bonds. For information about Municipal Bonds which are currently outstanding, see Appendix A.

** Refunding Bonds.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Bank, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Offered Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel to the Bank has relied on certain representations, certifications of fact, and statements of reasonable expectations made in connection with the Offered Bonds by the Bank and each Municipality that participated in an issue being refunded with the Offered Bonds (each such Municipality hereinafter being a “Refunded Municipality”), and Bond Counsel has assumed compliance by the Bank and each Refunded Municipality with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Bank, under existing statutes, interest on the Offered Bonds is exempt from the State of Maine income tax imposed on individuals.

Bond Counsel expresses no opinion regarding any other Federal, state or local tax consequences with respect to the Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or

interpretation, or otherwise. Bond Counsel also expresses no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than Hawkins Delafield & Wood LLP (“HD&W”) (if such opinion of other counsel shall have been given without consultation with HD&W, or after consultation with HD&W and to which HD&W shall not concur) on the exclusion from gross income for Federal income tax purposes of interest on the Offered Bonds or under the State of Maine income tax imposed on individuals.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Bonds in order that interest on the Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Offered Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Bank and each Refunded Municipality have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Offered Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of an Offered Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Offered Bonds.

Prospective owners of the Offered Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Offered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires an Offered Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Offered Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Offered Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond,

determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Offered Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing an Offered Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Offered Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Offered Bonds under Federal or state law or otherwise prevent beneficial owners of the Offered Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Offered Bonds.

Prospective purchasers of the Offered Bonds should consult their own tax advisors regarding the foregoing matters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of the adequacy of the maturing principal amounts of and interest on the defeasance securities to pay when due all principal or Redemption Price of, as the case may be, and interest on the Bonds to be Refunded will be verified by AMTEC.

SECONDARY MARKET DISCLOSURE

The Bank has authorized a Continuing Disclosure Agreement with respect to the Offered 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 Offered Bonds and beneficial owners will be third-party beneficiaries thereof. In the Continuing Disclosure Agreement, the form of which is attached hereto as Appendix E, the Bank agrees, for the benefit of the holders and beneficial owners of the Offered Bonds to provide, among other information, certain financial information relating to the Bank (the “Annual Financial Information”) by not later than nine months following the end of the Bank’s fiscal year, commencing with fiscal year ended June 30, 2012, and to provide such Annual Financial Information and provide notices of certain enumerated events. The Bank 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 E— “PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto. In the previous five years the Bank 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.

LEGALITY FOR INVESTMENT

Pursuant to the Act, the State and all public officers, governmental units and agencies, and, in the State, 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, money or other funds belonging to them or within their control in the Offered Bonds and the Offered Bonds shall be authorized security for any and all public deposits.

FINANCIAL STATEMENTS

Included herein as Appendix C are the audited financial statements of the Bank as of, and for the year ended, June 30, 2011, together with the report thereon dated September 9, 2011 of Baker Newman & Noyes Limited Liability Company, independent certified public accountants. The financial statements as of June 30, 2011 and for the year then ended, included in Appendix C, 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.

LITIGATION

There is no controversy or litigation of any nature pending or threatened restraining or enjoining the issue, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the Bank taken with respect to the issuance of sale thereof, the pledge or application of any moneys or securities provided for the payment of the Offered Bonds or the existence or powers of the Bank.

APPROVAL OF LEGAL PROCEEDINGS

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

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., have assigned their municipal ratings of "Aaa" and "AAA," respectively, to the Offered Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Certain information and materials not included in this Official Statement were furnished to the rating agency. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Offered Bonds any proposed revision or withdrawal of any such rating of the Offered Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of any such rating could have an adverse effect on the market price of the Offered Bonds.

UNDERWRITING

The Offered Bonds are being purchased by Wells Fargo Bank, National Association and Morgan Keegan & Company, Inc. (the "Underwriters") for whom Wells Fargo Bank, National Association is acting as representative. The Underwriters have agreed to purchase the Offered Bonds at a price of \$19,256,853.90 plus accrued interest, if any, that reflects an aggregate net premium of \$1,987,841.40 and an aggregate Underwriters' discount from the public offering price thereof, in the amount of \$105,987.50. The purchase contract relating to the Offered Bonds provides that the Underwriters will purchase all of the Offered Bonds, if any Offered Bonds are purchased, the obligation to make such purchases being subject to certain terms and conditions set forth in the purchase contract. The initial public offering prices 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 Offered 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 Offered Bonds will develop. The Underwriters

may offer and sell the Offered Bonds to certain dealers (including dealers depositing Offered Bonds into unit 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 cover page hereof. 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.

On January 11, 2012, Regions Financial Corporation, Morgan Keegan & Company, Inc.'s parent company, entered into a definitive agreement to sell Morgan Keegan & Company, Inc. to Raymond James Financial. The transaction is expected to close on or before March 31, 2012.

ADDITIONAL INFORMATION

Any statement in this Official Statement involving any matter of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. No representation is made that any such opinion will actually be borne out. This Official Statement is not to be construed as a contract or agreement between the Bank and the purchasers or owners of any of the Offered Bonds. The execution and distribution of this Official Statement have been duly authorized by the Bank.

MAINE MUNICIPAL BOND BANK

By: /s/ Robert O. Lenna
Robert O. Lenna
Executive Director

Dated: March 7, 2012

MAINE MUNICIPAL BOND BANK
SEWER AND WATER REVENUE BONDS
Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds

APPENDIX A

THE DRINKING WATER SRF PROGRAM

Pursuant to the Safe Drinking Water Act Amendments of 1996 enacted by the United States of America (the “Safe Drinking Water Act”), the United States Environmental Protection Agency (“EPA”) is making capitalization grants to the states for the purpose of establishing drinking water revolving funds to provide assistance for the construction of drinking water treatment supplies or treatment systems and for other purposes including providing financial assistance for projects like the Drinking Water SRF Projects. In 1991, the Act was amended to establish the Safe Drinking Water SRF in the custody of the Bank and to direct the Bank to administer the Safe Drinking Water SRF Program.

It is currently the policy of the Bank, pursuant to the Drinking Water SRF Program, to provide loans (“Program Loans”) to Municipalities for Drinking Water SRF Projects at an interest rate that is two percent (2%) below the “Cost of Funds” to the Bank. For purposes of the Drinking Water SRF Program the term “Municipalities” include both public and private owners of water systems. In establishing the Cost of Funds, the Bank takes into account the interest rate on the Drinking Water SRF Bonds issued for a particular Drinking Water SRF Project and certain costs associated with the Drinking Water SRF Program at the time the Program Loan is made (the “Cost of Funds”). Program Loans are comprised of Drinking Water SRF Loans (hereinafter defined) and Drinking Water SRF Equity Loans (hereinafter defined). “Drinking Water SRF Loans” are made from equity of the Bank in the Drinking Water SRF, including proceeds of Drinking Water SRF Bonds. “Drinking Water SRF Equity Loans” are made from proceeds of federal capitalization grants made to the State by the EPA pursuant to the Safe Drinking Water Act (“Capitalization Grants”), matching funds provided by the State in accordance with the Safe Drinking Water Act (“State Match”), recycled loan proceeds and investment earnings. The principal amounts of the Drinking Water SRF Loan and the Drinking Water SRF Equity Loan and the interest rate (which may be 0%) on the Drinking Water SRF Equity Loan are calculated so that the Program Loan will bear interest at a rate that will be 2% below the Cost of Funds. In addition to the foregoing Program Loans, the Bank makes Direct Loans (also called Drinking Water SRF Equity Loans) not related to a bond financing, and solely from equity of the Bank in the Drinking Water SRF.

Loans for certain communities which satisfy the Bank's “disadvantaged community” criteria may include zero-interest loans and forgiveness of a portion of the principal amount of the loan. Such disadvantaged loans will not be financed with Bonds issued under the Sewer and Water General Resolution.

From time to time, federal appropriation bills require that a certain minimum portion of funds made available under the Drinking Water SRF Program with respect to a capitalization grant be applied to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these). Maine’s Drinking Water SRF Program has opted to meet the additional subsidy requirement by providing principal

forgiveness to certain of its loan participants. Such requirements could have the effect of reducing the rate of growth of equity that would otherwise be in the Drinking Water SRF.

Application of Capitalization Grants and State Match

The Bank has established two funds (each of which are within the Drinking Water SRF) into which the Capitalization Grants and State Match are deposited. All amounts derived from Capitalization Grants and State Match (other than amounts applied to pay administrative expenses and other eligible set-aside activities of the Drinking Water SRF Program, as described below) are deposited into a Drinking Water SRF Equity Fund. Amounts in the Drinking Water SRF Equity Fund are applied to make Drinking Water SRF Equity Loans to Municipalities for Drinking Water SRF Projects and, in addition, may be deposited in the Drinking Water SRF Equity Account of the Capital Reserve Fund as security for Drinking Water SRF Bonds. Repayments of Drinking Water SRF Equity Loans will be redeposited in the Drinking Water SRF Equity Fund.

An amount of Capitalization Grants up to 4% of the total amount of Capitalization Grants (the maximum amount permissible under the Safe Drinking Water Act) is deposited into a Drinking Water SRF Administration Fund held by the Bank. Amounts in the Drinking Water SRF Administration Fund are applied to pay administrative expenses of the Drinking Water SRF Program. Amounts in the Drinking Water SRF applied to pay administrative expenses will be limited over the lifetime of the Drinking Water SRF Program to 4% of the total amount of Capitalization Grants. This limitation does not apply to amounts received by the Bank with respect to Drinking Water SRF Loans representing the Municipalities' loan origination fees or allocable proportion of the administrative expenses of the Bank.

Program Loans

A Municipality applies for a Program Loan for a Drinking Water SRF Project by filing with the Bank an application in form provided by the Bank. In the application, the Bank requests information regarding the sources of funding for the Drinking Water SRF Project, itemized costs of the Drinking Water SRF Project, a schedule for the Drinking Water SRF Project, status of permits for the Drinking Water SRF Project, annual financial statements for the Municipality for the prior three years (or less for recently formed Municipalities), debt issuances within the preceding three years, proposed maturity schedule for the Program Loan, projected revenues for repayment of the Program Loan, economic information pertaining to the Municipality, including significant users, large employers, population, school enrollment, building permits and large taxpayers, information pertaining to outstanding debt, including debt service schedules, capital financing plans, if any, three years' history of actual revenues and expenditures, current budget of revenues and expenditures, balance sheets, and other information. The Bank reviews the information submitted by the Municipality and approves or disapproves the application of the Municipality. The Bank does not provide any assurance as to the creditworthiness of any Municipality or the ability of any Municipality to make its Municipal Bonds Payments or otherwise to fulfill the obligations of the Municipality pursuant to the Loan Agreement (hereinafter defined).

Upon approval by the Bank of the application of the Municipality, the Bank and the Municipality enter into a loan agreement providing that the Bank will make a Program Loan to the Municipality (the "Loan Agreement"). Program Loans are made through the purchase of municipal bonds. For Municipalities participating in a Bond financing, the Municipality is required to deliver

to the Bank a Municipal Bond in the aggregate principal amount of its Drinking Water SRF Loan and a Municipal Bond in the aggregate principal amount of its Drinking Water SRF Equity Loan. For each Municipality, the Bank establishes a separate Construction Fund and deposits therein the amount of the Drinking Water SRF Loan to such Municipality. The Bank will reserve in the Drinking Water Equity Fund an amount equal to the amount of the Drinking Water Equity Loan. Moneys may only be disbursed to a Municipality from its Construction Fund and from the Drinking Water SRF Equity Fund upon submission by the Municipality to the Bank of a proper requisition approved by the Bank and the Technical Consultant. The Bank will allocate amounts to be disbursed from the Construction Fund and from the Drinking Water SRF Equity Fund in a manner consistent with EPA requirements. Pursuant to the Loan Agreement, the Municipality is obligated to pay the Municipality's Allocable Proportion of Costs of Issuance of the Series of Drinking Water SRF Bonds issued to provide funding for its Drinking Water SRF Project and of the Underwriters' discount or fees with respect to the Series of Drinking Water SRF Bonds issued to provide funding for its Drinking Water SRF Project and to pay the costs of constructing its Drinking Water SRF Project.

For Municipalities participating in Direct Loans (Loans for which no portion is financed with Bonds under the Sewer and Water General Resolution), the Municipality delivers a Municipal Bond evidencing the obligation to repay the full amount of the Loan.

For all Loans, disbursement of moneys pursuant to the Loan Agreement is subject to certain conditions, including but not limited to provision of evidence satisfactory to the Bank that design and construction of the Drinking Water SRF Project are proceeding on schedule in accordance with approved plans and specifications. In addition, each Municipality is required to make certain representations and covenants pursuant to the Loan Agreement, including the following:

1. The Municipality has full legal right and authority and all necessary permits, licenses and approvals necessary to construct and operate the Drinking Water SRF Project
2. All amounts expended or to be expended in connection with the Drinking Water SRF Project are eligible costs of a project which may be financed with proceeds of the Bonds.
3. The Municipality will construct and operate the Drinking Water SRF Project in accordance with approved plans and specifications for the Drinking Water SRF Project and all applicable laws, regulations and permits.
4. Upon completion of the Drinking Water SRF Project, the Municipality will cause an entity with engineering and technical expertise to deliver a certificate to the Bank that the Drinking Water SRF Project has been constructed in accordance with the approved plans and specifications.
5. The Municipality shall, from time to time, make and revise charges with respect to the Drinking Water SRF Project in amounts such that revenues of the Municipality with respect to the Drinking Water SRF Project shall be sufficient, together with other funds available to the Municipality for such purposes, to pay all costs of operating and maintaining the Drinking Water SRF Project in accordance with the Loan Agreement, including

establishment of reasonable reserves, and to pay all amounts due under the Loan Agreement and the Municipal Bonds.

For municipalities participating in a Bond financing, upon receipt of payments from Municipalities, the Trustee transfers (i) amounts received as principal and interest on an Drinking Water SRF Loan to the Drinking Water SRF Revenue Fund, which is pledged to the payment of the Drinking Water SRF Bonds, (ii) amounts received as principal and interest on a Drinking Water SRF Equity Loan to the Drinking Water SRF Equity Fund within the Drinking Water SRF (subject to prior use to cure Drinking Water Loan defaults as described herein), and (iii) amounts received as Servicing Fees to the Operating Fund.

Fees and Charges

Pursuant to the Sewer and Water General Resolution, the Bank is obligated to establish, make, maintain and charge such Fees and Charges, including a Servicing Fee, to each Municipality to which a Drinking Water SRF Loan is made, and from time to time revise such Fees and Charges whenever necessary, so that such Fees and Charges actually collected from each Municipality at all times produces moneys which, together with such Municipality's Allocable Proportion of other moneys available under the provisions of the Sewer and Water 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 Municipality's allocable proportion of the Administrative Expenses of the Bank; and
- (b) To pay, as the same become due, the Municipality's allocable proportion of the fees and expenses of the Trustee and Paying Agents.

Municipal Bonds Payable from Ad Valorem Taxes

The Bank receives opinions from bond counsel to certain Municipalities (but excluding Municipalities that are private owners of water systems) with respect to the Municipal Bonds of such Municipalities to the effect that such Municipal Bonds are payable as to both principal and interest from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of each such Municipality and taxable by it.

Municipal Bonds Payable from Rates, Charges and Assessments

The Bank receives opinions from bond counsel to certain Municipalities (including Municipalities that are private owners of water systems) with respect to the Municipal Bonds of such Municipalities to the effect that such Municipal Bonds are payable from rates, charges or assessments collected by the Municipalities.

Municipal Bonds Eligible for Purchase by the Bank

Pursuant to the Act, the Bank is authorized and empowered to purchase Municipal Bonds of Municipalities which include any city, town, special district, county, plantation or municipal village

corporation or any public water system (whether or not publicly owned) within the State. To be eligible for purchase, such Municipal Bonds must be issued by a Municipality and must be payable either from taxes or from rates, charges or assessments. In order to be eligible for Drinking Water SRF financing from the Bank, projects must first be approved by the State Department of Health and Human Services. 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.

American Recovery and Reinvestment Act

On February 17, 2009, Congress passed the American Recovery and Reinvestment Act (“ARRA”) to provide funding to “shovel ready” projects for the primary purpose of promoting job creation and retention. The Maine DWSRF program received a total of \$19,500,000 of ARRA funding on April 7, 2009. ARRA funds were allocated to projects that were priority ranked based on their readiness to proceed and the health benefits that they would provide. The highest ranking projects received loan commitments for terms of up to 30 years at an interest rate of 0%. All of the systems receiving ARRA loans were eligible for a portion of loan forgiveness based on user charges and median household income statistics for the underlying community. As of September 1, 2009, Maine’s DWSRF had committed all of its ARRA allocation and provided over \$10 Million of loan forgiveness. All of the repayments from ARRA loans issued will be deposited back into the DWSRF Fund and pledged to its bond program until needed for other DWSRF eligible purposes.

MUNICIPALITIES AND THEIR MUNICIPAL BONDS

The Municipalities named in Tables I and II below have previously sold to the Bank their Municipal Bonds evidencing their Drinking Water SRF Loans which Municipal Bonds are presently outstanding. Loan Agreements pertaining to the Municipal Bonds to be issued by the Municipalities named in Table II have been executed by the Municipalities and the Bank. The source of payment for the Municipal Bonds is shown as follows: “A” indicates Municipal Bonds payable as to both principal and interest 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 Municipalities; and “R” indicates Municipal Bonds which are payable from rates, charges or assessments collected by the Municipalities.

I. MUNICIPAL BONDS
Evidencing Drinking Water SRF Loans
Made on September 3, 1998.

Municipality	Balance Outstanding	Bonds Due November 1 (Years Inclusive)	Source of Payment*
Bath Water District.....	\$ 611,139.23	2012-2018	R
Gardiner Water District.....	351,925.35	2012-2018	R
Guilford-Sangerville Water District.....	243,584.56	2012-2028	R
Limerick Water District.....	19,701.72	2012-2013	R
Madawaska Water District.....	344,762.12	2012-2018	R
Northport Village Corp.....	94,682.14	2012-2018	A
Sanford Water District.....	<u>348,614.07</u>	2012-2018	R
SUB-TOTAL	\$2,014,409.19		

* See first paragraph under “Municipalities and Their Municipal Bonds” for an explanation of the information indicated by the letters A and R.

II. MUNICIPAL BONDS
 Evidencing Drinking Water SRF Loans
 Made on March 24, 2005

Municipality	Balance Outstanding	Bonds Due November 1 (Years Inclusive)	Source of Payment*
Brunswick-Topsham Water District.....	\$ 285,012.17	2012-2024	R
Brunswick-Topsham Water District.....	426,416.37	2012-2024	R
Fort Fairfield Utilities District.....	337,424.36	2012-2024	R
Town of Frye Island.....	116,274.97	2012-2024	A
Hampden Water District.....	175,431.28	2012-2024	R
Town of Lisbon.....	698,126.49	2012-2024	A
Rumford Water District.....	162,713.63	2012-2024	R
South Berwick Water District.....	317,802.20	2012-2024	R
Yarmouth Water District.....	<u>170,333.80</u>	2012-2024	R
SUB-TOTAL	\$2,689,535.27		
TOTAL	\$4,703,944.46		

* See first paragraph under "Municipalities and Their Municipal Bonds" for an explanation of the information indicated by the letters A and R.

**DRINKING WATER STATE REVOLVING LOAN FUND
REPAYMENTS OF DRINKING WATER SRF EQUITY LOANS**

The following table sets forth, as of February 1, 2012, payments of amounts due on Drinking Water SRF Equity Loans which the Bank expects to receive on the following dates and in the following amounts.

Date	Direct Equity Loans	Other Equity Loans	Total Equity Loans
4/1/2012	1,891,654	0	1,891,654
10/1/2012	1,993,145	698,727	2,691,872
4/1/2013	2,181,951	0	2,181,951
10/1/2013	2,017,087	698,727	2,715,814
4/1/2014	2,224,907	0	2,224,907
10/1/2014	1,990,508	686,840	2,677,348
4/1/2015	2,319,759	0	2,319,759
10/1/2015	1,986,277	686,840	2,673,117
4/1/2016	2,314,962	0	2,314,962
10/1/2016	1,995,997	686,840	2,682,837
4/1/2017	2,320,063	0	2,320,063
10/1/2017	1,990,347	686,840	2,677,187
4/1/2018	2,470,100	0	2,470,100
10/1/2018	1,936,637	686,840	2,623,477
4/1/2019	2,462,322	0	2,462,322
10/1/2019	1,905,557	411,617	2,317,174
4/1/2020	2,346,925	0	2,346,925
10/1/2020	1,788,986	411,617	2,200,603
4/1/2021	2,361,339	0	2,361,339
10/1/2021	1,714,496	411,617	2,126,113
4/1/2022	2,365,720	0	2,365,720
10/1/2022	1,634,993	411,617	2,046,610
4/1/2023	1,871,097	0	1,871,097
10/1/2023	1,756,526	411,617	2,168,143
4/1/2024	1,607,628	0	1,607,628
10/1/2024	1,707,442	411,617	2,119,059
4/1/2025	1,567,633	0	1,567,633
10/1/2025	1,532,096	12,088	1,544,184
4/1/2026	1,579,410	0	1,579,410
10/1/2026	1,306,373	12,088	1,318,461
4/1/2027	1,486,879	0	1,486,879
10/1/2027	1,254,525	12,088	1,266,613
4/1/2028	1,301,988	0	1,301,988
10/1/2028	1,197,410	12,088	1,209,498

[INTENTIONALLY LEFT BLANK]

MAINE MUNICIPAL BOND BANK
SEWER AND WATER REVENUE BONDS
Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds

APPENDIX B

THE WASTEWATER SRF PROGRAM

Pursuant to the Water Quality Act of 1987 enacted by the United States of America to amend the Federal Water Pollution Control Act (the “Federal Act”), the United States Environmental Protection Agency (“EPA”) is making capitalization grants to the states for the purpose of establishing water pollution control revolving funds to provide assistance for the construction of treatment works and for other purposes including providing financial assistance for projects like the Wastewater SRF Projects. In 1988, the Act was amended to establish the Wastewater SRF in the custody of the Bank and to direct the Bank to administer the Wastewater SRF Program.

