

NEW ISSUE

Fitch: AAA
Standard & Poor's: AAA
(See "Ratings" herein)

In the opinion of Bond Counsel, interest on the 2015 Bonds is excludable from gross income for purposes of federal income tax, subject to the conditions described under "TAX MATTERS" herein, and interest on the 2015 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on the 2015 Bonds may be included in a corporation's adjusted current earnings for purposes of corporate alternative minimum tax. Under the laws of the Commonwealth of Pennsylvania, as presently enacted and construed, the 2015 Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the 2015 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

\$65,000,000*

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

REVENUE BONDS

(PENNVEST/Commonwealth Funded Loan Pool Program)

Series 2015A



Dated: Date of Delivery

Due: As shown below

The 2015 Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, NY ("DTC"), serving as securities depository for the 2015 Bonds. Beneficial ownership of the 2015 Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the 2015 Bonds will not receive physical delivery of the 2015 Bonds. See "DESCRIPTION OF THE 2015 BONDS – Book-Entry Only System" herein. Interest on the 2015 Bonds will accrue at the rates listed below and is payable semiannually on May 15 and November 15 of each year, commencing November 15, 2015.

The 2015 Bonds are subject to redemption prior to their stated maturity dates as described in "DESCRIPTION OF THE 2015 BONDS - Redemption" herein.

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY (THE "AUTHORITY") AND ARE PAYABLE SOLELY FROM THE FUNDS AVAILABLE FOR SUCH PURPOSE AND ON DEPOSIT UNDER THE INDENTURE AS DESCRIBED HEREIN. NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2015 BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE 2015 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Maturities, Amounts, Interest Rates, Yields and CUSIPs*

Maturity (May 15)	Principal Amount	Interest Rate	Yield	CUSIP
2016	\$1,790,000			
2017	2,130,000			
2018	2,240,000			
2019	2,350,000			
2020	2,470,000			
2021	2,590,000			
2022	2,720,000			
2023	2,855,000			
2024	3,000,000			
2025	3,150,000			
2026	3,310,000			
2027	3,440,000			
2028	3,575,000			
2029	3,720,000			
2030	3,870,000			
2031	4,025,000			
2032	4,185,000			
2033	4,350,000			
2034	4,525,000			
2035	4,705,000			

The 2015 Bonds are offered at competitive sale pursuant to the Notice of Sale attached hereto as APPENDIX F. Bids for the purchase of the 2015 Bonds are required to be submitted by 10:00 a.m., Eastern time, on June 23, 2015 or on such amended bid date and time as may be determined by the Authority, all as set forth in the Notice of Sale attached hereto as APPENDIX F, as such Notice of Sale may be modified as provided therein. The 2015 Bonds are offered when, as and if issued by the Authority, subject to the receipt of the approving opinion of Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel, and the approval of certain legal matters by Jayne B. Blake, Esquire, Chief Counsel of the Authority. It is expected that the 2015 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 30, 2015.

June , 2015

* Preliminary, subject to change.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

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Harrisburg, Pennsylvania 17101
(717) 787-8437

Authority Board Member

Office

Governor Tom Wolf	Governor of the Commonwealth
Honorable Randolph Albright*	Secretary of the Budget
Honorable John H. Quigley (Vice Chairman)	Secretary of Environmental Protection
Honorable Dennis M. Davin (Secretary/Treasurer)	Secretary of Community and Economic Development
Honorable Curt Topper	Secretary of General Services
Honorable Lisa Boscola	Senate of Pennsylvania
Honorable Donald White	Senate of Pennsylvania
Honorable Anthony DeLuca	Pennsylvania House of Representatives
Honorable Donna Oberlander	Pennsylvania House of Representatives
Mr. M. Joel Bolstein	Member
Mr. Donald V. Gennuso	Member
Mr. Eric Menzer	Member
Mr. Timothy Moury	Member

Executive Director

Dr. Paul K. Marchetti

Chief Counsel

Jayne B. Blake, Esq.

Financial Advisor

Lamont Financial Services Corporation
Fairfield, New Jersey

Bond Counsel

Ballard Spahr LLP
Philadelphia, Pennsylvania

Trustee

The Bank of New York Mellon Trust Company, N.A.
Pittsburgh, Pennsylvania

* At the request of the Governor, Secretary Albright also functions as the Governor's Designee and Chairman of the Board.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2015 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THE 2015 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE 2015 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE 2015 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2015 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement and the information herein are subject to completion or amendment without notice. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No dealer, broker, salesman or any other person has been authorized by the Pennsylvania Infrastructure Investment Authority (the "Authority") or the Underwriter to give any information or make any representation, other than those contained in this Official Statement, in connection with the offering of or solicitation of offers for the 2015 Bonds. If given or made, such information or representation must not be relied upon as having been authorized by the Authority or the Underwriter.

The information contained in this Official Statement has been obtained from the Authority and other sources which are deemed reliable, but is not guaranteed as to accuracy or completeness. The information and opinions expressed herein are subject to change without notice. This Official Statement is submitted in connection with the sale of securities as referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information contained herein is correct as of any time subsequent to its date.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to

the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

All quotations from and summaries and explanations of provisions of laws and documents in this Official Statement do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 2015 Bonds shall under any circumstances create any implication that there has been no change in the matters described herein since the date of this Official Statement.

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OFFICIAL STATEMENT

\$65,000,000*

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
REVENUE BONDS
(PENNVEST/COMMONWEALTH FUNDED LOAN POOL PROGRAM)
SERIES 2015A**

For the definitions of certain terms used and not otherwise defined in this Official Statement, see APPENDIX B - "FORM OF INDENTURE."

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, sets forth certain information concerning the issuance of \$65,000,000* Pennsylvania Infrastructure Investment Authority Revenue Bonds (PENNVEST/Commonwealth Funded Loan Pool Program) Series 2015A (the "2015 Bonds").

The Pennsylvania Infrastructure Investment Authority (the "Authority" or "PENNVEST"), a body corporate and politic organized under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), will issue the 2015 Bonds under a General Trust Indenture dated as of December 1, 2010, as supplemented by a First Supplemental Indenture dated as of December 1, 2010 (the "First Supplemental Indenture"), as amended and restated by an Amended and Restated General Trust Indenture dated as of June 1, 2015, and as further supplemented by a Second Supplemental Trust Indenture dated as of June 1, 2015 (as so amended, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the 2015 Bonds, together with other available funds, will be applied (i) to pay at maturity on July 1, 2015 \$74,000,000 aggregate principal amount of the Authority's Tax-Exempt Commercial Paper Revenue Notes, Series 2010 A (the "2010 Program Notes"), plus accrued interest, and (ii) to pay the costs of issuing the 2015 Bonds.

Upon their issuance and the payment of the 2010 Program Notes, the 2015 Bonds will be the only series of Bonds outstanding under the Indenture. The 2015 Bonds will be secured equally and ratably under the Indenture with any future issues of Bonds and certain other parity obligations under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "ADDITIONAL DEBT" herein.

The Bank of New York Mellon Trust Company, N.A., serves as the paying agent for the Bonds (the "Paying Agent") and the bond registrar for the Bonds (the "Bond Registrar").

Pennsylvania Infrastructure Investment Authority

The Authority was created in 1988 by the Pennsylvania Infrastructure Investment Authority Act (Act No. 1988-16, P.L. 82, as amended) (the "PENNVEST Act") to provide

* Preliminary, subject to change.

financing at an affordable cost for the citizens of the Commonwealth in order to improve water supply and deteriorated wastewater systems, storm-water management and non-point source pollution projects and to aid economic revitalization. To fulfill its mission, and pursuant to the provisions of both the PENNVEST Act and the Water and Sewer Systems Assistance Act (Act No. 2008-64, P.L. 915), as amended (the “2008 Act”), PENNVEST uses moneys from various sources, including proceeds from the sale of its notes and bonds, to finance a pool loan program (the “PENNVEST/Commonwealth Funded Loan Pool Program” or the “Program”).

PENNVEST loans are generally made to Pennsylvania local governmental entities (the “Borrowers”). Substantially all of the loans originated under the Program have been pledged to secure the obligations of the Authority under the Indenture, and are referred to herein as the “Loans.” The various documents and instruments evidencing or securing the Loans are referred to herein as the “Loan Documents.” As of June 16, 2015, there were 390 Loans pledged under the Indenture made to 297 Borrowers.

A list of the Loans pledged under the Indenture as of June 16, 2015 is attached hereto as APPENDIX C. The weighted average remaining life of the Loans shown in APPENDIX C is approximately 16.62 years, and the weighted average interest rate over the life of the Loans shown in APPENDIX C is approximately 1.783%.

Since the creation of PENNVEST, the Commonwealth has authorized, issued and sold \$1,173.0 million of Commonwealth general obligation bonds for use by PENNVEST for the Program. PENNVEST also was given \$64.2 million from the former Water Facilities Loan Board, so that the total investment in the PENNVEST Program to date by the Commonwealth is \$1,237.2 million, all of which has been used to fund projects authorized under the PENNVEST Act. The Authority has recycled approximately \$668.4 million in loan repayments through the Program, using such repayments to make new Loans and grants. See “PENNVEST/COMMONWEALTH FUNDED LOAN POOL PROGRAM” herein.

Purpose of the 2015 Bonds

The proceeds of the 2015 Bonds, together with other available funds, will (i) pay at maturity on July 1, 2015 \$74,000,000 aggregate principal amount of the outstanding 2010 Program Notes, plus accrued interest and (ii) pay the costs of issuing the 2015 Bonds. See “PLAN OF FINANCING” herein.

Security

The 2015 Bonds are limited obligations of the Authority under the Indenture, payable from payments made to the Authority by the Borrowers under the Loan Documents. Under the Indenture, the Authority may issue, in addition to the 2015 Bonds, bonds, notes or other obligations (including commercial paper) (collectively, the “Bonds”) secured on a parity basis with the 2015 Bonds, and may incur or become liable for other obligations, including Parity Indebtedness, Parity Reimbursement Obligations and Parity Swap Payments, secured on a parity basis with the Bonds. The Indenture also authorizes the Authority to issue or become liable for Subordinated Indebtedness, Reimbursement Obligations, Swap Payments and Swap Termination

Payments secured on a subordinated basis to the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “ADDITIONAL DEBT” herein.

By statute, the Authority has broad powers and duties and can take any actions necessary to effectuate the purposes of the PENNVEST Act but such powers and duties are subject to any agreements it has with holders of bonds, notes and other agreements.

The PENNVEST Act also provides that the Authority may be dissolved only if the Authority has no bonds or other debts or obligations outstanding or provision has been made for the retirement of all outstanding bonds, debts or other obligations. Should this ever occur, all property, funds and assets of the Authority shall be vested in the Commonwealth.

Limited Obligations

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE FUNDS AVAILABLE FOR SUCH PURPOSE AND ON DEPOSIT UNDER THE INDENTURE AS DESCRIBED HEREIN. NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2015 BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE 2015 BONDS. THE AUTHORITY HAS NO TAXING POWER.

General Terms of 2015 Bonds

Upon issuance, the 2015 Bonds will bear interest at the rates and mature in the amounts and on the dates set forth on the cover page hereof. Interest on the 2015 Bonds will be payable on November 15, 2015 and on each May 15 and November 15 thereafter (each an “Interest Payment Date”). The 2015 Bonds will be issuable in registered form in denominations of \$5,000 or any integral multiple thereof.

Book-Entry Only System of Registration

The 2015 Bonds will be issued in book-entry only form and will be registered in the name of the nominee for The Depository Trust Company (“DTC”). Purchases of the 2015 Bonds will be made in book-entry form through DTC Participants (hereinafter defined). No physical delivery of 2015 Bonds will be made to Bondholders unless the book-entry only system of registration is discontinued. Payments on the 2015 Bonds will be made to Bondholders by DTC through its DTC Participants. See “DESCRIPTION OF THE 2015 BONDS -Book-Entry Only System” herein.

Redemption of the 2015 Bonds

The 2015 Bonds will be subject to redemption as described under “DESCRIPTION OF THE 2015 BONDS – Redemption” herein.

Continuing Disclosure

The Authority has undertaken for the benefit of the owners and the Beneficial Owners of the 2015 Bonds to provide certain financial information and operating data relating to the PENNVEST/Commonwealth Funded Loan Pool Program and to give notice of the occurrence of certain specified events. See “CONTINUING DISCLOSURE” herein.

Underlying Documents

This Official Statement contains, among other things, descriptions of the Authority, the PENNVEST/Commonwealth Funded Loan Pool Program, the 2015 Bonds and the Indenture. The form of Indenture is included as APPENDIX B hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents. Copies of such documents will be available for inspection at the offices of the Trustee after delivery of the 2015 Bonds.

THE AUTHORITY

The Authority is a body corporate and politic established under the provisions of the PENNVEST Act. The Authority’s principal purpose is to provide financing at an affordable cost for the citizens of the Commonwealth in order to improve water supply and deteriorated wastewater systems, storm-water management and non-point source pollution and to aid economic revitalization. Toward that end, the Authority provides financial assistance to municipalities, local water and sewer authorities and, in certain circumstances, private companies, for the purpose of constructing, improving, renovating or rehabilitating drinking water supply, wastewater, storm water and non-point source projects both to protect the health and safety of the citizens of the Commonwealth and to promote economic development within the Commonwealth.

The Authority is governed by a thirteen member board of directors (the “Board”) composed of the Governor of the Commonwealth, the Secretary of Environmental Protection, the Secretary of Community and Economic Development, the Secretary of General Services, the Secretary of the Budget, two members of the Senate of the Commonwealth, two members of the House of Representatives of the Commonwealth, and four persons appointed by the Governor, one of whom is required to be a registered engineer in the Commonwealth, one of whom is required to be a representative of the water supply and sewage treatment system industries, and one of whom is required to be a representative of a state local government association. The four members appointed by the Governor serve a term of two years and are eligible for reappointment.

The present members of the Authority’s Board are listed on the inside front cover of this Official Statement.

The staff of the Authority is composed of thirty one employees, among whom are the following.

Paul K. Marchetti, Executive Director. Dr. Marchetti has been the Executive Director of the Authority since its creation in 1988. He previously served as a Fiscal Policy Specialist in the Governor's Office of Budget, as a Senior Economist in the U.S. General Accounting Office, and as a Staff Economist for the United States Environmental Protection Agency. Dr. Marchetti received a Ph.D. and M.A. in Economics from the University of Maryland, and a B.A. from the University of Massachusetts.

Jayne B. Blake, Chief Counsel. Ms. Blake has been with the Authority since 1994, serving as the Chief Counsel since 2005. Prior to her appointment as Chief Counsel, Ms. Blake served as Assistant Counsel to the Authority for ten years and clerked for the Pennsylvania Bureau of Worker's Compensation and the Independent Regulatory Review Commission. Before the practice of law, Ms. Blake managed food, beverage and retail operations in Harrisburg International Airport, Fort Lauderdale International Airport, San Antonio International Airport and Mobile, Alabama. Ms. Blake received an LL.M. in Taxation and Certification in Employee Benefits from the Georgetown University, a J.D. from the Widener University and a B.S. from the University of Massachusetts.

Brion T. Johnson, Deputy Executive Director for Project Management. Mr. Johnson has been with the Authority since 1988, serving as the Deputy Executive Director for Project Management since 1995, and previously as Project Specialist for PENNVEST's North Central and Northwest regions of Pennsylvania. Before joining PENNVEST, Mr. Johnson was a Senior Engineering Analyst for Newport News Shipbuilding and Drydock Company in Virginia. Mr. Johnson holds a B.S. degree in Governmental Administration from Christopher Newport College in Virginia, and an Associate of Applied Science degree in Engineering from Pennsylvania College of Technology in Williamsport, Pennsylvania.

Beverly L. Reinhold, Deputy Executive Director for Financial Management. Ms. Reinhold has been with the Authority since 1991, serving as the Deputy Executive Director for Financial Management for PENNVEST since February 2012 and previously serving as Project Manager and Budget Analyst. Ms. Reinhold received an M.B.A degree in Finance from The Pennsylvania State University and a B.A. from Elizabethtown College. Ms. Reinhold previously worked in Trust Operations at the Fourth National Bank of Tulsa (OK) and the Bank of Oklahoma.

The Authority's offices are located in Harrisburg, Pennsylvania at the address listed on the inside front cover page hereof.

THE PENNVEST/COMMONWEALTH FUNDED LOAN POOL PROGRAM

Background

The Authority was created in 1988 to aid in the provision of affordable financing for drinking water, wastewater, storm-water and non-point source projects in the Commonwealth. The Authority established the Program, which is funded solely from state sources and not from any federal funds. As of January 31, 2015 the Authority had made approximately 1,402 loan commitments aggregating approximately \$2.8 billion in connection with the Program, with an average loan size of approximately \$2.1 million, and awarded approximately \$277.5 million in

grants. Of these loan commitments, approximately \$2.5 billion in principal amount of loans have been closed and have been fully funded or are currently drawing down funds for project construction. The funds the Authority has used to make these loans consist generally of proceeds of general obligation bonds issued by the Commonwealth for this purpose, proceeds of revenue bonds and notes issued by the Authority, and principal and interest payments on loans made from these sources and recycled into new loans.

The Authority also makes federally funded loans through its separate clean water state revolving fund (the “CWSRF Program”) and its drinking water state revolving fund (the “DWSRF Program”). **However, the Bonds, including the 2015 Bonds, will neither fund nor be secured by any federally funded loans. The assets and revenues of the CWSRF Program and the DWSRF Program are not available for the payment of the 2015 Bonds or any other obligations of the Authority under the Indenture. The information included in this Official Statement is limited solely to the Program, the Authority’s state funded loan program.**

As of January 1, 2015, the Commonwealth had authorized, issued and sold \$1,173.0 million of general obligation bonds for the Program. PENNVEST also was given \$64.2 million from the former Water Facilities Loan Board, so that the total investment in the PENNVEST Program to date by the Commonwealth is \$1,237.2 million, all of which has been used to fund projects authorized under the PENNVEST Act. See “SOURCES OF AUTHORITY FUNDS – Repayment Agreement” herein for a description of the repayment agreement entered into by the Commonwealth and the Authority providing for the repayment by the Authority to the Commonwealth of certain amounts provided to the Authority from proceeds of Commonwealth general obligation bonds.

Application and Selection Process

The assistance provided by the Authority includes one or more of the following: a low-interest loan to an applicant; the purchase of low-interest bonds from an applicant, an award of a grant to an applicant, or a bond or loan guaranty to the applicant for a project being undertaken by an applicant. Grants are made only when the Board of the Authority determines that the financial condition of the applicant is such that a loan for 100% of the project would result in unacceptably high user rates and the applicant would have difficulty proceeding with a necessary project without a grant. A bond or loan guarantee may be offered to an applicant to secure better terms and interest rates or both on assistance being offered to the applicant particularly when the project is too large to otherwise be funded by the Authority and the applicant could benefit from the credit enhancement provided by the Authority. The Authority mixes grant funds, to the extent available, with loan funds and, if warranted, with bond or loan guarantees, to make the projects feasible.

The proceeds of the 2010 Program Notes in the Program Fund established under the Indenture have been used to fund Loans and to provide interim funding for grants for qualifying capital projects undertaken by Borrowers, after the Authority has received, processed and approved the Borrowers’ completed applications and all other applicable approvals have been obtained. The Authority generally funds loans and grants by reimbursing Borrowers for eligible costs paid by the Borrower.

The Indenture provides that proceeds of Bonds issued thereunder may be used to provide assistance for project financing of eligible project costs associated with the acquisition, construction, improvement, expansion, extension, repair or rehabilitation of all or part of any publicly owned (or privately owned in certain limited circumstances) facility or system for the collection, treatment or disposal of wastewater including industrial waste; for the supply, treatment, storage or distribution of drinking water; or for the control or management of storm-water and non-point source projects. Eligible project costs include the cost of labor, materials, machinery and equipment, lands, property rights and easements, plans and specifications, surveys or estimates of costs and revenues, pre-feasibility studies, engineering and legal services, and other expenses necessary or incident to the acquisition, construction, improvement, expansion, extension, repair or rehabilitation of all or part of a project.

The Authority's internal technical staff reviews applications for assistance on a comparative basis with other applications and coordinates with the Pennsylvania Department of Environmental Protection ("DEP"). The environmental and public health benefits, feasibility, necessity and viability of proposed projects are evaluated by DEP. The economic development and related job creation benefits are evaluated by the Pennsylvania Department of Community and Economic Development ("DCED"). No funding is provided until the applicant has received all necessary permits or approvals from DEP and any other government entity having jurisdiction over the project. The Authority also engages outside financial consultants to review the financial status of applicants and to make recommendations on the financial terms and conditions of loans.

All assistance (loan, bond purchase, grant and bond or loan guarantee) is approved by the Board of the Authority at a public meeting and is subsequently documented through a settlement process requiring submission of all required approvals and supporting documentation for the completion of the project in question. After settlement, provided the assistance is in the form of a loan, bond purchase or grant, the Authority will reimburse the assistance recipient for eligible project costs, based on the recipient's periodic requests for the same, up to the amount of the financial assistance approved for the project by the Board. During construction of a project undertaken with funds from the Authority in the form of a loan or proceeds from a bond purchase, interest is payable monthly on the amount of the debt that has been drawn down and may be capitalized in the cost of the project. In the debt financed projects, the assistance recipient is responsible for repaying principal and interest on the loan or bond on a monthly basis from system revenues or some other dedicated revenue stream after construction is completed.

Loan Terms

The terms established by the Authority with respect to loans and bond purchases for eligible projects are governed by the PENNVEST Act. The Authority's assistance to a single project is limited generally to \$11,000,000 (\$20,000,000 if a project serves more than one municipality). The latter limitation can be modified by a vote of at least nine members of the Board of the Authority in the case of comprehensive projects providing or proposing consolidated service to a region encompassing all or parts of four or more municipalities.

Interest rates on all loans must be at least 1% and may not exceed various maximum rates depending upon factors including the Commonwealth's borrowing costs and unemployment rates at the project location at the time that the Authority makes the loan. For projects in counties

whose unemployment rates do not exceed the State-wide unemployment rate, the maximum allowable loan interest rate is 60% of the borrowing cost on the Commonwealth's most recent general obligation bond issue for the first five years of the loan or bond repayment and 75% of such cost for the remaining years. The maximum allowable interest rates for projects in counties whose unemployment rates exceed the State-wide unemployment rate are lower. Loans and bond purchases are generally made with a term equal to approximately 20 years from the completion of the project and with fixed interest rates established pursuant to the guidelines described above, although loans and bond purchases may extend to 30 years to help make financing more affordable should the need arise. Debt service is generally structured as level monthly payments.

The weighted average remaining life of the Loans shown in APPENDIX C is approximately 16.62 years, and the weighted average interest rate over the life of the Loans shown in APPENDIX C is approximately 1.783%.

Loans and bond purchases to Borrowers are secured by notes or bonds issued to or purchased by the Authority by or from the Borrower, which in turn, are typically secured by a lien on the revenues generated by the system being financed by the loan or the proceeds of the bond purchase or they are secured by another dedicated revenue stream. The Borrower is responsible for paying interest on the loan or the bond purchase disbursed during construction and repaying principal and interest from the system revenues or other dedicated revenue stream after construction is completed. Certain of the loans and bond purchases are additionally secured by a pledge of a governmental unit's taxing authority, either directly in the note if the governmental unit has general taxing powers or in a guaranty agreement issued by a sponsoring governmental unit if the Borrower does not have general taxing powers.

The Authority requires that the Borrowers provide documentation at the time of settlement, including rate covenants, to ensure sufficient revenues will be available to repay loans and bond purchases. As a condition to making a loan or a bond purchase, the system user rate for service provided by the Borrower must be raised to a level sufficient to repay the loan or bond. The Commonwealth imposes no limit on the ability of governmental units under the Program to raise rates to sufficient levels to pay debt service on loans and bonds when due. In the event of a default by any Borrower on the repayment of a loan or bond, the PENNVEST Act permits the Authority to seek appointment of a receiver to assume operation and supervision of the facility. To date, the Authority has not needed to seek the appointment of a receiver to enforce compliance with loan and bond purchase documentation.