It is currently the policy of the Bank, pursuant to the Wastewater SRF Program, to provide loans (“Program Loans”) to Municipalities for Wastewater SRF Projects at an interest rate that is two percent (2%) below the “Cost of Funds” to the Bank. In establishing the Cost of Funds, the Bank takes into account the interest rate on the Wastewater SRF Bonds issued for a particular Wastewater SRF Project and certain costs associated with the Wastewater SRF Program at the time the Program Loan is made (the “Cost of Funds”). Program Loans are comprised of Wastewater SRF Loans (hereinafter defined) and Wastewater SRF Equity Loans (hereinafter defined). “Wastewater SRF Loans” are made from proceeds of Wastewater SRF Bonds. “Wastewater SRF Equity Loans” are made from equity of the Bank in the Wastewater SRF, including proceeds of federal capitalization grants made to the State by the EPA pursuant to the Federal Act (“Capitalization Grants”), matching funds provided by the State in accordance with the Federal Act (“State Match”) and recycled loan proceeds and investment earnings. The principal amounts of the Wastewater SRF Loan and the Wastewater SRF Equity Loan and the interest rate (which may be 0%) on the Wastewater SRF Equity Loan are calculated so that the Program Loan will bear interest at a rate that will be 2% below the Cost of Funds. In addition to the foregoing Program Loans, the Bank makes Direct Loans (also called Wastewater SRF Equity Loans) not related to a bond financing and solely from equity of the Bank in the Wastewater SRF.

From time to time, federal appropriation bills require that a certain minimum portion of funds made available under the Wastewater SRF Program with respect to a capitalization grant be applied to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these). Maine’s Wastewater SRF Program has opted to meet the additional subsidy requirement by providing principal forgiveness to certain of its loan participants. Such requirements could have the effect of reducing the rate of growth of equity that would otherwise be in the Wastewater SRF.

Application of Capitalization Grants and State Match

The Bank has established two funds (each of which are within the Wastewater SRF) into which the Capitalization Grants and State Match are deposited. All amounts derived from Capitalization Grants and State Match (other than amounts applied to pay administrative expenses of the Wastewater SRF Program, as described below) are deposited into a Wastewater SRF Equity Fund. Amounts in the Wastewater SRF Equity Fund are applied to make Wastewater SRF Equity Loans to Municipalities for Wastewater SRF Projects and, in addition, may be deposited in the Wastewater SRF Equity Account of the Capital Reserve Fund as security for Wastewater SRF Bonds. Repayments of Wastewater SRF Equity Loans will be redeposited in the Wastewater SRF Equity Fund.

An amount of Capitalization Grants up to 4% of the total amount of Capitalization Grants (the maximum amount permissible under the Federal Act) is deposited into a Wastewater SRF Administration Fund held by the Bank. Amounts in the Wastewater SRF Administration Fund are applied to pay administrative expenses of the Wastewater SRF Program. Amounts in the Wastewater SRF applied to pay administrative expenses will be limited over the lifetime of the Wastewater SRF Program to 4% of the total amount of Capitalization Grants. This limitation applies to loan origination fees, but does not apply to amounts received by the Bank with respect to Wastewater SRF Loans representing the Municipalities' allocable proportion of the administrative expenses of the Bank.

Program Loans

A Municipality applies for a Program Loan for a Wastewater SRF Project by filing with the Bank an application in form provided by the Bank. In the application, the Bank requests information regarding the sources of funding for the Wastewater SRF Project, itemized costs of the Wastewater SRF Project, a schedule for the Wastewater SRF Project, status of permits for the Wastewater SRF Project, annual financial statements for the Municipality for the prior three years (or less for recently formed Municipalities), debt issuances within the preceding three years, proposed maturity schedule for the Program Loan, projected revenues for repayment of the Program Loan, economic information pertaining to the Municipality, including significant users, large employers, population, school enrollment, building permits and large taxpayers, information pertaining to outstanding debt, including debt service schedules, capital financing plans, if any, three years' history of actual revenues and expenditures, current budget of revenues and expenditures, balance sheets, and other information. The Bank reviews the information submitted by the Municipality and approves or disapproves the application of the Municipality. The Bank does not provide any assurance as to the creditworthiness of any Municipality or the ability of any Municipality to make its Municipal Bonds Payments or otherwise to fulfill the obligations of the Municipality pursuant to the Loan Agreement (hereinafter defined).

Upon approval by the Bank of the application of the Municipality, the Bank and the Municipality enter into a loan agreement providing that the Bank will make a Program Loan to the Municipality (the "Loan Agreement"). Program Loans are made through the purchase of municipal bonds. For Municipalities participating in a Bond financing, the Municipality is required to deliver to the Bank a Municipal Bond in the aggregate principal amount of its

Wastewater SRF Loan and a Municipal Bond in the aggregate principal amount of its Wastewater SRF Equity Loan. For each Municipality, the Bank establishes a separate Construction Fund and deposits therein the amount of the Wastewater SRF Loan to such Municipality. The Bank will reserve in the Wastewater SRF Equity Fund an amount equal to the amount of the Wastewater SRF Equity Loan. Moneys may only be disbursed to a Municipality from its Construction Fund and from the Wastewater SRF Equity Fund upon submission by the Municipality to the Bank of a proper requisition approved by the Bank and the Technical Consultant. The Bank will allocate amounts to be disbursed from the Construction Fund and from the Wastewater SRF Equity Fund in a manner consistent with EPA requirements. Pursuant to the Loan Agreement, the Municipality is obligated to pay the Municipality's Allocable Proportion of Costs of Issuance of the Series of Wastewater SRF Bonds issued to provide funding for its Wastewater SRF Project and of the Underwriters' discount or fees with respect to the Series of Wastewater SRF Bonds issued to provide funding for its Wastewater SRF Project and to pay the costs of constructing its Wastewater SRF Project.

For Municipalities participating in Direct Loans (loans for which no portion is financed with Bonds under the Sewer and Water General Resolution), the Municipality delivers a Municipal Bond evidencing the obligation to repay the full amount of the Loan.

For all Loans, disbursement of moneys pursuant to the Loan Agreement is subject to certain conditions, including but not limited to provision of evidence satisfactory to the Bank that design and construction of the Wastewater SRF Project are proceeding on schedule in accordance with approved plans and specifications. In addition, each Municipality is required to make certain representations and covenants pursuant to the Loan Agreement, including the following:

1. The Municipality has full legal right and authority and all necessary permits, licenses and approvals necessary to construct and operate the Wastewater SRF Project.
2. All amounts expended or to be expended in connection with the Wastewater SRF Project are eligible costs of a project which may be financed with proceeds of the Bonds.
3. The Municipality will construct and operate the Wastewater SRF Project in accordance with approved plans and specifications for the Wastewater SRF Project and all applicable laws, regulations and permits.
4. Upon completion of the Wastewater SRF Project, the Municipality will cause an entity with engineering and technical expertise to deliver a certificate to the Bank that the Wastewater SRF Project has been constructed in accordance with the approved plans and specifications.
5. The Municipality shall, from time to time, make and revise charges with respect to the Wastewater SRF Project in amounts such that revenues of the Municipality with respect to the Wastewater SRF Project shall be sufficient, together with other funds available to the Municipality for such purposes, to pay all costs of operating and maintaining the Wastewater

SRF Project in accordance with the Loan Agreement, including establishment of reasonable reserves, and to pay all amounts due under the Loan Agreement and the Municipal Bonds.

For Municipalities participating in a Bond financing, upon receipt of payments from Municipalities, the Trustee transfers (i) amounts received as principal and interest on an Wastewater SRF Loan to the Wastewater SRF Revenue Fund, which is pledged to the payment of the Wastewater SRF Bonds, (ii) amounts received as principal and interest on an Wastewater SRF Equity Loan to the Wastewater SRF Equity Fund within the Wastewater SRF (subject to prior use to cure Wastewater SRF Loan defaults as described herein), and (iii) amounts received as Servicing Fees to the Operating Fund.

Fees and Charges

Pursuant to the Sewer and Water General Resolution, the Bank is obligated to establish, make, maintain and charge such Fees and Charges, including a Servicing Fee, to each Municipality to which an Wastewater SRF Loan is made, and from time to time to revise such Fees and Charges whenever necessary, so that such Fees and Charges actually collected from each Municipality at all times produces moneys which, together with such Municipality's Allocable Proportion of other moneys available under the provisions of the Sewer and Water 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 Municipality's allocable proportion of the Administrative Expenses of the Bank; and

(b) To pay, as the same become due, the Municipality's allocable proportion of the fees and expenses of the Trustee and Paying Agents.

These fees and charges also include a servicing fee and project management fee charged for the benefit of and to defray costs of DEP.

Municipal Bonds Payable from Ad Valorem Taxes

The Bank receives opinions from bond counsel to certain Municipalities with respect to the Municipal Bonds of such Municipalities to the effect that such Municipal Bonds are payable as to both principal and interest from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of each such Municipality and taxable by it.

Municipal Bonds Payable from Rates, Charges and Assessments

The Bank receives opinions from bond counsel to certain Municipalities with respect to the Municipal Bonds of such Municipalities to the effect that such Municipal Bonds are payable from rates, charges or assessments collected by the Municipalities.

Municipal Bonds Eligible for Purchase by the Bank

Pursuant to the Act, the Bank is authorized and empowered to purchase Municipal Bonds of Municipalities which include any city, town, special district, county, plantation or municipal village corporation within the State. To be eligible for purchase, such Municipal Bonds must be issued by a Municipality 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.

American Recovery and Reinvestment Act

On February 17, 2009, Congress passed the American Recovery and Reinvestment Act (“ARRA”) to provide funding to “shovel ready” projects for the primary purpose of promoting job creation and retention. The Maine CWSRF program received a total of \$30,336,800 of ARRA funding on April 22, 2009. ARRA funds were allocated to projects that were priority ranked based on their readiness to proceed and the environmental benefits that they would provide. The highest ranking projects received loan commitments for terms of up to 20 years at an interest rate of 0%. The program capped the total dollar amount to be provided to any one community at \$3,000,000 to ensure funding was allocated throughout the state. All of the systems receiving ARRA loans were eligible for a portion of loan forgiveness based on user charges and median household income statistics for the underlying community. All of the ARRA funds provided to the CWSRF program were committed to loans that had signed contracts for construction on or before February 17, 2010, as required by the Act. All of the repayments from ARRA loans issued will be deposited back into the CWSRF Fund and pledged to its bond program until needed for other CWSRF eligible purposes.

MUNICIPALITIES AND THEIR MUNICIPAL BONDS

The Municipalities named in Tables I through VIII below have previously sold to the Bank their Municipal Bonds evidencing their Wastewater SRF Loans which Municipal Bonds are presently outstanding. The source of payment for the Municipal Bonds is shown as follows: "A" indicates Municipal Bonds payable as to both principal and interest 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 Municipalities; and "R" indicates Municipal Bonds which are payable from rates, charges or assessments collected by the Municipalities.

I. MUNICIPAL BONDS
Evidencing Wastewater SRF Loans
Made on March 21, 1991

Municipality	Balance Outstanding	Serial Bonds Due November 1 (Years Inclusive)	Source of Payment*
Bangor	\$616,950.00	2012	A
SUB--TOTAL	\$616,950.00		

II. MUNICIPAL BONDS
Evidencing Wastewater SRF Loans
Made on November 25, 1992

Municipality	Balance Outstanding	Serial Bonds Due November 1 (Years Inclusive)	Source of Payment*
Bath.....	\$ 96,460.50	2012	A
Farmington	335,492.47	2012	A
Kittery.....	111,560.63	2012	A
Lewiston-Auburn Water Pollution Control Authority (1)	335,769.36	2012	(1)
Presque Isle Sewer District	6,310.50	2012	R
Portland Water District (Portland).....	23,213.63	2012	(2)
Portland Water District (Westbrook).....	16,227.00	2012	(2)
York Sewer District	297,749.58	2012	R
South Berwick Sewer District.....	<u>235,950.00</u>	2012-2014	R
SUB TOTAL	\$1,458,733.67		

* See first paragraph under "Municipalities and Their Municipal Bonds" for an explanation of the information indicated by the letters A and R.

(1) The Municipal Bonds of the Lewiston-Auburn Water Pollution Control Authority are payable as to both principal and interest from sums that may be annually apportioned and assessed upon the City of Lewiston and the Auburn Sewerage District. To the extent such Municipal Bonds are not paid from other sources, the sums so apportioned to and assessed upon the City of Lewiston are payable from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of the City of Lewiston and taxable by it and the sums so apportioned to and assessed upon the Auburn Sewerage District are payable from sewer rates and charges.

(2) The Municipal Bonds of the Portland Water District are payable as to both principal and interest from sums that may be annually apportioned and assessed upon a) the City of Portland or the City of Westbrook, as applicable, and b) upon the Portland Water District. To the extent such Municipal Bonds are not paid from other sources, the sums so apportioned to and assessed upon the City of Portland or the City of Westbrook, as applicable, are payable from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of the City of Portland or the City of Westbrook, as applicable, and taxable by the respective City, and the sums so apportioned to and assessed upon the Portland Water District are payable from sewer rates and charges.

III. MUNICIPAL BONDS
Evidencing Wastewater SRF Loans
Made on November 4, 1993

Municipality

Baileyville.....	\$ 81,524.00	2012-2013	A
Bangor.....	93,890.00	2012-2013	A
Bangor.....	88,394.00	2012-2013	A
Carrabassett Valley Sanitary District.....	164,880.00	2012-2013	R
Rockland.....	10,534.00	2012-2013	A
South Berwick Sewer District.....	<u>317,304.96</u>	2012-2015	R
 SUB-TOTAL	 \$756,526.96		

IV. MUNICIPAL BONDS
Evidencing Wastewater SRF Loans
Made on April 11, 1996

Municipality	Balance Outstanding	Serial Bonds Due November 1 (Years Inclusive)	Source of Payment*
Mount Desert.....	\$ 1,068.25	2012	A
Baileyville.....	76,287.05	2012-2016	A
Bangor.....	524,235.91	2012-2016	A
Castine.....	76,287.05	2012-2016	A
Presque Isle Sewer District.....	50,773.60	2012-2016	R
Saco.....	<u>737,904.45</u>	2012-2016	A
 SUB-TOTAL	 \$1,466,556.31		

V. MUNICIPAL BONDS
Evidencing Wastewater SRF Loans Made on
August 14, 1997

Municipality

Greater Augusta Utility District.....	\$1,356,575.76	2012-2017	R
Bangor.....	452,162.01	2012-2017	A
Bar Harbor.....	1,347,995.09	2012-2017	A
Bath.....	900,965.82	2012-2017	A
Gardiner.....	181,925.70	2012-2017	A
Hampden.....	276,395.78	2012-2017	A
North Haven.....	52,285.82	2012-2017	A
Brewer.....	583,116.06	2012-2017	A
Kennebec Sanitary District.....	<u>1,186,245.23</u>	2012-2017	R
 SUB-TOTAL	 \$6,338,667.27		

* See first paragraph under "Municipalities and Their Municipal Bonds" for an explanation of the information indicated by the letters A and R.

VI. MUNICIPAL BONDS
Evidencing Wastewater SRF Loans
Made on April 1, 2003

Municipality	Balance Outstanding	Serial Bonds Due November 1 (Years Inclusive)	Source of Payment*
Auburn Sewerage District.....	\$ 124,291.12	2012-2019	R
Greater Augusta Utility District.....	12,269.48	2012-2015	R
Baileyville.....	396,430.47	2012-2020	A
Bethel.....	183,161.88	2012-2019	A
Bingham.....	90,544.16	2012-2019	A
Fort Kent.....	18,479.80	2012-2016	A
Freeport Sewer District.....	171,430.57	2012-2019	R
Hartland.....	82,942.08	2012-2017	A
Jay.....	462,618.03	2012-2018	A
Lewiston-Auburn Water Pollution Control Authority.....	342,605.76	2012-2018	(1)
Livermore Falls.....	199,442.63	2012-2019	A
Madawaska.....	264,015.24	2012-2017	A
Millinocket.....	175,423.20	2012-2017	A
Norway.....	264,539.16	2012-2018	A
Portland Water District.....	247,967.28	2012-2020	(2)
Presque Isle Sewer District.....	47,471.77	2012-2019	R
Rangeley.....	32,033.75	2012-2018	A
Rockland.....	1,037,536.61	2012-2018	A
Saco.....	336,381.78	2012-2018	A
Thomaston.....	26,046.22	2012-2016	A
Portland Water District.....	1,038,192.65	2012-2022	(2)
Kittery.....	290,958.12	2012-2022	A
Bath.....	306,929.93	2012-2022	A
Fairfield.....	105,086.77	2012-2022	A
Bangor.....	791,027.01	2012-2022	A
York Sewer District.....	<u>497,988.73</u>	2012-2017	R
 SUB-TOTAL.....	 \$7,413,528.34		

* See first paragraph under "Municipalities and Their Municipal Bonds" for an explanation of the information indicated by the letters A and R.

(1) The Municipal Bonds of the Lewiston-Auburn Water Pollution Control Authority are payable as to both principal and interest from sums that may be annually apportioned and assessed upon the City of Lewiston and the Auburn Sewerage District. To the extent such Municipal Bonds are not paid from other sources, the sums so apportioned to and assessed upon the City of Lewiston are payable from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of the City of Lewiston and taxable by it and the sums so apportioned to and assessed upon the Auburn Sewerage District are payable from sewer rates and charges.

(2) The Municipal Bonds of the Portland Water District are payable as to both principal and interest from sums that may be annually apportioned and assessed upon any one or more of the seven municipalities served by the Portland Water District, as well as from rates and charges of the Portland Water District. To the extent such Municipal Bonds are not paid from other sources, the sums so apportioned to and assessed upon any one or more of the seven municipalities served by the Portland Water District are payable from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of any one or more of the seven municipalities served by the Portland Water District and taxable by it or them and the sums so apportioned to and assessed upon the Portland Water District are payable from sewer rates and charges.

VII. MUNICIPAL BONDS
 Evidencing Wastewater SRF Loans
 Made on November 13, 2003

Municipality	Balance Outstanding	Serial Bonds Due November 1 (Years Inclusive)	Source of Payment*
Auburn Sewerage District.....	\$194,764.73	2012-2023	R
Belfast.....	164,341.88	2012-2023	A
Bethel.....	92,723.56	2012-2023	A
Camden.....	24,849.09	2012-2013	A
Dover-Foxcroft.....	241,165.88	2012-2018	A
Dover-Foxcroft.....	60,272.56	2012-2023	A
East Millinocket.....	223,493.56	2012-2023	A
Kennebunkport.....	245,363.70	2012-2023	A
Richmond Utilities District.....	245,147.97	2012-2023	R
Portland Water District.....	73,395.00	2012-2023	(1)
Portland Water District.....	422,761.08	2012-2023	(1)
Portland Water District.....	260,159.76	2012-2023	(1)
Randolph.....	487,681.66	2012-2023	A
Rangeley.....	310,866.89	2012-2023	A
Sanford Sewerage District.....	4,765,125.95	2012-2024	R
Scarborough Sanitary District.....	1,901,462.17	2012-2023	R
Wells Sanitary District.....	241,572.31	2012-2023	R
Winterport Sewer District.....	<u>169,100.95</u>	2012-2023	R
 SUB-TOTAL.....	 <u>\$10,124,248.70</u>		
 TOTAL.....	 <u>\$28,175,211.25</u>		

* See first paragraph under "Municipalities and Their Municipal Bonds" for an explanation of the information indicated by the letters A and R.

(1) The Municipal Bonds of the Portland Water District are payable as to both principal and interest from sums that may be annually apportioned and assessed upon any one or more of the seven municipalities served by the Portland Water District, as well as from rates and charges of the Portland Water District. To the extent such Municipal Bonds are not paid from other sources, the sums so apportioned to and assessed upon any one or more of the seven municipalities served by the Portland Water District are payable from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of any one or more of the seven municipalities served by the Portland Water District and taxable by it or them and the sums so apportioned to and assessed upon the Portland Water District are payable from sewer rates and charges.

**WASTEWATER STATE REVOLVING LOAN FUND
REPAYMENTS OF WASTEWATER SRF EQUITY LOANS**

The following table sets forth, as of February 1, 2012, payments of amounts due on direct Wastewater SRF Equity Loans and other Wastewater SRF Equity Loans which the Bank expects to receive on the following dates and in the following amounts.

Date	Direct Equity Loans	Other Equity Loans	Total Equity Loans
4/1/2012	5,373,622	0	5,373,622
10/1/2012	8,150,484	6,382,197	14,532,681
4/1/2013	6,271,117	0	6,271,117
10/1/2013	8,060,323	5,326,543	13,386,866
4/1/2014	5,909,581	0	5,909,581
10/1/2014	7,944,997	5,042,899	12,987,896
4/1/2015	5,887,557	0	5,887,557
10/1/2015	7,906,150	4,986,549	12,892,699
4/1/2016	5,821,490	0	5,821,490
10/1/2016	7,866,670	4,889,735	12,756,405
4/1/2017	5,775,055	0	5,775,055
10/1/2017	7,794,074	4,603,325	12,397,399
4/1/2018	5,728,982	0	5,728,982
10/1/2018	7,703,660	3,032,730	10,736,390
4/1/2019	5,673,442	0	5,673,442
10/1/2019	7,656,045	2,011,079	9,667,124
4/1/2020	5,389,031	0	5,389,031
10/1/2020	7,545,454	1,789,418	9,334,872
4/1/2021	5,152,432	0	5,152,432
10/1/2021	7,064,904	1,627,780	8,692,684
4/1/2022	3,779,538	0	3,779,538
10/1/2022	6,563,715	1,627,780	8,191,495
4/1/2023	3,224,197	0	3,224,197
10/1/2023	5,964,158	1,239,693	7,203,851
4/1/2024	3,070,580	0	3,070,580
10/1/2024	5,416,834	541,980	5,958,814
4/1/2025	2,507,367	0	2,507,367
10/1/2025	4,327,408	0	4,327,408
4/1/2026	2,207,603	0	2,207,603
10/1/2026	3,881,855	0	3,881,855
4/1/2027	1,617,417	0	1,617,417
10/1/2027	3,402,107	0	3,402,107
4/1/2028	1,298,194	0	1,298,194

Date	Direct Equity Loans	Other Equity Loans	Total Equity Loans
10/1/2028	2,642,376	0	2,642,376
4/1/2029	884,472	0	884,472
10/1/2029	1,943,354	0	1,943,354
4/1/2030	392,185	0	392,185
10/1/2030	1,252,495	0	1,252,495
4/1/2031	332,218	0	332,218
10/1/2031	474,132	0	474,132
4/1/2032	122,108	0	122,108
10/1/2032	0	0	0
4/1/2033	0	0	0
10/1/2033	0	0	0
4/1/2034	0	0	0
10/1/2034	0	0	0
4/1/2035	0	0	0
10/1/2035	0	0	0
4/1/2036	0	0	0
10/1/2036	0	0	0
4/1/2037	0	0	0
10/1/2037	0	0	0
4/1/2038	0	0	0
10/1/2038	0	0	0
4/1/2039	0	0	0
10/1/2039	0	0	0

[INTENTIONALLY LEFT BLANK]

MAINE MUNICIPAL BOND BANK
SEWER AND WATER REVENUE BONDS
Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds

APPENDIX C

Financial Statements of the
Maine Municipal Bond Bank

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report dated September 9, 2011	C-3
Management's Discussion and Analysis, June 30, 2011	C-5
Balance Sheet, June 30, 2011	C-14
Statement of Revenues, Expenses and Changes in Net Assets For The Year Ended June 30, 2011	C-18
Statement of Cash Flows For The Year Ended June 30, 2011	C-20
Notes to Financial Statements, June 30, 2011	C-24

[INTENTIONALLY LEFT BLANK]

BAKER NEWMAN NOYES

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, Qualified School Construction 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, 2011, 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, 2011, 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 9, 2011 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.



Limited Liability Company

Portland, Maine
September 9, 2011

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 \$2,278,235 for fiscal year 2011, a decrease of \$1,256,283 or 35.5% from fiscal year 2010. This was primarily attributed to a decrease of \$884,401 of pass-through grant revenue from the State of Maine to fund the Riverfront Community Development and Municipal Investment Trust Fund programs. Additionally, there was a decrease in other income of approximately \$293,949, which represents a decrease in loan origination fees charged in conjunction with the Transportation Fund Group bond issuances (fees used to offset related costs of issuance incurred in connection with bond issuances).
- Net assets in the Bond Bank's General Operating Account decreased \$13,259 in fiscal year 2011. This decrease is the net result of Operating Revenues totaling \$2,278,235, Operating Transfers totaling \$738,196 and Operating Expenses totaling \$3,029,690. Operating Transfers from the General Tax-Exempt Fund Group are mandated by the Bond Bank's annual operating budget. At June 30, 2011, the Bond Bank's General Operating Account had net assets of \$26,337,490.
- The Bond Bank's gross principal amount of bonds outstanding at June 30, 2011 of \$1,569,178,762 represents a net increase of \$187,719,532 over the balance at June 30, 2010. This increase was the net result of the General Tax Exempt Resolution issuing Series 2010C, 2010DEF, 2011A, and 2011C bonds; the Grant Anticipation Fund Group issuing Series 2010A&B bonds; and the Qualified School Construction Fund Group issuing 2011B bonds and 2011D bonds, less the scheduled debt service principal payments of \$121,495,468 and in-substance defeased bonds totaling \$99,785,000. Refer to note 4 to the basic financial statements for a detail of bonds payable activity in 2011.
- The Bond Bank committed loans to local governmental units during fiscal year 2011 totaling \$404,410,251, which was a 65.3% increase from the loans committed in fiscal year 2010. The Bond Bank also advanced \$50,000,000 to the State of Maine for qualified transportation projects within its Grant Anticipation Fund Group. 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 \$9,071,047 in potential loan forgiveness in fiscal year 2011, which was a 46% decrease from fiscal year 2010.

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.

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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 within its General Operating Account. 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 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 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 created the Qualified School Construction Fund Group Resolution in fiscal 2011. 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 for 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. The bonds issued in this fund group are tax credit bonds in that they receive a federal interest subsidy payment on each debt service payment date.

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 disburse ARRA funds to local borrowers during 2011. 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. 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. Beginning with the fiscal year 2010 federal grants, the programs had to provide a minimum of 30% of the federal grants awarded as additional subsidies, which includes loan forgiveness, to eligible borrowers.

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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 30% 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 sheet presents 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 statement of revenues, expenses and changes in net assets presents 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 \$588,459,890 at June 30, 2011. This represents an increase of \$29,953,548 or 5.4% over the previous fiscal year. Most of this increase is due to revenues 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 \$523,111,344 and unrestricted net assets are \$65,348,546 at June 30, 2011. 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).

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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 Sheets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Current assets:			
Cash	\$ 128,908	\$ 305,228	(57.8)%
Investments held by trustee	201,115,649	170,462,629	18.0
Operating investments	21,038,748	21,939,812	(4.1)
Loans receivable from governmental units	123,249,108	124,571,892	(1.1)
Advances to State of Maine	21,276,377	18,062,143	17.8
Accrued investment income receivable	1,187,291	1,117,552	6.2
Accrued interest and fees receivable on loans to governmental units and advances to the State of Maine	10,966,570	9,602,363	14.2
Undisbursed federal letter of credit payments	28,870,502	23,611,762	22.3
Refunding benefits rebated to governmental units, net of amortization	966,190	1,272,172	(24.1)
Due from other funds	6,017,080	6,482,569	(7.2)
Other assets	<u>163,117</u>	<u>122,466</u>	<u>33.2</u>
Total current assets	414,979,540	377,550,588	9.9
Noncurrent assets:			
Investments held by trustee	147,678,953	139,451,502	5.9
Loans receivable from governmental units	1,446,449,708	1,268,206,673	14.1
Advances to State of Maine	269,642,500	239,559,828	12.6
Land and building, net of depreciation	742,636	740,982	0.2
Refunding benefits rebated to governmental units, net of amortization	<u>2,209,125</u>	<u>3,174,097</u>	<u>(30.4)</u>
Total noncurrent assets	<u>1,866,722,922</u>	<u>1,651,133,082</u>	<u>13.1</u>
Total assets	<u>\$ 2,281,702,462</u>	<u>\$ 2,028,683,670</u>	<u>12.5%</u>

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Current liabilities:			
Accounts payable and accrued liabilities	\$ 468,148	\$ 369,328	26.8%
Due to other funds	6,017,080	6,482,569	(7.2)
Accrued interest payable	13,668,147	11,980,228	14.1
Deferred revenue	2,590,989	2,060,189	25.8
Pass-through grants payable	1,971,558	3,596,564	(45.2)
Undisbursed loans	30,207,728	24,627,826	22.7
Accrued interest rebate payable to U.S. Government	483,859	709,468	(31.8)
Due to State of Maine	40,467,376	19,344,253	109.2
Bonds payable	<u>125,176,004</u>	<u>123,376,588</u>	<u>1.5</u>
Total current liabilities	221,050,889	192,547,013	14.8
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	2,881,007	2,680,833	7.5
Bonds payable	<u>1,469,310,676</u>	<u>1,274,949,482</u>	<u>15.2</u>
Total noncurrent liabilities	<u>1,472,191,683</u>	<u>1,277,630,315</u>	<u>15.2</u>
Total liabilities	1,693,242,572	1,470,177,328	15.2
Net assets:			
Restricted	523,111,344	491,573,325	6.4
Unrestricted	<u>65,348,546</u>	<u>66,933,017</u>	<u>(2.4)</u>
Total net assets	<u>588,459,890</u>	<u>558,506,342</u>	<u>5.4</u>
Total liabilities and net assets	<u>\$ 2,281,702,462</u>	<u>\$ 2,028,683,670</u>	<u>12.5%</u>

Total short and long-term investments held by trustee at June 30, 2011 increased \$38,880,471 or 12.5% from June 30, 2010. The increase was the net result of additional reserve fund investments purchased of approximately \$21,817,000 in conjunction with 2011 bond issuances, the receipt of approximately \$38,000,000 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 2011. Additionally, investments had a net decrease in fair value of \$4,239,928 in 2011. 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, FLMC), 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 \$176,920,251 in fiscal year 2011. The Bond Bank's total new loan commitments in 2011 of \$404,410,251 were a 65.3% increase over the 2010 commitments of \$244,712,620. Net bonds payable increased \$196,160,610.

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

Advances to the State of Maine increased \$33,296,906 or 12.9% from June 30, 2010. This increase is primarily the net result of issuing Grant Anticipation Series 2010A and 2010B bonds totaling \$50,000,000, less the scheduled debt service payments of \$17,060,000.

Undisbursed federal letter of credit payments increased \$5,258,740 in 2011 which is a 22.3% increase from fiscal year 2010. This increase is the net result of the disbursement of \$7,391,435 in federal ARRA grants awarded to the Bond Bank in 2009 and the disbursement of \$16,695,825 of other federal grants, offset by federal grants awarded in fiscal 2011 totaling \$29,346,000.

Refunding benefits rebated to governmental units decreased \$1,270,954 in 2011, which is a 28.6% decrease compared to fiscal 2010. The decrease is entirely attributed to fiscal 2011 amortization. The Bond Bank issued \$99,425,000 of refunding bonds in 2011 and passed on savings of approximately \$5.7 million to borrowers by adjusting their remaining interest debt service schedules.

Accrued interest payable increased \$1,687,919 or 14.1% in fiscal 2011 over fiscal 2010. This is due to the issuance of \$309,575,000 (net of \$99,425,000 of refunding bonds) in new bond series in 2011.

Undisbursed loans increased \$5,579,902 in 2011 which is a 22.7% increase over fiscal 2010. This increase is primarily a timing issue between when grants are awarded, loans are committed and related funds are disbursed.

Deferred revenue increased \$530,800 or 25.8% in fiscal year 2011 over fiscal year 2010. The increase is primarily the result of deferring State of Maine grant revenue received from the Department of Environmental Protection that will be used to match Federal Grant awards received in future years.

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 resulting in funds available for the various purposes of the program. The net difference results in the Due to the State of Maine increasing \$21,123,123 or 109.2% in fiscal year 2011 over fiscal year 2010.

The Bond Bank's financial position improved as net assets increased 5.4% in fiscal year 2011. The Bond Bank continued to maintain a positive spread of income from investments, interest on loans to governmental units, fee revenue from State of Maine and grants over bond interest and operating expenses.

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

MAINE MUNICIPAL BOND BANK
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Interest on loans receivable from governmental units	\$ 48,525,230	\$ 48,232,263	0.6%
Program revenue from State of Maine	10,507,095	9,779,281	7.4
Interest income from investments	8,136,970	7,192,210	13.1
Net (decrease) increase in the fair value of investments	(4,239,928)	3,336,083	(227.1)
Grant revenue from Environmental Protection Agency	29,346,000	28,025,065	4.7
Grant revenue from State of Maine	8,083,040	3,555,043	127.4
Other income	<u>1,466,585</u>	<u>1,490,262</u>	<u>(1.6)</u>
 Total operating revenue	 101,824,992	 101,610,207	 0.2
Interest expense	58,842,840	57,647,184	2.1
Operating expenses (direct and shared)	6,345,942	6,328,692	0.3
Pass-through grant expense	1,626,482	2,510,883	(35.2)
Loan forgiveness	3,262,424	11,348,146	(71.3)
Amortization of deferred financing costs and refunding benefits rebated to governmental units	<u>1,793,756</u>	<u>1,958,062</u>	<u>(8.4)</u>
 Total operating expenses	 <u>71,871,444</u>	 <u>79,792,967</u>	 <u>(9.9)</u>
 Operating income	 29,953,548	 21,817,240	 37.3
 Net assets, beginning of year	 <u>558,506,342</u>	 <u>536,689,102</u>	 <u>4.1</u>
 Net assets, end of year	 <u>\$ 588,459,890</u>	 <u>\$ 558,506,342</u>	 <u>5.4%</u>

The General Tax-Exempt Fund Group reimburses the Operating Fund for the annual budget approved by the Board of Commissioners.

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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 \$29,346,000 in fiscal year 2011, which was a 4.7% increase from 2010. The Bond Bank recorded grant revenue from the State of Maine totaling \$8,083,040 in 2011, which increased \$4,527,997 or 127.4% from 2010 grants. The fiscal year 2011 State grants consist of State of Maine matching funds for the Sewer and Water Funds Groups totaling \$5,869,200, grants to the General Operating Account totaling \$1,626,482 (from the Maine Department of Economic and Community Development), and grants to the School Facilities Fund Group totaling \$587,358.

Pass through grant expense decreased \$884,401 in fiscal 2011. 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 2011 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) decreased 71.3 % in fiscal year 2011 from 2010. 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 2011 was \$1,379,875 and \$1,555,293 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 2011 was \$327,256. 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

MAINE MUNICIPAL BOND BANK

BALANCE SHEET

June 30, 2011

	<u>General Operating Account</u>	<u>General Tax-Exempt Fund Group</u>	<u>Transportation Fund Groups Grant Anticipation Fund Group</u>	<u>Transportation Infrastructure Fund Group</u>
<u>ASSETS</u>				
Current assets:				
Cash	\$ 128,908	\$ -	\$ -	\$ -
Investments held by trustee (notes 3 and 5)	-	44,714,003	-	42,501,188
Operating investments (notes 3 and 10)	21,038,748	-	-	-
Loans receivable from governmental units (note 4)	101,995	87,397,836	-	-
Advances to State of Maine (note 4)	-	-	11,094,613	10,181,764
Accrued investment income receivable	58,400	417,500	-	201,279
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	11,408	7,914,472	1,642,200	-
Undisbursed federal letter of credit payments	-	-	-	-
Refunding benefits rebated to governmental units, net of amortization	-	590,218	-	-
Due from other funds	5,540,364	-	-	-
Other assets	<u>159,284</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	27,039,107	141,034,029	12,736,813	52,884,231
Noncurrent assets:				
Investments held by trustee (notes 3 and 5)	-	130,129,436	-	8,909,883
Loans receivable from governmental units (note 4)	971,503	1,007,629,682	-	-
Advances to State of Maine (note 4)	-	-	108,251,805	161,390,695
Land and building, net of depreciation of \$1,073,722	742,636	-	-	-
Refunding benefits rebated to governmental units, net of amortization	<u>-</u>	<u>1,352,173</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,714,139</u>	<u>1,139,111,291</u>	<u>108,251,805</u>	<u>170,300,578</u>
Total assets	<u>\$28,753,246</u>	<u>\$ 1,280,145,320</u>	<u>\$ 120,988,618</u>	<u>\$ 223,184,809</u>

Qualified School Construction Fund Group	Sewer and Water Fund Groups			Operating Fund Group	School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Waste Water			
	Drinking Water	Drinking Water				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,908
-	78,437,405	10,653,821	5,455,245	19,353,987	-	201,115,649
-	-	-	-	-	-	21,038,748
-	25,371,939	5,346,166	-	5,031,172	-	123,249,108
-	-	-	-	-	-	21,276,377
-	435,609	16,020	17	58,466	-	1,187,291
197,250	1,011,285	189,955	-	-	-	10,966,570
-	15,156,780	13,713,722	-	-	-	28,870,502
-	332,050	43,922	-	-	-	966,190
-	476,716	-	-	-	-	6,017,080
-	2,583	1,250	-	-	-	163,117
197,250	121,224,367	29,964,856	5,455,262	24,443,625	-	414,979,540
-	8,000,956	638,678	-	-	-	147,678,953
21,860,000	276,869,714	123,041,085	-	16,077,724	-	1,446,449,708
-	-	-	-	-	-	269,642,500
-	-	-	-	-	-	742,636
-	728,157	128,795	-	-	-	2,209,125
21,860,000	285,598,827	123,808,558	-	16,077,724	-	1,866,722,922
<u>\$22,057,250</u>	<u>\$ 406,823,194</u>	<u>\$ 153,773,414</u>	<u>\$ 5,455,262</u>	<u>\$40,521,349</u>	<u>\$ 2,281,702,462</u>	

MAINE MUNICIPAL BOND BANK

BALANCE SHEET (CONTINUED)

June 30, 2011

	<u>General Operating Account</u>	<u>General Tax-Exempt Fund Group</u>	<u>Transportation Fund Groups Grant Anticipation Fund Group</u>	<u>Transportation Infrastructure Fund Group</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	\$ 444,198	\$ —	\$ —	\$ —
Due to other funds	—	3,746,070	—	30,665
Accrued interest payable	—	8,956,626	1,642,200	2,574,177
Deferred revenue	—	—	—	—
Pass-through grants payable (note 10)	1,971,558	—	—	—
Undisbursed loans	—	—	—	—
Accrued interest rebate payable to U.S. Government	—	483,859	—	—
Due to State of Maine	—	—	—	40,467,376
Bonds payable (note 4)	<u>—</u>	<u>97,792,423</u>	<u>11,094,613</u>	<u>10,181,764</u>
Total current liabilities	2,415,756	110,978,978	12,736,813	53,253,982
Noncurrent liabilities:				
Accrued interest rebate payable to U.S. Government	—	2,773,311	—	—
Bonds payable (note 4)	<u>—</u>	<u>1,130,387,880</u>	<u>108,251,805</u>	<u>169,930,827</u>
Total noncurrent liabilities	<u>—</u>	<u>1,133,161,191</u>	<u>108,251,805</u>	<u>169,930,827</u>
Total liabilities	2,415,756	1,244,140,169	120,988,618	223,184,809
Net assets:				
Restricted (notes 5, 6 and 7)	—	4,670,829	—	—
Unrestricted (notes 6 and 7)	<u>26,337,490</u>	<u>31,334,322</u>	<u>—</u>	<u>—</u>
Total net assets	26,337,490	36,005,151	—	—
Total liabilities and net assets	<u>\$28,753,246</u>	<u>\$ 1,280,145,320</u>	<u>\$ 120,988,618</u>	<u>\$ 223,184,809</u>

See accompanying notes.