Bond or Loan Guarantee

On April 22, 2014, the Board of the Authority approved proposed regulations implementing a bond or loan guarantee program. To date, the Authority has not awarded a bond guarantee or a loan guarantee but anticipates that it may do so in the near future. In determining whether to issue a guarantee, the Authority is required to consider the following factors:

- (1) The applicant's ability to secure the funding to be guaranteed in the absence of the requested guarantee;

- (2) The cost to the applicant of the funding to be guaranteed in relation to the applicant's ability to bear that cost;
- (3) The financial, social and economic condition of the area served by the project for which the guarantee would be offered;
- (4) The financial condition of the applicant; and
- (5) The financial condition of the Authority and the necessity to maintain the Authority's funds in a financially sound manner.

Applicants must submit a single application for financial assistance and the Authority will decide among financial assistance options consisting of grant funding, loan funding, bond purchase and bond or loan guarantee in each case. These decisions will generally be guided by the availability of Authority funds for loan, bond purchase and grant funding at the time that the decision is made and the dollar amount of financial assistance being requested by any particular applicant. Guarantee recipients will be required to pay a fee, currently expected to be 25 basis points (0.25%) annually, on the outstanding principal amount subject to the Authority's guarantee.

Two conditions that will apply in each case of any guarantee that the Authority offers to an applicant are:

- (1) The debt that is being guaranteed must be for a single purpose. That is, it may only include the project for which the Authority is providing the guarantee; and
- (2) The guaranteed debt cannot be accelerated in the event of default by the applicant. The Authority's guarantee will cover scheduled debt service over the life of the guaranteed financing.

The Indenture provides that bond or loan guarantees may be issued by the Authority on a parity basis with the Bonds or on a subordinated basis. See APPENDIX B – "FORM OF INDENTURE."

SOURCES OF AUTHORITY FUNDS

PENNVEST Revenue Bonds

In order to provide funds to finance the PENNVEST/Commonwealth Funded Loan Pool Program, the Authority has previously issued several series of revenue bonds and refunding revenue bonds that have been fully paid at maturity or redeemed in accordance with their terms. Since 1990, the Authority has issued approximately \$160 million aggregate principal amount of revenue bonds, all of which have since been retired and none of which is currently outstanding. When issued, the 2015 Bonds will be the only revenue bonds outstanding under the Indenture.

PENNVEST Commercial Paper

The Authority's Board has authorized, and the Authority has undertaken, a commercial paper program pursuant to which the Authority has issued the 2010 Program Notes in amounts not exceeding \$165,000,000 in the aggregate outstanding at any time. The 2010 Program Notes, which are supported by a letter of credit from a commercial bank, are expected to be paid in full with the proceeds of the 2015 Bonds and amounts on deposit in the Program Fund under the Indenture on July 1, 2015.

Shortly after the issuance of the 2015 Bonds, the Authority expects to undertake an extendable municipal commercial paper program pursuant to which the Authority will be authorized to issue commercial paper notes (the "2015 Commercial Paper Notes") from time to time in an amount outstanding at any time not to exceed \$165,000,000. The Authority currently expects that the 2015 Commercial Paper Notes, if issued, will be issued on a parity basis with the 2015 Bonds or on a subordinated basis to the 2015 Bonds. The Authority currently expects that the 2015 Commercial Paper Notes will not be supported by a letter of credit or other liquidity support issued by a financial institution. The proceeds of the 2015 Commercial Paper Notes will be used to finance Loans.

Commonwealth General Obligation Bonds

Most of the funding for the PENNVEST/Commonwealth Funded Loan Pool Program has been derived from the proceeds of Commonwealth general obligation bond issues approved for use by the Authority through voter referendum or other Commonwealth legislation. As of January 31, 2015, the Commonwealth had contributed \$1,173.0 million in general obligation bond proceeds to the Authority for the PENNVEST/Commonwealth Funded Loan Pool Program. Additionally, the Authority was given \$64.2 million from the former Water Facilities Loan Board, so that the total investment in the Authority by the Commonwealth as of January 1, 2015 was \$1,237.2 million, all of which has been used to fund projects authorized under the PENNVEST Act. The following table shows the year of the applicable voter referendum or other Commonwealth legislation and the aggregate principal amount of Commonwealth general obligation bonds authorized, issued and sold for the purpose of making loans as a component of the Authority's Program.

<u>Commonwealth Bond Authorization</u>	<u>Amount</u>
1981 Referendum	\$237,200,000
1988 Referendum	300,000,000
1992 Referendum	350,000,000
2008 Referendum	200,000,000
Site Development	150,000,000
Total Authorization	\$1,237,200,000

In addition to the funding described above for making loans as a component of the Program, the Commonwealth has provided funding to the Authority to make grants to governmental units. The following table shows the year of the applicable voter referendum or

other Commonwealth legislation and the aggregate amount of Commonwealth funds authorized to be made available for the purpose of making grants.

<u>Commonwealth Bond Authorization</u>	<u>Amount</u>
Act 218	\$50,000,000
2008 Referendum	200,000,000
Marcellus Funds*	28,296,000
Growing Greener*	263,632,000
Total Authorization	\$541,928,000

*Amount received through February 1, 2015 from annual appropriations.

Repayment Agreement

Under the PENNVEST Act, the Authority is required to pay to the Commonwealth the principal of and interest payments received by the Authority on loans which are financed with the proceeds of Commonwealth general obligation bonds and which the Commonwealth and the Authority designate as “nonrevolving.” The Commonwealth and the Authority have entered into a Repayment Agreement (the “Repayment Agreement”), which is modified in connection with each issuance of Commonwealth general obligation bonds for PENNVEST purposes, and pursuant to which the Authority is obligated to repay certain amounts provided by the Commonwealth from the proceeds of the Commonwealth’s general obligation bonds. Amounts payable under the Repayment Agreement are limited by the terms of the Repayment Agreement to amounts available in the Surplus Fund established under the Indenture, after all other required transfers of funds have been made in accordance with the provisions of the Indenture. Accordingly, the inability by the Authority to generate sufficient Revenues to make transfers to the Surplus Fund to make payments due under the Repayment Agreement would not be a default under the Repayment Agreement or the Indenture.

Amounts payable by the Authority under the Repayment Agreement are subordinated to the payment of the 2015 Bonds and any other obligations issued or secured under the Indenture. As of May 1, 2015, the Repayment Agreement provided for the payment in installments by the Authority to the Commonwealth of \$201.8 million. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Transfers from the Surplus Fund.”

DESCRIPTION OF THE 2015 BONDS

General

The 2015 Bonds are to be issued in the aggregate principal amount of \$65,000,000*. The 2015 Bonds are limited obligations of the Authority secured and payable as described below under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

* Preliminary, subject to change.

The 2015 Bonds will be dated and bear interest from their date of delivery at the fixed rates of interest listed on the front cover hereof for the maturity dates of the 2015 Bonds described on the front cover hereof, payable on November 15, 2015 and semiannually thereafter on May 15 and November 15 of each year until maturity (each an “Interest Payment Date”). Interest on the 2015 Bonds will be calculated on the basis of a year consisting of 360 days divided into twelve 30-day months.

The 2015 Bonds will be issued as registered Bonds without coupons in denominations of \$5,000 and integral multiples thereof.

Payments of Principal and Interest; Persons Entitled Thereto

The principal or Redemption Price of and interest on the 2015 Bonds will be payable in any coin or currency of the United States of America which, at the times of payment thereof, is legal tender for the payment of public and private debts. Except to the extent otherwise provided under the heading “Book-Entry Only System,” the principal of each 2015 Bond will be payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee or any designated Paying Agent. If any payment of the principal of or the interest on the 2015 Bonds is due on a day that is not a Business Day, such payment will be made on the next Business Day, and no interest will accrue on the amount of such payment during the intervening period.

Redemption

Optional Redemption

The 2015 Bonds maturing on and after May 15, 2026 are subject to redemption at the option of the Authority prior to scheduled maturity on and after May 15, 2025 as a whole or in part (and if in part, within one or more maturities) at any time and from time to time, in any order of maturity determined by the Authority and by lot within a maturity in such manner as the Authority in its discretion may determine, on at least 30 days (but not more than 60 days) notice, at a redemption price equal to par (100% of stated principal amount) plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The 2015 Bonds maturing on May 15, [_____] are subject to mandatory sinking fund redemption on May 15 in the years specified, and in the principal amounts set forth in the table below, at a redemption price of 100% of the principal amount of 2015 Bonds being redeemed, together with accrued interest to the date fixed for redemption.

Year

Sinking Fund Installment

Notice of Redemption

The Trustee is required to cause notice of any redemption of 2015 Bonds to be mailed by first class mail, postage prepaid, to the holders of all 2015 Bonds to be redeemed at the registered

addresses appearing in the Bond Register. Each such notice is required to (i) be mailed not more than 60 nor fewer than 30 days prior to the date fixed for redemption, (ii) identify the 2015 Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the 2015 Bonds), (iii) specify the redemption date, the Redemption Price and, if less than all of any particular 2015 Bond is to be redeemed, the principal amount so to be redeemed, (iv) state that on the redemption date the 2015 Bonds called for redemption will be payable at the designated corporate trust office or corporate trust agency of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the 2015 Bonds, and (v) provide any other descriptive information which may be necessary in order to identify the 2015 Bonds to be redeemed, including without limitation the original issuance date, series, maturity date and interest rate applicable to such 2015 Bonds. No defect affecting any 2015 Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other 2015 Bonds.

If at the time of giving of notice of an optional redemption there shall not have been deposited with the Trustee redemption monies sufficient to redeem all the 2015 Bonds called for redemption, such notice shall state that it is conditional, that is, subject to the availability of such redemption monies not later than the opening of business on the date fixed for redemption, and such notice shall be of no effect unless such monies are so deposited and available.

Selection of 2015 Bonds for Redemption

If less than all the 2015 Bonds or of a maturity thereof are to be redeemed, the particular 2015 Bonds or maturity to be called for redemption will be selected by the Trustee from maturities selected by the Authority and within a maturity by lot. In the case of a 2015 Bond of a denomination greater than the minimum authorized denomination, the Trustee is required to treat each such 2015 Bond as representing such number of separate 2015 Bonds each of the minimum authorized denomination as is obtained by dividing the actual principal amount of such 2015 Bond by such minimum authorized denomination.

Book-Entry Only System

The 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co., as nominee for DTC. One fully-registered Bond will be issued for each maturity set forth on the front cover hereof in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2015 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE 2015 BONDHOLDER, BONDOWNERS OR REGISTERED OWNERS OF THE 2015 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2015 BONDS.

DTC 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 of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of beneficial ownership interests in the 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each beneficial owner of a 2015 Bond ("a Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 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 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 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 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds of a particular maturity 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 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE INFORMATION PROVIDED IMMEDIATELY ABOVE UNDER THIS HEADING HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the 2015 Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the 2015 Bonds for all purposes, including payments, notices and voting.

Discontinuation of Book-Entry Only System

The book-entry system for registration of the ownership of the 2015 Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the 2015 Bonds; or (ii) the Authority determines not to continue the system of book-entry transfers through DTC (or through a successor securities depository). In either such event (unless the Authority appoints a successor securities depository), 2015 Bonds will then be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. Whenever DTC requests the Authority or the Trustee to do so, the Authority or the Trustee shall cooperate with DTC in taking appropriate action after

reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the 2015 Bonds.

The ownership of the 2015 Bonds so delivered, and any 2015 Bonds thereafter delivered upon a transfer or exchange, shall be registered in registration books to be kept by the Bond Registrar at its designated corporate trust office, and the Authority and the Trustee shall be entitled to treat the registered owners of such 2015 Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Indenture.

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The table below sets forth for each year ending May 15, the principal and interest requirements for the 2015 Bonds.

ANNUAL DEBT SERVICE TABLE*

Year (May 15)	Principal	Interest	Total
2016	\$1,790,000		
2017	2,130,000		
2018	2,240,000		
2019	2,350,000		
2020	2,470,000		
2021	2,590,000		
2022	2,720,000		
2023	2,855,000		
2024	3,000,000		
2025	3,150,000		
2026	3,310,000		
2027	3,440,000		
2028	3,575,000		
2029	3,720,000		
2030	3,870,000		
2031	4,025,000		
2032	4,185,000		
2033	4,350,000		
2034	4,525,000		
2035	4,705,000		
Total	\$65,000,000		

PLAN OF FINANCING

The proceeds of the 2015 Bonds will be used, together with funds on deposit in the Program Fund, (i) to pay at maturity on July 1, 2015 \$74,000,000 aggregate principal amount of the Authority's 2010 Program Notes, plus accrued interest, and (ii) to pay the costs of issuing the 2015 Bonds. The proceeds of the 2010 Program Notes were used to finance Loans under the Program. After the 2010 Program Notes are paid with the proceeds of the 2015 Bonds, the commercial paper program under which the 2010 Program Notes were issued will terminate, the related letter of credit will terminate and no additional notes will be issued thereunder.

The Authority expects to implement the 2015 commercial paper program, to be secured on a subordinated basis or a parity basis to the 2015 Bonds, in late summer 2015, pursuant to which the Authority will issue and sell 2015 Commercial Paper Notes in an aggregate amount

* Preliminary, subject to change.

outstanding at any time initially not to exceed \$165 million. It is not expected that the 2015 Commercial Paper Notes will be supported by a letter of credit or liquidity facility from a financial institution. The proceeds of the 2015 Commercial Paper Notes will be used to finance Loans.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES OF FUNDS:

Bond Proceeds	\$
Original Issue Discount/Premium	
Funds on Deposit in Program Fund	
 Total Sources	

USES OF FUNDS:

Payment of 2010 Program Notes	\$
Underwriter's Discount	
Costs of Issuance (1)	
 Total Uses	

-
- (1) These costs include, among others, legal fees and expenses, Trustee fees, financial advisory fees, printing costs, rating fees and miscellaneous expenses.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The 2015 Bonds are limited obligations of the Authority and are payable solely from the funds available for such purpose and on deposit under the Indenture as described herein. Neither the Commonwealth nor any political subdivision thereof is obligated to pay the principal of or interest on the 2015 Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or the interest on the 2015 Bonds. The Authority has no taxing power.

Purposes for which Bonds May be Issued

The Indenture permits Bonds to be issued for any lawful corporate purpose, including but not limited to providing all or a portion of the funds necessary (i) to refinance or refund indebtedness of the Authority, (ii) to provide funds for loans, grants or other payments to Borrowers, (iii) to provide the costs and expenses of a financing, (iv) to provide funds for the State Match (defined below), or (v) to deposit any additional amounts in Funds and Accounts as required under the Indenture.

The "State Match" is the amount of matching funds from the Commonwealth required under the Authority's federally-funded revolving fund programs, the CWSRF Program and the DWSRF Program, equal to the applicable percentage of the amount of federal funds payable pursuant to the applicable federal capitalization grants for the CWSRF Program and the DWSRF

Program. The Indenture permits the Authority to issue Bonds to fund the State Match, defined as “State Match Bonds.” The proceeds of State Match Bonds will not be held or pledged under the Indenture, but will be assets of the CWSRF Program or the DWSRF Program, as applicable; and the Loans funded with State Match Bonds (“State Match-Funded Loans”) and the loan payments thereunder are not assets of or pledged under the Indenture, but will be assets of the CWSRF Program or the DWSRF Program, as applicable.

Accordingly, the issuance of State Match Bonds would dilute the security of the holders of the Bonds under the Indenture; however, the issuance of State Match Bonds is subject to the test for the issuance of all additional Bonds as described below under “ADDITIONAL DEBT - Additional Bonds.”

Pledge Under the Indenture

Under the Indenture, as security for the Bonds, and to the extent provided in the Indenture, any Reimbursement Obligations, any Swap Payments and any Swap Termination Payments, the Authority has pledged, assigned and granted a security interest to the Trustee and its successors in the trust created by the Indenture and its assigns in the following (the “Trust Estate”):

(1) (a) all amounts received or receivable in respect of the Bond-Funded Loans and the Pledged Loans or under the Loan Documents and all security therefor, other than (i) amounts received or receivable in respect of the State Match-Funded Loans and (ii) Administrative Fees, any other fees and expenses and indemnity against claims payable to the Authority pursuant to the Loan Documents and amounts received or receivable as fees and expenses in connection with the Settlement of Loans; (b) any proceeds from the sale or other disposition of Loans (other than State Match-Funded Loans), to the extent such moneys are not released from the lien of the Trust Estate pursuant to the Indenture; (c) reimbursement payments received or receivable by the Authority pursuant to reimbursement agreements entered into pursuant to the Indenture; and (d) any other amounts (such as interest subsidy payments in respect of Build America Bonds received by or on behalf of the Authority from the United States) that the Authority elects to be deposited with the Trustee (collectively, the “Revenues”);

(2) the Loan Documents;

(3) except as provided in the Indenture, the amounts on deposit from time to time in the funds and accounts established under the Indenture and under each Supplemental Indenture;

(4) any Swap Receipts and Swap Termination Payments; and

(5) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture (except the Expense Fund, the Commonwealth Fund, the Purchase Fund, the Debt Service Reserve Fund and the Rebate Fund).

See APPENDIX B – “FORM OF INDENTURE” for defined terms and other provisions included in the Indenture.

Certain Funds Not Pledged

Notwithstanding the pledge described above:

(i) The amounts in the Rebate Fund, the Commonwealth Fund and the Expense Fund, together with any income from the investment of such amounts, shall be held outside the lien and security interest of the Indenture.

(ii) Amounts held in a Purchase Fund established for any Bonds pursuant to a Supplemental Indenture in connection with Bonds subject to purchase, together with any income from the investment of such amounts, shall be held solely for the benefit of the Persons specified in such Supplemental Indenture (the 2015 Bonds are not subject to such purchase).

(iii) Amounts held in a CP Payment Fund established for any Commercial Paper in connection with a Commercial Paper Program, together with any income from the investment of such amounts, shall be held solely for the benefit of the Bondholders of the maturing Commercial Paper for which the payment of maturing principal is being made with the proceeds of newly issued Commercial Paper, and for the benefit of the issuer of any Authority Loan Commitment or Credit Facility issued in support of such Commercial Paper Program.

(iv) Amounts held in a Debt Service Reserve Fund, together with any income from the investment of such amounts, shall be held solely for the benefit of the Bonds secured by such Debt Service Reserve Fund (the 2015 Bonds are not secured by a Debt Service Reserve Fund).

(v) The proceeds of any Obligations deposited with the Trustee in a Program Fund, together with any income from the investment of such amounts, shall be held solely for the benefit of the Holders (or other holder) of such Obligations pending their disbursement, unless specifically provided otherwise in the corresponding Supplemental Indenture.

(vi) The proceeds of State Match Bonds, the State Match-Funded Loans and all revenues or other amounts received or receivable by the Authority thereunder shall not be subject to the lien and security interest of the Indenture.

The pledge described above is made in trust for the equal and ratable benefit and security of all present and future holders of the Bonds to be issued pursuant to the terms of the Indenture and each Supplemental Indenture, for the benefit of the holder of any Parity Reimbursement Obligation and for the benefit of any Swap Counterparty, with respect to any Parity Swap Payment, without preference, priority or distinction as to lien or otherwise (except as expressly provided in the Indenture and in any Supplemental Indenture), of any one Bond, Parity Reimbursement Obligation or Parity Swap Payment over any other Bond, Parity Reimbursement Obligation or Parity Swap Payment, upon the terms and subject to the conditions set forth in the Indenture.

The Indenture permits the issuance of additional Obligations that may be secured by a lien on and security interest in the Trust Estate at an equal rank and priority with the lien and security interest granted to the holders of the 2015 Bonds subject to satisfaction of the conditions specified in the Indenture. The Indenture also permits the issuance of additional Obligations that

are subordinate to the 2015 Bonds. See “ADDITIONAL DEBT” herein and APPENDIX B – “FORM OF INDENTURE.”

Junior Lien Obligations

The pledge of and security interest granted by the Indenture to secure the payment of any Reimbursement Obligations that are not Parity Reimbursement Obligations, any Subordinated Swap Payment and any Swap Termination Payment shall be second in priority, and shall be junior in lien and subordinate to the pledge and security interests granted to the Trustee for the benefit of the Bonds, any Parity Swap Obligations and any Parity Reimbursement Obligations, and the rights of the holders of any Reimbursement Obligations and Swap Counterparties (with respect to Subordinated Swap Payments and Swap Termination Payments) shall be subject to the limitations set forth in the Indenture.

Any Series of Bonds or other Obligations may be further secured (or may be unsecured, or secured only by a portion of the Trust Estate) as may be provided in the Supplemental Indenture pertaining thereto.

Liens on PENNVEST Fund

Notwithstanding any other provision of the Indenture, the Authority, to the extent permitted by law, may grant a lien on and security interest in the PENNVEST Fund to secure any indebtedness or other obligation of the Authority. Any lien on and security interest in the PENNVEST Fund granted pursuant to the preceding sentence may be subordinate to or on parity with the lien on and security interest in the PENNVEST Fund granted to the Trustee to secure the Authority’s obligations under the Indenture. The Trustee may enter into one or more intercreditor agreements with the holder of such indebtedness and, if an Event of Default shall have occurred under the Indenture or under the documents pursuant to which such indebtedness is incurred, then amounts held in the PENNVEST Fund shall be applied in accordance with the terms of the intercreditor agreement then in effect.

The Loans

As noted above, the source of payment and security for the Bonds is the Revenues, which includes all amounts received or receivable in respect of the Loans or under the Loan Documents. This does not include State Match-Funded Loans, which are not pledged.

The Authority will continue to provide financial assistance for the construction, renovation, rehabilitation and improvement of public water supply, wastewater, storm-water and non-point source pollution control systems that benefit citizens of the Commonwealth. Loans to Borrowers made by the Authority pursuant to the Program are secured by notes or bonds issued to the Authority by the Borrowers, which are, in turn, typically secured by a lien on the revenues generated by the system being financed by the Loan. The Borrower is responsible for paying interest on the loan disbursement amounts during construction and repaying principal and interest from the system revenues after construction is completed. Certain of the Loans are additionally secured by a pledge of a governmental unit’s taxing authority, either directly in the note if the governmental unit has general taxing powers or in a guaranty agreement issued by a sponsoring governmental unit if the Borrower does not have general taxing powers.

As of the date of the issuance of the 2015 Bonds, and to secure the Bonds, the Authority will pledge the Pledged Loans identified in APPENDIX C hereto to the Trustee.

See “THE PENNVEST/COMMONWEALTH FUNDED REVOLVING FUND PROGRAM” above for further discussion of the operation of the Program and the terms of the Loans.

Release of Loans

The Indenture provides that Loans and the related Loan Documents may be released from the pledge of the Indenture if the Authority delivers a certificate to the Trustee (A) demonstrating that, after giving effect to the release of such Loans from the Trust Estate, for each Fiscal Year during the Projection Period, the Cash Flow Coverage Ratio is projected to be at least 1.30, (B) stating that there are no deficiencies in the funds and accounts established under the Indenture and (C) stating that no Event of Default or event which, with the giving of notice and/or passage of time would constitute an Event of Default under the Indenture has occurred and is continuing.

Funds and Cash Flow

The Indenture provides for the creation of the various funds and accounts to be held by the Trustee: Program Fund; Loan Prepayment Fund; Revenue Fund; Expense Fund; Debt Service Fund; Debt Service Reserve Fund; Reserve Fund Credit Facility; Rebate Fund; Subordinated Indebtedness Fund; Commonwealth Fund; Surplus Fund; and the PENNVEST Fund. The Trustee may create such Accounts and Subaccounts within the funds and accounts as it deems necessary or as required by the Indenture or any Supplemental Indenture, or if it is directed to do so by the Authority.

The Expense Fund, the Commonwealth Fund and the Rebate Fund will be held by the Trustee, as depository for the account of the Authority, outside the lien of the Indenture and will not be held as security for the Authority’s obligations under the Indenture, including the 2015 Bonds.

Program Fund.

The Indenture provides for the creation of a Program Fund. Proceeds of Bonds intended for making Loans and grants as part of the Authority’s Program will be deposited into the Program Fund and disbursed from time to time to make Loans and grants. No proceeds of the 2015 Bonds will be deposited in the Program Fund.

Debt Service Reserve Fund.

The Indenture provides for the creation of one or more Debt Service Reserve Funds. The 2015 Bonds will not be entitled to the benefit of a Debt Service Reserve Fund.

Revenues to be Paid Over to the Trustee.

The Authority will assign, transfer and set over to the Trustee all of its Revenues and other moneys as specified in the Indenture. The Authority will cause the Revenues to be paid

directly to the Trustee. If, notwithstanding these arrangements, the Authority receives any Revenues, the Authority shall pay over the same to the Trustee.

Transfers from the Revenue Fund.

Subject to the provisions of the Indenture, on each third to last Business Day of each month or such other date as may be set forth in the related Supplemental Indenture (the “Transfer Date”), the Trustee shall make the following transfers from the Revenue Fund in the following order of priority:

(1) to the Expense Fund an amount designated by the Authority as being equal to the Program Expenses then payable, or reasonably expected to become payable prior to the next Transfer Date;

(2) then, to the Debt Service Fund an amount which, together with other monies available therefor, is sufficient to accumulate with respect to the following obligations, *pro rata*:

(i) the principal or mandatory sinking fund Redemption Price coming due on the Bonds of each Series on each maturity or mandatory redemption date for such Bonds occurring on or prior to the next succeeding Transfer Date, with the amount (if any) of any such transfer in respect of the principal of Commercial Paper to be calculated as provided in the Indenture;

(ii) the interest coming due or estimated to be coming due on the Bonds of each Series on each Interest Payment Date for the Bonds occurring on or prior to the next succeeding Transfer Date, with the amount of any such transfer in respect of the interest on Commercial Paper to be calculated as provided in the Indenture;

(iii) the principal, interest and fees coming due (or estimated to be coming due) on each Parity Reimbursement Obligation on or prior to the next succeeding Transfer Date;

(iv) the principal, interest and fees coming due (or estimated to be coming due) on all Additional Parity Indebtedness (including all Guarantees that are Parity Indebtedness) on or prior to the next succeeding Transfer Date; and

(v) any Parity Swap Payments coming due (or estimated to be coming due) on any Swap on or prior to the next succeeding Transfer Date;

(3) then, to the Debt Service Reserve Fund, the amount necessary, together with any other moneys available therefor, first, *pro rata*, to restore the amount of any withdrawal from the Debt Service Reserve Fund for the purposes set forth in the Indenture in twelve substantially equal monthly installments; second, the amount

required by the Indenture relating to any Reserve Fund Credit Facilities; and third the amount required by the Indenture relating to the Debt Service Reserve Fund;

(4) then, to the Subordinated Indebtedness Fund, the amount which, together with other monies available therefor, is sufficient to pay, *pro rata*, the principal, interest and fees coming due on any Subordinated Indebtedness and any Reimbursement Obligation (other than a Parity Reimbursement Obligation) and any Subordinated Swap Payments and Swap Termination Payments coming due on any Swap, in each case prior to the next succeeding Transfer Date;

(5) then, to the Rebate Fund, any amounts required to be deposited therein pursuant to the Indenture;

(6) then, to any redemption fund or redemption account established in connection with the proposed redemption (other than a mandatory sinking fund redemption) of Bonds of a Series, an amount sufficient to pay the Redemption Price of all Bonds of such Series being called for redemption on the proposed Redemption Date; and

(7) any balance remaining in the Revenue Fund after making the above transfers shall be transferred to the Surplus Fund.

Transfers from the Surplus Fund.

On the first Business Day of each calendar month, the Trustee is required to transfer from the Surplus Fund to the Commonwealth Fund any amounts required to be deposited therein pursuant to the Indenture. Thereafter, any amount deposited in the Surplus Fund is required to be applied by the Trustee from time to time to remedy deficiencies in other funds and accounts under the Indenture in the order of priority set forth in the Indenture.

On the second Business Day following each Transfer Date, upon receipt by the Trustee of a certificate of the Authority stating that (i) all transfers from the Surplus Fund required to be made pursuant to provisions of the Indenture have been made, and (ii) no Event of Default or event, which, with the giving of notice and/or passage of time, would constitute an Event of Default under the Indenture has occurred and is continuing, then the Trustee will transfer all moneys (or, if specified by the Authority, a portion of the moneys in the amount specified by the Authority) remaining in the Surplus Fund to the PENNVEST Fund.

The Commonwealth Fund.

Pursuant to the Repayment Agreement, the Authority is obligated to repay certain moneys provided by the Commonwealth from the proceeds of the Commonwealth's general obligation bonds. On the first Business Day of each calendar month, the Trustee will deposit in the Commonwealth Fund, from moneys transferred from the Surplus Fund, an amount which, together with other moneys available therefor from the Authority, is sufficient to accumulate in substantially equal monthly installments the amount next due and payable to the Commonwealth pursuant to the Repayment Agreement. Thereafter, any amounts deposited in the Commonwealth Fund will be applied by the Trustee from time to time to remedy deficiencies in the funds and accounts under the Indenture in the order of priority set forth in the Indenture.

Following any transfers made pursuant to the provisions described above, on any date on which moneys are payable to the Commonwealth pursuant to the Repayment Agreement, the Trustee will transfer moneys in the Commonwealth Fund to, or to the order of, the Commonwealth.

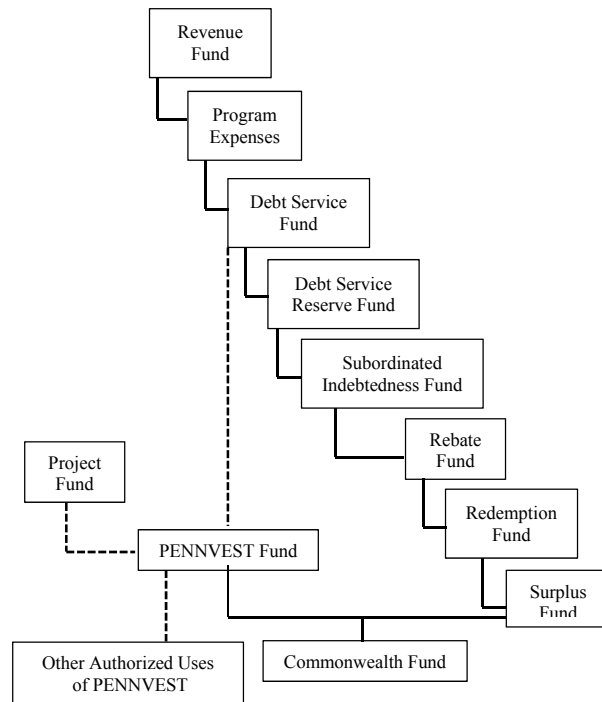
The PENNVEST Fund.

Revenues not required by the Indenture to be applied to other purposes may be transferred from the Surplus Fund to the PENNVEST Fund. Moneys on deposit in the PENNVEST Fund are subject to the lien of the Indenture and are held as security for the Authority's obligations under the Indenture, including the 2015 Bonds. The Indenture provides, however, that the Authority may apply amounts deposited in the PENNVEST Fund to make loans or grants, pay expenses and or for any authorized purpose of the Authority. The Authority has historically used amounts in the PENNVEST Fund to make Loans, and the PENNVEST Fund has served as the mechanism by which the Authority recycles Loan payments into new Loans.

The Indenture provides that amounts deposited in the PENNVEST Fund may be used for any authorized purpose of the Authority, and that amounts released from the PENNVEST Fund are outside the lien of the Indenture and are not held as security for the obligations of the Authority under the Indenture, including the 2015 Bonds. These uses could include, for example, making grants and transfers of funds to the Authority's federal revolving fund programs, the CWSRF Program and the DWSRF Program. **The Authority is not required under the Indenture to meet any debt service coverage test or any other condition for the release of amounts in the PENNVEST Fund from the lien of the Indenture.**

The application and deposit of the Revenues to the various funds and accounts established under the Indenture is described in APPENDIX B – "FORM OF INDENTURE – Revenue Fund." On the following page is a schematic outlining the fund structure and flow of funds under the Indenture.

FLOW OF FUNDS IN THE INDENTURE



ACTUAL AND PROJECTED DEBT SERVICE COVERAGE (\$000)

The following is an actual and projected debt service coverage table for the 2015 Bonds:

<u>Fiscal Year</u>	<u>Actual 2011-12</u>	<u>Actual 2012-13</u>	<u>Actual 2013-14</u>	<u>Projected 2014-15</u>	<u>Projected 2015-16</u>	<u>Projected 2016-17</u>
Loan Revenues(1)						
Total Pledged Revenues	57,350	66,043	54,620	50,293	52,120	51,711
Expenses	863	909	869	867	802	818
Available for Debt Service	56,487	65,134	53,751	49,426	51,318	50,893
Senior Debt Service (2)(3)	11,765	10,379	8,885	1,642	4,171	4,172
Senior Debt Coverage (4)	4.8x	6.3x	6.0x	30.1x	12.3x	12.2x
Subordinate Debt Service(5)	0	0	0	0	6,466	6,466
Combined Debt Coverage (6)	4.8x	6.3x	6.0x	30.1x	4.8x	4.8x

- 1) Loan Revenues consist of principal and interest payments on existing pledged Loans only and do not include payments on future Loans to be made by PENNVEST.
- 2) For the years ended 2012-2014, includes amortization of the total authorized amount of the 2010 Program Notes as balloon indebtedness as required in the Indenture for coverage calculation purposes, even though the total authorized amount of the 2010 Program Notes was not outstanding.
- 3) Projected debt service for FY2015 is the remaining debt service on the 2010 Program Notes and for FY2016 and FY2017 is debt service on the 2015 Bonds.
- 4) Available Revenues divided by Senior Debt Service.
- 5) Assumes 2010 Program Notes are fully repaid from 2015 Bond proceeds and other available funds that new subordinate commercial paper (the 2015 Commercial Paper Notes) is issued in FY2016 and FY2017, and is amortized as balloon indebtedness as required in the Indenture for coverage calculation purposes.
- 6) Available revenues divided by the sum of Senior Debt Service and Subordinate Debt Service.

ADDITIONAL DEBT

Additional Bonds

The issuance of additional Series of Bonds under the Indenture is permitted upon the satisfaction of the conditions set forth in the Indenture and described below. The Authority may issue from time to time a Series of Bonds for any lawful corporate purpose, including providing all or part of the funds necessary: (i) to refinance or refund all or any portion of any indebtedness of the Authority, including accrued and unpaid interest and redemption premium, if any, and all costs and expenses incidental to redemption; (ii) to provide additional funds for loans, grants or other payments to Borrowers; (iii) to provide the costs and expenses of a financing; (iv) to provide funds for the State Match; or (v) to deposit any additional amounts in funds and accounts as required under the Indenture. The proceeds of any additional Series of Bonds will be deposited with the Trustee as provided in the pertinent Supplemental Indenture. The Trustee is authorized to disburse the money in the Program Fund or other fund from time to time for the purposes provided in the applicable Supplemental Indenture.

As a condition precedent to issuing an additional Series of Bonds under the Indenture, the Trustee must receive various certificates and opinions, including a certificate executed by an Authorized Officer of the Authority demonstrating that for each Fiscal Year in the Projection Period, the Cash Flow Coverage Ratio is projected to be at least 1.30. The calculations described in the preceding sentence must be adjusted to include: (1) the projected Debt Service Requirements on the Series of Bonds to be issued; and (2) projected payments from Loans (other than State Match-Funded Loans) which are reasonably expected to be funded from the proceeds of such Series of Bonds. See APPENDIX B - "FORM OF INDENTURE."

Additional Parity Indebtedness

In addition to issuing additional Series of Bonds under the Indenture, the Authority may incur Additional Parity Indebtedness upon satisfaction of the requirements of the Indenture, including the same debt incurrence test as is required for the issuance of additional Bonds. Any additional Series of Bonds and all Additional Parity Indebtedness and Parity Swap Payments incurred from time to time as described under this heading will be on a parity with the Bonds and with all other Additional Parity Indebtedness and Parity Swap Payments secured under the Indenture, except as expressly provided or permitted by the Indenture or any Supplemental Indenture or in such Additional Parity Indebtedness.

Additional Parity Indebtedness may be secured, to the extent, in the manner and pursuant to the conditions and requirement set forth in the Indenture, by a lien on and security interest in the Loan Documents and the Revenues at an equal rank and priority with the lien and security interest granted to the Bondholders and to any Parity Reimbursement Obligations or with respect to any Parity Swap Payments under the Indenture, but only if certain conditions outlined in the Indenture are satisfied.

Subordinated Indebtedness

The Authority may incur Subordinated Indebtedness from time to time for any lawful purpose of the Authority.

The documents pursuant to which any Subordinated Indebtedness is incurred must provide, among other things, that so long as any Bonds are Outstanding under the Indenture or any Parity Reimbursement Obligations remain unsatisfied or any Parity Swap Payment remains unpaid as set forth in the Indenture:

(i) the maturity of the Subordinated Indebtedness may not be accelerated unless the maturity of the Bonds has been accelerated;

(ii) if an acceleration of the Bonds has been rescinded or annulled, then any acceleration of the Subordinated Indebtedness automatically shall be rescinded or annulled;

(iii) all payments in respect of any Subordinated Indebtedness shall be made by the Trustee solely from moneys in the Subordinated Indebtedness Fund, at the times and subject to the conditions provided for in the Indenture;

(iv) any amendment to the Indenture made by the holders of the Bonds in accordance with the provisions in the Indenture shall be automatically binding upon the holders of any Subordinated Indebtedness (other than an amendment that would extend the fixed maturity of any Subordinated Indebtedness or reduce the rate of interest thereon or extend the time of payment of interest or reduce the amount of principal thereof or reduce any premium payable on the redemption thereof); and

(v) upon the occurrence of any event of default with respect to any Subordinated Indebtedness, the holders of any Subordinated Indebtedness (or the Trustee on their behalf) may not exercise any remedies in the Indenture or with respect to the Revenues and the Loan Documents except with the consent of the holders of a majority of the Bonds and the Additional Parity Indebtedness.

The Authority may not incur any Subordinated Indebtedness unless there has been delivered to the Trustee, with respect to such Subordinated Indebtedness: (i) the materials that would be required to be delivered to the Trustee in connection with the issuance of a Series of Bonds pursuant to the Indenture, taking into account the Debt Service Requirements on the Subordinated Indebtedness and the application of the proceeds thereof (provided that the projected Cash Flow Coverage Ratio is required to be at least 1.00 and not 1.30), (ii) a copy of any agreements (collectively, the "Subordinated Indebtedness Agreement") providing for the repayment of and security for such Subordinated Indebtedness, and (iii) a schedule setting forth the debt service requirements on the Subordinated Indebtedness, the dates on which scheduled debt service payments on the Subordinated Indebtedness are due, and the amounts due on each such date.

The Trustee is authorized to execute and deliver such instruments, agreements and other materials in connection with the issuance of Subordinated Indebtedness as may be necessary or convenient to evidence that such Subordinated Indebtedness is secured by a lien on and security interest in the Revenues and the Loan Documents, subordinate to the lien and security interest granted to the Bondholders under the Indenture. Notwithstanding the foregoing, the agreements executed in connection with the issuance of Subordinated Indebtedness may provide that such

Subordinated Indebtedness may be further secured by a separate debt service reserve fund, held solely for the benefit of the holders of the Subordinated Indebtedness secured thereby.

BONDHOLDERS' RISKS

This Official Statement should be read in its entirety for an understanding of the security for and risks that may be associated with ownership of the 2015 Bonds. There follows under this heading a brief summary of selected factors that may be of particular significance to an investor in making an investment decision with respect to the 2015 Bonds. Such factors are not intended to be an exclusive list of all factors which may be material to such a decision. The 2015 Bonds do not constitute a debt or loan of credit of the Commonwealth of Pennsylvania or any political subdivision thereof and neither the Commonwealth of Pennsylvania nor any agency thereof (other than the Authority) nor any political subdivision thereof shall be liable on the 2015 Bonds. Neither the faith and credit nor the taxing power of the Commonwealth of Pennsylvania or any agency or political subdivision thereof, including the Authority, is pledged to the payment of the principal of or interest on the 2015 Bonds. The Authority has no taxing power.

Loan Rates Are and Will Be Below Bond Rates

Loans have been and will be made to Borrowers from the proceeds of different issues of bonds at interest rates that are lower than the interest rates on such bonds. The interest rate charged to each Borrower will be determined in accordance with the PENNVEST Act. The actual interest rates payable on the Authority's Bonds is not one of the factors used to establish interest rates on Loans. In the event the Authority has insufficient funds to pay principal of or the interest on the Bonds, Borrowers with Loans outstanding are not required to pay amounts in excess of the then-existing interest rates on their Loans. In addition, Borrowers are not required to make up revenue shortfalls of the Authority resulting from payment defaults of other Borrowers or from insufficient investment earnings.

Borrower Credit

The Authority has no minimum credit requirement for Borrowers. Additionally, the creditworthiness of each Borrower may change from time to time. The Authority has no obligation to fund additional reserves following any reduction of the credit rating of a Borrower subsequent to the closing of that Borrower's Loan. A number of specific and general economic conditions may adversely affect the ability of Borrowers to repay their Loans. An economic downturn or recession may adversely affect the Borrowers' ability to generate revenues from one or all sources, including, without limitation, property taxes and user fees. Other factors to be considered include, without limitation, losses in population and employment, declines in real estate values, increased operating expenses and decreased demands for services.

Pool of Borrowers

The mix of Borrowers will change from time to time as a result of making additional Loans and the repayment of Loans. In addition, the principal amount of the Loans to each Borrower will change from time to time as a result of repayments of principal of existing Loans and the making of additional Loans. Interest rates on Loans must be at least 1%, and may not exceed various maximum rates depending upon factors including the Commonwealth's

borrowing costs and the unemployment rates in the county where a project is located at the time that the Authority makes the Loan. For projects in counties whose unemployment rates do not exceed the statewide unemployment rate, the maximum allowable Loan interest rate is 60% of the Commonwealth's borrowing cost on its general obligation debt for the first five years of the Loan and 75% of such costs for the remaining years. The maximum allowable interest rates for projects in counties whose unemployment rates exceed the statewide unemployment rate are lower. These interest rates are determined at the time the Authority makes its Loan commitment. Therefore, the interest rates on Loans not yet made cannot be determined as of the date of this Official Statement.

No assurances can be given that the Borrower profile at any time in the future will remain similar to that at the time of issuance of the 2015 Bonds. All Borrowers must be located within the Commonwealth of Pennsylvania and thus may be subjected to similar economic factors. Most of the Borrowers participating in the PENNVEST/Commonwealth Funded Loan Pool Program are anticipated to be small governmental units located outside of any major metropolitan area and may be subject to similar economic considerations.

Projected Revenues

No assurances can be given that actual Revenues for any year will be sufficient to make required debt service payments on all of the Bonds and other obligations outstanding under the Indenture. Although the Indenture imposes limitations on the incurrence of obligations to be secured thereunder, actual revenues may be less than the forecasted levels. Actual revenues will differ from those projected for a number of reasons including, but not limited to: (1) Borrower defaults, (2) inability to reinvest the proceeds of maturing investments at a rate sufficient to provide revenues at the assumed interest rate, and (3) an increase in the interest rate of variable rate Bonds, if any. Such differences may be material and adverse. The delivery to the Trustee of a certificate establishing sufficient projected Revenues does not constitute a representation by the Authority that the project Revenues will be realized or will be received at the times or in the amounts set forth in the projected Revenue certificate.

Investment Income and Investment Risks

The ability of the Authority to pay principal of and interest on the Bonds depends, in part, upon the generation of investment income from the monies on deposit in the funds established under the Indenture and the preservation of principal of such funds. In addition to Loan repayments, investment earnings on funds held under the Indenture are a source of revenue (though not a substantial source of revenue) for payment of debt service on the Bonds. The Authority has not, and does not intend to, invest in any securities which may be characterized as "derivative securities."

However, there are risks associated with such investments, as well as interest rates which can be obtained in the future. Because interest rates available to the Authority in the future on its investments will vary and may either increase or decrease from time to time, there can be no assurance that the Authority will be able to generate investment earnings sufficient to restore deficiencies that may result from any insufficient Loan repayments. Under existing federal tax law, the amount of possible investment earnings on some of the Authority's funds held pursuant

to the Indenture are limited. In such cases, either the earnings on investments must be restricted to the yield on the related Bonds or earnings in excess of the yield on the Bonds are rebatable or otherwise payable to the United States. Use of funds for payment of debt service on the Bonds in the event of either insufficient Loan repayments or insufficient investment earnings would reduce both the amounts of funds available for investment and investment earnings.

Enforceability of Remedies

The remedies available to the Trustee or the holders of the 2015 Bonds upon an Event of Default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Indenture may not be readily available or may be limited. The various legal opinions delivered on the date of issuance of the 2015 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the sovereign powers of the Commonwealth, the constitutional powers of the United States, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. Under current Pennsylvania law, PENNVEST is not authorized to be a debtor in a case under the federal bankruptcy code; however, governmental units that are Borrowers, or guarantee the obligations of Borrowers under Loans, may be eligible to be debtors in a federal bankruptcy case.

ABSENCE OF LITIGATION

There is not now pending any litigation restraining or enjoining the sale of the 2015 Bonds or questioning or affecting the validity of the 2015 Bonds or the proceedings and authority under which they are issued. Neither the creation, organization or existence of the Authority, nor the title of the present members of the Board of the Authority, is being contested. There is no litigation pending which in any manner questions the right of the Authority to finance the PENNVEST/Commonwealth Funded Loan Pool Program in accordance with the provisions of the Indenture, the PENNVEST Act and the documents relating to the PENNVEST/Commonwealth Funded Loan Pool Program.

LIMITED OBLIGATIONS

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE FUNDS AVAILABLE FOR SUCH PURPOSE AND ON DEPOSIT UNDER THE INDENTURE DESCRIBED HEREIN. NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2015 BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE 2015 BONDS. THE AUTHORITY HAS NO TAXING POWER.

TAX MATTERS

In the opinion of Bond Counsel, interest on the 2015 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of the initial delivery of the 2015 Bonds, assuming the accuracy of the certifications of the Authority and the Borrowers and continuing compliance by the Authority and the Borrowers with the requirements of the federal tax laws. Interest on the 2015 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on the 2015 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding other federal tax consequences of ownership or disposition of, or the accrual or receipt of interest on, the 2015 Bonds.

Original Issue Discount

Certain 2015 Bonds may be offered at a discount (“original issue discount”) equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a 2015 Bond accrues periodically over the term of the 2015 Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder’s tax basis in the 2015 Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of accrual rules.

Original Issue Premium

Certain 2015 Bonds may be offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a 2015 Bond through reductions in the holder’s tax basis for the 2015 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

Under the laws of the Commonwealth of Pennsylvania, as presently enacted and construed, the 2015 Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the 2015 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

The form of the opinion of Bond Counsel is attached hereto as APPENDIX D.

Changes In Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the 2015 Bonds or otherwise prevent holders of the 2015 Bonds from realizing the full benefit of the tax exemption of interest on the 2015 Bonds. Such proposals may impact the marketability or market value of the 2015 Bonds simply by being

proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2015 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2015 Bonds would be impacted thereby.

Purchasers of the 2015 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2015 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE

The Authority will undertake in a written agreement upon the issuance of the 2015 Bonds (the “Disclosure Agreement”) to provide to the Trustee, annually, certain financial and operating data (referred to herein as the “Annual Report”), including the Authority’s annual financial statements prepared in accordance with generally accepted accounting principles. The Authority will file the Annual Report with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system. In addition, the Disclosure Agreement will require the Authority to file with the EMMA system notice of the occurrence of certain events specified in the Disclosure Agreement. The Disclosure Agreement is to be executed and delivered by the Authority for the benefit of the owners and Beneficial Owners of the 2015 Bonds. The form of Disclosure Agreement is included herein as APPENDIX E.