Qualified School Construction Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating Fund Group		
	Waste Water	Drinking Water			
\$ -	\$ 13,900	\$ 6,050	\$ -	\$ 4,000	\$ 468,148
-	1,394,010	754,506	53,441	38,388	6,017,080
197,250	267,437	30,457	-	-	13,668,147
-	1,509,297	1,081,692	-	-	2,590,989
-	-	-	-	-	1,971,558
-	22,120,643	4,727,502	-	3,359,583	30,207,728
-	-	-	-	-	483,859
-	-	-	-	-	40,467,376
-	<u>5,677,836</u>	<u>429,368</u>	-	-	<u>125,176,004</u>
197,250	30,983,123	7,029,575	53,441	3,401,971	221,050,889
-	107,696	-	-	-	2,881,007
<u>21,860,000</u>	<u>34,224,680</u>	<u>4,655,484</u>	-	-	<u>1,469,310,676</u>
<u>21,860,000</u>	<u>34,332,376</u>	<u>4,655,484</u>	-	-	<u>1,472,191,683</u>
22,057,250	65,315,499	11,685,059	53,441	3,401,971	1,693,242,572
-	341,207,695	141,377,693	-	35,855,127	523,111,344
-	<u>300,000</u>	<u>710,662</u>	<u>5,401,821</u>	<u>1,264,251</u>	<u>65,348,546</u>
-	341,507,695	142,088,355	5,401,821	37,119,378	588,459,890
<u>\$22,057,250</u>	<u>\$ 406,823,194</u>	<u>\$ 153,773,414</u>	<u>\$5,455,262</u>	<u>\$40,521,349</u>	<u>\$ 2,281,702,462</u>

MAINE MUNICIPAL BOND BANK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2011

	<u>General</u>	<u>General</u>	<u>Transportation Fund Groups</u>	
	<u>Operating</u>	<u>Tax-Exempt</u>	<u>Grant</u>	<u>Transportation</u>
	<u>Account</u>	<u>Fund Group</u>	<u>Anticipation</u>	<u>Infrastructure</u>
			<u>Fund Group</u>	<u>Fund Group</u>
Operating revenues:				
Interest on loans receivable from governmental units	\$ 61,637	\$43,589,929	\$ -	\$ -
Program revenue from State of Maine	-	-	3,907,562	6,599,533
Interest income from investments	300,273	5,698,229	-	258,797
Net decrease in the fair value of investments	(176,954)	(2,780,123)	-	(141,850)
Grant revenue from Environmental Protection Agency (note 6)	-	-	-	-
Grant revenue from State of Maine (notes 6, 7 and 10)	1,626,482	-	-	-
Other income (note 10)	<u>466,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenue	2,278,235	46,508,035	3,907,562	6,716,480
Operating expenses:				
Interest expense	-	46,240,363	3,796,209	6,629,444
Operating expenses (direct and shared) (note 8)	1,403,208	13,640	111,353	87,036
Pass-through grant expense (note 10)	1,626,482	-	-	-
Loan forgiveness (notes 6 and 7)	-	-	-	-
Amortization of deferred financing costs and refunding benefits rebated to governmental units	<u>-</u>	<u>1,259,047</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>3,029,690</u>	<u>47,513,050</u>	<u>3,907,562</u>	<u>6,716,480</u>
Operating income (loss) before operating transfers	(751,455)	(1,005,015)	-	-
Operating transfers	<u>738,196</u>	<u>(738,196)</u>	<u>-</u>	<u>-</u>
Operating income (loss)	(13,259)	(1,743,211)	-	-
Net assets, beginning of year	<u>26,350,749</u>	<u>37,748,362</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$26,337,490</u>	<u>\$36,005,151</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

Qualified School Construction Fund Group	Sewer and Water Fund Groups			Operating Fund Group	School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Waste Water			
	Drinking Water	Waste Water				
\$344,378	\$ 3,732,065	\$ 797,221	\$ -	\$ -	\$ 48,525,230	
-	-	-	-	-	10,507,095	
-	1,546,212	129,405	6,899	197,155	8,136,970	
-	(866,037)	(90,519)	(5,043)	(179,402)	(4,239,928)	
-	15,773,000	13,573,000	-	-	29,346,000	
-	3,154,600	2,714,600	-	587,358	8,083,040	
<u>205,646</u>	<u>-</u>	<u>-</u>	<u>794,142</u>	<u>-</u>	<u>1,466,585</u>	
550,024	23,339,840	17,123,707	795,998	605,111	101,824,992	
344,378	1,661,675	170,771	-	-	58,842,840	
205,646	925,706	2,502,279	212,297	884,777	6,345,942	
-	-	-	-	-	1,626,482	
-	1,555,293	1,379,875	-	327,256	3,262,424	
<u>-</u>	<u>479,088</u>	<u>55,621</u>	<u>-</u>	<u>-</u>	<u>1,793,756</u>	
<u>550,024</u>	<u>4,621,762</u>	<u>4,108,546</u>	<u>212,297</u>	<u>1,212,033</u>	<u>71,871,444</u>	
-	18,718,078	13,015,161	583,701	(606,922)	29,953,548	
<u>-</u>	<u>248,277</u>	<u>1,170</u>	<u>(249,447)</u>	<u>-</u>	<u>-</u>	
-	18,966,355	13,016,331	334,254	(606,922)	29,953,548	
<u>-</u>	<u>322,541,340</u>	<u>129,072,024</u>	<u>5,067,567</u>	<u>37,726,300</u>	<u>558,506,342</u>	
<u>\$ -</u>	<u>\$ 341,507,695</u>	<u>\$ 142,088,355</u>	<u>\$5,401,821</u>	<u>\$37,119,378</u>	<u>\$ 588,459,890</u>	

MAINE MUNICIPAL BOND BANK

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

	<u>General Operating Account</u>	<u>General Tax-Exempt Fund Group</u>	<u>Transportation Fund Groups Grant Anticipation Fund Group</u>	<u>Transportation Infrastructure Fund Group</u>
OPERATING ACTIVITIES:				
Cash received from governmental units and State of Maine	\$ 158,958	\$ 128,968,292	\$ 11,404,686	\$ 37,878,134
Cash payments to governmental units	(1,626,482)	(223,020,558)	-	-
Cash advances to State of Maine	-	-	(51,709,930)	-
Cash received from other income	466,797	-	-	-
Cash payments for operating expenses	(1,216,613)	(13,640)	(111,353)	-
Cash (paid to) received from other funds	1,135,683	(754,166)	-	11,926
Cash paid for other assets and liabilities	<u>(40,651)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash (used) provided by operating activities	(1,122,308)	(94,820,072)	(40,416,597)	37,890,060
NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from bonds payable	-	359,836,550	51,709,930	-
Principal paid on bonds payable	-	(97,930,468)	(7,950,000)	(9,110,000)
Interest paid on bonds payable	-	(45,215,894)	(3,343,333)	(7,840,817)
Amount deposited to refunding escrow (note 9)	-	(114,389,087)	-	-
Issuance costs paid for refunding bonds (note 9)	-	(606,492)	-	-
Grant receipts from Environmental Protection Agency and State of Maine	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	-	101,694,609	40,416,597	(16,950,817)
INVESTING ACTIVITIES:				
Purchase of investment securities	(22,999,640)	(227,984,573)	-	(61,227,767)
Proceeds from sale and maturities of investment securities	23,723,750	212,558,751	-	40,170,842
Income received from investments	310,157	9,247,507	-	117,682
Interest rebate paid to U.S. Government	-	(696,222)	-	-
Additions to land and building	<u>(88,279)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash (used) provided by investing activities	<u>945,988</u>	<u>(6,874,537)</u>	<u>-</u>	<u>(20,939,243)</u>
Decrease in cash	(176,320)	-	-	-
Cash, beginning of year	<u>305,228</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, end of year	\$ <u>128,908</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Qualified School Construction Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating Fund Group		
	Waste Water	Drinking Water			
\$ 147,128	\$ 32,446,795	\$ 5,940,268	\$ -	\$ 4,575,347	\$ 221,519,608
(21,860,000)	(35,419,725)	(18,116,761)	-	(588,108)	(300,631,634)
-	-	-	-	-	(51,709,930)
205,646	-	-	794,142	-	1,466,585
(205,646)	(926,935)	(2,502,375)	(212,297)	(884,602)	(6,073,461)
-	(171,929)	(12,719)	(173,344)	(35,451)	-
-	-	-	-	-	(40,651)
(21,712,872)	(4,071,794)	(14,691,587)	408,501	3,067,186	(135,469,483)
21,860,000	-	-	-	-	433,406,480
-	(6,095,000)	(410,000)	-	-	(121,495,468)
(147,128)	(1,696,447)	(188,927)	-	-	(58,432,546)
-	-	-	-	-	(114,389,087)
-	-	-	-	-	(606,492)
-	19,275,339	11,211,921	-	587,358	31,074,618
21,712,872	11,483,892	10,612,994	-	587,358	169,557,505
-	(145,145,766)	(32,195,253)	(1,988,544)	(6,328,420)	(497,869,963)
-	136,193,714	36,077,306	1,566,924	2,472,131	452,763,418
-	1,539,954	196,540	13,119	201,745	11,626,704
-	-	-	-	-	(696,222)
-	-	-	-	-	(88,279)
-	(7,412,098)	4,078,593	(408,501)	(3,654,544)	(34,264,342)
-	-	-	-	-	(176,320)
-	-	-	-	-	305,228
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,908

MAINE MUNICIPAL BOND BANK

STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2011

	<u>General Operating Account</u>	<u>General Tax-Exempt Fund Group</u>	<u>Transportation Fund Groups Grant Anticipation Fund Group</u>	<u>Transportation Infrastructure Fund Group</u>
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:				
Operating income (loss)	\$ (13,259)	\$ (1,743,211)	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Interest income from investments	(300,273)	(5,698,229)	-	(258,797)
Net decrease in the fair value of investments	176,954	2,780,123	-	141,850
Loan forgiveness	-	-	-	-
Depreciation	86,309	-	-	-
Loss on disposal of equipment	316	-	-	-
Amortization of deferred financing costs and refunding benefits rebated to units	-	1,259,047	-	-
Interest expense on bonds payable	-	46,240,363	3,796,209	6,629,444
Federal and State grants	(1,626,482)	-	-	-
Change in assets and liabilities:				
Loans receivable from governmental units and advances to to State of Maine	96,573	(136,875,443)	(43,539,420)	10,242,514
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	748	(766,752)	(673,386)	-
Due to/from other funds	397,487	(15,970)	-	11,926
Other assets	(40,651)	-	-	-
Accounts payable and accrued liabilities	99,970	-	-	-
Due to State of Maine	-	-	-	21,123,123
Net cash (used) provided by operating activities	<u>\$ (1,122,308)</u>	<u>\$ (94,820,072)</u>	<u>\$ (40,416,597)</u>	<u>\$ 37,890,060</u>

See accompanying notes.

Qualified School Construction Fund Group	Sewer and Water Fund Groups			Operating Fund Group	School Facilities Fund Group	Total
	Revolving Loan Fund Groups					
	Waste Water	Drinking Water				
\$ -	\$ 18,966,355	\$ 13,016,331	\$334,254	\$ (606,922)	\$ 29,953,548	
-	(1,546,212)	(129,405)	(6,899)	(197,155)	(8,136,970)	
-	866,037	90,519	5,043	179,402	4,239,928	
-	1,555,293	1,379,875	-	327,256	3,262,424	
-	-	-	-	-	86,309	
-	-	-	-	-	316	
-	479,088	55,621	-	-	1,793,756	
344,378	1,661,675	170,771	-	-	58,842,840	
-	(18,927,600)	(16,287,600)	-	(587,358)	(37,429,040)	
(21,860,000)	(6,967,353)	(12,983,789)	-	3,987,239	(207,899,679)	
(197,250)	262,358	10,075	-	-	(1,364,207)	
-	(420,206)	(13,889)	76,103	(35,451)	-	
-	-	-	-	-	(40,651)	
-	(1,229)	(96)	-	175	98,820	
-	-	-	-	-	21,123,123	
<u>\$(21,712,872)</u>	<u>\$ (4,071,794)</u>	<u>\$(14,691,587)</u>	<u>\$408,501</u>	<u>\$3,067,186</u>	<u>\$(135,469,483)</u>	

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 an arrangement 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 arrangement is approved annually by the Board of Commissioners through the budgetary approval process.

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. The balance outstanding on this loan as of June 30, 2011 is \$1,073,498.

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. The total federal interest subsidy received in 2011 was approximately \$533,000, and is included in interest on loans receivable from governmental units in the statement of revenues, expenses and changes in net assets.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. Organization (Continued)

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. In addition, the Bond Bank issues taxable bonds that receive a federal interest subsidy payment on each debt service payment date. The total federal interest subsidy received in 2011 was approximately \$102,000 and is included in program revenue from State of Maine in the statement of revenues, expenses and changes in net assets.

Qualified School Construction Fund Group: This fund group consists of funds and accounts established under the Bond Bank's General Bond Resolution 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. The bonds issued in this fund group receive a federal interest subsidy payment on each debt service payment date. The total federal interest subsidy received in 2011 was approximately \$131,000 and is included in interest on loans receivable from governmental units in the statement of revenues, expenses and changes in net assets.

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 by the Second Supplemental Resolution adopted August 21, 1998, and by the Third Supplemental Resolution adopted March 14, 2003. 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. The Operating Fund Group collects fees paid by eligible borrowers of the Sewer and Water Fund Groups and pays administrative expenses to the Bond Bank and other expenses permitted within the resolution that are not covered under the Sewer and Water Revolving Fund Groups. The fees earned are recorded in other income on the statement of revenues, expenses and changes in net assets.

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 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.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. Significant Accounting Policies (Continued)

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.

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 \$4,255,000 have been recorded as interest income from investments in 2011. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2012 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.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. Significant Accounting Policies (Continued)

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.

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. There are no bond proceeds held in Waste Water or Drinking Water Construction funds as of June 30, 2011.

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.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. Significant Accounting Policies (Continued)

New Accounting Pronouncements

In June 2010, GASB Statement No. 59, *Financial Instruments Omnibus* was issued. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. Management has determined that GASB 59 has no effect on its financial statements.

3. Investments Held By Trustee and Operating 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, 2011, investments are categorized as follows:

	<u>Fair Value</u>
<u>General Operating Account</u>	
Operating investments:	
U.S. Government-sponsored enterprises	\$ 15,239,780
Cash and cash equivalents	<u>5,798,968</u>
	<u>\$ 21,038,748</u>
<u>General Tax-Exempt Fund Group</u>	
Investments held by trustee:	
Guaranteed investment contracts	\$ 9,617,086
U.S. Government obligations	21,587,897
U.S. Government-sponsored enterprises	26,305,630
U.S. Treasury strips	57,730,874
U.S. Government-sponsored enterprise strips	41,344,898
Cash and cash equivalents	<u>18,257,054</u>
	<u>\$ 174,843,439</u>
<u>Transportation Infrastructure Fund Group</u>	
Investments held by trustee:	
Guaranteed investment contracts	\$ 16,020
U.S. Government-sponsored enterprises	24,466,446
U.S. Government-sponsored enterprise strips	2,367,089
Cash and cash equivalents	<u>24,561,516</u>
	<u>\$ 51,411,071</u>
<u>Sewer and Water Fund Groups</u>	
Investments held by trustee:	
Revolving Loan Fund Group – Waste Water:	
Guaranteed investment contracts	\$ 3,302,304
U.S. Government obligations	212,100
U.S. Government-sponsored enterprises	51,205,861
U.S. Government-sponsored enterprise strips	3,246,417
Certificates of deposit	6,282,855
Cash and cash equivalents	<u>22,188,824</u>
	<u>\$ 86,438,361</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. Investments Held By Trustee and Operating Investments (Continued)

	<u>Fair Value</u>
Revolving Loan Fund Group – Drinking Water:	
U.S. Government-sponsored enterprises	\$ 5,196,327
U.S. Government-sponsored enterprise strips	413,856
Cash and cash equivalents	<u>5,682,316</u>
	\$ <u>11,292,499</u>
Operating Fund Group:	
Cash and cash equivalents	\$ <u>5,455,245</u>
<u>School Facilities Fund Group</u>	
Investments held by trustee:	
U.S. Government-sponsored enterprises	\$ 13,574,505
Cash and cash equivalents	<u>5,779,482</u>
	\$ <u>19,353,987</u>

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, 2011:

	<u>Fair Value</u>	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More than Ten Years</u>
<u>General Operating Account</u>					
U.S. Government-sponsored enterprises	\$ <u>15,239,780</u>	\$ <u>7,079,810</u>	\$ <u>8,159,970</u>	\$ —	\$ —
<u>General Tax Exempt Fund Group</u>					
Guaranteed investment contracts	\$ 9,617,086	\$ —	\$ —	\$ —	\$ 9,617,086
U.S. Government obligations	21,587,897	14,491,460	275,603	5,762,049	1,058,785
U.S. Government-sponsored enterprises	26,305,630	2,794,685	7,485,198	7,052,763	8,972,984
U.S. Treasury strips	57,730,874	8,228,394	22,186,900	17,946,884	9,368,696
U.S. Government-sponsored enterprise strips	<u>41,344,898</u>	<u>942,411</u>	<u>8,702,316</u>	<u>9,715,027</u>	<u>21,985,144</u>
	\$ <u>156,586,385</u>	\$ <u>26,456,950</u>	\$ <u>38,650,017</u>	\$ <u>40,476,723</u>	\$ <u>51,002,695</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. Investments Held By Trustee and Operating Investments (Continued)

	<u>Fair Value</u>	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More than Ten Years</u>
<u>Transportation Infra- structure Fund Group</u>					
Guaranteed investment contracts	\$ 16,020	\$ 16,020	\$ -	\$ -	\$ -
U.S. Government- sponsored enterprises	24,466,446	14,328,100	10,138,346	-	-
U.S. Government spon- sored enterprise strips	<u>2,367,089</u>	<u>1,472,595</u>	<u>894,494</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,849,555</u>	<u>\$15,816,715</u>	<u>\$11,032,840</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Revolving Loan Fund Group – Waste Water</u>					
Guaranteed investment contracts	\$ 3,302,304	\$ -	\$ 1,937,638	\$ -	\$ 1,364,666
U.S. Government obligations	212,100	-	212,100	-	-
U.S. Government- sponsored enterprises	51,205,861	21,152,150	30,030,438	23,273	-
U.S. Government-spon- sored enterprise strips	3,246,417	4,973	2,034,595	1,206,849	-
Certificates of deposit	<u>6,282,855</u>	<u>321,574</u>	<u>5,961,281</u>	<u>-</u>	<u>-</u>
	<u>\$ 64,249,537</u>	<u>\$21,478,697</u>	<u>\$40,176,052</u>	<u>\$ 1,230,122</u>	<u>\$ 1,364,666</u>
<u>Revolving Loan Fund Group–Drinking Water</u>					
U.S. Government- sponsored enterprises	\$ 5,196,327	\$ 2,037,444	\$ 3,006,112	\$ -	\$ 152,771
U.S. Government-spon- sored enterprise strips	<u>413,856</u>	<u>-</u>	<u>324,641</u>	<u>89,215</u>	<u>-</u>
	<u>\$ 5,610,183</u>	<u>\$ 2,037,444</u>	<u>\$ 3,330,753</u>	<u>\$ 89,215</u>	<u>\$ 152,771</u>
<u>School Facilities Fund Group</u>					
U.S. Government- sponsored enterprises	\$ <u>13,574,505</u>	\$ <u>6,570,060</u>	\$ <u>7,004,445</u>	\$ <u>-</u>	\$ <u>-</u>

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, 2011.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. Investments Held By Trustee and Operating 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, 2011, 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 \$105,100,000 at June 30, 2011.

Trustee held cash and cash equivalents at June 30, 2011 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, 2011 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, with original interest rates, consist of the following at June 30, 2011:

	<u>Original Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding June 30, 2011</u>
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

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

	<u>Original Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding June 30, 2011</u>
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
Series 2008 A and B, 3.00% – 5.00%, dated May 15, 2008	2008 – 2038	49,060,000	43,350,000

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

	<u>Original Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding June 30, 2011</u>
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% – 5.00%, 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
Series 2011 A, 2.37% – 5.00%, dated January 27, 2011	2011 – 2031	80,275,000	80,275,000
Series 2011 C, 2.00% – 5.00%, dated May 26, 2011	2012 – 2041	<u>77,275,000</u>	<u>77,275,000</u>
		<u>\$ 2,019,980,000</u>	<u>\$ 1,211,053,762</u>

Total General Tax-Exempt Fund Group Bonds payable is presented on the balance sheet at June 30, 2011 as follows:

Total principal outstanding	\$ 1,211,053,762
Deferred amount on refunding	(23,241,642)
Unamortized original issue discount	(56,594)
Unamortized original issue premium	<u>40,424,777</u>
 Total General Tax-Exempt Fund Group Bonds payable	 1,228,180,303
Current portion	<u>97,792,423</u>
 Noncurrent portion	 <u>\$ 1,130,387,880</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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:

<u>Due Bond Year</u> <u>Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2011	\$ 95,843,349	\$ 26,843,115	\$ 122,686,464
2012	98,276,067	48,563,263	146,839,330
2013	90,083,607	44,492,697	134,576,304
2014	88,790,406	40,804,009	129,594,415
2015	81,422,358	37,140,285	118,562,643
2016 – 2020	361,552,975	139,028,579	500,581,554
2021 – 2025	231,980,000	70,975,044	302,955,044
2026 – 2030	136,575,000	24,505,773	161,080,773
2031 – 2035	23,835,000	2,428,296	26,263,296
2036 – 2040	2,500,000	400,824	2,900,824
2041	<u>195,000</u>	<u>9,506</u>	<u>204,506</u>
	<u>\$ 1,211,053,762</u>	<u>\$ 435,191,391</u>	<u>\$ 1,646,245,153</u>

Repayment of the debt and interest thereon is to be funded by:

Municipal loan obligations – principal and interest	\$1,450,167,468 ¹
Reserve Funds – principal and interest	<u>196,077,685</u>
	<u>\$ 1,646,245,153</u>

¹ Includes approximately \$14,325,000 of interest to be funded through federal interest subsidy payments.