In connection with the issuance of previous series of revenue bonds, the Authority entered into a continuing disclosure agreement to provide certain financial information, operating data and notices of certain listed events with certain national repositories in accordance with the terms thereof. The continuing disclosure agreement required the Authority to timely file, or cause its dissemination agent to file, for each fiscal year its annual audited financial statements and updates of financial and operating data contained in Appendix A of the offering document for such revenue bonds (collectively, the “annual report”). The Authority filed all required information in the annual report for 2009, 2010, 2011, 2012 and 2013; however, the Authority’s annual report for the fiscal year ended in 2011 was filed approximately 31 months late, the annual report for the fiscal year ended in 2012 was filed approximately six weeks late and the annual report for the fiscal year ended in 2013 was filed approximately one month late. No other filings were made. The related revenue bonds have since matured and been paid in full.

The Authority intends to fully comply with the Disclosure Agreement for the 2015 Bonds and has implemented internal procedures to ensure that all future filings are completed on a timely basis in accordance with the Disclosure Agreement. PENNVEST has trained its staff to post continuing disclosures on EMMA and has subscribed to the e-mail reminder service provided by EMMA for such filings.

LEGAL MATTERS

The legality of the 2015 Bonds will be passed upon by Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel, in an opinion substantially in the form attached hereto as APPENDIX D. Certain legal matters will be passed upon for the Authority by its chief counsel, Jayne B. Blake, Esquire, Harrisburg, Pennsylvania.

RATINGS

Fitch Inc. has assigned its municipal bond rating of “AAA” and Standard & Poor’s Ratings Services has assigned its municipal bond rating of “AAA” to the 2015 Bonds. Any explanation of the significance of such rating may only be obtained from the rating agency furnishing the same. A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, by the judgment of such rating agency, circumstances so warrant. The Authority undertakes no responsibility to bring to the attention of the holders of the 2015 Bonds any proposed revision or withdrawal or to oppose any such revision or withdrawal. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2015 Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the Authority for the fiscal year ended June 30, 2014 have been included in APPENDIX A to this Official Statement and have been audited by Zelenkofske Axelrod LLC, as stated in their report attached hereto in APPENDIX A.

FINANCIAL ADVISOR

This Official Statement has been prepared under the direction of the Authority with the assistance of Lamont Financial Services Corporation (“Lamont”). Lamont was employed by the Authority to perform professional services in the capacity of financial advisor. In its role as financial advisor to the Authority, Lamont has provided advice on the plan of financing and structure of the issue, reviewed and commented on certain legal documents, drafted certain portions of the Official Statement based upon information provided by the Authority, and reviewed the pricing of the 2015 Bonds by the underwriters thereof. Lamont has not independently verified the factual information contained in this Official Statement but has relied on the information supplied by the Authority and the Authority’s certificate as to the Official Statement.

UNDERWRITER

_____ (the “Underwriter”) has agreed to purchase the 2015 Bonds at an aggregate purchase price of \$_____, representing the par amount of the 2015 Bonds of \$_____ plus original issue premium of \$_____ less an underwriting discount of \$_____. The initial public offering prices set forth on the cover page may be changed by the Underwriter, and the Underwriter may offer and sell the 2015 Bonds to certain dealers (including dealers depositing 2015 Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page hereof.

GOOD FAITH DEPOSIT

In accordance with the terms of the Notice of Sale attached hereto as APPENDIX F, the Underwriter is required to submit a good faith deposit in an amount equal to Six Hundred Fifty Thousand Dollars (\$650,000) (the “Good Faith Deposit”) to the Authority in the form of a wire transfer of immediately available funds, which must be received no later than 11:00 A.M. New York City Time on the next business day following the verbal award of the 2015 Bonds. If the Good Faith Deposit is not received by such time, the Authority, in its sole discretion, may revoke its acceptance of the Underwriter’s proposal. No interest on the Good Faith Deposit will accrue to the Underwriter. The Good Faith Deposit will be applied to the purchase price of the 2015 Bonds at closing. In the event the Underwriter fails to honor the accepted proposal, the Good Faith Deposit will be retained by the Authority.

MISCELLANEOUS

The Authority has furnished only the information included herein under the caption “THE AUTHORITY.” Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The foregoing references, summaries or descriptions of provisions of the 2015 Bonds and the Indenture, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. For a complete statement of the provisions of the 2015 Bonds and the Indenture, reference is made to the documents in their entireties, copies of which are on file at the designated corporate trust office of the Trustee at 525 William Penn Place, 38th Floor Pittsburgh, PA 15259.

The Authority has duly authorized the execution, delivery and distribution of this Official Statement.

**PENNSYLVANIA INFRASTRUCTURE
INVESTMENT AUTHORITY**

By: _____
Paul K. Marchetti, Executive Director

APPENDIX A
FINANCIAL STATEMENTS OF THE AUTHORITY

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**PENNSYLVANIA INFRASTRUCTURE
INVESTMENT AUTHORITY
(Component Unit of the
Commonwealth of Pennsylvania)**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

YEARS ENDED JUNE 30, 2014 AND 2013

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pennsylvania Infrastructure Investment Authority
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY ("PENNVEST"), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise PENNVEST's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Harrisburg

830 Sir Thomas Court, Suite 100
Harrisburg, PA 17109
717.561.9200 Fax 717.561.9202

Philadelphia

2370 York Road, Suite A-5
Jamison, PA 18929
215.918.2277 Fax 215.918.2302

Pittsburgh

3800 McKnight E. Drive, Suite 3805
Pittsburgh, PA 15237
412.367.7102 Fax 412.367.7103

Zelenkofske Axelrod LLC

Board of Directors
Pennsylvania Infrastructure Investment Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of PENNVEST, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board Principles

As discussed in Note 1 to the financial statements, during the fiscal year ending June 30, 2014, PENNVEST adopted the provisions of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", Statement No. 66, "*Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*", Statement No. 67, "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*", and Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PENNVEST's basic financial statements. The Other Supplemental Information on pages 27 through 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Zelenkofske Axelrod LLC

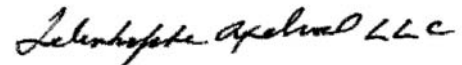
Board of Directors
Pennsylvania Infrastructure Investment Authority

The Other Supplemental Information on pages 27-33 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information on pages 27 through 33 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedules of Delinquent Loans on page 34 has not been subject to auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of PENNVEST's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PENNVEST's internal control over financial reporting and compliance.



ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
October 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Pennsylvania Infrastructure Investment Authority's (PENNVEST) annual financial report presents the Management's Discussion and Analysis (MD&A) of PENNVEST's financial performance during the fiscal year that ended June 30, 2014. It is intended to be read in conjunction with the PENNVEST financial statements and accompanying notes, which follow this section.

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation.

FINANCIAL HIGHLIGHTS

PENNVEST continued to make use of commercial paper to fund participant loans. The use of commercial paper is much like the use General Obligation bonds. As of June 30, 2014 \$51.0 million of commercial paper was outstanding.

Total Net Position increased by \$114.7 million and Total Assets increased by \$152.5 million this year. The Current Portion of Liabilities was impacted by an increase in short-term obligation of \$41.0 million.

The last of the funds awarded under The American Reinvestment Recover Act (ARRA) was received in current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; Management's Discussion and Analysis, financial statements, and other supplemental information. The financial statements also include notes that explain in more detail some of the information in the financial statements. The MD&A serves as an introduction to the basic financial statements and other supplementary information and presents management's examination and analysis of PENNVEST's financial condition and performance.

REQUIRED FINANCIAL STATEMENTS

The financial statements of PENNVEST report information about PENNVEST using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statements of Net Position includes all of PENNVEST's assets and liabilities and provides information about investments, revenue bonds, and federal government payments. All of the current year's revenues are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the fiscal conditions of PENNVEST operations over the past year and can be used to determine whether PENNVEST has remained creditworthy and in a positive financial order. The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about PENNVEST's cash receipts and cash payments, net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as, where did the cash come from, what was the cash used for, and what was the change in cash balance during the report period.

FINANCIAL ANALYSIS

The issued report provides comparative statements for a two-year period. This presentation enables a reader to determine by category the basic analysis of a year's activity. The Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Position report information about PENNVEST and provide an excellent examination of financial performance. These two statements report the net position of PENNVEST and the changes in them. Over time, increases or decreases in PENNVEST's net position is one gauge of whether its financial health is improving or deteriorating. This alone will not provide the total picture of financial health but it is a good indicator. Additional information such as the status of assets and liabilities and the reduction in long-term debt will provide a larger picture of the status of fiscal health. The following table summarizes the changes in net position between fiscal years ending June 30, 2014 and 2013.

Table 1 (Thousands)
ASSETS

	2014	2013	Dollar Change	Percent Change
Current Assets	\$ 1,286,480	\$ 1,291,948	\$ (5,468)	-0.4%
Non-current Assets	2,293,227	2,135,298	157,929	7.4%
Total Assets	\$ 3,579,707	\$ 3,427,246	\$ 152,461	4.4%
Current Portion of Liabilities	\$ 90,519	\$ 39,439	\$ 51,080	129.5%
Non-current Liabilities	202,159	215,472	(13,313)	-6.2%
Total Liabilities	\$ 292,678	\$ 254,911	\$ 37,767	14.8%
Total Net Position	\$ 3,287,029	\$ 3,172,335	\$ 114,694	3.6%

The above table provides several financial indicators that depict the fiscal health of PENNVEST. First, total net position increased this year by 3.6%. The Federal Clean Water State Revolving Fund has a significant impact on the total net position line, as it represents 56.6% of the total net position. This reflects the strength of the Federal Clean Water program in total net position.

Current assets showed a minimal decrease from 2013. Increases in investment – securities lending collateral (\$7.7 million), investments (\$53.9 million) and due from the Commonwealth of Pennsylvania (\$17.9 million) were offset by decreases in cash and cash equivalents (\$18.7 million), and loans receivable current (\$66.9 million).

Non-Current Assets increased by 7.4% or by \$157.9 million. PENNVEST is a Revolving Loan Program. In a Revolving Loan Program, principal and interest payments received from borrowers are recycled back into the Program and are available for future loan disbursements. The ability to encumber against future year revenues is critical for a revolving program. Non-current Loans Receivable, gross, are those future loans that are due in more than one year. The Non-Current Asset total is reduced by the Allowance for loan losses which is \$49.2 million for the year ended June 30, 2014. Loan loss allowance is an estimate of the amount of Loans Receivable that will not be collected and is not realized in operations.

Total Liabilities increased by 14.8% or by \$37.8 million. The increase in Liabilities is impacted by an increase of \$41.0 million in short-term liabilities, as Pennvest had increased outstanding Commercial Paper at June 30, 2014 as compared to June 30, 2013.

The Securities lending obligation, as described in footnote 2, accounts for 25.3% of Total Current Portion of Liabilities. Excluding the securities lending obligation, total current portion of liabilities increased 179.5% in 2014, as a result of the additional Commercial Paper outstanding at the end of 2014. With the exclusion of securities lending obligation, Total Liabilities increased by 12.6% or by \$30.1 million in 2014.

The PENNVEST Program financial picture reflects continued growth this year. The total net position growth of 3.6% or \$114.7 million is bolstered by the Clean Water State Revolving Fund net position of \$1.9 billion which represents 56.6% of Total Net Position of \$3.3 billion. Supported by the Clean Water State Revolving Fund federal program, the PENNVEST Program continues to show sustained growth.

OPERATING REVENUES AND EXPENSES

The Program has not received Commonwealth appropriations for operations since 1996. The cost of the Program has been funded from investment earnings, the repayment of loans, and allowable federal administrative expenses.

Table 2 (Thousands)
Operating Revenue and Expenses

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues				
Interest on Loan Receivables	\$ 35,854	\$ 34,991	\$ 863	2.5%
ARRA Federal Grants	234	2,257	(2,023)	-89.6%
Other Federal and State	45,072	18,457	26,615	144.2%
Total Operating Revenues	\$ 81,160	\$ 55,705	\$ 25,455	45.7%
Operating Expenses				
Administration	\$ 16,862	\$ 13,680	\$ 3,182	23.3%
Interest and amortization expense	2,175	1,754	421	24.0%
ARRA "Principal Forgiveness" to program participants	234	2,257	(2,023)	-89.6%
Grants/"principal forgiveness" to program participants	68,253	66,636	1,617	2.4%
Total Operating Expenses	\$ 87,524	\$ 84,327	\$ 3,197	3.8%
Provision for Loan Losses	12,948	(10,290)	23,238	-225.8%
Nonoperating Revenues	64,433	40,077	24,356	60.8%
Capital Contributions	69,573	228,969	(159,396)	-69.6%
Increase in Net Position	<u>\$ 114,694</u>	<u>\$ 250,714</u>	<u>\$ (136,020)</u>	-54.3%

The operating portion of the American Reinvestment Recover Act (ARRA) funding was reduced by \$2.0 million, as a result of the ARRA funding being in its final year in 2014. The Operating Revenues, before Provision for Loan Losses of \$81.2 million were driven by the Other Federal and State operating Grants of \$45.1 million, and interest repayments on loans of \$35.9 million. The Other Federal and State operating grants increased \$26.6 million or 144.2% primarily because of an increase funding from Environmental Stewardship fund and the Marcellus Legacy fund.

The Total Operating Expenses had modest increase of 3.8%. Grants to program participants increased in 2014 by \$1.6 million or 2.4%. This increase was based on the use of the additional funding from the Environmental Stewardship fund and the Marcellus Legacy fund to fund grants to program participants. PENNVEST grant funding enables economic challenged borrowers to fund projects that otherwise would not be obtainable.

Table 3 (Thousands)
Loan Loss Allowance

Loan Loss Allowance	2014	2013	Dollar Change	Percent Change
CWSRF	\$ 30,792	\$ 21,183	\$ 9,609	45.4%
DWSRF	4,537	4,096	441	10.8%
State and Revenue Bonds	13,854	10,956	2,898	26.5%
Total Program	<u>\$ 49,183</u>	<u>\$ 36,235</u>	<u>\$ 12,948</u>	35.7%

Table 3 examines the loan loss allowance for each of the loan portfolios of PENNVEST. The largest change was noted in the Clean Water State Revolving Fund loan program of \$9.6 million. The CWSRF loan loss allowance is 62.6% of the total current year Provision for loan losses. The State and Revenue Bonds loan loss allowance increased by 26.5% or by \$2.9 million. The Drinking Water State Revolving Fund loan loss allowance reflects an increase of \$.4 million. The loan loss is an allowance in the balance sheet, which reflects the amount, which in management's judgment establishes an adequate allowance to report possible losses on loans.

Table 4 (Thousands)
Loan Portfolio by Risk Code

Risk Codes	2014	2013	Dollar Change	Percent Change
Speculative	\$ 759,882	\$ 471,673	\$ 288,209	61.1%
Concern High Rate Impact	99,366	57,491	41,875	72.8%
Concern Service User	18,212	9,591	8,621	89.9%
Non-Speculative	1,623,367	1,857,025	(233,658)	-12.6%
Total Loan Portfolio	<u>\$ 2,500,827</u>	<u>\$ 2,395,780</u>	<u>\$ 105,047</u>	4.4%

Table 4 depicts the PENNVEST loan portfolios, excluding On-Lot Loans, by risk code classification which is one of the calculations for the loan loss allowance. The largest dollar change occurred in the Speculative project rating. This risk code represented \$759.9 million or 30.4% of the 2014 total. One of the largest percent change was in the Concern Service User of 89.9%. This code represents the concern of service user rates of the borrower of PENNVEST funds. The rating of Non-Speculative reflects that the projects receiving this rating are not suspect financially to be able to repay their PENNVEST loan. Overall the risk assessment of the loan portfolio remains good as the Non-Speculative rating represents 64.9% of the total.

REVENUES

As PENNVEST is a Revolving Loan Program, it is essential that loan repayments be made in a timely manner. Over 99.9% of all loans in every PENNVEST portfolio are submitting repayments electronically with the electronic fund transfer program offered under the Automatic Clearing House (ACH) system; however, funds have to be available for payment in the borrowers' accounts. By all accounts, the PENNVEST ACH system is working and funds are available for repayment. Table 5 illustrates the loan receipts by the different loan portfolios of PENNVEST.

Table 5 (Thousands)
Loan Receipts from Customers

<u>Loan receipts</u>	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
CWSRF Federal Loans	104,524	137,373	(32,849)	-23.9%
DWSRF Federal Loans	43,743	38,605	5,138	13.3%
State and Revenue Bond Loans	64,795	76,521	(11,726)	-15.3%
Totals	<u>\$ 213,062</u>	<u>\$ 252,499</u>	<u>\$ (39,437)</u>	-15.6%

As can be observed from Table 5, loan receipts vary for each of the PENNVEST portfolios. These receipts are categorized as deposits that do not include any transfers. The CWSRF Federal Clean Water Program had the largest dollar collection this year of \$104.5 million or 49.1% of the total collected. The CWSRF is a major portfolio in the PENNVEST program. The DWSRF Program continues to reflect a steady growth in loan receipts, with 2014 receipts totaling \$43.7 million or 20.5% of the total loan receipts. Total loan receipts decreased by \$39.4 million.

Table 6 (Thousands)
Loan Disbursements to Customers

<u>Loan disbursements</u>	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
CWSRF Federal Loans	145,645	123,760	21,885	17.7%
DWSRF Federal Loans	61,513	50,461	11,052	21.9%
State and Revenue Bond Loans	74,301	53,623	20,678	38.6%
All Portfolios Disbursements	<u>\$ 281,459</u>	<u>\$ 227,844</u>	<u>\$ 53,615</u>	23.5%

Table 6 is an illustration of the PENNVEST disbursements to customers. The total disbursement of \$281.5 million reflects an increase of \$53.6 million from last year or an increase of 23.5%. The State and Revenue Bond disbursements had increased from the previous year by \$20.7 million or 38.6%. The CWSRF Federal Disbursement reflects an increase of 17.7% and represents 51.7% of total disbursements. The Drinking Water Disbursements increased by 21.9% and is 21.9% of the total disbursements.

LONG-TERM DEBT ADMINISTRATION

At June 30, 2014, PENNVEST had \$1.6 million of general debt outstanding. Debt decreased 39.5% from the previous year. The following is a summary of revenue bond activity for the 2013-2014 fiscal year.

Table 7 (Thousands)

Outstanding debt July 1, 2013	\$ 3,984
Less: Principal payments	(2,295)
Add:	
Net change in unamortized premium	<u>(114)</u>
Outstanding debt at June 30, 2014	<u><u>\$ 1,575</u></u>

See footnote 6 to the financial statements for detailed descriptions of the outstanding debt and the current year activity.

Future Programs under Development

Commercial Paper Programs

PENNVEST established a Commercial Paper program in 2010-2011 in our Commonwealth program. This mechanism allows PENNVEST to better manage our cash flows so that funds on hand with the Commonwealth Treasurer can be invested for a longer term and a higher rate than would otherwise be the case.

In the existing Commonwealth Commercial Paper program, a change in the Comptroller's Loan Accounting system in late winter 2012-13 allowed the Trustee to disburse funds directly to the borrower rather than transferring the CP proceeds to the state Treasury for disbursement.

PENNVEST plans to expand its Commercial Paper program to both the CWSRF and DWSRF programs during 2014-2015.

Nutrient Trading

PENNVEST continues to further develop the Nutrient Credit Trading Program during 2013-2014 as a clearing house for nitrogen and phosphorous credits and to also facilitate Bilateral Agreements between credit producers and municipalities wanting to purchase the credits outside of the auction process.

Loan Guarantee Program

During 2014-15 PENNVEST will be developing a Loan Guarantee program to supplement its loan program. This will allow PENNVEST to provide further assistance to the borrowers when the cost of the project is more than PENNVEST can lend. The Loan Guarantee will allow the borrowers to find private financing for the balance of a project with a reduced interest rate.

CONTACTING PENNVEST'S DIRECTOR OF FINANCIAL MANAGEMENT

This financial report is designed to provide bondholders, investors, creditors, and federal and state agencies with a general overview of PENNVEST's finances and to demonstrate PENNVEST's accountability as a governmental agency. If you have any questions about this report or need additional financial information, contact Beverly Reinhold, Deputy Executive Director, Financial Management, PENNVEST, 22 South Third Street, Harrisburg, PA 17101.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 STATEMENTS OF NET POSITION
 JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 41,006	\$ 59,679
Investment - securities lending collateral	22,904	15,254
Investments	1,024,374	970,448
Loans receivable, gross	174,448	241,373
Accrued interest receivable	3,419	3,120
Due from Commonwealth of Pennsylvania	18,095	151
Due from federal government	2,234	1,923
Total Current Assets	<u>1,286,480</u>	<u>1,291,948</u>
Noncurrent Assets:		
Loans receivable, gross	2,327,410	2,156,533
Allowance for loan losses	(49,183)	(36,235)
Due from Commonwealth of Pennsylvania	15,000	15,000
Total Noncurrent Assets	<u>2,293,227</u>	<u>2,135,298</u>
Total Assets	<u>\$ 3,579,707</u>	<u>\$ 3,427,246</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 482	\$ 2,238
Accrued interest payable	-	61
Due to Commonwealth of Pennsylvania	14,515	9,470
Unearned revenue	-	60
Securities lending obligation	22,869	15,235
Short-term obligations	51,000	10,000
Compensated absences	78	80
Current portion of revenue bonds payable	1,575	2,295
Total Current Liabilities	<u>90,519</u>	<u>39,439</u>
Noncurrent Liabilities:		
Due to Commonwealth of Pennsylvania	201,117	212,885
Compensated absences	383	339
Noncurrent revenue bonds payable	-	1,689
Other Noncurrent liabilities	659	559
Total Noncurrent Liabilities	<u>202,159</u>	<u>215,472</u>
Total Liabilities	<u>292,678</u>	<u>254,911</u>
NET POSITION		
Restricted:		
Federal clean water revolving loan program	1,860,225	1,760,748
Federal drinking water revolving loan program	603,945	571,609
Unrestricted	822,859	839,978
Total net position	<u>\$ 3,287,029</u>	<u>\$ 3,172,335</u>

See accompanying notes to the financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEARS ENDED JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

	2014	2013
Operating Revenues		
Interest on loans receivable	\$ 35,854	\$ 34,991
ARRA federal "principal forgiveness" grants	234	2,257
Other federal and state	45,072	18,457
	<u>81,160</u>	<u>55,705</u>
Operating Revenues before Provision for Loan Losses	81,160	55,705
Provision for loan losses	12,948	(10,290)
	<u>68,212</u>	<u>65,995</u>
Net Operating Revenues	68,212	65,995
Operating Expenses		
Administration	16,862	13,680
Interest and amortization expense	2,175	1,754
ARRA federal "principal forgiveness" to program participants	234	2,257
Grants/"principal forgiveness" to program participants	68,253	66,636
	<u>87,524</u>	<u>84,327</u>
Total Operating Expenses	87,524	84,327
Operating Loss	(19,312)	(18,332)
Nonoperating Revenues		
Investment income	64,433	40,077
Total Nonoperating Revenues	64,433	40,077
	<u>45,121</u>	<u>21,745</u>
Income before Capital Contributions	45,121	21,745
Capital Contributions:		
ARRA federal	911	3,774
Other federal and state	68,662	225,195
	<u>69,573</u>	<u>228,969</u>
Total Capital Contributions	69,573	228,969
Increase In Net Position	114,694	250,714
Net Position - Beginning of Year, as restated Note 11	3,172,335	2,921,621
Net Position - End of Year	<u>\$ 3,287,029</u>	<u>\$ 3,172,335</u>

See accompanying notes to the financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Cash Flows from Operating Activities:		
Loan repayments from borrowers	\$ 213,062	\$ 252,499
Loan disbursements to borrowers	(281,459)	(238,472)
Payments for goods and services	(18,476)	(12,976)
ARRA federal "principal forgiveness" to program participants	(234)	(2,257)
Grants/"principal forgiveness" to program participants	(68,253)	(66,636)
ARRA federal grant receipts	234	2,257
Other federal and state receipts	29,372	17,772
Net Cash Used In Operating Activities	(125,754)	(47,813)
Cash Flows from Capital Financing Activities:		
ARRA federal capital contributions	911	3,774
Other federal and state capital contributions	68,662	225,195
Proceeds of short term obligations	205,800	1,973,800
Repayments of short term obligations	(164,800)	(2,010,000)
Proceeds from letter of credit	164,800	2,010,000
Repayments of letter of credit	(164,800)	(2,010,000)
Repayment of bonds payable	(2,409)	(3,640)
Repayment of due to Commonwealth of Pennsylvania	(9,338)	(6,943)
Proceeds from Commonwealth of Pennsylvania bond issuance	-	102,677
Interest on bonds payable	(2,236)	(1,822)
Cash Provided By Capital Financing Activities	96,590	283,041
Cash Flows from Investing Activities:		
Receipts from/(Payments to) depositories	64,417	40,074
Net sales of investments held by trustee	6,549	1,660
Net (purchases)/sales of State Treasury Commonwealth Investment Pool	(60,475)	(270,330)
Cash Provided By (Used In) Investing Activities	10,491	(228,596)
Increase (Decrease) In Cash And Cash Equivalents	(18,673)	6,632
Cash and Cash Equivalents, Beginning of Year	59,679	53,047
Cash and Cash Equivalents, End of Year	\$ 41,006	\$ 59,679

See accompanying notes to the financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 STATEMENTS OF CASH FLOWS (CONTINUED)
 YEARS ENDED JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash Used In		
Operating Activities:		
Operating loss	<u>\$ (19,312)</u>	<u>\$ (18,332)</u>
Adjustments to reconcile operating income to net cash		
used in operating activities:		
Interest on bonds payable not considered operating		
activities	2,236	1,822
Provision for loan losses	12,948	(10,290)
Changes in operating assets and liabilities:		
Loan disbursements	(281,459)	(238,472)
Loan repayments	177,507	217,709
Accrued interest receivable	(299)	(201)
Due from Commonwealth of Pennsylvania (Net)	(15,329)	(89)
Due to/from federal government	(311)	(379)
Accounts payable	(1,756)	559
Accrued interest payable	(61)	(68)
Accrued compensated absences	42	23
Unearned revenue	(60)	(217)
Other noncurrent liabilities	<u>100</u>	<u>122</u>
Total adjustments	<u>(106,442)</u>	<u>(29,481)</u>
Net Cash Used In Operating Activities	<u><u>\$ (125,754)</u></u>	<u><u>\$ (47,813)</u></u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid during the year	\$ 124	\$ 407

See accompanying notes to the financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Pennsylvania Infrastructure Investment Authority ("PENNVEST") is an instrumentality of the Commonwealth of Pennsylvania ("Commonwealth") created by Act 16 of the General Assembly in March of 1988 (the PENNVEST Act). The purpose of PENNVEST is to finance long-term, low-interest loans for corporations, partnerships, sole proprietorships, non-profit organizations, authorities, and municipalities for repair, construction, reconstruction, rehabilitation, extension, and improvement of drinking water, storm water, and wastewater systems. PENNVEST's On-Lot Program provides funding for the improvement of septic systems. PENNVEST is funded through revenue bonds, federal grants, Commonwealth appropriations, Commonwealth general obligation bonds, and the use of recycled loan repayments.

A governing body consisting of thirteen members, the chairman of which is a Governor appointee, administers the operations of PENNVEST. Other members include cabinet secretaries, legislators, and local government leaders, as well as representatives of the engineering community and the drinking water and wastewater industries.

PENNVEST, which is a component unit of the Commonwealth reporting entity, is presented as an Enterprise Fund on the accrual basis of accounting. Criteria considered in making this determination include the Commonwealth's appointment of PENNVEST's Board and the Commonwealth's ability to impose its will on PENNVEST.

B. Measurement Focus and Basis of Accounting

PENNVEST's activities are accounted for on a cost of services or "capital maintenance" approach under the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activities are included on its statement of net position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

PENNVEST utilizes the accrual basis of accounting wherein revenues are recognized in the period earned and expenses are recognized when they are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of PENNVEST. Operating revenues consist primarily of interest on loans receivable, and federal and state grants given to program participants as grants or "principal forgiveness". Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions, such as investment income/loss.

When an expense is incurred for purposes for which there are both restricted and unrestricted resources available, it is PENNVEST's policy to apply those expenses to restricted resources to the extent that they are available and then to unrestricted resources.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

The accounting and reporting policies of PENNVEST conform to the accounting rules prescribed by the Governmental Accounting Standards Board ("GASB").

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, PENNVEST considers all highly liquid investments with an initial maturity of three months or less at the time of purchase to be cash equivalents.

D. Investments

Investments are stated at fair value based on quoted market values.

E. Capital Contributions

Capital contributions represent contributions from the Commonwealth of Pennsylvania and the federal government for the loan programs.

F. Allowance for Loan Losses

The allowance for loan losses is used to report possible future losses on loans outstanding. Loan losses and recoveries of previously charged-off loans are charged or credited directly to the allowance for loan losses. The provision for loan losses, which is charged to current operations, reflects the amount, which in management's judgment establishes an adequate allowance to report possible losses on loans. Management's judgment is based upon a continuing review of the loan portfolio, past collection experience, and current economic conditions. While management uses available information to recognize losses on loans, future adjustments to the allowance may be necessary based on changes in economic conditions.

G. Interest Income

Interest income on investment securities is recorded when earned. Interest income on loans is accrued based on methods that result in a constant yield when related to the principal amounts outstanding.

H. Restricted Net Position

Restricted net position represents net position that is restricted for revolving loans in the Federal Revolving Clean Water and Drinking Water Programs.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Reclassifications

Certain amounts in 2013 have been reclassified to conform with the 2014 presentation.

K. Adoption of Governmental Accounting Standards Board Statements

PENNVEST adopted the requirements of GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this statement resulted in the restatement of previously reported amounts, see Note 11.

PENNVEST adopted the requirements of GASB Statement No. 66 "*Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*". The adoption of this statement had no effect on previously reported amounts.

PENNVEST adopted the requirements of GASB Statement No. 67, "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*". The adoption of this statement had no effect on previously reported amounts.

PENNVEST adopted the requirements of GASB Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". The adoption of this statement had no effect on previously reported amounts.

L. Pending Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". PENNVEST is required to adopt statement No. 68 for its fiscal year 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". PENNVEST is required to adopt statement No. 69 for its fiscal year 2015 financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pending Changes in Accounting Principles

In November 2013, the GASB issued a Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*". PENNVEST is required to adopt statement No. 71 for its fiscal year 2015 financial statements.

PENNVEST has not completed the various analyses required to estimate the financial statement impact of these new pronouncements.

NOTE 2: DEPOSIT AND INVESTMENT RISK

The trust indenture and the Commonwealth of Pennsylvania (the Commonwealth) fiscal code, as amended, authorizes PENNVEST to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements; highly rated bank promissory notes or investment funds or trusts; and "prudent man" investments as determined by PENNVEST's depository (i.e. Commonwealth Treasury Department).

The majority of PENNVEST's investments are invested in the Common Investment Pool of the Commonwealth which is managed by the Commonwealth's Treasury Department (the Treasury Department).

The deposit and investment policies of the Treasury Department are governed by Sections: 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929 P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929 P.L. 177. No. 175).

Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments subject. This authority is subject, however, to the exercise of that degree of judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence who are familiar with such matters exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income to be derived therefrom as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

As of June 30, 2014, the Treasury Department manages the Commonwealth Investment Program (CIP). Treasury is required to exercise careful judgment in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pool structure invests in both equity securities and fixed income securities to achieve the investment objectives of the funds of the Commonwealth Investment Program. Asset allocation targets among cash, equity securities, fixed income securities and alternative are established in order to meet these overall objectives.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Treasury has created two separate Pools within the Commonwealth Investment Program, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and investment risk tolerance. A highly liquid vehicle, Pool 99, consists of short-term fixed income and cash and provides a high degree of liquidity and security but only modest returns. A less liquid vehicle, Pool 198, allows for investment in assets that offer potentially higher returns with commensurate risk.

As of June 30, 2014 and 2013, PENNVEST's investments, excluding securities lending balances (see below) held in the Commonwealth Investment Pool were \$1,024,374 and \$963,899 respectively.

As of June 30, 2014 and 2013, PENNVEST also had repurchase agreements held by Bank of New York in the amount of \$- and \$6,549, respectively. The repurchase agreements held at June 30, 2013 were with CS First Boston. The maturity dates for the repurchase agreements held at June 30, 2013 was July 1, 2013.

As of June 30, 2014 and 2013, PENNVEST also had bank balances of cash and cash equivalents in the amount of \$41,006 and \$59,565 held by Bank of New York. These balances were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

Securities Lending Program

The Treasury Department provides a securities lending program in which the various investments under custody of the Treasury Department participate. A contract between the Treasury Department and its custodian, acting as a lending agent, provides that the custodian lends securities owned by the participants to independent brokers, dealers and banks, acting as borrowers in exchange for collateral.

Lending agreements between the custodian and the borrowers require that the custodian receive collateral from the borrowers in exchange for the securities lent. Securities lent consist of both domestic and foreign equity securities and U.S. Treasury and foreign debt obligations. For securities lent which are not denominated in United States dollars or whose primary trading market is located outside the United States, the fair value of the collateral received must be at least 105 percent of the fair value of the securities lent. For all other securities lent, the fair value of the collateral received must be at least 102 percent. Practically all collateral received consists of cash. A small portion of collateral received consists of letters of credit, United States Treasury, corporate and/or foreign debt obligations. Collateral is marked to market daily. Additional collateral from borrowers is required if the fair value of the collateral received declines below lending agreement requirements. The lending agent cannot pledge or sell collateral securities received unless the borrower defaults. Accordingly, neither collateral securities received from borrowers nor the related obligations to borrowers are reported.

To the extent collateral received consists of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the Treasury Department. Either the participant or the borrower may terminate lending agreements on demand. Lending agreements are typically of very short duration – usually overnight. Therefore, the duration of lending agreements do not generally match the maturities of the investments made with cash collateral. The resulting rate risk is mitigated by the lending agent's ability to reallocate lending agreements among program participants.

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities and costs resulting from the lending agent's negligence or intentional misconduct. During the fiscal year ended June 30, 2014, there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restrictions on the amounts of the loans that could be made.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of June 30, 2014 there was no Treasury Department or participant credit risk to the borrowers because the fair value of collateral received was greater than the fair value of the securities lent. As of June 30, 2014 and 2013, PENNVEST's portion of securities lending collateral within the Commonwealth Investment Pool was \$22,904 and \$15,254, respectively.

NOTE 3: LOANS RECEIVABLE

PENNVEST has loans outstanding throughout the Commonwealth. The nine largest loans amount to 11%, and 12%, respectively, of gross loans receivable at June 30, 2014 and 2013. The majority of loans are disbursed to municipal governments of the Commonwealth and are collateralized by a pledge of the general taxing powers of the municipal governments or the revenue stream generated by the municipal governments.

PENNVEST currently provides loans for projects which are expected to lead to an effective solution to problems experienced with the drinking water, wastewater treatment, or storm water systems. The term of loans is normally between 20 and 30 years. The minimum interest rate on a loan is 1%. Detailed guidelines are established in the PENNVEST Act for the maximum interest rate. The actual interest rates ranged from 1.000% to 4.186%, and 1.000% to 4.516% at June 30, 2014 and 2013, respectively.

At June 30, 2014 and 2013, PENNVEST had approved approximately \$597 and \$440 million, respectively, of loans that had not yet been disbursed. The monies needed to fund these loans will be generated from contributions by the federal government or the Commonwealth of Pennsylvania, revenue bonds, and principal repayments on existing loans.

Loans receivable at June 30 is as follows:

	<u>2014</u>	<u>2013</u>
Loans receivable, gross	<u>\$ 2,501,858</u>	<u>\$ 2,397,906</u>
Displayed as:		
Current portion	\$ 174,448	\$ 241,373
Noncurrent portion	<u>2,327,410</u>	<u>2,156,533</u>
Total	<u>\$ 2,501,858</u>	<u>\$ 2,397,906</u>

NOTE 4: ALLOWANCE FOR LOAN LOSSES

Changes in allowance for loan losses during years ended June 30 is as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 36,235	\$ 46,525
Provision for loan losses	<u>12,948</u>	<u>(10,290)</u>
Balance, end of year	<u>\$ 49,183</u>	<u>\$ 36,235</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 5: SHORT-TERM OBLIGATIONS

In December 2010, PENNVEST issued the first series of short term obligations, to finance the issuance of loans to program participants. In October 2011 the first amendment was issued. These obligations are issued in the form of bonds, and bear interest, which is due upon maturity. During the fiscal year ended June 30, 2014 and 2013 PENNVEST issued twenty two and eighty five of these bonds in the aggregate principal amount of \$205,800 and \$1,973,800 and repaid eighteen and eighty seven of these bonds in the aggregate principal amount of \$164,800 and \$2,010,000, respectively. Interest rates on these bonds ranged from .11% to .05% with no maturity being greater than 120 days. As of June 30, 2014 and 2013 \$51,000 and \$10,000, respectively, of these bonds remained outstanding.

In conjunction with the issuance of the aforementioned short-term obligations, PENNVEST entered into a Letter of Credit with the Bank of America, N.A. to provide a source of funds for payment of principal and interest on the short-term obligations. The maximum stated amount of the letter of credit at June 30, 2014 and 2013 was \$165,000 and \$171,103, respectively. During the year ended June 30, 2014 and 2013 PENNVEST drew \$164,800 and \$2,010,000 and made repayments of \$164,800 and \$2,010,000, respectively, on the Letter of Credit. At June 30, 2014 and 2013 there was no outstanding balance on the Letter of Credit.

NOTE 6: REVENUE BONDS PAYABLE

Changes in revenue bonds payable for the fiscal years ended June 30, 2014 and 2013 are as follows:

Series	Beginning Balance at July 1, 2013	Additions	Reductions	Ending Balance at June 30, 2014	Amounts Due within One Year
2005A Revenue Bonds	3,870	-	2,295	1,575	1,575
Total principal	<u>\$ 3,870</u>	<u>\$ -</u>	<u>\$ 2,295</u>	<u>\$ 1,575</u>	<u>\$ 1,575</u>
Unamortized premium					

Series	Beginning Balance at July 1, 2012	Additions	Reductions	Ending Balance at June 30, 2013	Amounts Due within One Year
2005A Revenue Bonds	7,510	-	3,640	3,870	2,295
Total principal	<u>\$ 7,510</u>	<u>\$ -</u>	<u>\$ 3,640</u>	3,870	<u>\$ 2,295</u>
Unamortized premium				114	
				<u>\$ 3,984</u>	

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 6: REVENUE BONDS PAYABLE (CONTINUED)

Information regarding revenue bonds issued issues is presented below:

Year of Issue	Amount of Original Issue	Purpose
2003A	\$ 21,590	Currently refund all outstanding maturities of Series 1991A and Series 1992A and to pay the cost of issuance.

Revenue Bonds payable as of June 30 are as follows:

Series	Maturity Date (September 1)	Interest Rate	2014 Principal Balance	2013 Principal Balance
Series of 2005A Revenue Bonds	2006 through 2014	4.25% to 5.00%	\$ 1,575	\$ 3,870
Total Principal			1,575	3,870
Add: Unamortized bond premium			-	114
Less: Current portion			(1,575)	(2,295)
Noncurrent			\$ -	\$ 1,689

A summary of debt service requirements (payable semi-annually on September 1 and March 1) at June 30, 2014 are as follows:

Ending	Principal	Interest	Total
2015	1,575	33	1,608
	\$ 1,575	\$ 33	\$ 1,608

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

NOTE 6: BONDS PAYABLE (CONTINUED)

Under the terms of the debt issues described above, PENNVEST is required to maintain certain balances in restricted trust accounts, make timely payments to the trustee accounts, and pledge loans that provide cash flow necessary to service the debt.

In December 2005, PENNVEST issued Revenue Refunding Bonds Series 2005A in the amount of \$37,315. The proceeds of the bonds were used to advance refund the outstanding Series 1993 Revenue Bonds and Series 1994 Revenue Bonds, to fund a debt service reserve fund for the Revenue Refunding Bonds Series 2005A, and for the payment of costs incurred by PENNVEST to issue the bonds.

The advance refunding resulted in the recognition of an accounting loss of \$1,918 for the year ended June 30, 2006. PENNVEST in effect reduced its aggregate debt service payments by \$3,298 over the subsequent 10 year period and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,795.

In December 2005, PENNVEST defeased the Series of 1993 and Series of 1994 Revenue Bonds by placing proceeds of the Series of 2005A Revenue Bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2014 and 2013 the amount of defeased debt was \$2,630 and \$5,910, respectively.

NOTE 7: DUE TO THE COMMONWEALTH OF PENNSYLVANIA

In April 2013, a Commonwealth of Pennsylvania bond issue was closed in which \$90,000 of bonds was issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$102,677, including a premium of \$12,677. The net proceeds received by PENNVEST will be repaid quarterly on January 1, April 1, July 1, and October 1, to the Commonwealth over a 20 year term and a 1% interest rate.

In October 2011, a Commonwealth of Pennsylvania bond issue was closed in which \$46,000 of bonds was issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$51,826, including a premium of \$5,826. The net proceeds received by PENNVEST will be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20 year term and a 1% interest rate.

In June 2007, a Commonwealth of Pennsylvania bond issue was closed in which \$15,000 of bonds was issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$14,764, including a discount of \$196 and underwriters insurance costs of \$40. The net proceeds received by PENNVEST will be repaid semi-annually on May 1 and November 1 to the Commonwealth over a 20 year term and a 1% interest rate.

In December 2006, a Commonwealth of Pennsylvania bond issue was closed in which \$50,000 of bonds was issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$52,877, including a premium of \$2,937 and underwriters insurance costs of \$60. The net proceeds received by PENNVEST will be repaid quarterly on February 1, May 1, August 1 and November 1 to the Commonwealth over a 20 year term and a 1% interest rate.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 7: DUE TO THE COMMONWEALTH OF PENNSYLVANIA (CONTINUED)

In December 2005, a Commonwealth of Pennsylvania bond issue was closed in which \$50,000 of bonds was issued for PENNVEST loans under the 1988 and 1992 Referendums. Net proceeds from the bonds were \$53,334, including a premium of \$3,413 and underwriters insurance costs of \$79. Of the net proceeds received by PENNVEST, \$24,727 was a contribution of capital that does not have to be repaid and \$28,607 must be repaid quarterly on February 1, May 1, August 1 and November 1 to the Commonwealth over a 20 year term and a 1% interest rate.

A summary of the required payments at June 30, 2014 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2015	14,515	2,085	16,600
2016	11,886	1,967	13,853
2017	12,006	1,847	13,853
2018	12,126	1,727	13,853
2019	12,248	1,605	13,853
2020-2024	63,108	19,029	82,137
2025-2029	56,372	3,012	59,384
2030-2034	33,371	734	34,105
	<u>\$ 215,632</u>	<u>\$ 32,006</u>	<u>\$ 247,638</u>

NOTE 8: CAPITAL CONTRIBUTIONS

The Commonwealth of Pennsylvania has authorized the issuance of \$1.43 billion of general obligation bonds and appropriated the proceeds to PENNVEST for the improvement of water and sewer systems in the Commonwealth. Proceeds include \$230,256 approved by the electorate in 1981, \$300,000 approved by the electorate in 1988, \$350,000 approved by the electorate in 1992, \$150,000 under the provisions of PL343 No. 176 as authorized by the PENNVEST Act of 1988, and \$400,000 approved by the electorate in 2008. PENNVEST is authorized to utilize the proceeds for loans to borrowers. All but \$300,000 of the proceeds is considered to be revolving, as such, the principal and interest received on the loans are not required to be repaid to the Commonwealth. The balance of the proceeds, also used for loans to borrowers, ultimately received from the bond issues will require repayment as described in Note 7.

The Commonwealth has cumulatively issued \$1,040,000 in general obligation bonds as of June 30, 2014 and has used the proceeds of the issuances to contribute funds to PENNVEST. PENNVEST is not required to repay the funds to the Commonwealth. The proceeds received from borrowers as repayment on the loans can be utilized by PENNVEST to make new loans.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 8: CAPITAL CONTRIBUTIONS (CONTINUED)

PENNVEST has also received approval for \$1,315,841 and \$487,385 in Federal loan funds for water pollution control and drinking water, respectively, at June 30, 2014. Of the \$1,315,841 and \$487,385 approved, \$1,315,841 and \$478,848, respectively, have been received as of June 30, 2014. For the period July 1, 2013 through June 30, 2014, \$53,005 and \$26,520 of Federal funds were received for water pollution control and drinking water, respectively. The State match for these programs for the period July 1, 2013 through June 30, 2014, was \$11,215 and \$4,829, respectively. These funds have or will be utilized to make loans and the proceeds from repayments can be utilized to make new loans in the future.

The required State match for the disbursed Federal loan funds for water pollution control and drinking water at June 30, 2014, was \$263,168 and \$95,770, respectively. As of June 30, 2014, \$266,989 and \$101,393 was the cumulative State match on disbursed loans for water pollution control and drinking water, respectively. All state match must be funded by the end of the award period.

In addition to the federal loan funds described above PENNVEST has also received approval for \$176,913 and \$44,006 of ARRA federal funding for the water pollution and drinking water, respectively, at June 30, 2014. Of the \$176,913 and \$44,006 approved, \$176,913 and \$44,006, respectively, have been received as of June 30, 2014. Of these amounts cumulatively received \$19,532 and \$13,827 will be utilized to make loans for the water pollution and drinking water programs, respectively, and the proceeds from repayments can be utilized to make new loans in the future. The remaining balance of ARRA federal funding received cumulatively of \$157,381 and \$30,179 for the water pollution and drinking water programs, respectively, were given to participants in the loan programs as "principal forgiveness" and are reported as operating revenues/expenses.

PENNVEST has been authorized by the PENNVEST Act to make grants to participants in the loan programs, if deemed necessary, to financially assist the community. As of June 30, 2014, PENNVEST has authorized grant commitments of \$90,788 remaining.

Current year capital contributions were \$69,573. State and federal funded grants and principle forgiveness to program participants of \$68,253 are reported as operating expenses.

NOTE 9: RELATED PARTY TRANSACTIONS

PENNVEST contracts for services necessary to carry out its operations from various Commonwealth of Pennsylvania departments and agencies. PENNVEST paid the following departments and agencies for accounting services and loan project technical assistance during the fiscal year ended June 30:

	2014	2013
Office of Comptroller Operations	\$ 214	\$ 442
Department of Environmental Protection	1,349	1,197

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 10: LITIGATION

PENNVEST is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on PENNVEST's financial position.

NOTE 11: RESTATEMENT OF 2013 FINANCIAL STATEMENTS

The following 2014 amounts have been restated for the adoption of GASB Statement No. 65:

Statement of Net Position:

	<u>Amount as Previously Reported</u>	<u>Adjustment for GASB No. 65</u>	<u>Amount as Restated</u>
Noncurrent Loans receivable, gross	\$ 2,173,906	\$ (17,373)	\$ 2,156,533
Bond issuance costs	14	(14)	-
Ending Net Position	3,189,722	(17,387)	3,172,335

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

	<u>Amount as Previously Reported</u>	<u>Adjustment for GASB No. 65</u>	<u>Amount as Restated</u>
Beginning Net Position	\$ 2,939,904	\$ (18,283)	\$ 2,921,621
Interest on loans receivable	32,862	2,129	34,991
Administration	12,447	1,233	13,680
Ending Net Position	3,189,722	(17,387)	3,172,335

**OTHER
SUPPLEMENTAL
INFORMATION**

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FUND SCHEDULES
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 1: GENERAL

The accompanying schedules present the activity for two of the five funds maintained by PENNVEST: the Federal Clean Water State Revolving Loan Fund which accounts for the financial activity resulting from capitalization grants received from the federal government under the State Revolving Loan Funds Program; and the Federal Drinking Water State Revolving Loan Fund which accounts for the financial activity resulting from grants received from the federal government under the State Revolving Loan Fund Program. The activity resulting from the Commonwealth of Pennsylvania capital contributed to PENNVEST, and the 2010 and 1990 trust funds have not been presented in the schedules except for the transactions with these two funds. The schedules have been presented to comply with contractual arrangements with the funding sources.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules are presented using the accrual basis of accounting, which is described in Note 1 of PENNVEST's financial statements.