Total Grant Anticipation Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2011:

	<u>Original</u> <u>Maturity</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u> <u>June 30, 2011</u>
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	<u>24,085,000</u>	<u>24,085,000</u>
		<u>\$ 148,395,000</u>	<u>\$ 117,600,000</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

Total Grant Anticipation Fund Group Bonds payable is presented on the balance sheet at June 30, 2011 as follows:

Total principal outstanding	\$ 117,600,000
Unamortized original issue premium	<u>1,746,418</u>
 Total Grant Anticipation Fund Group Bonds payable	 119,346,418
Less current portion	<u>11,094,613</u>
 Noncurrent portion	 <u>\$ 108,251,805</u>

The outstanding Grant Anticipation Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year</u> <u>Ending September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2011	\$ 10,770,000	\$ 2,463,300	\$ 13,233,300
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
2021 – 2022	<u>10,080,000</u>	<u>796,848</u>	<u>10,876,848</u>
	<u>\$ 117,600,000</u>	<u>\$27,460,491</u>	<u>\$ 145,060,491</u>

Repayment of the debt and interest thereon is to be funded by:

Repayment of advances to State of Maine – principal and interest	<u>\$145,060,491</u> ¹
--	-----------------------------------

¹ Includes approximately \$4,000,000 of interest to be funded through federal interest subsidy payments.

Total Transportation Infrastructure Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2011:

	<u>Original</u> <u>Maturity</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u> <u>June 30, 2011</u>
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	<u>30,000,000</u>	<u>29,185,000</u>
		<u>\$ 185,000,000</u>	<u>\$ 173,925,000</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

Total Transportation Infrastructure Fund Group Bonds payable is presented on the balance sheet at June 30, 2011 as follows:

Total principal outstanding	\$ 173,925,000
Unamortized original issue premium	<u>6,187,591</u>
Total Transportation Infrastructure Fund Group Bonds payable	180,112,591
Less current portion	<u>10,181,764</u>
Noncurrent portion	\$ <u>169,930,827</u>

The outstanding Transportation Infrastructure Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year</u> <u>Ending September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2011	\$ 9,370,000	\$ 3,861,265	\$ 13,231,265
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	10,875,000	6,279,468	17,154,468
2016 – 2020	61,910,000	24,248,287	86,158,287
2021 – 2024	<u>61,450,000</u>	<u>7,888,230</u>	<u>69,338,230</u>
	\$ <u>173,925,000</u>	\$ <u>63,393,477</u>	\$ <u>237,318,477</u>

Repayment of the debt and interest thereon is to be funded by:

Repayment of advances to State of Maine – principal and interest	\$ 228,778,344
Reserve fund – principal	<u>8,540,133</u>
	\$ <u>237,318,477</u>

Total Qualified School Construction Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2011:

	<u>Original</u> <u>Maturity</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u> <u>June 30, 2011</u>
Series 2011 B, 6.12%, dated January 27, 2011	2026	\$ 9,210,000	\$ 9,210,000
Series 2011 D, 5.69%, dated May 26, 2011	2025	<u>12,650,000</u>	<u>12,650,000</u>
		\$ <u>21,860,000</u>	\$ <u>21,860,000</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

Total Qualified School Construction Fund Group Bonds payable is presented on the balance sheet at June 30, 2011 as follows:

Total Qualified School Construction Fund Group Bonds payable	\$21,860,000
Less current portion	<u> —</u>
Noncurrent portion	<u>\$21,860,000</u>

The outstanding Qualified School Construction Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year</u> <u>Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2011	\$ —	\$ 591,750	\$ 591,750
2012	—	1,283,506	1,283,506
2013	—	1,283,506	1,283,506
2014	—	1,283,506	1,283,506
2015	—	1,283,506	1,283,506
2016 – 2020	—	6,417,529	6,417,529
2021 – 2025	12,650,000	6,417,529	19,067,529
2026	<u>9,210,000</u>	<u>563,468</u>	<u>9,773,468</u>
	<u>\$21,860,000</u>	<u>\$19,124,300</u>	<u>\$40,984,300</u>

Repayment of the debt and interest thereon is to be funded by:

Government unit loan obligations – principal and interest	<u>\$40,984,300</u> ¹
---	----------------------------------

¹ Includes approximately \$17,300,000 of interest to be funded through federal interest subsidy payments.

Sewer and Water Fund Group Waste Water Bonds payable, with original interest rates, consist of the following at June 30, 2011:

	<u>Original</u> <u>Maturity</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30, 2011</u>
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	<u>2,660,000</u>	<u>2,380,000</u>
		<u>\$65,410,000</u>	<u>\$39,690,000</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

The Sewer and Water Fund Group Waste Water Bonds payable are presented on the balance sheet at June 30, 2011 as follows:

Total principal outstanding	\$39,690,000
Deferred amount on refunding	(384,732)
Unamortized original issue discount	(4,355)
Unamortized original issue premium	<u>601,603</u>
 Total Sewer and Water Fund Group Waste Water Bonds payable	 39,902,516
Less current portion	<u>5,677,836</u>
 Noncurrent portion	 <u>\$34,224,680</u>

The outstanding Sewer and Water Fund Group Waste Water Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year</u> <u>Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2011	\$ 5,645,000	\$ 802,311	\$ 6,447,311
2012	5,745,000	1,377,823	7,122,823
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	<u>3,925,000</u>	<u>445,870</u>	<u>4,370,870</u>
	<u>\$39,690,000</u>	<u>\$7,565,967</u>	<u>\$47,255,967</u>

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	\$40,679,816
Reserve fund – principal and interest	<u>6,576,151</u>
	<u>\$47,255,967</u>

Sewer and Water Fund Group Drinking Water Bonds payable, with original interest rates, consist of the following at June 30, 2011:

	<u>Original</u> <u>Maturity</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u> <u>June 30, 2011</u>
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	<u>2,380,000</u>	<u>2,120,000</u>
		<u>\$6,150,000</u>	<u>\$5,050,000</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

The Sewer and Water Fund Group Drinking Water Bonds payable are presented on the balance sheet at June 30, 2011 as follows:

Total principal outstanding	\$5,050,000
Deferred amount on refunding	(7,143)
Unamortized original issue discounts and costs of issuance	(19,438)
Unamortized original issue premium	<u>61,433</u>
 Total Sewer and Water Fund Group Drinking Water Bonds payable	 5,084,852
Less current portion	<u>429,368</u>
 Noncurrent portion	 <u>\$4,655,484</u>

The outstanding Sewer and Water Fund Group Drinking Water Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year</u> <u>Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2011	\$ 420,000	\$ 91,370	\$ 511,370
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	<u>1,115,000</u>	<u>142,480</u>	<u>1,257,480</u>
	<u>\$5,050,000</u>	<u>\$1,249,895</u>	<u>\$6,299,895</u>

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	<u>\$6,299,895</u>
---	--------------------

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

The following summarizes bond payable activity for the Bond Bank for the year ended June 30, 2011:

	General Tax Exempt Fund <u>Group</u>	Grant Anticipation Fund Group	Trans- portation Infra- structure Fund Group	Qualified School Construc- tion 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	337,140,000	50,000,000	—	21,860,000	—	—
Redemptions	(97,930,468)	(7,950,000)	(9,110,000)	—	(6,095,000)	(410,000)
Refunded bonds (note 9)	(99,785,000)	—	—	—	—	—
Capitalized premiums, net	21,872,118	1,709,930	—	—	—	—
Deferred amounts on refunding	(12,184,037)	—	—	—	—	—
Accretion/amortization of discounts, premiums and deferred amounts on refunding	<u>(1,564,554)</u>	<u>(220,510)</u>	<u>(1,132,515)</u>	<u>—</u>	<u>(28,531)</u>	<u>(10,823)</u>
Balance, end of year	<u>\$ 1,228,180,303</u>	<u>\$119,346,418</u>	<u>\$180,112,591</u>	<u>\$21,860,000</u>	<u>\$39,902,516</u>	<u>\$5,084,852</u>

Some bonds contain provisions for prepayment at the Bond Bank’s option. All bonds within the General Tax-Exempt Fund Group, Qualified School Construction 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 following 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, 2011, the required debt service reserve was approximately \$132,655,000.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

5. Reserve Fuuds (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, 2011, the fair value of the reserve fund assets totaled approximately \$161,077,000, which exceeded the required reserves by approximately \$23,751,000.

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, 2011, the required capital reserve was approximately \$8,477,000 and the fair value of the capital reserve assets totaled approximately \$8,900,000.

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, 2011, the required capital reserve was approximately \$7,077,000 and the fair value of the capital reserve assets totaled approximately \$8,676,000.

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.

In 2009, 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.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

6. Sewer and Water Revolving Fund Group (Continued)

Net assets consist of the following at June 30, 2011:

	<u>Waste Water</u>	<u>Drinking Water</u>
Reserved for revolving loans:		
Grants received from Environmental Protection Agency under existing capitalization grant program	\$ 226,846,659	\$ 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	45,423,362	24,028,308
Other amounts reserved (utilized) for program loans and costs	<u>36,610,064</u>	<u>(23,903,515)</u>
	341,207,695	141,377,693
Unreserved amounts available	<u>300,000</u>	<u>710,662</u>
Net assets at June 30, 2011	<u>\$ 341,507,695</u>	<u>\$ 142,088,355</u>

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, 2011 are \$11,634,348 (waste water) and \$5,357,422 (drinking water), with \$11,334,348 and \$4,646,760, respectively, expended to date. The remaining amount of \$300,000 in the Waste Water Revolving Loan Fund Group and \$710,662 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 \$36,060,990 at June 30, 2011, 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 2011 was \$1,379,875.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 \$13,585,068 at June 30, 2011 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 2011 were \$1,555,293.

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, 2011, the Bond Bank has approximately \$6,283,000 of certificates of deposits outstanding at various banks of which approximately \$833,000 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	\$ 99,267,214
Loans forgiven	(73,770,827)
Other amounts reserved for program loans and costs	<u>10,358,740</u>
	35,855,127
Unreserved amounts available	<u>1,264,251</u>
Net assets at June 30, 2011	<u>\$ 37,119,378</u>

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, 2011 are \$3,048,199, with \$1,783,948 expended to date. The remaining amount of \$1,264,251 can be used for future administrative costs.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

7. School Facilities Fund Group (Continued)

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 2011 were \$327,256.

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, 2011 for employees covered by the Plan was approximately \$1,025,000, 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, 2011, 2010 and 2009 were \$35,864, \$27,676 and \$27,269 (employer) and \$66,604 \$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 June 30, 2011).

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. Defined Benefit Pension Plan and Other Postemployment Benefits (Continued)

Funding Policy: The post employment healthcare benefits are currently being funded on a pay-as-you-go basis (the Bond Bank paid approximately \$4,490 in 2011). No assets have been segregated and restricted to provide post-employment benefits.

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 2011, 2010 and 2009 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$68,846	0%	\$206,538
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, 2011, the Bond Bank's OPEB funding progress is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (ALL)</u>	<u>Unfunded ALL (UALL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UALL as a Percentage of Covered Payroll</u>
⁽¹⁾ 1/1/2009	\$ –	\$647,132	\$647,132	0%	\$1,025,000	63%

⁽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.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. Defined Benefit Pension Plan and Other Postemployment Benefits (Continued)

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 certain of 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 \$15,574,000 and after payment of approximately \$610,000 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 \$11.6 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 three 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 June 30, 2011, 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.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

10. Pass-Through State Grants (Continued)

Riverfront Community Development Program

The Bond Bank received no additional State of Maine grants as of June 30, 2011. Of the deferred monies from the previous year totaling \$2,897,911, \$1,276,481 has been passed on to qualifying municipalities. The balance of \$1,621,430 plus \$1,256 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

The Bond Bank received no additional State of Maine grants as of June 30, 2011. 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 \$219 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

Summary of Certain Provisions of the Sewer and Water Resolutions and the Loan Agreements

SUMMARY OF CERTAIN PROVISIONS OF THE SEWER AND WATER RESOLUTIONS

The following is a summary of certain provisions of the Sewer and Water Resolutions (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.

Resolution Constitutes Contract

The Resolution shall constitute a contract between the Bank and the Holders of the Bonds, and the pledges made in the Resolution and the covenants and agreements set forth in the Resolution to be performed by the Bank shall be 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 issue or maturity, shall be equal of 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; provided, however, the pledges made in the Resolution and the covenants and agreements set forth in the Resolution or set forth in a Series Resolution to be performed by the Bank with respect to Bonds secured by a Designated Equity Account in the Capital Reserve Fund shall be solely for the benefit of Bonds secured by such Designated Equity Account.

Establishment of Funds and Accounts

The following special trust funds are established by the Resolution and shall be maintained and held by the Trustee pursuant to the provisions of the Resolution:

- (1) Undesignated Construction Fund
- (2) Undesignated Revenue Fund
- (3) Undesignated Debt Service Fund
 - (b) Undesignated Interest Account
 - (c) Undesignated Principal Account
- (4) Capital Reserve Fund
 - (a) Debt Account
- (5) Undesignated Redemption Fund
- (6) Operating Fund
- (7) Surplus Fund
- (8) Undesignated Earnings Fund
- (9) Undesignated Rebate Fund

The Bank may direct the Trustee to further establish within the Capital Reserve Fund special accounts designated as Equity Accounts. Each Equity Account so established shall be a special trust fund maintained and held by the Trustee pursuant to the provisions of the Resolution solely for the benefit of Bonds designated in a Series Resolution as being secured by such Equity Account. Each Equity Account shall be identified by such further

designation as the Bank determines pursuant to the Resolution and all Bonds secured by such Equity Account shall bear a similar identifying designation.

For all Series of Bonds for which a particular Equity Account is established by the Bank within the Capital Reserve Fund there shall also be established the following special trust funds to be maintained and held by the Trustee solely for the benefit of Bonds designated in a Series Resolution as being secured by such Equity Account pursuant to the provisions of the Resolution:

- (1) _____ Construction Fund
- (2) _____ Revenue Fund
- (3) _____ Debt Service Fund
 - (b) _____ Interest Account
 - (c) _____ Principal Account
- (4) _____ Redemption Fund
- (5) _____ Earnings Fund
- (6) _____ Rebate Fund

Each such fund and account shall bear in the blank space the same designation as the Equity Account in connection with which it is established.

The Resolution establishes (i) with respect to the Drinking Water SRF, a Drinking Water SRF Equity Account within the Capital Reserve Fund, a Drinking Water SRF Construction Fund, a Drinking Water SRF Revenue Fund, a Drinking Water SRF Debt Service Fund (including a Drinking Water SRF Interest Account and a Drinking Water SRF Principal Account therein), a Drinking Water SRF Redemption Fund, a Drinking Water SRF Earnings Fund and a Drinking Water SRF Rebate Fund and (ii) with respect to the Wastewater SRF, a Wastewater SRF Equity Account within the Capital Reserve Fund, a Wastewater SRF Construction Fund, a Wastewater SRF Revenue Fund, a Wastewater SRF Debt Service Fund (including a Wastewater SRF Interest Account and a Wastewater SRF Principal Account therein), a Wastewater SRF Redemption Fund, a Wastewater SRF Earnings Fund and a Wastewater SRF Rebate Fund. The Funds and Accounts designated Drinking Water SRF and Wastewater SRF are the only Designated Funds and Accounts established pursuant to the Resolution as of the date hereof.

Construction Funds

Designated Construction Fund. Upon satisfaction of the conditions of the Resolution with respect to a Project of a Municipality financed with the proceeds of Bonds secured by a Designated Equity Account, the Trustee shall establish a Similarly Designated Construction Fund for the benefit of such Municipality and shall deposit therein the amount of the Loan to such Municipality.

In addition, at the direction of the Bank, the Trustee shall establish within the Similarly Designated Construction Fund a Bank Account for the benefit of the Bank and shall deposit the amount set forth in such direction. Upon the making of a Loan to be financed from amounts in the Bank Account, the Trustee shall establish a Similarly Designated Construction Fund for the benefit of such Municipality and shall deposit therein, from the Bank Account, the amount of the Loan to such Municipality. Notwithstanding the foregoing, no such transfer shall be made unless the Trustee shall have received a certificate of the Bank to the effect that upon making the Loan to the Municipality from amounts in the Bank Account, revenues projected to be received by the Bank in each year and pledged hereunder, together with other available funds of the Bank pledged hereunder (but without reducing amounts in the Capital Reserve Fund below the Capital Reserve Fund Requirement) will be sufficient to pay Debt Service on the Bonds. If, after 90 days, amounts in the Bank Account have not been transferred to a Similarly Designated Construction Fund of a Municipality, the Trustee shall transfer such remaining amounts to the

Redemption Fund, provided, however, if such remaining amounts are invested at a yield at least equal to the yield on the Series of Bonds from which amounts were derived, such amounts may be retained in the Bank Account.

The Trustee shall apply the amounts in a Similarly Designated Construction Fund, upon requisition, to pay the costs of the Project of the Municipality for which the Designated Construction Fund was established and, to the extent not paid from the Costs of Issuance Account, the Municipality's Proportionate Share of the Costs of Issuance.

The Trustee is authorized and directed under the Resolution to issue its checks for each disbursement from a Designated Construction Fund upon a requisition submitted to the Trustee, signed by an officer of the Municipality and approved by the Technical Consultant. Such requisition shall be in the form set forth in the Loan Agreement executed by the Municipality. No disbursement shall be made from any Designated Construction Fund except pursuant to a requisition approved by the Bank.

Undesignated Construction Fund. Upon satisfaction of the conditions of the Resolution with respect to a Project of a Municipality financed with the proceeds of Bonds not secured by any Equity Account, the Trustee shall establish an Undesignated Construction Fund for the benefit of such Municipality and shall deposit therein the amount of the Loan to such Municipality.

In addition, at the direction of the Bank, the Trustee shall establish within the Undesignated Construction Fund a Bank Account for the benefit of the Bank and shall deposit the amount set forth in such direction. Upon the making of a Loan to be financed from amounts in the Bank Account, the Trustee shall establish an Undesignated Construction Fund for the benefit of such Municipality and shall deposit therein, from the Bank Account, the amount of the Loan to such Municipality. Notwithstanding the foregoing, no such transfer shall be made unless the Trustee shall have received a certificate of the Bank to the effect that upon making the Loan to the Municipality from amounts in the Bank Account, revenues projected to be received by the Bank in each year and pledged hereunder, together with other available funds of the Bank pledged hereunder (but without reducing amounts in the Capital Reserve Fund below the Capital Reserve Fund Requirement) will be sufficient to pay Debt Service on the Bonds. If, after 90 days, amounts in the Bank Account have not been transferred to an Undesignated Construction Fund of a Municipality, the Trustee shall transfer such remaining amounts to the Redemption Fund, provided, however, if such remaining amounts are invested at a yield at least equal to the yield on the Series of Bonds from which amounts were derived, such amounts may be retained in the Bank Account.

The Trustee shall apply the amounts in the Undesignated Construction Fund, upon requisition, to pay the costs of the Project of the Municipality for which the Undesignated Construction Fund was established and, to the extent not paid from the Costs of Issuance Account, the Municipality's Proportionate Share of the Costs of Issuance.

The Trustee is authorized and directed under the Resolution to issue its checks for each disbursement from an Undesignated Construction Fund upon a requisition submitted to the Trustee, signed by an officer of the Municipality and approved by the Bank and the Technical Consultant. Such requisition shall be in the form set forth in the Loan Agreement executed by the Municipality. No disbursement shall be made from any Undesignated Construction Fund except pursuant to a requisition approved by the Bank.

Revenue Funds

Designated Revenue Funds. With respect to Bonds secured by a Designated Equity Account, all Municipal Bonds Payments relating to Loans financed with Bonds secured by such Designated Equity Account shall, upon receipt by the Bank or any agent of the Bank, be deposited with the Trustee and credited to the Similarly Designated Revenue Fund. Not later than the date that any payment of principal or interest on Bonds secured by such Designated Equity Account is due the Trustee shall withdraw from the Similarly Designated Revenue Fund and transfer to the funds and accounts set forth below the following amounts in the following order of priority:

FIRST: To the Similarly Designated Interest Account in the Similarly Designated Debt Service Fund the amount, if any, required so that the balance in such Similarly Designated Interest Account shall equal the amount of interest due on such Interest Payment Date; and

SECOND: To the Similarly Designated Principal Account in the Similarly Designated Debt Service Fund the amount, if any, required so that the balance in such Account shall equal the amount of the Principal Installment due on such date.

If, after application as set forth above, amounts remain in the Revenue Fund with respect to Municipal Bonds Payments or earnings thereon secured by a Designated Equity Account and all amounts required to be deposited in the similarly Designated Debt Service Fund have been so deposited, the Bank may direct the Trustee to transfer all or a portion of such amounts first, to cure any deficiency in the Capital Reserve Fund and second, to any other fund or account established under the Resolution.