NOTE 3: TRANSFER OF LOANS BETWEEN FUNDS

When PENNVEST transfers a loan receivable between the funds identified above, the loan transfer is recorded in contributed capital and the provision for credit losses related to the transferred loans is reflected as an adjustment to net position.

NOTE 4: ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses was \$30,792, and \$4,537 for the Federal Clean Water State Revolving Loan Fund, and the Federal Drinking Water State Loan Fund, respectively at June 30, 2014 and \$21,193, and \$4,096, respectively at June 30, 2013.

NOTE 5: COMMITMENTS & CONTINGENT LIABILITIES

At June 30, 2014, PENNVEST had approved approximately \$341,632 and \$118,613, respectively, of Federal Clean Water and Federal Drinking Water loans that had not yet been disbursed. The monies needed to fund these loans will be generated from contributions by the federal government or the Commonwealth of Pennsylvania, revenue bonds, and principal repayments on existing loans.

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although PENNVEST expects such amounts, if any, to be immaterial.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND
 SCHEDULES OF NET POSITION
 YEARS ENDED JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

	<u>2014</u>	<u>2013</u>
ASSETS		
Restricted cash - securities lending collateral	\$ 14,401	\$ 8,708
Investments	584,211	534,277
Loans receivable, gross	1,305,663	1,246,815
Allowance for loan losses	(30,792)	(21,183)
Accrued interest receivable	1,638	1,011
Due from the Commonwealth of Pennsylvania	60	10
Due from federal government	<u>-</u>	<u>6</u>
Total Assets	<u>\$ 1,875,181</u>	<u>\$ 1,769,644</u>
LIABILITIES		
Accounts payable	\$ 511	\$ 98
Due to the Commonwealth of Pennsylvania	66	41
Unearned Revenue	-	60
Securities lending obligations	<u>14,379</u>	<u>8,697</u>
Total Liabilities	<u>\$ 14,956</u>	<u>\$ 8,896</u>
NET POSITION		
Restricted for federal clean water revolving loan fund	<u>\$ 1,860,225</u>	<u>\$ 1,760,748</u>

See accompanying notes to the fund schedules.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Interest on loans receivable	\$ 18,354	\$ 16,715
ARRA federal grants	-	2,062
Other federal grants	2,275	8,318
Other	181	112
	<u>20,810</u>	<u>27,207</u>
Operating Revenues Before Provision for Loan Loss		
	<u>20,810</u>	<u>27,207</u>
Provision for loan losses	9,609	(8,801)
	<u>9,609</u>	<u>(8,801)</u>
Net Operating Revenues	<u>11,201</u>	<u>36,008</u>
Operating Expenses		
Administration	3,634	1,849
Other state and federal "principal forgiveness" to program participants	8,215	15,799
ARRA "principal forgiveness" to program participants	-	2,062
	<u>-</u>	<u>2,062</u>
Total Operating Expenses	<u>11,849</u>	<u>19,710</u>
Operating Income/(Loss)	<u>(648)</u>	<u>16,298</u>
Nonoperating Revenues		
Investment income	38,050	22,768
Total Nonoperating Revenue	<u>38,050</u>	<u>22,768</u>
Income before Capital Contributions	<u>37,402</u>	<u>39,066</u>
Capital contributions:		
ARRA federal	911	3,472
Other federal and state	61,164	175,270
	<u>61,164</u>	<u>175,270</u>
Total Capital Contributions	<u>62,075</u>	<u>178,742</u>
Increase In Net Position	99,477	217,808
Net Position - Beginning of Year	<u>1,760,748</u>	<u>1,542,940</u>
Net Position - End of Year	<u>\$ 1,860,225</u>	<u>\$ 1,760,748</u>

See accompanying notes to the fund schedules.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND
SCHEDULES OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Cash Flows From Operating Activities:		
Loan receipts from borrowers	\$ 104,524	\$ 137,373
Loan disbursements to borrowers	(145,645)	(123,760)
Cash paid to vendors	(3,221)	(2,215)
ARRA "principal forgiveness" to program participants	-	(2,062)
ARRA federal grant receipts	-	2,062
Other State and Federal "principal forgiveness" to program participants	(8,275)	(15,799)
Other receipts	156	105
State contributions	-	-
Other federal grant receipts	2,281	8,214
Net Cash Provided by/(Used In) Operating Activities	<u>(50,180)</u>	<u>3,918</u>
Cash Flows From Capital Financing Activities:		
Capital contributed by the Commonwealth of Pennsylvania	10,513	29,743
ARRA federal grants received	911	3,472
Other federal and state grants received	50,651	145,527
Cash Provided By Capital Financing Activities	<u>62,075</u>	<u>178,742</u>
Cash Flows from Investing Activities:		
Receipts from/(Payments to) depositories	38,039	22,766
Net (purchases)/sales of State Treasury Common Investment Pool	(49,934)	(205,426)
Cash Provided By (Used) In Investing Activities	<u>(11,895)</u>	<u>(182,660)</u>
Increase In Cash And Cash Equivalents	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by/(Used in) Operating Activities:		
Operating income/(loss)	\$ (648)	\$ 16,298
Adjustments to reconcile operating income to net cash used in operating activities:		
Loan disbursements	(145,645)	(123,760)
Loan repayments	86,797	120,270
Provision for loan losses	9,609	(8,801)
Accrued interest	(627)	388
Due from the Commonwealth of Pennsylvania (Net)	(25)	(7)
Due from the federal government	6	113
Unearned revenue	(60)	(217)
Accounts payable and accrued liabilities	413	(366)
Total adjustments	<u>(49,532)</u>	<u>(12,380)</u>
Net Cash Provided By/(Used In) Operating Activities	<u>\$ (50,180)</u>	<u>\$ 3,918</u>

See accompanying notes to the fund schedules.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND
 SCHEDULES OF NET POSITION
 JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

	<u>2014</u>	<u>2013</u>
ASSETS		
Restricted cash - securities lending collateral	\$ 3,152	\$ 2,302
Investments	155,554	147,017
Loans receivable, gross	451,610	426,242
Allowance for loan losses	(4,537)	(4,096)
Accrued interest receivable	909	595
Due from federal government	<u>2,234</u>	<u>1,923</u>
Total Assets	<u>\$ 608,922</u>	<u>\$ 573,983</u>
LIABILITIES		
Accounts payable	\$ 23	\$ 24
Vouchers payable	1,806	50
Securities lending obligations	<u>3,148</u>	<u>2,300</u>
Total Liabilities	<u>\$ 4,977</u>	<u>\$ 2,374</u>
NET POSITION		
Restricted for federal drinking water revolving loan fund	<u><u>\$ 603,945</u></u>	<u><u>\$ 571,609</u></u>

See accompanying notes to the fund schedules.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND
 SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEARS ENDED JUNE 30, 2014 AND 2013
 (IN THOUSANDS)

	2014	2013
Operating Revenues		
Interest on loans receivable	\$ 7,912	\$ 7,258
ARRA federal grants	234	195
State contribution	-	-
Other federal grants	10,546	9,579
Operating Revenues Before Provision for Loan Loss	18,692	17,032
Provision for loan losses	441	(167)
Net Operating Revenues	18,251	17,199
Operating Expenses		
ARRA "principal forgiveness" to program participants	234	195
Other state and federal "principal forgiveness" to program participants	7,516	3,494
Administration:		
Technical Assistance for Small Systems	740	515
Assistance to State Programs	2,518	2,608
Local Assistance and Source Water Pollution	3,879	4,100
Other	2,999	195
Total Administration	10,136	7,418
Total Operating Expenses	17,886	11,107
Operating Income	365	6,092
Nonoperating Revenues (Expenses)		
Investment income	9,585	5,596
Total Nonoperating Revenues	9,585	5,596
Income before Capital Contributions	9,950	11,688
Capital contributions:		
ARRA Federal	-	302
Other federal and state	22,386	71,074
Total Capital Contributions	22,386	71,376
Increase In Net Position	32,336	83,064
Net Position - Beginning of Year	571,609	488,545
Net Position - End of Year	\$ 603,945	\$ 571,609

See accompanying notes to the fund schedules.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND
SCHEDULES OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Cash Flows From Operating Activities:		
Loan receipts from borrowers	\$ 43,743	\$ 38,605
Loan disbursements to borrowers	(61,513)	(50,461)
Cash paid to vendors	(8,381)	(8,635)
ARRA "principal forgiveness" to program participants	(234)	(195)
Other state and federal "principal forgiveness" to program participants	(7,516)	(3,494)
ARRA federal grant receipts	234	195
Other federal grant receipts	10,235	9,081
Net Cash Used In Operating Activities	<u>(23,432)</u>	<u>(14,904)</u>
Cash Flows From Capital Financing Activities:		
Capital Contributed by the Commonwealth of Pennsylvania	4,375	24,938
ARRA federal grants received	-	302
Other federal and state grants received	18,011	46,136
Cash Provided By Capital Financing Activities	<u>22,386</u>	<u>71,376</u>
Cash Flows From Investing Activities:		
Receipts from/(Payments to) depositories	9,583	5,596
Net (purchases)/sales of State Treasury Common Investment Pool	(8,537)	(62,068)
Cash Used In Investing Activities	<u>1,046</u>	<u>(56,472)</u>
Increase In Cash And Cash Equivalents	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of Operating Income to Net Cash Used In Operating Activities:		
Operating income	\$ 365	\$ 6,092
Adjustments to reconcile operating income to net cash used in operating activities:		
Loan disbursements	(61,513)	(50,461)
Loan repayments	36,145	31,346
Provision for loan losses	441	(167)
Interest receivable on loans	(314)	1
Due from the federal government	(311)	(498)
Accounts payable and accrued liabilities	1,755	(1,217)
Total adjustments	<u>(23,797)</u>	<u>(20,996)</u>
Net Cash Used In Operating Activities	<u><u>\$ (23,432)</u></u>	<u><u>\$ (14,904)</u></u>

See accompanying notes to the fund schedules.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
 SCHEDULES OF DELINQUENT LOANS
 CLEAN WATER PROGRAM ON-LOT LOANS
 FEDERAL CLEAN WATER PROGRAM
 (UNAUDITED)

June 30, 2014

Federal Clean Water Program On-Lot Loans

<u>Loan Number</u>	<u>Delinquent Amount</u>	<u>Original Loan Balance</u>	<u>Loan Balance at June 30, 2014</u>
823500	\$ 145	\$ 11,470	\$ 356
2316008	482	17,839	14,879
1151109	94	11,248	431
1439868	130	25,000	21,323
	<u>\$ 851</u>	<u>\$ 65,557</u>	<u>\$ 36,989</u>

June 30, 2013

Federal Clean Water Program On-Lot Loans

<u>Loan Number</u>	<u>Delinquent Amount</u>	<u>Original Loan Balance</u>	<u>Loan Balance at June 30, 2013</u>
823500	\$ 145	\$ 11,470	\$ 1,211
687681	2,371	12,101	1,695
1239839	99	17,393	13,043
846006	2,151	14,555	11,619
1288935	1,629	9,037	2,764
2012029	89	7,036	3,492
2321271	95	10,437	8,159
2607869	71	7,834	7,229
	<u>\$ 6,650</u>	<u>\$ 89,863</u>	<u>\$ 49,212</u>

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Pennsylvania Infrastructure Investment Authority

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Pennsylvania Infrastructure Investment Authority ("PENNVEST"), a component unit of the Commonwealth of Pennsylvania as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise PENNVEST's basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PENNVEST's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PENNVEST's internal control. Accordingly, we do not express an opinion on the effectiveness of PENNVEST's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PENNVEST's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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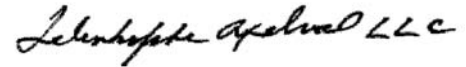
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Zelenkofske Axelrod LLC

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Zelenkofske Axelrod LLC".

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
October 27, 2014

APPENDIX B
FORM OF INDENTURE

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PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

to

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

AMENDED AND RESTATED
GENERAL TRUST INDENTURE

Dated as of June 1, 2015

Securing
Revenue Bonds, Notes and Other Obligations
(PENNVEST/Commonwealth Funded Loan Pool Program)

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AMENDED AND RESTATED GENERAL TRUST INDENTURE

THIS AMENDED AND RESTATED GENERAL TRUST INDENTURE dated as of June 1, 2015 amends and restates in its entirety the General Trust Indenture dated as of December 1, 2010 (the “Original Indenture”), between PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY (the “Authority”), a body corporate and politic organized under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (together with its successors hereunder, the “Trustee”), a national banking association having a corporate trust office in Pittsburgh, Pennsylvania.

WITNESSETH:

WHEREAS, the Authority is a body corporate and politic organized under the provisions of the Pennsylvania Infrastructure Investment Authority Act (Act No. 1988-16, P.L. 82, as amended) (the “PENNVEST Act”); and

WHEREAS, the Authority was created for the purpose, inter alia, of promoting the health and safety of the citizens of the Commonwealth and to promote the economic development of Pennsylvania by establishing programs to provide funding for the eligible costs of facilities or systems for the collection, treatment or disposal of waste water, for the supply, treatment, storage, or distribution of drinking water, and for the control of storm water; and

WHEREAS, the Authority is empowered under the PENNVEST Act to provide financial assistance, including loans, loan guarantees and grants, for projects fulfilling the purposes of the PENNVEST Act; and

WHEREAS, the Authority has established a program (the “PENNVEST/Commonwealth Funded Loan Pool Program”) in which the Authority makes assistance available to borrowers to finance all or portions of projects fulfilling the purposes of the PENNVEST Act; and

WHEREAS, the Federal Water Pollution Control Act (Pub. L. 92-500), as amended by the Water Quality Act of 1987 (Pub. L. 100-4) (the “Federal Clean Water Act”) authorizes the Administrator of the United States Environmental Protection Agency (the “EPA”) to make capitalization grants to states for deposit in wastewater treatment state revolving funds for the purpose of providing loans and other types of assistance for constructing publicly owned wastewater treatment facilities, projects for nonpoint source management and for certain other purposes; and

WHEREAS, the Federal Safe Drinking Water Act (Pub. L. 93-523) as amended in 1996 (Pub. L. 104-182) (the “Federal Drinking Water Act”) authorizes the administrator of the EPA to make capitalization grants to states for deposit in drinking water state revolving funds for the purpose of providing loans and other types of assistance for constructing publicly and privately owned drinking water infrastructure projects and for certain other purposes; and

WHEREAS, pursuant to the PENNVEST Act, the Authority has established a water pollution control revolving fund which is administered in accordance with the requirements of the Federal Clean Water Act and a drinking water state revolving fund which is administered in accordance with the requirements of the Federal Drinking Water Act; and

WHEREAS, by resolution adopted by the Authority on April 22, 2014 (the “SRF Program Resolution”), the Authority has approved the development and implementation of the PENNVEST Leveraged State Water Pollution Control Revolving Fund Program (the “Clean Water SRF Program”) and the PENNVEST Leveraged State Drinking Water Revolving Fund Program (the “Drinking Water SRF Program”) and has stated its intent to issue its bonds, notes and other obligations to finance projects pursuant to the Clean Water SRF Program and the Drinking Water SRF Program, said bonds, notes and other obligations to be issued under one or more trust indentures and to be payable solely out of the revenues and receipts derived by the Authority in connection with such projects; and

WHEREAS, the Authority is empowered under the PENNVEST Act to issue its bonds, notes, or other obligations in principal amounts as in the judgment of the Authority shall be necessary to provide funds for any of its corporate purposes, including to provide funds for the State Match (as hereinafter defined) and to enter into contracts with the holders of its bonds, notes or other obligations with respect to matters which in any way affect the security or protection of the holders of such bonds, notes or other obligations; and

WHEREAS, the Authority has determined to amend and restate in its entirety the Original Indenture pursuant to Section 13.01(b) thereof; and

WHEREAS, the execution and delivery of this Indenture (as hereinafter defined) have been and are in all respects duly and validly authorized by a resolution duly adopted by the Authority; and

WHEREAS, all things necessary to make the Bonds (as hereinafter defined), when issued and authenticated as in this Indenture provided, the valid, binding and legal obligations of the Authority according to the import of this Indenture and to constitute this Indenture as a valid assignment and pledge of the rights of the Authority in and to the Trust Estate (as hereinafter defined) assigned and pledged in this Indenture have been done and performed.

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS INDENTURE WITNESSETH, that the Authority hereby agrees and covenants with the Trustee and with the respective holders or owners, from time to time, of the Bonds or any part thereof and, to the extent provided herein, the holders of any Reimbursement Obligations (as hereinafter defined), any Swap Counterparties (as hereinafter defined) and the holders of any other Obligations (as hereinafter defined), as follows.

ARTICLE I GENERAL PROVISIONS

Section 1.01. Certain Funds and Accounts. All references herein to the “Capitalized Interest Account,” “Commonwealth Fund,” “Costs of Issuance Account,” “CP Payment Fund,” “Debt Service Fund,” “Debt Service Reserve Fund,” “Expense Fund,” “Funding Account,” “Interest Account,” “Loan Prepayment Fund,” “PENNVEST Fund,” “Principal Account,” “Program Fund,” “Purchase Fund,” “Rebate Fund,” “Revenue Fund,” “Subordinated Indebtedness Fund” and “Surplus Fund” shall mean the funds and accounts so designated which are established pursuant to Article VII hereof.

Section 1.02. Additional Definitions. The following additional terms have the meanings specified below:

“Additional Loan” and “Additional Loan Documents” have the meanings set forth in Section 10.07 hereof.

“Additional Parity Indebtedness” or “Parity Indebtedness” means all or part of any indebtedness or other obligation of the Authority, including Guarantees issued by the Authority if so provided therein, other than a Series of Bonds issued under this Indenture pursuant to Article III hereof, secured (to the extent and in the manner provided herein) by a lien on the Loan Documents and the Revenues equally and ratably with the Bonds.

“Administrative Fee” means the fee payable by a Borrower pursuant to a Loan Agreement or in connection with a Guaranty that is retained by the Authority for the general administrative services and other functions and expenses of the Authority.

“Advance-Refunded Municipal Bonds” means obligations of any state of the United States or any subdivision, agency or instrumentality thereof, that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by United States Government Obligations held in trust for the payment thereof, which Advance-Refunded Municipal Bonds are rated in the highest rating category by a Rating Agency that maintains a credit rating with respect to such Advance-Refunded Municipal Bonds.

“Advance-Refunded Tax-Exempt Municipal Bonds” means Advance-Refunded Municipal Bonds, the interest on which is excludable from gross income for Federal income tax purposes.

“Authenticating Agent” means the Trustee and the agent so described in, and appointed pursuant to, Section 2.03 hereof.

“Authority” means the Pennsylvania Infrastructure Investment Authority.

“Authority Loan Commitment” means an unconditional irrevocable letter of credit, a line of credit which is revocable only upon the insolvency of the Authority, a binding long term loan commitment or other similar extension of credit which is issued (a) for the purpose of providing a source of funds for the payment of all or any portion of the Authority’s payment obligations under any Balloon Obligation, Commercial Paper Program or Demand

Obligation, and (b) by a bank, trust company, savings and loan association or other institutional lender.

“Authorized Officer” means: (1) in the case of the Authority, the Chairman, Secretary/Treasurer or Executive Director and when used with reference to any act or document also means any other person authorized by resolution of the Authority to perform such act or execute such documents; (2) in the case of a Borrower, the person or persons authorized to perform any act or execute any document on behalf of such Borrower; and (3) in the case of the Trustee, any officer in the Trustee’s corporate trust department.

“Balloon Obligation” means any obligation (1) other than a Demand Obligation, 10% or more of the principal amount of which is payable in the same year (after taking into account all scheduled mandatory redemptions or prepayments payable over the life of the indebtedness), or (2) designated as such by the Authority at the time of its incurrence.

“Bond” or “Bonds” means the bonds, notes and other obligations (including Commercial Paper) of the Authority issued from time to time pursuant to this Indenture.

“Bond Counsel” means an attorney or law firm appointed by the Authority having a national reputation in the field of municipal bond law whose opinions are generally accepted by purchasers of municipal bonds.

“Bond-Funded Loan” means a loan that is fully or partially funded from (1) the proceeds of Bonds on deposit in the Program Fund or (2) amounts in the Loan Prepayment Fund if attributable to the Prepayment of a Bond-Funded Loan. Bond-Funded Loan does not include Loans fully or partially funded from the proceeds of State Match Bonds.

“Bond Register” and “Bond Registrar” have the meanings specified in Section 2.04 hereof.

“Bondholder,” “Owner,” “Holder,” “holder” or “Registered Owner” (when used with respect to Bonds) means the person in whose name any Bond is registered pursuant to Article II hereof.

“Borrower” means (1) any agency of the Commonwealth or any county, municipality or school district, or any agency, instrumentality, authority or corporation thereof, or any public body having local or regional jurisdiction or power, provided such Borrower covenants with the Authority that the proceeds of the Loan, if made from an issue of Tax-Exempt Bonds, will not be used for any use constituting a “private business use” under the Code and (2) any other Person, provided that such Person qualifies under the PENNVEST Act and the PENNVEST Regulations and provided further that if the Loan is made from the proceeds of an issue of Tax-Exempt Bonds, the amount of the Loan (when added to any other private loans made with proceeds of the issue) will not exceed the amount of proceeds permitted for private loans (or private business use and private business security) under Section 141 of the Code, unless a Favorable Opinion of Bond Counsel is furnished before the Loan is made.

“Build America Bonds” means any Bond that constitutes a “build America bond” under Section 54AA of the Code or any Bond that is entitled to any similar credit or subsidy under the Code.

“Business Day” means any day, other than a day: (1) on which banks located in the City of New York, New York or the cities in which the offices in the United States of the Trustee and the Paying Agent responsible for the administration of this Indenture are located, are required or authorized by law or executive order to close; (2) on which an office at which draws are required to be presented for any Credit Facility or Authority Loan Commitment is closed for a reason not related to financial condition; or (3) on which the New York Stock Exchange is closed.

“Cash Flow Coverage Ratio” for any period, means the ratio obtained by dividing (1) the Net Projected Revenues for such period by (2) the projected Debt Service Requirements on all Obligations.

“Clean Water Loan” means any loan made by the Authority to a Borrower as part of the Clean Water SRF Program and evidenced by a Loan Agreement.

“Clean Water SRF Program” means the PENNVEST Leveraged State Water Pollution Control Revolving Fund Program.

“Code” means the Internal Revenue Code of 1986, as amended and in effect as of the date in question.

“Commercial Paper” shall mean notes of the Authority, with a maturity specified in the applicable Supplemental Indenture and which are issued from time to time pursuant to a Commercial Paper Program adopted by the Authority.

“Commercial Paper Program” shall mean a program authorized by the Authority pursuant to which Commercial Paper is issued from time to time, up to the authorized amount of such Program.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Commonwealth Repayment Agreement” means the agreement or agreements in effect from time to time between the Authority and the Commonwealth setting forth the amounts payable by the Authority to the Commonwealth in respect of the Nonrevolving Fund Requirement and the dates on which such amounts are payable.

“Counsel” means an attorney at law or law firm, who may be counsel for the Authority or a Borrower.

“Credit Facility” means any insurance policy, letter of credit, guaranty, surety bond, line of credit, standby bond purchase agreement or other credit facility or liquidity facility or other agreement delivered to the Trustee or its agent pursuant to a Supplemental Indenture and any extension or renewal thereof as security, credit support or liquidity for the payment of the

purchase price, Redemption Price, principal and interest on any Series of Bonds or any portion thereof. A Reserve Fund Credit Facility is not a Credit Facility.

“Credit Facility Agreement” means an agreement or agreements between the Authority and a Credit Facility Issuer pursuant to which the Credit Facility Issuer issues a Credit Facility.

“Credit Facility Issuer” means any issuer of a Credit Facility then in effect for all or part of a particular Series of Bonds, but does not include any Reserve Fund Credit Facility Provider.

“DCED” means the Pennsylvania Department of Community and Economic Development or any successor agency which is responsible for the administration of the Debt Act.

“Debt Act” means the Pennsylvania Local Government Unit Debt Act, as amended.

“Debt Service Requirements” means (1) with respect to a particular Obligation for any specified period, the amounts required to be paid by the Authority to the Trustee or the holders of such Obligation (or any trustee or paying agent for such holders) in respect of the principal of such Obligation (including mandatory redemptions or prepayments) and the interest thereon, calculated and adjusted as provided in Section 10.08 hereof, and (2) with respect to a particular Swap for any specified period, any Swap Payments.