Undesignated Revenue Fund. With respect to Bonds not secured by any Equity Account, all Municipal Bonds Payments relating to Loans financed with Bonds not secured by any Equity Account shall, upon receipt by the Bank or any agent of the Bank, be deposited with the Trustee and credited to the Undesignated Revenue Fund. Not less than five (5) days before any payment of principal of or interest on such Bonds is due the Trustee shall withdraw from the Undesignated Revenue Fund and transfer to the funds and accounts set forth below the following amounts in the following order of priority:

FIRST: To the Undesignated Interest Account in the Undesignated Debt Service Fund the amount, if any, required so that the balance in such Undesignated Interest Account shall equal the amount of interest due on such Interest Payment Date; provided that for the purpose of computing the amount to be paid to such Undesignated Interest Account, there shall be excluded the amount, if any, set aside in such Undesignated Interest Account which was deposited therein from the proceeds of each Series of Bonds not secured by any Equity Account as accrued interest; and

SECOND: To the Undesignated Principal Account in the Undesignated Debt Service Fund the amount, if any, required so that the balance in such Account shall equal the amount of the Principal Installment due on such date.

If, after application as set forth above amounts remain in the Revenue Fund with respect to Municipal Bonds Payments or earnings thereon not secured by any Equity Account and all amounts required to be deposited in the Undesignated Debt Service Fund have been so deposited, then the Bank may direct the Trustee to transfer all or a portion of such amount first, to cure any deficiency in the Capital Reserve Fund and then to any other fund or account established under the Resolution.

Debt Service Funds

Designated Debt Service Fund. (1) With respect to Bonds secured by a Designated Equity Account, the Trustee shall pay out of the Similarly Designated Interest Account of the Similarly Designated Debt Service Fund to the respective Paying Agents for any of such Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on such Bonds due on such Interest Payment Date and (ii) on any redemption date, the amount required for the payment of accrued interest on such Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment. The Trustee shall also pay out of the Similarly Designated Interest Account the accrued interest included in the purchase price of Bonds secured by such Designated Equity Account purchased for retirement as set forth in paragraph (3) below.

(2) With respect to Bonds secured by a Designated Equity Account, the Trustee shall pay out of the Similarly Designated Principal Account of the Similarly Designated Debt Service Fund to the respective Paying Agents for any Bonds secured by such Designated Equity Account on each principal payment date and sinking fund redemption date (each as set forth in a Series Resolution) for any of such Bonds, the amounts required for the payment of such principal or sinking fund redemption price on such date, and such amounts shall be applied by the Paying Agents to such payments.

(3) With respect to Bonds secured by a Designated Equity Account, the amount accumulated in the Similarly Designated Principal Account for each sinking fund redemption may, and if so directed by the Bank shall,

be applied (together with amounts accumulated in the Similarly Designated Interest Account of the Similarly Designated Debt Service Fund with respect to interest on the Bonds secured by such Designated Equity Account subject to sinking fund redemption) by the Trustee prior to the forty-fifth (45th) day preceding the sinking fund redemption date to: (a) the purchase of Bonds secured by the Designated Equity Account of the Series and maturity as such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, or (b) the redemption, pursuant to the applicable Series Resolution, of such Bonds, at the Redemption Price referred to in (a) above.

(4) As soon as practicable after the forty-fifth (45th) day preceding the date of any such sinking fund redemption, the Trustee shall proceed to call for redemption pursuant to the Resolution on such redemption date Bonds secured by the Designated Equity Account of the Series and maturity for which sinking fund redemption is required in such amount as shall be necessary to complete the retirement of the principal amount, specified for such sinking fund redemption of the Bonds secured by the Designated Equity Account of such Series and maturity. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Designated Principal Account sufficient to pay the applicable Redemption Price thereof and moneys in the Designated Interest Account, sufficient to pay interest thereon to the Redemption Date. The Trustee shall pay out of the Similarly Designated Principal Account to the appropriate Paying Agents, on each such redemption date, the amount required for the redemption of the Bonds secured by the Designated Equity Account so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(5) With respect to Bonds secured by a Designated Equity Account, at any time that amounts in the Similarly Designated Interest Account of the Similarly Designated Debt Service Fund or the Similarly Designated Principal Account of the Similarly Designated Debt Service Fund are insufficient to pay out moneys as set forth in paragraphs (1) and (2) above, the Trustee shall forthwith withdraw first from the Operating Fund, second from the Designated Equity Account of the Capital Reserve Fund and third from the Debt Account of the Capital Reserve Fund an amount which, together with other amounts available for such payment, shall be sufficient to provide for such payment in full and apply the amount so withdrawn to such payment.

Undesignated Debt Service Fund. (1) With respect to Bonds not secured by any Equity Account the Trustee shall pay out of the Undesignated Interest Account of the Undesignated Debt Service Fund to the respective Paying Agents for any of such Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on such Bonds due on such Interest Payment Date and (ii) on any redemption date, the amount required for the payment of accrued interest on such Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment. The Trustee shall also pay out of the Undesignated Interest Account the accrued interest included in the purchase price of Bonds not secured by any Equity Account purchased for retirement as set forth in paragraph (3) below.

(2) The Trustee shall pay out of the Undesignated Principal Account of the Undesignated Debt Service Fund to the respective Paying Agents for any Bonds not secured by any Equity Account on each principal payment date and sinking fund redemption date (each as set forth in a Series Resolution) for any of such Bonds, the amounts required for the payment of such principal or sinking fund redemption price on such date, and such amounts shall be applied by the Paying Agents to such payments.

(3) With respect to Bonds not secured by any Equity Account the amount accumulated in the Undesignated Principal Account for each sinking fund redemption may, and if so directed by the Bank shall, be applied (together with amounts accumulated in the Undesignated Interest Account of the Undesignated Debt Service Fund with respect to interest on such Bonds subject to sinking fund redemption) by the Trustee prior to the forty-fifth (45th) day preceding the sinking fund redemption date to: (a) the purchase of Bonds not secured by any Equity Account of the Series and maturity as such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, or (b) the redemption, pursuant to the applicable Series Resolution, of such Bonds, at the Redemption Price referred to in (a) above.

(4) As soon as practicable after the forty-fifth (45th) day preceding the date of any such sinking fund redemption, the Trustee shall proceed pursuant to the Resolution to call for redemption on such redemption date

Bonds not secured by any Equity Account of the Series and maturity for which sinking fund redemption is required in such amount as shall be necessary to complete the retirement of the principal amount, specified for such sinking fund redemption of such Bonds of such Series and maturity. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Undesignated Principal Account sufficient to pay the applicable Redemption Price thereof and moneys in the Undesignated Interest Account, sufficient to pay interest thereon to the Redemption Date. The Trustee shall pay out of the Undesignated Principal Account to the appropriate Paying Agents, on each such redemption date, the amount required for the redemption of the Bonds not secured by any Equity Account so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(5) With respect to Bonds not secured by any Equity Account, at any time that amounts in the Undesignated Interest Account of the Undesignated Debt Service Fund or the Undesignated Principal Account of the Undesignated Debt Service Fund are insufficient to pay out moneys as set forth in paragraphs (1) and (2) above, the Trustee shall forthwith withdraw first from the Operating Fund and second from the Debt Account of the Capital Reserve Fund an amount which, together with other amounts available for such payment, shall be sufficient to provide for such payment in full and apply the amount so withdrawn to such payment.

Capital Reserve Fund

The Capital Reserve Fund shall be held by the Trustee. The Bank shall pay into such Capital Reserve Fund such portion of the monies appropriated and made available by the State and paid to the Bank for the purpose of the Capital Reserve Fund; all monies paid to the Bank pursuant to Section 6006, subsection 1-A of the Act for the purpose of restoring the Capital Reserve Fund to the amount of the Required Debt Service Reserve; such portion of the proceeds of sale of Bonds, if any, as shall be provided by the Series Resolution authorizing the issuance thereof, which amounts shall be deposited solely in the Debt Account; and any other monies which may be made available to the Bank for the purposes of the Capital Reserve Fund from any other source or sources, and the Trustee shall deposit in and credit to the Capital Reserve Fund all monies transferred from the Operating Fund pursuant to the Resolution.

Monies and securities held for the credit of the Capital Reserve Fund shall be transferred by the Trustee as set forth in the Resolution at the times and in the amounts required to comply with the provisions of the Resolution. Amounts so applied shall be derived first from cash or investments on deposit therein and second from draws or demands on Financial Guaranties held as a part thereof upon the terms and conditions set forth in such Financial Guaranties or as set forth in a Series Resolution authorizing such Financial Guaranty.

Monies and securities held for the credit of a Designated Equity Account of the Capital Reserve Fund and the Debt Account of the Capital Reserve Fund shall be transferred by the Trustee to the Similarly Designated Interest Account and the Similarly Designated Principal Account at the times and in the amounts required to comply with the provisions of the Resolution.

Monies and securities held for the credit of the Debt Account of the Capital Reserve Fund shall be transferred by the Trustee to the Undesignated Interest Account and the Undesignated Principal Account at the times and in the amounts required to comply with the provisions of the Resolution.

Any income, principal or interest earned by any Equity Account shall be deposited in such Equity Account. Any income, principal or interest earned by the Debt Account shall be transferred by the Trustee promptly to each Designated Revenue Fund and the Undesignated Revenue Fund, pro rata with the respective outstanding principal balance of Bonds secured by each such Revenue Fund, but only to the extent that any such transfer will not reduce the amount in the Capital Reserve Fund below the Required Debt Service Reserve.

If at any time upon the payment or upon the retirement of Bonds at maturity or upon the purchase or redemption of Bonds (1) with respect to Bonds secured by a Designated Equity Account, if (a) the monies and securities in such Equity Account and the Debt Account are in excess of an amount equal to the Required Debt Service Reserve for such Bonds and (b) a transfer of such excess funds from the Debt Account will not reduce the amounts therein below the Required Debt Service Reserve for any Bonds and (2) with respect to Bonds not secured by any Equity Account, if (a) the monies and securities in the Debt Account are in excess of an amount equal to the

Required Debt Service Reserve for such Bonds and (b) a transfer of such excess funds from the Debt Account will not reduce the amounts therein below the Required Debt Service Reserve for any other Bonds, and the use or transfer of such excess is not otherwise provided for in the Resolution, the Trustee, upon the written request of the Bank signed by an Authorized Officer, shall transfer excess monies and securities from the Debt Account of the Capital Reserve Fund to and deposit the same in any Designated Redemption Fund or the Undesignated Redemption Fund as so directed.

Whenever the Bank shall sell, or whenever a Municipality shall redeem, Municipal Bonds requiring the purchase or redemption of Bonds which would result in the reduction of the Required Debt Service Reserve with respect to any Bonds upon the purchase or redemption of such Bonds, the Trustee, upon the written request of the Bank signed by an Authorized Officer, in connection with each such event, shall transfer excess monies and securities from the Debt Account of the Capital Reserve Fund and deposit the same in any Designated Redemption Fund or the Undesignated Redemption Fund, as so directed; provided, however, in no event shall amounts in the Debt Account be reduced such that the amounts in the Capital Reserve Fund are reduced below the Required Debt Service Reserve for any Bonds.

If at any time upon the payment or upon the retirement of Bonds at maturity or upon the purchase or redemption of bonds, with respect to Bonds secured by a Designated Equity Account, if (1) the monies and securities in such Equity Account and the Debt Account are in excess of an amount equal to the Required Debt Service Reserve for such Bonds and (2) a transfer of such excess funds from the Equity Account will not reduce the amounts in the Capital Reserve Fund below the Required Debt Service Reserve for all Bonds, and the use or transfer of such excess is not otherwise provided for in this Resolution, the Trustee, upon the written request of the Bank signed by an Authorized Officer, shall transfer excess monies and securities from such Equity Account to the Bank free and clear of any pledge and lien of the Resolution.

Redemption Funds

Designated Redemption Funds. With respect to Bonds secured by a Designated Equity Account, the Bank shall deposit or cause to be deposited in the Similarly Designated Redemption Fund such portion of the monies received as the proceeds of sale or redemption of Municipal Bonds initially purchased with the proceeds of Bonds secured by such Designated Equity Account as required by the Resolution and, upon any such deposit, shall advise the Trustee in writing of the name of the Municipality which is the issuer of the Municipal Bonds sold or redeemed. There shall also be deposited in the Similarly Designated Redemption Fund amounts required to be so transferred from the Construction Fund. The Trustee shall also at such time deposit in the Designated Redemption Fund the applicable portion of the monies transferred from the Capital Reserve Fund. Monies so deposited in the Designated Redemption Fund shall be applied to the purchase or retirement of the Bonds secured by such Designated Equity Account.

Undesignated Redemption Fund. With respect to Bonds not secured by any Equity Account, the Bank shall deposit or cause to be deposited in the Undesignated Redemption Fund such portion of the monies received as the proceeds of sale or redemption of Municipal Bonds initially purchased with the proceeds of Bonds not secured by any Equity Account as required by the Resolution, and, upon any such deposit, shall advise the Trustee in writing of the name of the Municipality which is the issuer of the Municipal Bonds sold or redeemed. There shall also be deposited in the Undesignated Redemption Fund amounts required to be so transferred thereto from the Construction Fund. The Trustee shall also at such time deposit in the Undesignated Redemption Fund the applicable portion of the monies transferred from the Capital Reserve Fund pursuant to the Resolution. Monies so deposited in the Undesignated Redemption Fund by the Trustee shall be applied to the purchase or retirement of the Bonds not secured by any Equity Account.

Operating Fund

(A) There shall be deposited in the applicable account of the Operating Fund (1) all amounts transferred from the Drinking Water SRF Loan and Equity Loan Holding Account, which amounts shall be deposited in the Drinking Water SRF Account, and all amounts transferred from the Wastewater SRF Loan and Equity Loan Holding Account, which amounts shall be deposited in the Wastewater SRF Account, each pursuant to the Resolution; (2) all amounts, if any, paid by Municipalities pursuant to any Loan Agreement as a financing fee or servicing fee, to the

extent not already deposited pursuant to (1); (3) all Fees and Charges paid by Municipalities; (4) from the proceeds of a Series of Bonds, such amount as shall be specified in a Series Resolution authorizing such Series of Bonds to pay Costs of Issuance, which amounts shall be segregated in a Costs of Issuance Account established to pay Costs of Issuance for such Series of Bonds; (5) amounts transferred by the Trustee, from the Surplus Fund; (6) all amounts required to be transferred for deposit therein pursuant to a Series Resolution; and (7) such other amounts as shall be delivered by the Bank to the Trustee for deposit therein.

(B) (1) If on any Interest Payment Date there are insufficient amounts in any Designated Interest Account or the Undesignated Interest Account to make such interest payment or for any date on which a Principal Installment shall be due there are insufficient amounts in any Designated Principal Account or the Undesignated Principal Account to pay such Principal Installment, the Trustee shall transfer from the Operating Fund first to each such Interest Account in which there is a deficiency, on a pro rata basis and second to each such Principal Account in which there is a deficiency, on a pro rata basis, such amounts are necessary respectively to make such interest payment and Principal Installment, as applicable.

(2) If on any Valuation Date the Capital Reserve Fund shall be less than the Required Debt Service Reserve, the Trustee shall transfer from the Operating Fund to the Capital Reserve Fund, after any payments required to be made pursuant to paragraph (1) above have been made such amounts as are necessary to restore the Capital Reserve Fund to the Required Debt Service Reserve.

(C) Subject to subsection (B) above, moneys at any time held in the Operating Fund (other than in any Costs of Issuance Account established therein) shall be used for and applied solely to the following purposes: (1) to pay the Administrative Expenses of the Bank; (2) to pay the fees and expenses of the Trustee and Paying Agents; (3) to the extent the amount in a Costs of Issuance Account is insufficient to pay costs authorized to be paid from such account, to pay such costs; and (4) to fund the Surplus Fund.

(D) Moneys in any Costs of Issuance Account shall be applied to pay financing costs incurred with respect to the Series of Bonds the proceeds of which were deposited therein, including without limitation underwriters' fees, rating agency fees, fees and expenses of the attorney or firm of attorneys of recognized standing in the field of municipal law selected by the Bank, initial Trustee's and Paying Agents' fees and expenses, 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.

Upon a certification by the Bank that all of the foregoing costs with respect to a Series of Bonds have been paid or otherwise provided for, the Trustee shall transfer any amounts remaining in the Costs of Issuance Account for such Series of Bonds to the Operating Fund, unencumbered by such account, for any authorized purpose.

(E) Payments from the Operating Fund shall be made by the Trustee, upon receipt of a requisition, signed by an Authorized Officer.

(F) There shall be paid to the Bank from the Operating Fund by the Trustee, the sum of \$35,000, exclusive of and in addition to reimbursements authorized by the Resolution such sum to be used by the Bank as a revolving fund for the payment, in accordance with the applicable annual budget, of Administrative Expenses. Such revolving fund shall be reimbursed by the Trustee from time to time for such Administrative Expenses so paid, by payments from the Operating Fund upon requisitions of the Bank accompanied by its certificate specifying the payee and the amount and the particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such payment was necessary and was for an item of Administrative Expenses which was provided for within the annual budget then applicable. In making such reimbursements the Trustee may rely upon such requisitions and accompanying certificates.

(G) If on any Valuation Date, and after application of amounts in the Operating Fund as set forth in subsections (B) and (C) above, there remains in the Operating Fund an amount in excess of the amount sufficient to pay costs set forth in subsection (C) above required to be paid therefrom, as set forth in the Bank's annual budget, during the next succeeding six-month period, any such excess may, at the direction of the Bank, be transferred to the Surplus Fund.

Surplus Fund

There shall be deposited in the Surplus Fund (1) amounts transferred to the Surplus Fund from the Operating Fund and (2) such other amounts as shall be delivered by the Bank to the Trustee for deposit therein.

Amounts in the Surplus Fund may be withdrawn by the Bank for any of its lawfully authorized purposes, provided, however, that the Bank, in its absolute discretion, may direct the Trustee to transfer any or all amounts in the Surplus Fund to any other fund or account established pursuant to the Resolution.

Earnings Fund and Rebate Fund

There shall be credited to the Earnings Fund all amounts required to be credited thereto from interest earnings or net gain on disposition of investments pursuant to the Resolution.

At the direction of the Bank the Trustee shall withdraw from the Earnings Fund and deposit to the Rebate Fund such amounts as shall be directed by the Bank. In the event of any deficiency, the balance required shall be provided by the Bank. Computations of the amounts on deposit in each Fund and of the Rebate Amount shall be furnished to the Trustee by the Bank.

Amounts in the Earnings Fund shall be transferred to each Designated Debt Service Fund and the Undesignated Debt Service Fund based on the source from which such amounts were derived on any Interest Payment Date or principal payment date to the extent there are insufficient funds in a Designated Interest Account or a Designated Principal Account or the Undesignated Interest Account or the Undesignated Principal Account to make required payments.

Amounts in the Earnings Fund derived from earnings in a Construction Fund shall, to the extent not required to be transferred to the Rebate Fund, be re-deposited in the Construction Fund all in accordance with the Tax Certification.

The Trustee, upon receipt of written instructions from an Authorized Officer, shall pay to the United States out of amounts in the Rebate Fund such amounts as are required pursuant to the applicable Tax Certification.

Investment of Funds and Accounts Held by the Trustee

Monies in the Funds and Accounts established 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 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 Account will be required for the purposes of the Resolution), to the extent permitted by law, in (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 to the extent such obligations are guaranteed by the Government 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 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 (i) 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, (ii) a prior perfected

security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee, (iii) such obligations are free and clear of any adverse third party claims, and (iv) 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) or (d) above or (f) below, 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 (i) 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, (ii) a prior perfected security interest in the obligations which are securing such agreement has been granted to the Trustee, and (iii) such obligations are free and clear of any adverse third party claims; and (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 either Moody’s Investors Service or Standard & Poor’s Corporation 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. 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 and Accounts established pursuant to the Resolution will be required for the purposes in the Resolution provided. Notwithstanding the foregoing, investment of monies in all Funds and Accounts 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. The term insurance company as used herein includes a company engaged in the insurance business through its wholly-owned subsidiary corporations. An investment agreement with an insurance company includes an investment agreement guaranteed by an insurance company.

In lieu of the investment of monies in obligations authorized above, the Trustee shall upon direction of the Bank by telephone confirmed in writing, signed by an Authorized Officer, deposit monies from any fund or 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 or 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 accordance with the above requirements 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.

Payment of Bonds

The Bank covenants that it shall duly and 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.

Fees and Charges

The Bank shall establish, make, maintain and charge such Fees and Charges, including a Servicing Fee, to each Municipality 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 Municipality will at all times produce monies which, together with such Municipality'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: (a) to pay, as the same become due, the Municipality's Allocable Proportion of the Administrative Expenses of the Bank; and (b) to pay, as the same become due, the Municipality'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 Municipality, and of each revision thereof, and shall require each Municipality 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 Municipality to make payment of Fees and Charges when due in accordance with the applicable schedule.

Administration of Capital Reserve Fund

The Bank shall establish and maintain the Capital Reserve Fund in accordance with the provisions of the Resolution. All monies and securities held in the Capital Reserve Fund shall be used, disbursed and applied only in accordance with the provisions of the Resolution and for no other purpose. Monies and securities held in the Capital Reserve Fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of monies in the Capital Reserve Fund to an amount less than the Required Debt Service Reserve applicable to all Bonds other than in accordance with the provisions of and for the purposes prescribed by the Resolution.

In order to assure the maintenance of the Capital Reserve Fund in an amount equal to the Required Debt Service Reserve and in compliance with the requirements of the Act, the Bank shall cause the Chairman annually, on or before each December 1, to make and deliver to the Governor of the State his certificate stating the amount, if any, required to restore the Capital Reserve Fund to the amount of the Required Debt Service Reserve applicable to all Bonds and a copy of such certificate shall be promptly delivered by the Chairman to the Trustee. All monies received by the Bank from the State pursuant to any such certification, in accordance with the provisions of Section 6006, subsection 1-A of the Act, shall be deposited in the Debt Account of the Capital Reserve Fund.

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 refund Bonds unless the Loan Agreement under which the Loan was made from the proceeds of such Bonds, shall also comply with, the following terms, conditions, provisions and limitations:

(a) The Municipality which is a party to such Loan Agreement must be a Municipality as defined by the Act and the Loan Agreement must be executed in accordance with existing laws;

(b) The Municipality, prior to or simultaneously with the origination of a Loan to the Municipality, shall issue Municipal Bonds which are valid obligations of the Municipality as required by the Act;

(c) The Municipal Bonds Interest Payments and Municipal Bonds Principal Payments to be made by the Municipality under such Loan Agreement shall equal amounts sufficient to pay principal and interest in the aggregate under such Loan Agreement.

(d) The Municipality 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 Resolution;

(e) The Municipality shall be obligated to make the Municipal Bonds Principal Payments and to make the Municipal Bonds Interest Payments and to pay the Fees and Charges imposed by the Bank as set forth in the Loan Agreement: and

(f) The Municipality shall not redeem prior to maturity any of the Municipal Bonds with respect to which the Loan is made without the prior written consent of the Bank.

Modification of Loan Agreement Terms

The Bank shall not 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 of any Municipal Bonds evidencing a Loan, or the security for or any terms of provisions of such Loan or the Municipal Bonds evidencing the same, in a manner which adversely affects or diminishes the rights of the Bondholders; notwithstanding the foregoing, in the event Accrued Aggregate Debt Service for Municipal Bonds in each year securing Similarly Secured Bonds shall exceed 105% of Accrued Aggregate Debt Service in each year with respect to such Similarly Secured Bonds, the Bank may consent to the modification of and modify any Loan Agreement and the Municipal Bonds Payments to be made thereunder securing such Similarly Secured Bonds such that the resulting Accrued Aggregate Debt Service for Municipal Bonds in each year securing such Similarly Secured Bonds shall not be less than 105% of the Accrued Aggregate Debt Service in each year with respect to such Similarly Secured Bonds.

In connection with a refunding of a Series of Bonds (the "Refunded Series of Bonds"), in lieu of formally modifying a Loan Agreement pursuant to this paragraph, the Bank may create a bookkeeping modification to a Loan Agreement and the related Municipal Bonds that modifies the Loan Agreement and the related Municipal Bonds Payments for purposes of the Resolution, provided that such modification complies with the conditions of this paragraph. If the Bank exercises its rights hereunder, the Bank shall (a) designate, with respect to each Loan funded from the proceeds of the Refunded Series of Bonds (the "Applicable Loans") (i) the original schedule of Municipal Bonds Payments prior to the refunding (the "Original Municipal Bonds Payments"), (ii) a schedule of revised Municipal Bonds Payments following the refunding (the "Revised Municipal Bonds Payments") and (iii) a schedule setting forth the difference in each calendar year between the Original Municipal Bonds Payments and the Revised Municipal Bonds Payments and (b) execute a certificate to the effect that in each calendar year the aggregate of the Revised Municipal Bonds Payments on all Applicable Loans, together with earnings on the invested proceeds of the Capital Reserve Fund Obligations allocable to the Refunding Series of Bonds is at least sufficient to pay principal of and interest on the Refunding Series of Bonds in each calendar year, together with any adjustments to Wastewater SRF Equity Loan Payments or Drinking Water SRF Equity Loan Payments that may be applicable, and deliver a copy of such schedules and certificate to the Trustee. With respect to each Loan, the difference between the Original Municipal Bonds Payments and the Revised Municipal Bonds Payments set forth in the schedule (and any differences in Servicing Fee, Wastewater SRF Equity Loan Payments or Drinking Water SRF Equity Loan Payments, if any) shall be deemed a separate obligation (the "Separate Obligation") of the Municipality that is not, and is not related to, Municipal Bonds, Municipal Bonds Payments, Wastewater SRF Equity Loan Payments or Drinking Water SRF Loan Payments for purposes of the Resolution. All payments made by a Municipality under the original Loan Agreement pursuant to this arrangement shall be allocated first to the Revised Municipal Bonds Payments, second to Servicing Fee, third to Wastewater SRF Equity Loan Payments or Drinking Water SRF Loan Payments, as applicable, and fourth to the Separate Obligation, which amounts shall be deposited in an account to be established and held by the Trustee and referred to as the "Reserved Amount Account". Amounts in the Reserved Amount Account shall be transferred to the applicable Debt Service Fund on each Interest Payment Date to the extent that there is a deficiency in such Debt Service Fund on such Interest Payment Date. On October 2 of each year (or, if such day is not a Business Day, on the next Business Day) any balance in the Reserved Amount Account shall be transferred by the Trustee as directed by the Bank free and clear of the lien of the Resolution.

Sale of Municipal Bonds by Bank

With respect to any Similarly Secured Bonds, the Bank shall not sell any Municipal Bonds securing such Similarly Secured Bonds unless the proceeds of the sale shall be deposited in the Redemption Fund securing such Similarly Secured Bonds such that following application of such sale proceeds to the redemption or defeasance of such Similarly Secured Bonds, as applicable, Accrued Aggregate Debt Service projected for each year with respect to such Similarly Secured Bonds (after taking into account the application of sale proceeds to the redemption or defeasance of Bonds) shall be reduced by an amount at least equal to the Municipal Bonds Interest Payments plus Municipal Bonds Principal Payments securing such Similarly Secured Bonds scheduled to become due on the Municipal Bonds sold in each year.

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 terms of the applicable Loan Agreement, or redeemed or defeased by the Municipality, the Bank shall direct the Trustee in writing to deposit the proceeds of such sale, defeasance or redemption, except an amount thereof equal to the costs and expenses of the Bank in effecting the sale, defeasance or redemption of the Bonds to be redeemed upon such sale by the Bank, defeasance or redemption by the Municipality, into either (i) the applicable Redemption Fund and shall apply the same to the payment, defeasance or redemption of applicable Bonds such that the requirements relating to the sale or redemption of Municipal Bonds are met in accordance with the provisions of the Resolution or (ii) the Bank Account established pursuant to the Resolution, in which case such proceeds shall be applied as set forth in the Resolution. If the Trustee shall have not received the above direction of the Bank on or prior to the date of the sale, redemption or defeasance of such Municipal Bonds, the Trustee shall deposit such monies as set forth in clause (i) above. The balance in such applicable account or accounts of such proceeds of sale or redemption of Municipal Bonds shall be deposited in the Operating Fund and applied by the Bank to the purposes for which the same have been allocated as aforesaid in order to provide that Debt Service is reduced in each year in direct proportion to the anticipated Debt Service of the Municipal Bonds.

Enforcement of Municipal Bonds

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 collection, and the giving of notice to the State Treasurer of any failure or default of any Municipality in the payment, of its Municipal Bonds or of its Fees and Charges.

Credit Facility

In connection with the issuance of any Series of Bonds, the Bank may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, Redemption Price or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Bank. In connection therewith the Bank may enter into such agreements with the issuer of such Credit Facility providing for, *inter alia*: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

The Bank may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Bank in the applicable Series Resolution. The Bank may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created, for purposes of this Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation (a "Parity Reimbursement Obligation") may be secured by a pledge of, and a lien on, collateral and revenues securing such Series of Bonds on a parity with the lien created by the Resolution and the applicable Series Resolution. Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates and references herein to Principal Installments and interest payments with respect

to a Series of Bonds shall include principal and interest due on the Parity Reimbursement Obligation incurred as a result of payment of such Bonds with the Credit Facility.

Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Series Resolution.

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Bank and of the Holders of the Bonds and coupons under the Resolution, in any particular, may be made by a Supplemental Resolution, with written consent (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given or (b) 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 two-thirds in principal amount of the Bonds of each Series so affected and 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 the Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or Sinking Fund Installment therefor, or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. A Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Bank and all Holders of Bonds. The Trustee may receive an opinion of counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

Consent of Bondholders

The Bank may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions summarized in the preceding paragraph to take effect when and as provided in this paragraph. 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 to the Bondholders and be published at least once a week for two (2) successive weeks (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 (a) there shall have been filed with the Trustee (i) the written consents of Holders of the percentages of Outstanding Bonds and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed 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, and (b) a notice shall have been published. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and 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), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by the Resolution. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the

Trustee shall make and file with the Bank and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Bank on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective, shall be given to Bondholders by the Bank by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding) and by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee is filed. The Bank shall file with the Trustee proof of the publication of such notice, and, if the same shall have been mailed to Bondholders, of the mailing thereof. A transcript, consisting of the papers required or permitted to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Bank, the Trustee, each Paying Agent and the Holders of all Bonds and coupons at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Bank, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

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, except that no notice to Bondholders either by mailing or publication 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.

Events of Default

Each of the following events is hereby declared 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 then 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 Bank shall fail or refuse to comply with the provisions of Section 6006, subsection 1-A of the Act, or such amounts as shall be certified by the Chairman of the Bank to the Governor pursuant to such provisions of the Act shall not be appropriated and paid to the Bank prior to the termination of the then current State fiscal year; or

(c) the Bank shall fail or refuse to comply with the provisions of the Act, other than as provided in (b) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of twenty-five (25) days after written notice thereof by the Trustee or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds;

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 Municipality 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 be provided with monies from the State or

otherwise, other than withdrawals from or reimbursements of the Reserve Fund, 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 Municipality under the applicable Loan Agreement.

Remedies

Upon the happening and continuance of any event of default specified in paragraph (a) of the immediately preceding Section, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraphs (b) and (c) of Section 1202 of the Resolution, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in 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:

- (1) 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 and Municipal Bonds Payments adequate to carry out the covenants and agreements as to, and pledge of, such Fees and Charges and Municipal Bonds Payments, 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;
- (2) by bringing suit upon the Bonds;
- (3) by action or suit in equity, require the Bank to account as if it were the trustee of any express trust for the Holders of the Bonds;
- (4) 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; or
- (5) in accordance with the provisions of the Act, declare upon the occurrence of an event of default as set forth in subsection (a) of the Section entitled "Events of Default" herein 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 twenty-five per centum (25%) in 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, Redemption Price, interest or otherwise, under any provision of the Resolution or a Series Resolution or of the Bonds, and unpaid, with interest 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 hereunder 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.

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 and principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons 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 the Resolution, after making provisions 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:

(a) 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 or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the 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 or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and coupons.

The provisions of the Resolution with respect to priority of payment after an Event of Default are in all respects subject to the provisions of the Resolution which govern the responsibilities of the Trustee and the Paying Agents.

Whenever monies are to be applied by the Trustee pursuant to the provisions of the Resolution with respect to priority of payment after an Event of Default, 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 this 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. The Trustee shall not be required to make payment to the Holder of any unpaid coupon or any Bond unless such coupon or such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

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 twenty-five per centum (25%) in 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 under 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, and such notification, request and offer of indemnity are hereby 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 secure under the Resolution 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 under the Resolution or under law with respect to the Bonds or the Resolution, except in the manner provided for in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided for in the Resolution and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions of this paragraph or any provisions of the Resolution, the obligation of the Bank shall be absolute and unconditional to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders thereof and the coupons pertaining thereto 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 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 or the enforcement of any right or remedy under the Resolution or any Series 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 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 or interest on any Bond on or after the respective due date thereof expressed in such Bond.

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 ninety (90) 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 or interest on any of the Bonds, or in the making of any payment required to be made into the Capital Reserve 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 registered 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; (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

Defeasance

If the Bank shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal 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, at the option of the Bank, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Bank to the Bondholders shall be discharged and satisfied. 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 money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys or securities 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 effect expressed in the preceding paragraph. All 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

expressed in the preceding paragraph if (1) 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 in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided in Article IV of the Resolution of such Bonds, (2) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or State of Maine general obligation bonds or insured, defeased, or otherwise guaranteed municipal bonds with a rating by a national rating agency in its highest rating category or direct obligations 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, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Bank shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds and coupons that the deposit required by (2) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid and stating such maturity or redemption date upon which monies are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither direct obligations of the United States of America or monies deposited with the Trustee pursuant to this paragraph or principal or interest payments on any such securities 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 applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Bank, as received by the Trustee, free and clear of any trust, lien or pledge.

Anything in the Resolution to the contrary notwithstanding, any monies held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such monies were held by the Fiduciary at such date, or for six years after the date of deposit of such monies if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the 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 and coupons; provided, however, that before being required to make any such payment to the Bank, the Fiduciary shall, at the expense of the Bank, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said monies remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such monies then unclaimed will be returned to the Bank.

[INTENTIONALLY LEFT BLANK]

APPENDIX E

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated as of March 22, 2012 by and between Maine Municipal Bond Bank (the “Bank”) and U.S. Bank National Association, as Trustee (the “Trustee”) under a Sewer and Water General Bond Resolution adopted February 7, 1990, as amended by the First Supplemental Sewer and Water Resolution adopted on March 6, 1991, the Second Supplemental Sewer and Water General Bond Resolution adopted on August 21, 1998 and the Third Supplemental Sewer and Water General Bond Resolution adopted on August 21, 2003 (hereinafter collectively referred to as the “Resolution”), and a Series Resolution adopted by the Bank on February 8, 2012 (the “Series Resolution”), is executed and delivered in connection with the issuance of the Bank’s \$17,375,000 principal amount of Wastewater SRF Program 2012 Series A (Non-AMT) Refunding 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 2.13 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) The Bank shall provide Annual Financial Information of the Bank and of each other Material Obligated Person with respect to each fiscal year of the Bank and of any other Material Obligated Person, commencing with the fiscal year ending June 30, 2012, within nine (9) months after the end of the respective fiscal year, to the Trustee. The Trustee shall provide notice in writing to the Bank that such 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 Annual Financial Information to the MSRB (simultaneously with a copy to the Bank) within five (5) Business Days after receipt by the Trustee.

(b) The Trustee shall provide, in a timely manner, notice of any failure of the Bank or the Trustee to provide the Annual Financial Information by the date specified in subsection (a) above, in each case to (i) the MSRB (simultaneously with a copy to the Bank) and (ii) if such failure is of the Bank or of any other Material Obligated Person, the Bank.

Section 1.3. Audited Financial Statements. The Bank shall provide Audited Financial Statements of the Bank and of each other Materially Obligated Person with respect to each fiscal year of the Bank and of each other Material Obligated Person, commencing with the fiscal year ending June 30, 2012, within one year after the end of the respective fiscal year, or if not then available, when and if available, to the Trustee. The Trustee shall provide any such

Audited Financial Statements to the MSRB (simultaneously with a copy to the Bank) within five (5) Business Days after receipt by the Trustee.

Section 1.4. Notice Events.

(a) If a Notice Event occurs, the Bank 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 (simultaneously with a copy to the Bank) 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 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 Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Bank chooses to do so, the Bank shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The Bank 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 Bank 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 under such laws.

Section 1.7. No Previous Non-Compliance. The Bank 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 other Material Obligated Person provides Annual Financial Information 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. Annual Financial Information 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 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 transmitted simultaneously with a copy to the Bank and 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 each other Material Obligated Person is July 1-June 30, and the Bank shall promptly notify 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) Annual Financial Information 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 Bank's and the Trustee's obligations 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 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 to MSRB 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 Bank 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 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 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. 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 and the Trustee, to the effect that performance by the Bank 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. 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 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. 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 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 in preparing its financial statements, the 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 Bank 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 Bank's obligations 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 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) "Annual Financial Information" means, collectively:

(i) for the Bank, material information concerning the Capital Reserve Fund, including market value (if applicable) of investments held in the Capital Reserve Fund, the types of investments and the amount of cash held directly in the Capital Reserve Fund, the occurrence of any material investment losses in the Capital Reserve Fund, and the identity of any counterparty to any repurchase agreement or guaranteed investment contract; and

(ii) for any other Material Obligated Person, its financial statements (which may be contained in a current official statement, prospectus or offering statement that contains such annual financial information and is made available to the public on the MSRB's website or is filed with the Securities Exchange Commission of such other Material Obligated Person).

(2) "Audited Financial Statements" means the annual financial statements, if any, of the Bank and of each other Material Obligated Person, audited by such auditor as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Bank or any other Material Obligated Person 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 Financial Statements are not available, then “Audited Financial Statements” means Unaudited Financial Statements.

(3) “Counsel” means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “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.

(5) “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 Debt Loans from the Bank under the Resolution is in excess of twenty percent (20%) of the aggregate principal amount of all Loans outstanding made under the Resolution; and

(ii) in addition to any Material Obligated Persons described in paragraph (i) above, the Bank may at any time, by written notice (a) designate additional Material Obligated Persons and (b) withdraw any such designation of Material Obligated Persons.

(6) “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.

(7) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Bank or any other Material Obligated Person 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 any other Material Obligated Person;

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 other Material Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Bank or any other Material Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Bank or any other Material Obligated Person;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Bank or any other Material Obligated Person or the sale of all or substantially all of the assets of the Bank or any other Material Obligated Person, 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.

(8) “Official Statement” means the Official Statement dated March 7, 2012 of the Bank relating to the Bonds.

(9) “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.

(10) “SEC” means the United States Securities and Exchange Commission.

(11) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(12) “Underwriters” means Wells Fargo Bank, National Association and Morgan Keegan & Company, Inc. or their respective successors.

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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
An Authorized Representative

APPENDIX F

DEFINITIONS OF CERTAIN TERMS

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

“Accrued Aggregate Debt Service” shall mean, with respect to Similarly Secured Bonds, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of such Similarly Secured Bonds, calculating the accrued Debt Service with respect to each Series of such Similarly Secured Bonds at an amount equal to the sum of (i) interest on all Series of such Similarly Secured Bonds accrued and unpaid and to accrue (or estimated to accrue in the case of variable rate bonds) to the last day of the calendar month next succeeding the month in which such date occurs, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for all Series of such Similarly Secured Bonds next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the last day of the calendar month next succeeding the month in which such date occurs.

“Act” shall mean 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” shall mean the Bank’s expenses of carrying out and administering its powers, duties and functions that are allocable to any program financed under the Resolution, as authorized by the Act, and shall include, without limiting the generality of the foregoing: administrative and operating expenses (which may include payments to DEP and DHS for similar expenses); fees, charges and other amounts payable to the State; legal, accounting and consultant’s services and expenses; payments to pension, retirement, health and hospitalization funds; and any other expenses required or permitted to be paid by the Bank under the provisions of the Act or the Resolution or otherwise that are allocable to any program financed under the Resolution.

“Aggregate Debt Service” for any period shall mean, with respect to Similarly Secured Bonds, as of any date of calculation and with respect to all such Similarly Secured Bonds, the sum of the amounts of Debt Service for such period.

“Aggregate Interest” for any period shall mean, with respect to Similarly Secured Bonds, as of any date of calculation, an amount equal to interest accruing during such period on all such Similarly Secured Bonds of any one or more Series. Such interest shall be calculated on the assumption that no such Bonds 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.

“Authorized Newspaper” shall mean a financial paper, or a newspaper of general circulation, customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week, printed in the English language, and circulated in the Borough of Manhattan, City and State of New York.

“Authorized Officer” shall mean 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.

“Available Amounts” means (i) with respect to the Wastewater Revolving Loan Fund, all amounts in the Wastewater Revolving Loan Fund other than (a) amounts that the Bank has committed to disburse under existing loan agreements with municipalities and (b) amounts the disbursement of which will not adversely affect the exclusion from gross income of any Bonds or any other bonds of which the amounts to be disbursed constitute proceeds and (ii) with respect to the Drinking Water Revolving Loan Fund, all amounts in the Drinking Water Revolving Loan Fund other than (a) amounts that the Bank has committed to disburse under existing loan

agreements with municipalities and (b) amounts the disbursement of which will not adversely affect the exclusion from gross income of any Bonds or any other bonds of which the amounts to be disbursed constitute proceeds.

“Bank” shall mean 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” shall mean 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 term of similar import, shall mean the person or party in whose name the Bond is registered.

“Capital Reserve Fund” shall mean the Capital Reserve Fund established by the Resolution as authorized pursuant to Section 6006, subsection 1-A of the Act.

“Construction Fund” shall mean any trust fund established pursuant to the Resolution.

“Costs of Issuance” shall mean any payment authorized to be made from a Costs of Issuance Account as set forth in the Resolution.

“Costs of Issuance Account” shall mean any account so designated established in the Operating Funds pursuant to the Resolution.

“Counsel’s Opinion” shall mean an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Bank (who may be counsel to the Bank); provided, however, that for the purposes of Article II of the Resolution such term shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the Bank, and provided, further, that for the purposes of Article V of the Resolution such term when used with respect to the Municipal Bonds shall mean 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 Municipality and approved by the Bank.

“Credit Facility” shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for all or a portion of the principal of, Redemption Price of, interest on any Series of Bonds or provides funds for the purchase of such Bonds or portions thereof.

“Debt Account” shall mean the Debt Account in the Capital Reserve Fund established by the Resolution.