“Debt Service Reserve Requirement” means, with respect to any Series of Bonds, the amount (if any) specified as such in the corresponding Supplemental Indenture.

“Demand Obligation” means any obligation which is subject to repurchase or repayment as to principal upon demand by the holder thereof.

“Drinking Water Loan” means any loan made by the Authority to a Borrower as part of the Drinking Water SRF Program and evidenced by a Loan Agreement.

“Drinking Water SRF Program” means the PENNVEST Leveraged State Drinking Water Revolving Fund Program.

“Eligible Cost” or “Eligible Costs” in connection with a Project shall have the same meaning as in the PENNVEST Act and the PENNVEST Regulations. Such term includes, but is not limited to, the cost of all labor, materials, machinery and equipment, lands, property rights and easements, plans and specifications, surveys or estimates of costs and revenues, pre-feasibility studies, engineering and legal services, and all other expenses necessary or incident to the acquisition, construction, improvement, expansion, extension, repair or rehabilitation of all or part of a Project, in each case to the extent permitted to be financed under the Federal Clean Water Act or the Federal Drinking Water Act, if and as applicable.

“EPA” means the United States Environmental Protection Agency.

“Estimated CP Interest Accrual” is defined in Section 7.17 hereof.

“Event of Default” means any of the events described in Section 11.01 hereof.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion (if any) of interest on the Bonds from gross income for Federal income tax purposes.

“Federal Clean Water Act” means the Federal Water Pollution Control Act (Pub. L. 92-500), as amended by the Water Quality Act of 1987 (Pub. L. 100-4) and as the same may be amended from time to time, and any regulations promulgated thereunder.

“Federal Drinking Water Act” means the Federal Safe Drinking Water Act (Pub. L. 93-523) as amended in 1996 (Pub. L. 104-182) and as the same may be amended from time to time, and any regulations promulgated thereunder.

“Financial Advisor” means Lamont Financial Services Corporation or any successor thereto or any other nationally recognized financial advisor.

“Financial Consultant” means an Independent Person with a favorable reputation for calculating arbitrage rebate requirements and related matters under the Code.

“Fiscal Year” means the period of twelve months beginning July 1 of each year, or any other consecutive twelve month period adopted by the Authority as its fiscal year for accounting purposes.

“Fitch” means Fitch Ratings, and its successors and assigns.

“Generally Accepted Accounting Principles” means accounting principles generally accepted in the United States of America applicable in the preparation of financial statements of governmental units, as promulgated by the Governmental Accounting Standards Board or such other body as shall be recognized as authoritative by the American Institute of Certified Public Accountants or any successor body (as such principles may change from time to time), applied on a consistent basis (except for changes in application in which the Independent Public Accountant concurs) applied both to classification of items and amounts.

“Government Obligations” means direct obligations of, or obligations that are unconditionally guaranteed by, the United States of America.

“Guaranty” means an instrument pursuant to which the Authority guaranties, directly or indirectly, the payment when due of all or a portion of amounts payable under a note, bond, loan agreement or other evidence of indebtedness issued by a Person that is eligible to be a Borrower, to pay costs of a project that is eligible to be a Project, all as provided in Section 3.07.

“Guaranteed Debt” has the meaning specified in Section 3.07(a) hereof.

“Guaranteed Holder” has the meaning specified in Section 3.07(a) hereof.

“Guaranteed Obligor” has the meaning set forth in Section 3.07(d) hereof.

“Indenture” means this Amended and Restated General Trust Indenture, as amended or supplemented at the time in question.

“Independent” means a Person who is not a member, officer or employee of the Authority; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority shall not make such Person an employee within the meaning of this definition.

“Interest Payment Date” means with respect to a Series of Bonds, each date set forth in the applicable Supplemental Indenture for the payment of interest on such Bonds.

“Investment Securities” means and includes any of the following securities:

- (1) United States Government Obligations.
- (2) Federal Housing Administration debentures.
- (3) Obligations of government-sponsored agencies which are not backed by the full faith and credit of the U.S. government which are rated at the time purchase in one of the two highest rating categories by a Rating Agency, including: (i) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) (consolidated system-wide bonds and notes); and (ii) Resolution Funding Corporation (REFCORP) (debt obligations).
- (4) Unsecured certificates of deposit, time and demand deposits, trust deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank, the short-term obligations of which are rated at the time of purchase in the highest short term rating category (without regard to a symbol such as “+” or “-”) by a Rating Agency.
- (5) Deposits, the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$200 million.
- (6) Commercial paper (having original maturities of not more than 270 days) rated at the time of purchase in the highest short term rating category (without regard to a symbol such as “+” or “-”) by a Rating Agency.
- (7) Money market funds which are (i) rated at the time of purchase in one of the two highest rating categories by a Rating Agency or (ii) which constitute a money market fund of the Trustee which invests in: (A) direct obligations or obligations fully and unconditionally guaranteed as to timely payment of principal and interest by, the United States of America; and (B) repurchase agreements collateralized by direct obligations or obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America and which are otherwise described in paragraph (8), including, without limitation, any mutual fund for which the Trustee or

an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (A) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (B) the Trustee charges and collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (C) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates.

(8) Repurchase agreements (“repos”): (i) with any bank with deposits rated at the time of purchase in one of the two highest rating categories by a Rating Agency; provided the term of such repo is less than two years; or (ii) with any broker-dealer which has, or the parent company of which has, long-term debt rated at the time of purchase in one of the two highest rating categories by a Rating Agency, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corp. (“SIPC”).

(9) Obligations that are: (i) direct general obligations of any state of the United States or any subdivision, instrumentality or agency thereof to which is pledged the full faith and credit of a state, the unsecured general obligation debt of which is rated at the time of purchase in one of the two highest rating categories by a Rating Agency, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated; (ii) direct, general short-term obligations of any state agency, instrumentality or subdivision described in (i) above and rated at the time of purchase in the highest short term rating category (without regard to a symbol such as “+” or “-”) by a Rating Agency; (iii) revenue or similar obligations of any state of the United States or any subdivision, instrumentality or agency thereof which is rated at the time of purchase in one of the two highest rating categories by a Rating Agency, or (iv) revenue bonds (as defined in the United States Bankruptcy Code) of any state, subdivision or agency or instrumentality thereof and rated at the time of purchase in one of the two highest rating categories by a Rating Agency.

(10) Investment agreements with a domestic or foreign bank or financial institution, the long-term debt of which is rated at the time of purchase in one of the two highest rating categories (without regard to a symbol such as “+” or “-”) by a Rating Agency, provided that by the terms of the investment agreement, the investment agreement is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof.

(11) Advance-Refunded Municipal Bonds.

(12) Subject to receipt by the Trustee of a Rating Affirmation, such other obligations as are legal investments of the Authority under the laws of the Commonwealth.

“Loan” means a Pledged Loan, a State Match-Funded Loan or a Bond-Funded Loan.

“Loan Agreement” means a loan agreement between the Authority and a Borrower pursuant to which a Loan is made.

“Loan Documents” means any Loan Agreement, note, bond, Loan Guaranty Agreement or other agreements executed by or on behalf of a Borrower in connection with a Loan that is not a State Match-Funded Loan.

“Loan Guaranty Agreement” means an agreement of a Person, for the benefit of the Authority and its successors and assigns, providing for the full and unconditional guarantee of repayment of a Loan in accordance with the terms and conditions of the applicable Loan Agreement.

“Moody’s” means Moody’s Investor Services, Inc., and its successors and assigns.

“Net Projected Revenues” for any period, means the difference between (1) Projected Revenues for such period, and (2) projected Program Expenses for such period.

“Nonrevolving Requirement” means the requirement set forth in Section 5(d) of the PENNVEST Act that the Authority repay to the Commonwealth debt service on certain general obligation bonds of the Commonwealth issued under the authority of the PENNVEST Act.

“Obligations” means any Series of Bonds, Parity Indebtedness, Subordinated Indebtedness, Reimbursement Obligations, Swap Payments and Swap Termination Payments. For purposes of making any calculations hereunder such as Debt Service Requirements, Obligations shall be calculated without duplication.

“Outstanding” means, with respect to the Bonds, all Bonds authenticated and delivered hereunder as of the time in question, except:

(a) All Bonds theretofore cancelled or required to be cancelled under Section 2.09 hereof;

(b) Bonds for the payment or redemption of which provision has been made in accordance with Article XIV hereof, provided that, if such Bonds are being redeemed, the required unconditional notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor; and

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

“Parity Indebtedness.” See the definition of “Additional Parity Indebtedness.”

“Parity Reimbursement Obligation” has the meaning given to it in Section 5.01 hereof.

“Parity Swap Payment” means a Swap Payment secured (to the extent and in the manner provided herein) by a lien on the Loan Documents and the Revenues equally and ratably with the Bonds.

“Paying Agent” means a bank or trust company, and its successor or successors, appointed as paying agent for a Series of Bonds pursuant to a Supplemental Indenture, and shall include the Trustee.

“PENNVEST Act” means the Pennsylvania Infrastructure Investment Authority Act (Act No. 1988-16, P.L. 82, as amended).

“PENNVEST Regulations” means the regulations promulgated under the provisions of the PENNVEST Act.

“PENNVEST/Commonwealth Funded Loan Pool Program” or “Program” has the meaning specified in the recitals hereto.

“Person” means an individual, a corporation, a partnership, an association, a limited liability company, a joint stock company, a trust, any unincorporated organization, any Governmental unit as defined in the PENNVEST Act or any other group or entity.

“Pledged Loan” means a loan made by the Authority to a Borrower which is listed on Exhibit “A” hereto and any other loan pledged by the Authority to the Trustee to secure its obligations hereunder pursuant to Section 10.07 hereof. The State Match-Funded Loans are not Pledged Loans.

“Prepayment” means (1) a payment of a principal amount of a Loan prior to the scheduled date on which such principal is due, or (2) in the case of a Bond-Funded Loan, a payment of principal on the scheduled date on which such principal is due, if the purpose of the payment of the principal of such Loan scheduled is to cause principal payments on such Loan to be received more rapidly than the correlative principal payments on the Bonds that funded such Loan.

“Program Expenses” means the annual or periodic fees or amounts payable to any Trustee, Paying Agent, Counsel, Financial Advisor, Financial Consultant or any other Person in connection with the administration of the Bonds and the PENNVEST/Commonwealth Funded Loan Pool Program, including the Authority’s fees and administrative expenses in administering the PENNVEST/Commonwealth Funded Loan Pool Program.

“Project” means a project undertaken by a Borrower and financed in whole or in part with a Loan, which is an eligible project under (i) the PENNVEST Act, (ii) if applicable, the Debt Act, and (iii) as applicable in the case of State Match-Funded Loans, either the Federal Clean Water Act or the Federal Drinking Water Act.

“Projected Revenues” means any projected revenues for each Fiscal Year in the Projection Period from: (1) payments under the Loan Documents to be received in each Fiscal Year; (2) projected payments from Loans (other than State Match-Funded Loans) which are reasonably expected to be funded from the proceeds of Bonds on deposit in the Program Fund;

(3) projected investment earnings on the funds and accounts established hereunder, other than the Rebate Fund, the Commonwealth Fund and the Expense Fund; (4) projected Swap Receipts; and (5) amounts projected to be deposited in the Revenue Fund pursuant to Section 10.05(b) hereof.

“Projection Period” means a period of Fiscal Years commencing with the Fiscal Year in which the calculation in question is being made or, if applicable, in which the proposed Series of Bonds or Additional Parity Indebtedness or Subordinated Debt will be issued and ending with the Fiscal Year in which occurs the last scheduled maturity date of any principal portion of any Bonds Outstanding or Additional Parity Indebtedness or Subordinated Debt outstanding immediately subsequent to the date of such calculation or, if applicable, the date of issuance of any such proposed Series of Bonds or Additional Parity Indebtedness or Subordinated Debt.

“Rating” means a rating in one of the rating categories by a Rating Agency.

“Rating Affirmation” means, with respect to a Series of Bonds, the written affirmation of each Rating Agency to the effect that the actions addressed therein would not cause such Rating Agency to reduce or suspend any rating then applicable to such Series of Bonds.

“Rating Agencies” or “Rating Agency” means Fitch, Moody’s and Standard & Poor’s or any successors thereto, and any other nationally recognized credit rating agency, in each case which is then maintaining a rating with respect to a Series of Bonds at the request of the Authority.

“Redemption Price” when used with reference to any Bond or any portion thereof, means the principal amount of such Bond or such portion thereof and any premium thereon payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

“Regular Record Date,” with respect to the Bonds of a Series, has the meaning specified in the applicable Supplemental Indenture.

“Reimbursement Obligation” has the meaning given to it in Section 5.01 hereof.

“Reserve Fund Credit Facility” means the letter of credit, insurance policy or surety bond, together with any substitute or replacement therefor, complying with the provisions of Section 7.09 hereof, fulfilling all or a portion of the Debt Service Reserve Requirement.

“Reserve Fund Credit Facility Provider” means any provider of a Reserve Fund Credit Facility.

“Revenues” means: (1) all amounts received or receivable in respect of the Bond-Funded Loans and the Pledged Loans or under the Loan Documents and all security therefor, other than (a) amounts received or receivable in respect of the State Match-Funded Loans and (b) Administrative Fees, any other fees and expenses and indemnity against claims payable to the Authority pursuant to the Loan Documents and amounts received or receivable as fees and expenses in connection with the Settlement of Loans; (2) any proceeds from the sale or other disposition of Loans (other than State Match-Funded Loans), to the extent such moneys are not

released from the lien of the Trust Estate pursuant to Section 10.07 hereof; (3) reimbursement payments received or receivable by the Authority pursuant to reimbursement agreements entered into pursuant to Section 3.07; and (4) any other amounts (such as interest subsidy payments in respect of Build America Bonds received by or on behalf of the Authority from the United States) that the Authority elects to be deposited with the Trustee hereunder.

“Series” or “Series of Bonds” means bonds, notes or other obligations of the Authority, including a Commercial Paper Program, designated as a series of Bonds hereunder and issued from time to time pursuant to a Supplemental Indenture.

“Settlement” means the time at which a Borrower executes and delivers to the Authority the Loan Documents under which the Borrower obtains a Bond-Funded Loan from the Authority.

“SIFMA Index” means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

“Special Record Date” has the meaning specified in Section 2.07 hereof.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. and its successors and assigns.

“State Match” means the amount of matching funds required from the Commonwealth under the Federal Clean Water Act and the Federal Drinking Water Act, equal to the applicable percentage of the amount of federal funds payable pursuant to the applicable federal capitalization grants to the Commonwealth for the Clean Water SRF Program and the Drinking Water SRF Program.

“State Match Bonds” means Bonds issued under this Indenture to fund the State Match.

“State Match-Funded Loan” means a loan that is fully or partially funded from the proceeds of State Match Bonds.

“State Match Portion” means the portion of a Series of Bonds so designated in the Supplemental Indenture pursuant to which such Series of Bonds is issued. The State Match Portion represents the portion of a Series of Bonds issued to provide the State Match for the Clean Water SRF Program and/or the Drinking Water SRF Program.

“Subordinated Indebtedness” means any obligation of the Authority, including Guarantees issued by the Authority and Commercial Paper, if so provided therein, secured by a lien on any portion of the Loan Documents and the Revenues that is by its terms expressly subordinated to the lien of this Indenture on the Loan Documents and the Revenues.

“Subordinated Swap Payment” means a Swap Payment secured by a lien on any portion of the Loan Documents and the Revenues that is by its terms expressly subordinated to the lien of this Indenture on the Loan Documents and the Revenues.

“Supplemental Indenture” or “indenture supplemental hereto” means any indenture amending or supplementing this Indenture which may be entered into in accordance with the provisions of this Indenture.

“Swap” or “Swap Agreement” means an agreement between the Authority (or the Trustee, at the written direction of the Authority) and a Swap Counterparty providing for an interest rate cap, basis swap, forward rate transaction, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, corridor transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of these transactions, entered into with respect to any Bonds or Parity Indebtedness.

“Swap Counterparty” means a member of the International Swap and Derivatives Association, Inc. which (1) is rated (or the guarantor of whose obligations under the Swap is rated) not lower than “A” by Fitch, “A2” by Moody’s or “A” by S&P and (2) meets the requirements (including the rating requirements, if any) of applicable laws of the Commonwealth. The documentation with respect to each Swap shall require the Swap Counterparty to (1) continue to be rated not lower than “A” by Fitch, “A2” by Moody’s or “A” by S&P (or to collateralize its obligations to the satisfaction of the Authority), and (2) meet the requirements of the laws of the Commonwealth.

“Swap Payments” means as of each payment date specified in a Swap, the net amount, if any, payable to the Swap Counterparty pursuant to the Swap. Swap Payments do not include any Swap Termination Payments.

“Swap Receipts” means as of each payment date specified in a Swap, the net amount, if any, payable to the Authority (or, if applicable, to the Trustee) by the Swap Counterparty pursuant to the Swap. Swap Receipts do not include any Swap Termination Payments.

“Swap Termination Payment” means, with respect to any Swap, any settlement amount payable by the applicable Swap Provider or the Authority by reason or on account of the early termination or modification of such Swap. The term “Swap Termination Payment” does not include net unpaid amounts which would have been payable by the Swap Provider or the Authority pursuant to the terms of the applicable Swap irrespective of the early termination of such Swap.

“Tax-Exempt Bond-Funded Loan” means a Loan that is fully or partially funded from (1) proceeds of Tax-Exempt Bonds on deposit in the Program Fund, or (2) amounts in the Loan Prepayment Fund, if attributable to a Prepayment of a Tax-Exempt Bond Funded Loan described in clause (1); provided that a Tax-Exempt Bond-Funded Loan shall also include any other Loan properly allocable to the proceeds of Tax-Exempt Bonds as specified in a tax certificate issued by the Authority in connection with the issuance of such Tax-Exempt Bonds.

“Tax-Exempt Bonds” means Bonds, the interest on which is excludible from gross income for Federal income tax purposes, Build America Bonds or any other form of tax credit bond under the Code.

“Transfer Date” means the third to last Business Day of each month beginning on the third to last Business Day of July, 2015, or such other date as may be set forth in the related Supplemental Indenture.

“Trust Estate” has the meaning specified in Section 4.01 hereof.

“United States Government Obligations” means:

(1) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America;

(2) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

(3) obligations of or fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; and

(4) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any Person claiming through the custodian or to whom the custodian may be obligated.

The foregoing obligations include, but are not necessarily limited to: (i) U.S. Treasury obligations (all direct or fully guaranteed obligations); (ii) Farmers Home Administration (certificates of beneficial ownership); (iii) General Services Administration (participation certificates); (iv) U.S. Maritime Administration (guaranteed Title XI financing); (v) Small Business Administration (guaranteed participation certificates and guaranteed pool certificates); (vi) Government National Mortgage Association (GNMA) (GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates); (vii) U.S. Department of Housing & Urban Development (local authority bonds); (viii) Washington Metropolitan Area Transit Corporation (guaranteed transit bonds); (ix) U.S. Export-Import Bank (all fully guaranteed obligations); (x) Federal Home Loan Mortgage Corporation (FHLMC) (participation certificates and debt obligations); (xi) Federal Home Loan Banks (FHL Banks) (consolidated debt obligations and letter of credit (LOC)-backed issues); and (xii) Federal National Mortgage Association (FNMA) (senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal)).

“Variable Rate Obligation” means any obligation, the rate of interest on which is subject to change prior to maturity and which cannot be determined in advance of such change.

Section 1.03. Interpretation.

(a) In this Indenture, unless the context otherwise requires:

(i) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Indenture, refer to this Indenture, and the term “heretofore” means before, and the term “hereafter” means after, the date of execution and delivery of this Indenture, and all references to Articles or Sections which do not identify another document refer to articles or sections of this Indenture.

(ii) Words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa.

(iii) Any headings preceding the texts of the several Articles and Sections of this Indenture, and any table of contents, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(iv) The verb “finance,” when used with reference to a Loan, shall be construed to include the making, purchase or refinancing of such Loan.

(v) References to the payment of the Obligations shall be deemed to include references to the payment of accrued and unpaid interest thereon and premium, if any, applicable thereto.

(vi) All references herein to Persons other than individuals shall include successors in interest thereto and successors to their respective functions, duties or responsibilities hereunder.

(vii) Any Counsel’s opinion may be qualified, when appropriate, by reference to the constitutional powers of the United States of America and the Commonwealth, the police and sovereign powers of the Commonwealth, judicial discretion, and bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors’ rights and general principles of equity and similar matters.

(viii) All references to time in this Indenture shall refer to Eastern time unless otherwise provided herein.

(ix) Unless otherwise specifically provided for, all notices, requests and directions shall be in writing or in an electronic medium permitting the recipient to produce a paper copy thereof, and references to a notice, directions or materials shall be deemed to include notices, directions and materials delivered by facsimile, e-mail, or other electronic medium permitting the recipient to produce a paper copy thereof.

(b) If any one or more of the covenants or agreements provided herein on the part of the Authority, the Trustee, the Paying Agent or any other fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be

deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Indenture or of the Obligations.

ARTICLE II THE BONDS

Section 2.01. Form and Terms of Bonds.

(a) Bonds of each Series shall be issued in substantially such form as may be approved by the Authority and as set forth in the applicable Supplemental Indenture.

(b) The Authority shall determine the terms of each Series of Bonds, including without limitation thereto, the following: (i) the aggregate principal amount; (ii) the authorized denominations; (iii) the dated date; (iv) the maturity date or dates and the principal amount within each maturity; (v) the redemption provisions; (vi) the rate or rates of interest (or the manner of determining such rate or rates) and the Interest Payment Dates and Regular Record Dates; and (vii) the method of accruing interest on, and the amortized value or compound accreted value from time to time of, Bonds the interest on which is not payable on a current basis (including deep discount bonds or capital appreciation bonds). All such terms shall be set forth in the applicable Supplemental Indenture.

Section 2.02. Execution. The Bonds shall be executed by the manual or facsimile signature of the Chairman, Vice Chairman, Executive Director or other Authorized Officer of the Authority, and the corporate seal of the Authority shall be impressed or imprinted by facsimile thereon and attested by the manual or facsimile signature of its Secretary/Treasurer, Executive Director or other Authorized Officer.

Bonds executed as above provided may be issued and shall, upon request of the Authority, be authenticated by the Trustee or the Authenticating Agent, notwithstanding that any officer signing such Bonds or whose facsimile signature appears thereon shall have ceased to hold office at the time of issuance or authentication or shall not have held office at the date of the Bond.

Section 2.03. Authentication; Authenticating Agent. No Bond shall be valid for any purpose hereunder until the certificate of authentication printed thereon is duly executed by the manual signature of an authorized officer of the Trustee or the Authenticating Agent and the date of authentication indicated thereon as provided in this Indenture, and such authentication shall be conclusive proof that such Bond has been duly authenticated and delivered under this Indenture and that the Owner thereof is entitled to the benefit of the trust hereby created. If the Authority causes a copy of the text of its Bond Counsel's opinion to be printed on the Bonds, the Trustee shall certify the correctness of such copy.

If the Bond Registrar is other than the Trustee, the Trustee may appoint the Bond Registrar as an Authenticating Agent with the power to act on such Trustee's behalf and subject to its direction in the authentication and delivery of Bonds in connection with transfers and exchanges under Section 2.05 hereof, and the authentication and delivery of Bonds by an Authenticating Agent pursuant to this Section shall, for all purposes of this Indenture, be deemed

to be the authentication and delivery “by the Trustee.” Unless otherwise provided with respect to the Bonds of a Series in the applicable Supplemental Indenture, the Trustee shall itself authenticate all Bonds upon their initial issuance and any Bonds issued in substitution for other Bonds pursuant to Sections 2.06 and 2.08 hereof. The Trustee shall be entitled to be reimbursed for payments made to any Authenticating Agent as reasonable compensation for its services.