“Debt Service” for any period shall mean, 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 Installments 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. With respect to any Series of Bonds bearing a variable rate of interest, interest to become due in any year shall be estimated by the Bank on the date of issuance of such Series of Bonds based on the Pro Forma Bond Issue for such Series of Bonds set forth in the Series Resolution authorizing such Bonds.

“Debt Service Funds” shall mean the Debt Service Funds established by the Resolution.

“DEP” shall mean the State of Maine Department of Environmental Protection.

“Designated”, when used preceding any fund or account (other than an Equity Account), shall mean such fund or account is pledged to secure Bonds secured by a particular Equity Account, and when used preceding the term Equity Account means that such Equity Account has been established to secure Bonds to which reference is being made.

“DHS” shall mean the State of Maine Department of Human Services.

“Drinking Water Revolving Loan Fund Bank Equity” means amounts in the Drinking Water State Revolving Fund other than (i) proceeds of bonds issued by the Bank, (ii) amounts in any funds and accounts established pursuant to the Resolution and (iii) Loans.

“Drinking Water SRF Bonds” means Bonds issued pursuant to the Resolution that are secured by the Drinking Water SRF Equity Account.

“Drinking Water SRF Equity Account” shall mean the Drinking Water SRF Equity Account by that name established by the Resolution.

“Drinking Water SRF Loan and Equity Loan Holding Account” shall mean the Drinking Water SRF Loan and Equity Loan Holding Account established by the Resolution.

“Drinking Water SRF Revenue Fund” shall mean the Drinking Water SRF Revenue Fund established by the Resolution.

“Earnings Funds” shall mean the Earnings Funds established by the Bank in accordance with the Resolution.

“Eligible Drinking Water SRF Loan” means any (i) Drinking Water SRF Loan and (ii) loan made by the Bank to a Municipality from the proceeds of Bonds that is not a Drinking Water SRF Loan but would have been eligible to be a Drinking Water SRF Loan at the time made.

“Eligible Wastewater SRF Loan” means any (i) Wastewater SRF Loan or (ii) loan made by the Bank to a Municipality from the proceeds of Bonds that is not a Wastewater SRF Loan but would have been eligible to be a Wastewater SRF Loan at the time made.

“Equity Account” shall mean any Equity Account established by the Bank in accordance with the Resolution.

“Equity Loan” shall mean a loan heretofore or hereafter made by the Bank to a Municipality pursuant to the Act from amounts in either the Wastewater SRF or the Drinking Water SRF and other than from the proceeds of bonds issued by the Bank.

“Federal Letter of Credit” shall mean a letter of credit issued to the State or any agency instrumentality thereof by the United States Environmental Protection Agency as a method of making payments to the State of capitalization grants under Title VI of the Federal Water Pollution Control Act, as such may be amended from time to time.

“Fees and Charges” shall mean all fees and charges authorized to be charged by the Bank pursuant to subsection (H) of section 5954 of the Act and charged by the Bank to Municipalities pursuant to the terms and provisions of Loan Agreements.

“Fiduciary” or “Fiduciaries” shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“Financial Guaranty” shall mean one or more of the following: (i) an irrevocable, unconditional and unexpired letter of credit issued by a banking institution or (ii) an irrevocable and unconditional policy of insurance in full force and effect, the issuer of which, in either case, is rated or the effect of which would cause bonds insured or secured thereby to be rated, in one of the two highest rating categories of a nationally recognized rating agency (i.e. AA or better by Standard & Poor’s Corporation) or (iii) with respect to Bonds secured by the SRF Equity Account only, all or a portion of a Federal Letter of Credit, provided that the Bank (a) certifies that the amount of such Federal Letter of Credit to be applied to meet the Required Debt Service Reserve is available therefor and not otherwise subject to any claims against it by the State, DEP, the Bank or any Municipality and (b) covenants that it will cause the Federal Letter of Credit to be drawn on as and when required to make payments into the Similarly Secured Interest Account or the Similarly Secured Principal Account from the Capital Reserve Fund pursuant to the Resolution and (c) covenants that it will not release or encumber that portion of the Federal Letter of Credit applied to meet the Required Debt Service Reserve unless the amounts to be released or encumbered are permitted to be transferred from the SRF Equity Account pursuant to the Resolution, or (iv) with respect to any other Equity Account, all or a portion of a letter of credit issued by the federal government (or an agency thereof) substantially the same as the Federal Letter of Credit and similarly binding the federal government, and provided the Bank makes the same certification and covenants set forth in clause (iii) of this definition with respect to the applicable Equity Account.

“Interest Accounts” shall mean the Interest Accounts established by the Resolution.

“Interest Payment Date” shall mean, with respect to a Series of Bonds, the dates on which interest on such Bonds is payable as set forth in a Series Resolution.

“Loan” shall mean a loan heretofore or hereafter made by the Bank to a Municipality pursuant to a Loan Agreement and the Act under any program financed under the Resolution and more particularly described in the applicable Series Resolution, but excluding any Equity Loan.

“Loan Agreement” shall mean an agreement heretofore or hereafter entered into between the Bank and a Municipality setting forth the terms and conditions of a Loan or an Equity Loan or both.

“Municipal Bonds” shall mean the bonds or other evidence of debt issued by any Municipality and authorized pursuant to the Act and other laws of the State and which have heretofore been or will hereafter be acquired by the Bank as evidence of indebtedness of a Loan or Equity Loan to the Municipality pursuant to the Act, but Municipal Bonds shall not include that portion of any Loan or Equity Loan designated by the Bank as not being Municipal Bonds or not constituting Municipal Bonds Payment, Wastewater SRF Equity Loan Payments or Drinking Water SRF Equity Loan Payments pursuant to the Resolution.

“Municipal Bonds Interest Payment” shall mean that portion of a Municipal Bonds Payment made or required to be made by a Municipality to the Bank which represents the interest due or to become due on its Municipal Bonds.

“Municipal Bonds Payment” shall mean the amounts paid or required to be paid, from time to time, for principal and interest by a Municipality to the Bank on its Municipal Bonds.

“Municipal Bonds Principal Payment” shall mean that portion of a Municipal Bonds Payment made or required to be made by a Municipality to the Bank which represents the principal due or to become due on its Municipal Bonds.

“Municipality” shall mean any municipality as defined by the Act and includes but is not limited to any city, town, special district, county, plantation or municipal corporation within the State as set forth in Section 5163, subsection 2-B of the Act.

“Municipality’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 then outstanding.

“Operating Fund” shall mean the Operating Fund established by the Resolution.

“Outstanding”, when used with reference to Bonds, other than Bonds held by or for the account of the Bank pursuant to the Resolution, shall mean, 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 in the Resolution provided 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 defeasance sections of the Resolution.

“Paying Agent” for the Bonds of any Series shall mean 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 shall be so appointed.

“Principal Accounts” shall mean the Principal Accounts established by the Resolution.

“Principal Installment” shall mean, as of any 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 (including any amount designated in, or determined pursuant to, the applicable Series Resolution, as the “principal amount” with respect to any Bonds which do not pay full current interest for all or any part of their term) due on a future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any 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; provided, however, that Principal Installments shall not include the principal of Bond Anticipation Notes.

“Pro Forma Bond Issue” shall mean, when used with reference to the Required Debt Service Reserve for a Series of Bonds bearing interest at a variable rate, the hypothetical fixed rate long term bond issue set forth in the Series Resolution authorizing such Series of Bonds, having (i) the same maturities (and sinking fund provisions, if any) as the Series of Bonds bearing interest at a variable rate to which it relates and (ii) such interest rate or rates as the Bank shall reasonably deem to be the equivalent of the rates which would have been borne by such Series of Bonds bearing interest at a variable rate if such Series of Bonds had been issued as a Series of Bonds bearing interest at a fixed rate.

“Project” shall mean any municipal project for the design, acquisition, construction, improvement, repair, reconstruction, renovation or expansion of any municipal wastewater collection or treatment system or water supply system that is eligible for financing by the Bank pursuant to the Act.

“Project Costs” means the incurred costs of the Municipality which are eligible for financial assistance from the Fund under the Act, which are allowable costs under the Regulations and which are reasonable, necessary and allocable by the Municipality to the Project under generally accepted accounting principles.

“Proportionate Share” shall mean, with respect to a group of projects financed collectively with the proceeds of a Series of Bonds, the proportion that the outstanding principal amount of Municipal Bonds purchased by the bank for one project bears to the outstanding principal amount of all such Municipal Bonds purchased with the proceeds of such Series of Bonds.

“Rebate Funds” shall mean the Rebate Funds established by the Resolution.

“Redemption Funds” shall mean the Redemption Funds established by the Resolution.

“Redemption Price” shall mean, 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.

“Required Debt Service Reserve” means as of any Valuation Date (1) with respect to Bonds secured by a Designated Equity Account, the amount required to be collectively on deposit in such Designated Equity Account and in the Debt Account of the Capital Reserve Fund, which amount shall be equal to the maximum amount of Principal Installments and interest maturing and becoming due in the then current or any succeeding calendar year (a) on all Bonds secured by such Designated Equity Account, and (b) on all Bonds not secured by any other Equity Account and (c) on all Bonds secured by any other Equity Account (less, with respect to each Series of Bonds secured by another Equity Account, amounts in the Equity Account applicable to such Bonds) in each case Outstanding as of the Valuation Date and (2) with respect to Bonds not secured by any Equity Account, the amount required to be on deposit in the Debt Account of the Capital Reserve Fund, which amount shall be equal to the maximum amount of Principal Installments and interest maturing and becoming due in any succeeding calendar year (a) on all Bonds not secured by any Equity Account and (b) on all Bonds secured by an Equity Account (less, with respect to each Series of Bonds secured by an Equity Account, amounts in the Equity Account applicable to such Bonds) in each case Outstanding as of the Valuation Date. With respect to any Series of Bonds bearing a variable rate of interest, interest to become due in the then current or any succeeding calendar year shall be estimated by the Bank on the date of issuance of such Series of Bonds based on the Pro Forma Bond Issue for such Series of Bonds set forth in the Series Resolution authorizing such Bonds. In calculating the Required Debt Service Reserve there may be taken into account amounts available from proceeds of a Financial Guaranty.

“Resolution” shall mean the Sewer and Water General Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

“Revenue Funds” shall mean the Revenue Funds established by the Resolution.

“Series of Bonds” or “Bonds of a Series” or words of similar meaning shall mean the Series of Bonds authorized by a Series Resolution.

“Series Resolution” shall mean 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.

“Servicing Fee” shall mean that fee designated by the Bank in its sole discretion as set forth in Section 909 of the Resolution, payment of which shall be required pursuant to a Loan Agreement and be due on each Interest Payment Date.

“Similarly Designated”, when used with respect to any fund or account (other than an Equity Account), means such fund or account established in connection with and securing Bonds secured by a Designated Equity Account.

“Similarly Secured” means (1) when used in reference to Bonds secured by a Designated Equity Account, all other Bonds secured by the same Equity Account and (2) when used in reference to Bonds not secured by any Equity Account, all other Bonds not secured by any Equity Account.

“Sinking Fund Installment” shall mean, as of any particular date of calculation, (i) the amount required by the Resolution and a Series Resolution to be paid by the Bank on a future date, for the retirement of Bonds which are stated to mature subsequent to such future date or (ii) the amount required by the Resolution and a Series Resolution to be deposited by the Bank on a future date for payment of Bonds at maturity on a subsequent future date.

“State” shall mean the State of Maine.

“Supplemental Resolution” shall mean a resolution supplemental to or amendatory of the Resolution, adopted by the Bank in accordance with the Resolution.

“Surplus Fund” shall mean the Surplus Fund established by the Resolution.

“Tax Certification” shall mean, with respect to any Series of Bonds, that certificate of the Bank relating to maintenance of the excludability of interest on such Bonds from gross income or federal income tax purposes, delivered in connection with the issuance of such Series of Bonds.

“Technical Consultant” means (i) with respect to the Wastewater Revolving Loan Fund, an entity with engineering and technical expertise in the area of municipal wastewater collection and treatment systems or water supply systems which shall be designated by the Bank, and may include DEP and (ii) with respect to the Drinking Water Revolving Loan Fund, an entity with engineering and technical expertise in the area of municipal drinking water systems which shall be designated by the Bank, and may include DHS.

“Trustee” shall mean the bank or trust company appointed pursuant to the Resolution to act as trustee under the Resolution, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the Resolution.

“Undesignated”, when used preceding any fund or account, means such fund or account is pledged to secure Bonds not secured by any Equity Account.

“User Fees” means fees charged or to be charged to users of the Project or the system of which the Project is a part.

“Valuation Date” shall mean (1) on or before December 1 of each year and (2) the date of issuance of any Series of Bonds pursuant to the Resolution.

“Wastewater Revolving Loan Fund Bank Equity” means amounts in the Wastewater State Revolving Fund other than (i) proceeds of bonds issued by the Bank, (ii) amounts in any funds and accounts established pursuant to the Resolution and (iii) Loans.

“Wastewater SRF Bonds” means Bonds issued pursuant to the Resolution that are secured by the Wastewater SRF Equity Account.

“Wastewater SRF Equity Account” shall mean the Wastewater SRF Equity Account by that name established by the Resolution.

“Wastewater SRF Loan and Equity Loan Holding Account” shall mean the Wastewater SRF Loan and Equity Loan Holding Account established by the Resolution.

“Wastewater SRF Revenue Fund” shall mean the Wastewater SRF Revenue Fund established by the Resolution.

[INTENTIONALLY LEFT BLANK]

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered 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, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered 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 Offered Bonds except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Offered 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 Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered 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 Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Sewer and Water General Resolution. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered 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 Offered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC will mail 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 Offered Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, interest and redemption payments on the Offered 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 the 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, interest and redemption payments 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 depository with respect to the Offered 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 for the Offered Bonds are required to be printed and delivered.

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

The preceding information under the heading “Book-Entry-Only System” and in this Appendix G 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.

For every transfer and exchange of a beneficial ownership interest in the Offered Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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 Offered 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 Offered 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 Offered Bonds to any Beneficial Owner or other person for the Offered Bonds; or (iii) the delivery to any Beneficial Owner of any of the Offered Bonds, or any other person, of any notice which is permitted or required to be given to owners under the Sewer and Water 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 Offered 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.

[INTENTIONALLY LEFT BLANK]

APPENDIX H

FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2012 Series A Refunding Bonds, Bond Counsel to the Bank proposes to issue its approving opinion in substantially the following form:

Hawkins Delafield & Wood LLP

[Closing Date]

Maine Municipal Bond Bank
Augusta, Maine

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$17,375,000 Sewer and Water Revenue Bonds, Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds (the "2012 Series A 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 2012 Series A Bonds are issued under and pursuant to the Act and under and pursuant to the Bond Resolution of the Bank entitled: "Sewer and Water General Bond Resolution – A Resolution Creating and Establishing an Issue of 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 February 7, 1990, as amended by a First Supplemental Sewer and Water General Resolution adopted on March 6, 1991, a Second Supplemental Sewer and Water Bond Resolution adopted on August 21, 1998 and a Third Supplemental Sewer and Water General Bond Resolution adopted on August 21, 2003 (collectively, the "General Sewer and Water Bond Resolution") and as supplemented by a Series Resolution of the Bank entitled: "A Series Resolution Authorizing the Issuance of Up to \$20,000,000 Sewer and Water Revenue Bonds, Comprising \$20,000,000 Wastewater SRF Program 2012 Series A (Non-AMT) Refunding Bonds of the Maine Municipal Bond Bank" (the "Series Resolution"). The General Sewer and Water Bond Resolution and the Series Resolution are herein sometimes collectively referred to as the "Sewer and Water Resolutions."

The 2012 Series A Bonds are dated, mature on the dates and in the principal amounts, bear interest and are payable, all as provided in the Sewer and Water Resolutions and the Certificate of Determination executed in accordance therewith (the "Certificate of

Determination”). The 2012 Series A Bonds are subject to redemption prior to maturity as provided in the Sewer and Water Resolutions and the Certificate of Determination.

The 2012 Series A Bonds are issuable in fully registered form without coupons in the denomination of \$5,000 each or any whole multiple thereof. The 2012 Series A Bonds are lettered AR. The 2012 Series A Bonds shall be numbered separately from one (1) consecutively upwards.

Pursuant to the Sewer and Water Resolutions, 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 may be on a parity with the 2012 Series A Bonds if so provided by the Sewer and Water Resolutions.

We have also examined certain opinions of bond counsel to the Municipalities (as defined in the Resolutions) relative to the validity of the Municipal Bonds (as defined in the Resolutions) securing the Loans (as defined in the Resolutions) financed by the Bank from the proceeds of the Bonds to be Refunded (as defined in the Resolutions) and the validity of the respective Loan Agreements (as defined in the Resolutions) entered into by each such Municipality. Such opinions were delivered on the date of original issuance of such Municipal Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2012 Series A Bonds in order that interest on the 2012 Series A Bonds be and remain excluded from gross income under Section 103 of the Code. Noncompliance with such requirements may cause interest on the 2012 Series A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Bank and each Municipality whose Municipal Bond was purchased with the proceeds of the Bonds to be Refunded have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2012 Series A Bonds from gross income under Section 103 of the Code.

In rendering the opinion set forth in paragraph 9 and 10 hereof we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Bank and each Municipality in connection with the 2012 Series A Bonds, and we have assumed compliance by the Bank and each Municipality with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2012 Series A Bonds from gross income under Section 103 of the Code.

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 Sewer and Water 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 Sewer and Water Resolutions is required.

2. The Bank is duly authorized to issue the 2012 Series A 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 Sewer and Water Resolutions, and constitute valid, binding special obligations of the Bank as provided in the Sewer and Water Resolutions, payable and enforceable in accordance with their terms and the terms of the Sewer and Water Resolutions and entitled to the benefits of the Sewer and Water Resolutions and of the Act.

3. The 2012 Series A Bonds are secured by pledge in the manner and to the extent set forth in the Sewer and Water Resolutions. The Sewer and Water Resolutions create the valid pledge which they purport to create of the Municipal Bonds and payments with respect thereto, funds and accounts established and defined in the Sewer and Water Resolutions and other moneys and securities held or set aside thereunder, subject to the purposes and on the conditions permitted by the Sewer and Water Resolutions.

4. The Bank has duly authorized, executed and delivered the Trust Agreement (as defined in the Series Resolution) and, assuming due authorization, execution and delivery of the Trust Agreement by the Trustee, the Trust Agreement constitutes the valid and binding agreement of the Bank enforceable against the Bank in accordance with its terms.

5. The foregoing opinion is qualified only to the extent that the enforceability of the 2012 Series A Bonds, the Trust Agreement and the Sewer and Water 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).

6. The 2012 Series A Bonds are not a debt or liability nor do they constitute a pledge of the faith and credit of the State, nor shall the 2012 Series A Bonds be payable out of any revenues or funds other than those of the Bank pledged for the payment thereof.

7. The Bank is authorized and under the General Sewer and Water Bond Resolution has covenanted and is obligated to cause to be made by its Chairman and delivered to the Governor of the State annually, on or before December 1, his certificate as provided for by the Act, stating the amount, if any, required to restore the Capital Reserve Fund to the amount of the Required Debt Service Reserve established under the Act and the Sewer and Water Resolutions.

8. Section 6006 of the Act (i) does not bind or obligate the State to appropriate and pay to the Bank in any future year the amount duly certified to the Governor by the Chairman of the Bank as necessary to restore the Capital Reserve Fund to the Required Debt Service Reserve, the language of such Section being permissive only, but there is no constitutional bar to future Legislatures making such appropriations for such purposes if they elect to do so, and (ii) does not constitute a loan of credit of the State or create an indebtedness

on the part of the State, in violation of the provisions of Article IX, Section 14, of the Constitution of the State.

9. Under existing statutes and court decisions (i) interest on the 2012 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the 2012 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Under existing statutes, interest on the 2012 Series A Bonds is exempt from the State of Maine income tax imposed on individuals.

10. The Bonds to be Refunded have been paid within the meaning and with the effect expressed in the Sewer and Water Resolutions, and the covenants, agreements and other obligations of the Bank to the holders of the Bonds to be Refunded have been discharged and satisfied. In rendering the opinion set forth in this paragraph 10, we have relied upon the opinion of AMTEC, relating to the accuracy of the mathematical computations as to the adequacy of the maturing principal of and interest to be earned on the direct general obligations of the United States of America purchased with the proceeds of the 2012 Series A Bonds which, together with the moneys on deposit with such obligations, will provide for the payment when due of the principal or redemption price of and interest due and to become due on the Bonds to be Refunded to the maturity or first optional redemption date thereof, as the case may be.

11. Except as stated in paragraphs 9 and 10 above, we express no opinion regarding any other Federal, state or local tax consequences with respect to the 2012 Series A Bonds. Furthermore, we express no opinion on 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 and to which we shall not concur) on the exclusion from gross income for Federal income tax purposes of interest on the 2012 Series A Bonds, or the exclusion of interest on the 2012 Series A Bonds under the State of Maine income 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 executed 2012 Series A Bond numbered AR-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

[INTENTIONALLY LEFT BLANK]

[INTENTIONALLY LEFT BLANK]