Any corporation or association into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder without the execution or filing of any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Authority. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Authority. Upon receiving such a notice of resignation or upon such a termination, the Trustee may appoint a successor Authenticating Agent, shall give written notice of such appointment to the Authority and shall mail notice of such appointment to all Owners of Bonds as the names and addresses of such Owners appear on the Bond Register.

Section 2.04. Registered Bonds Required; Bond Registrar and Bond Register. All Bonds shall be issued in fully registered form. The Bonds shall be registered upon original issuance and upon subsequent transfer or exchange as provided in this Indenture.

The Authority shall designate one or more Persons to act as “Bond Registrar” for the Bonds provided that the Bond Registrar appointed for the Bonds shall be either the Trustee or a Person which would meet the requirements for qualification as a Trustee imposed by Section 12.12 hereof. The Authority hereby appoints The Bank of New York Mellon Trust Company, N.A., with a corporate trust office in Pittsburgh, Pennsylvania, its Bond Registrar in respect of the Bonds. Any Person other than the Trustee undertaking to act as Bond Registrar shall first execute a written agreement, in form satisfactory to the Trustee, to perform the duties of a Bond Registrar under this Indenture, which agreement shall be filed with the Trustee.

The Bond Registrar shall act as registrar and transfer agent for the Bonds. The Authority shall cause to be kept at an office of the Bond Registrar a register (herein sometimes referred to as the “Bond Register”) in which, subject to such reasonable regulations as it, the Trustee or the Bond Registrar may prescribe, the Authority shall provide for the registration of the Bonds and for the registration of transfers of the Bonds. The Authority shall cause the Bond Registrar to designate, by a written notification to the Trustee, a specific office location (which may be changed from time to time, upon similar notification) at which the Bond Register is kept. The corporate trust office of the Trustee at which this Indenture is administered shall be such office in respect of the Bonds for which the Trustee is acting as Bond Registrar.

The Bond Registrar shall, in any case where it is not also the Trustee, forthwith following each Regular Record Date and at any other time as reasonably requested by the

Trustee, certify and furnish to the Trustee and any Paying Agent as the Trustee shall specify, the names, addresses and holdings of Bondholders and any other relevant information reflected in the Bond Register, and the Trustee and any such Paying Agent shall for all purposes be fully entitled to rely upon the information so furnished to it and shall have no liability or responsibility in connection with the preparation thereof.

Section 2.05. Registration, Transfer and Exchange.

(a) Ownership of each Bond shall be recorded in the Bond Register kept by the Bond Registrar which shall contain such information as is necessary for the proper discharge of the Trustee's and Bond Registrar's duties hereunder.

(b) Except as otherwise provided in the applicable Supplemental Indenture, Bonds may be transferred or exchanged as follows:

(i) Any Bond may be transferred if endorsed for such transfer by the holder thereof and surrendered, along with such other documentation as the Bond Registrar may reasonably require, by such holder or his duly appointed attorney at the designated corporate trust or corporate trust agency office of the Bond Registrar, whereupon the Trustee or the Authenticating Agent shall authenticate and deliver to the transferee a new Bond or Bonds of the same Series and maturity and in the same denomination as the Bond surrendered for transfer or in different authorized denominations equal in the aggregate to the principal amount of the surrendered Bond.

(ii) Any Bond or Bonds of a particular Series and maturity may be exchanged for one or more Bonds of the same Series and maturity and in the same principal amount, but in a different authorized denomination or denominations. Each Bond so to be exchanged shall be surrendered by the holder thereof or his duly appointed attorney at the designated corporate trust or corporate trust agency office of the Bond Registrar, whereupon a new Bond or Bonds shall be authenticated by the Trustee or the Authenticating Agent and delivered to the holder.

(iii) In the case of any Bond properly surrendered for partial redemption, the Trustee or the Authenticating Agent shall authenticate and deliver a new Bond in exchange therefor, such new Bond to be of the same Series and maturity and in a denomination equal to the unredeemed principal amount of the surrendered Bond; provided that, at its option, the Trustee or the Authenticating Agent may certify the amount and date of partial redemption upon the partial redemption certificate, if any, printed on the surrendered Bond and return such surrendered Bond to the holder in lieu of an exchange.

Except as provided in subparagraph (iii) above, the Bond Registrar shall not be required to effect any transfer or exchange during the 15 days immediately preceding the date of mailing of any notice of redemption or at any time following the mailing of any such notice, if the Bond or portion of a Bond to be transferred or exchanged has been called for such redemption. No charge shall be imposed in connection with any transfer or exchange, except for taxes or

governmental charges related thereto. No transfers or exchanges shall be valid for any purposes hereunder except as provided above.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Bonds.

(a) If any Bond is mutilated, lost, stolen or destroyed, the holder thereof shall be entitled to the issuance of a substitute Bond only as follows:

(i) in all cases, the Bondholder shall provide indemnity satisfactory to the Authority and the Trustee against any and all claims arising out of or otherwise related to the issuance of substitute Bonds pursuant to this Section;

(ii) in the case of a mutilated Bond the Bondholder shall surrender the Bond to the Trustee for cancellation; and

(iii) in the case of a lost, stolen or destroyed Bond, the Bondholder shall provide evidence, satisfactory to the Authority and the Trustee, of the ownership and the loss, theft or destruction of the affected Bond.

Upon compliance with the foregoing, a new Bond of like tenor and denomination, executed by the Authority, shall be authenticated by the Trustee and delivered to the Bondholder, all at the expense of the Bondholder to whom the substitute Bond is delivered. Notwithstanding the foregoing, the Trustee shall not be required to authenticate and deliver any substitute for a Bond which has been called for redemption or which has matured or is about to mature and, in any such case, the principal or Redemption Price then due or becoming due shall be paid by the Trustee in accordance with the terms of the mutilated, lost, stolen or destroyed Bond without substitution therefor.

(b) Every substituted Bond issued pursuant to this Section 2.06 shall constitute an additional contractual obligation of the Authority, whether or not the Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

(c) All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments, investments or other securities without their surrender.

Section 2.07. Payments of Principal, Redemption Price and Interest; Persons Entitled Thereto.

(a) The principal or Redemption Price of each Bond shall be payable upon surrender thereof at the designated corporate trust or corporate trust agency office of the Trustee or any Paying Agent designated in the applicable Supplemental Indenture. Such payments shall

be made to the holder of the Bond so surrendered, as shown on the Bond Register on the date of payment.

(b) Except as otherwise provided in the applicable Supplemental Indenture, each Bond of a particular Series shall bear interest and be payable as to interest as follows:

(i) Each Bond shall bear interest from (A) the date thereof, if authenticated on or prior to the Regular Record Date for the first Interest Payment Date, at the applicable rate set forth in or as determined pursuant to the Supplemental Indenture for such Series, (B) from the date of authentication, if authenticated on an Interest Payment Date to which interest has been paid, or (C) from the last preceding Interest Payment Date to which interest has been paid (or the date of the Bond if no interest thereon has been paid) in all other cases.

(ii) Subject to the provisions of subparagraph (iii) below and except as otherwise provided in the applicable Supplemental Indenture, the interest due on any Bond on any Interest Payment Date shall be paid by check or draft mailed on the applicable Interest Payment Date (or, at the option of holders of at least \$1,000,000 in aggregate principal amount of Bonds of a Series, by wire transfer to an account at a financial institution in the United States designated in writing) to the holder of such Bond as shown on the Bond Register as of the close of business on the Regular Record Date for the Series of Bonds.

(iii) If the available funds under this Indenture are insufficient on any Interest Payment Date to pay the interest then due, such interest shall thereupon cease to be payable to the Bondholders shown on the Bond Register as of the Regular Record Date. If sufficient funds for the payment of such overdue interest thereafter become available, the Trustee shall immediately establish a "Special Interest Payment Date" for the payment of the overdue interest and a "Special Record Date" (which shall be a Business Day) for determining the Bondholders entitled to such payments. Notice of each date so established shall be mailed to each Bondholder at least ten days prior to the Special Record Date, but not more than 30 days prior to the Special Interest Payment Date. The overdue interest shall be paid on the Special Interest Payment Date by check or draft mailed on the Special Interest Payment Date to the Bondholders, as shown on the Bond Register as of the close of business on the Special Record Date.

(c) The applicable Supplemental Indenture may provide that the Trustee shall enter into an agreement with a securities depository which is the holder of the Bonds of a Series providing for making any or all payments to that holder of principal or Redemption Price of and interest on such Bonds (other than any payment of the entire unpaid principal amount thereof), without presentation or surrender of such Bonds, and for giving any notice required hereunder, upon any conditions that shall be satisfactory to the Trustee and the Authority; provided that (i) payment in any event shall be made to the Person in whose name a Bond shall be registered on the Bond Register (A) as to principal or Redemption Price of any Bond, on the date on which the principal or Redemption Price is due, and (B) as to interest on any Bond, on the applicable Regular Record Date or Special Record Date as the case may be, and (ii) no such agreement with a securities depository shall provide for less notice than is otherwise provided for herein. Any

payment of principal or Redemption Price of or interest on Bonds pursuant to such an agreement shall constitute payment thereof pursuant to, and for all purposes of, this Indenture.

Section 2.08. Temporary Bonds. Pending preparation of definitive Bonds of any Series, or by agreement with the purchasers of all Bonds of any Series of Bonds, the Authority may issue and, upon its request, the Trustee shall authenticate in lieu of definitive Bonds one or more temporary printed or typewritten Bonds, in authorized denominations, of substantially the tenor recited in the applicable Supplemental Indenture. At the request of the Authority, the Trustee shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

Section 2.09. Cancellation and Destruction of Surrendered Bonds. In accordance with applicable law and regulations and the Trustee's policies and procedures, the Trustee shall cancel and destroy (a) all Bonds surrendered for transfer or exchange, for payment at maturity or for redemption (unless the surrendered Bond is to be partially redeemed and the Trustee elects to return the Bond, certified as to the partial redemption, to the holder thereof pursuant to Section 2.05(b)(iii)), (b) all Bonds purchased by the Trustee with available moneys in funds established hereunder, and (c) all Bonds purchased by the Authority and surrendered to the Trustee for cancellation. The Trustee shall deliver to the Authority a certificate of destruction in respect of all Bonds destroyed in accordance with this Section.

Section 2.10. Acts of Bondholders; Evidence of Ownership. Any action to be taken by Bondholders may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Bondholders in person or by agent appointed in writing. The fact and date of the execution by any person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the holder of any Bond shall bind all future holders of the same Bond in respect of any thing done or suffered by the Authority or the Trustee in pursuance thereof.

ARTICLE III ISSUANCE OF BONDS AND OTHER INDEBTEDNESS

Section 3.01. Purposes of Bonds. The Authority may issue from time to time a Series of Bonds for any lawful corporate purpose, including but not limited to providing all or part of the funds necessary (i) to refinance or refund all or any portion of any indebtedness of the Authority, including accrued and unpaid interest and redemption premium, if any, and all costs and expenses incidental to redemption; (ii) to provide additional funds for loans, grants or other payments to Borrowers; (iii) to provide the costs and expenses of a financing; (iv) to provide funds for the State Match; or (v) to deposit any additional amounts in Funds and Accounts as required under this Indenture.

Section 3.02. Conditions Precedent to the Issuance of Bonds. The Trustee shall not authenticate or deliver to the Authority on its order any Series of Bonds unless there shall have been delivered or paid to the Trustee the following:

(a) A certified copy of a resolution or resolutions of the governing board of the Authority authorizing the issuance of such Series of Bonds, stating the purpose or purposes for the issuance of such Series of Bonds and authorizing the execution and delivery of a Supplemental Indenture and such Series of Bonds.

(b) The applicable Supplemental Indenture, which shall set forth the matters in Section 2.01 and which shall provide for the application of the proceeds of the Bonds of such Series. The Supplemental Indenture shall also set forth the portion (if any) of such Series of Bonds to be treated as the State Match Portion of such Series of Bonds.

(c) An opinion or opinions of Counsel and/or Bond Counsel to the effect that: (i) all conditions precedent to the issuance of the Series of Bonds pursuant to the PENNVEST Act, this Indenture and any relevant Supplemental Indenture have been satisfied; (ii) the Series of Bonds, when issued, will be valid and binding obligations of the Authority in accordance with their terms; and (iii) an opinion as to the tax status of the interest on the Series of Bonds under the Code.

(d) The order of an Authorized Officer of the Authority directing the application of the proceeds of such Series of Bonds and directing the Trustee to authenticate such Series of Bonds. The Supplemental Indenture or the order of the Authority delivered pursuant to this subsection (d) shall state whether the Series of Bonds is to be secured by the Debt Service Reserve Fund and, if so, the Authority shall cause the deposit in the Debt Service Reserve Fund described in Section 7.08 (a) hereof to be made. The Trustee may rely upon such written direction of the Authority as conclusive evidence that any and all conditions to the issuance of such Series of Bonds by the Authority have been satisfied and shall be under no duty to make any independent investigation thereof.

(e) The proceeds of the Series of Bonds, to be applied as specified in the Authority's order.

(f) A certificate executed by an Authorized Officer of the Authority demonstrating that for each Fiscal Year in the Projection Period, the Cash Flow Coverage Ratio is projected to be at least 1.30. The calculations made in the preceding sentence shall be adjusted to include: (1) the projected Debt Service Requirements on the Series of Bonds to be issued, and (2) projected payments from Loans (other than State Match-Funded Loans) which are reasonably expected to be funded from the proceeds of such Series of Bonds.

(g) If the Series of Bonds is being issued to finance the refunding of Bonds, Additional Parity Indebtedness or Reimbursement Obligations, in lieu of the certificate described in paragraph (f) of this Section, the Authority, in its discretion, may provide a certificate of an Authorized Officer of the Authority stating that for the then current and each future Fiscal Year of the Projection Period, the Debt Service Requirements for the refunding bonds are projected to be equal to or less than the Debt Service Requirements that would have existed for that Fiscal Year with respect to the portion of the Bonds, Additional Parity Indebtedness or Reimbursement Obligations being refunded.

(h) If the Series of Bonds is being issued to finance a refunding (1) executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, such as a redemption fund or an escrow deposit agreement providing for the deposit and application of funds for the refunding, (2) unless all refunded indebtedness is to be redeemed or otherwise retired on the date of settlement for the refunding Bonds, or an amount equal to the total principal or redemption price of and interest requirements on the refunded indebtedness has been deposited with the Trustee, such schedules, verified as to their mathematical accuracy by a Financial Consultant or an Independent accountant, as are necessary to demonstrate the adequacy of funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or redemption price of and interest on the refunded indebtedness, and (3) evidence reasonably satisfactory to the Trustee that notice of any necessary redemption has been properly given, or that provision satisfactory to the Trustee has been made therefor, or that sufficient waivers of such notice have been duly filed with the Trustee.

(i) If a Swap is to be entered into with respect to the Series of Bonds being issued, any agreements, schedules, confirmations and other materials being delivered in connection with the execution and delivery of the Swap and a designation by the Authority as to whether the Swap Payments are to be Parity Swap Payments or Subordinated Swap Payments.

(j) If the Series of Bonds consists of a Commercial Paper Program, the resolution described in subsection (a) above shall set forth the maximum amount of Commercial Paper that is authorized to be issued and Outstanding at any time under such Commercial Paper Program and the Certificate set forth in subsection (f) above shall cover the maximum authorized amount permitted to be Outstanding in such program.

The opinion(s) of Counsel and/or Bond Counsel described in paragraph (c) above may be accepted by the Trustee as conclusive evidence that the requirements of this Section have been complied with, and the Trustee shall thereupon be authorized to execute said Supplemental Indenture, to authenticate the Series of Bonds and to deliver the same to or upon the order of the Chairman or Executive Director of the Authority.

Section 3.03. Application of Proceeds of Bonds. The proceeds of any Series of Bonds shall be deposited with the Trustee as provided in the pertinent Supplemental Indenture; provided, however, that the proceeds of any State Match Bonds shall be paid to or at the direction of the Authority. The Trustee shall be authorized to disburse the money in the Program Fund or other fund from time to time for the purposes provided in the applicable Supplemental Indenture.

Section 3.04. Additional Parity Indebtedness.

(a) Any additional Series of Bonds and all Additional Parity Indebtedness and Parity Swap Payments incurred from time to time under this Article III shall be on a parity with the Bonds and with all other Additional Parity Indebtedness and Parity Swap Payments secured hereunder, except as expressly provided herein or permitted by this Indenture or any Supplemental Indenture or in such Additional Parity Indebtedness.

(b) Terms of Additional Parity Indebtedness. Additional Parity Indebtedness may be secured, to the extent and in the manner provided herein, by a lien on and security interest in the Loan Documents and the Revenues at an equal rank and priority with the lien and security interest granted to the Bondholders and to any Parity Reimbursement Obligations or with respect to any Parity Swap Payments under this Indenture, but only if the following conditions are satisfied:

(i) The Authority shall have delivered to the Trustee the materials required by subsections (a), (c)(i), (c)(ii) and either (f) or (g), as applicable, of Section 3.02 hereof, taking into account the Debt Service Requirements on the Additional Parity Indebtedness (or periodic payment requirements, in the case of Parity Swap Payments), and the application of the proceeds thereof, together with (A) a copy of any agreements (collectively, the “Additional Parity Indebtedness Agreement”) evidencing, or providing for the repayment of and security for such Additional Parity Indebtedness or a copy of the Swap Agreement pursuant to which the Parity Swap Payments are required to be made, and (B) a schedule setting forth the debt service requirements on the Additional Parity Indebtedness, the dates on which scheduled debt service payments (or periodic payment requirements (in the case of Parity Swap Payments), on the Additional Parity Indebtedness are due, and the amounts due on each such date;

(ii) The Additional Parity Indebtedness shall not be secured by the proceeds of any Series of Bonds or by moneys and investments held in any Debt Service Fund established for another Obligation, Debt Service Reserve Fund, Purchase Fund, CP Payment Fund or other similar fund under this Indenture that is part of the Trust Estate which is pledged for the Bonds, any Parity Reimbursement Obligations, any Parity Swap Payments or, to the extent provided herein, any Subordinated Indebtedness, Subordinated Swap Payments, Swap Termination Payments of the Authority or Reimbursement Obligations; notwithstanding the foregoing, the Additional Parity Indebtedness Agreements may provide that such Additional Parity Indebtedness may be further secured by a separate debt service reserve fund, held solely for the benefit of the holders of the Additional Parity Indebtedness secured thereby;

(iii) Any Additional Parity Indebtedness and Additional Parity Indebtedness Agreement, Credit Facility Agreement for a Parity Reimbursement Obligation and the Swap Agreement for any Parity Swap Payments shall provide:

(A) a grant to the Trustee of each lien, encumbrance and security interest granted to the holder of such Additional Parity Indebtedness Credit Facility Issuer and the Swap Counterparty with respect to such Parity Swap Payments to share on an equal and proportionate basis therewith;

(B) that any Event of Default under this Indenture shall be an event of default thereunder;

(C) that, if any event of default shall have occurred in respect of such Additional Parity Indebtedness, Credit Facility Agreement for a

Parity Reimbursement Obligation or the Swap Agreement for such Parity Swap Obligation, the holder or holders thereof shall be required to give prompt notice thereof to the Trustee and such holder or holders shall be entitled only to such remedies and rights to consent to or direct the taking of remedies with respect to the Loan Documents and Revenues as are available to the Bondholders hereunder, and that all such remedies are, except as otherwise provided herein, to be exercised solely by the Trustee for the equal and ratable benefit of all holders of Bonds and Additional Parity Indebtedness and Credit Facility Issuer with respect to Parity Reimbursement Obligations and the Swap Counterparty with respect to such Parity Swap Payments having a security interest in Loan Documents and Revenues of equal rank and priority; and

(D) All amounts recovered with respect to the Loan Documents and the Revenues pursuant to the exercise of remedies by any holder of Additional Parity Indebtedness, a Credit Facility Issuer with respect to Parity Reimbursement Obligations or a Swap Counterparty with respect to Parity Swap Payments shall be remitted to the Trustee.

(iv) For purposes of voting in connection with the exercise of remedies under this Indenture upon the occurrence of an Event of Default hereunder, the holder of any Additional Parity Indebtedness shall be treated as if it were the Bondholder of a Bond in a principal amount equal to the principal amount of such Additional Parity Indebtedness.

(c) The Trustee is authorized to execute and deliver such instruments, agreements and other materials in connection with the issuance of Additional Parity Indebtedness and the Swap Agreements for any Parity Swap Payment as may be necessary or convenient to evidence that such Additional Parity Indebtedness, Parity Reimbursement Obligation and the Swap Counterparty with respect to such Parity Swap Payments is secured by a lien on and security interest in the Revenues and the Loan Documents of equal rank and priority with the lien and security interest granted herein to the Bondholders hereunder.

Section 3.05. Subordinated Indebtedness.

(a) The Authority may incur Subordinated Indebtedness from time to time for any lawful purpose of the Authority.

(b) The documents pursuant to which any Subordinated Indebtedness is incurred shall provide, among other things, that so long as any Bonds are Outstanding hereunder or any Parity Reimbursement Obligations remain unsatisfied or any Parity Swap Payment remains unpaid:

(i) the maturity of the Subordinated Indebtedness may not be accelerated unless the maturity of the Bonds has been accelerated;

(ii) if an acceleration of the Bonds has been rescinded or annulled, then any acceleration of the Subordinated Indebtedness automatically shall be rescinded or annulled;

(iii) all payments in respect of any Subordinated Indebtedness shall be made by the Trustee solely from moneys in the Subordinated Indebtedness Fund, at the times and subject to the conditions provided for herein;

(iv) any amendment to the Indenture made by the holders of the Bonds in accordance with the provisions hereof shall be automatically binding upon the holders of any Subordinated Indebtedness (other than an amendment that would extend the fixed maturity of any Subordinated Indebtedness or reduce the rate of interest thereon or extend the time of payment of interest or reduce the amount of principal thereof or reduce any premium payable on the redemption thereof); and

(v) upon the occurrence of any event of default with respect to any Subordinated Indebtedness, the holders of any Subordinated Indebtedness (or the Trustee on their behalf) may not exercise any remedies hereunder or with respect to the Revenues and the Loan Documents except with the consent of the holders of a majority of the Bonds and the Additional Parity Indebtedness.

(c) The Authority shall not incur any Subordinated Indebtedness unless there shall have been delivered to the Trustee, with respect to such Subordinated Indebtedness: (i) the materials that would be required to be delivered to the Trustee in connection with the issuance of a Series of Bonds pursuant to subsections (a), (c)(i) and either (f) or (g), as applicable, of Section 3.02 hereof, taking into account the Debt Service Requirements on the Subordinated Indebtedness and the application of the proceeds thereof (provided that the projected Cash Flow Coverage Ratio for the certificate delivered pursuant to Section 3.02(f) shall be at least 1.00 and not at least 1.30), (ii) a copy of any agreements (collectively, the "Subordinated Indebtedness Agreement") providing for the repayment of and security for such Subordinated Indebtedness, and (iii) a schedule setting forth the debt service requirements on the Subordinated Indebtedness, the dates on which scheduled debt service payments on the Subordinated Indebtedness are due, and the amounts due on each such date.

(d) The Trustee is authorized to execute and deliver such instruments, agreements and other materials in connection with the issuance of Subordinated Indebtedness as may be necessary or convenient to evidence that such Subordinated Indebtedness is secured by a lien on and security interest in the Revenues and the Loan Documents, subordinate to the lien and security interest granted to the Bondholders hereunder. Notwithstanding the foregoing, the agreements executed in connection with the issuance of Subordinated Indebtedness may provide that such Subordinated Indebtedness may be further secured by a separate debt service reserve fund, held solely for the benefit of the holders of the Subordinated Indebtedness secured thereby.

Section 3.06. Bond Anticipation Notes, Etc. The Authority may issue notes (and renewals thereof) in anticipation of the issuance of a Series of Bonds or the receipt of other funds. The principal of and interest on such notes shall be payable from the proceeds of the sale of the Series of Bonds or such other funds (including the proceeds of bonds, notes or other

obligations issued by the Commonwealth or an agency, subdivision or instrumentality thereof) as are available to provide for the payment of such notes. The proceeds of such notes may be pledged for the payment of the principal of and interest on such notes and any such pledge shall be made solely for the benefit of the holders thereof and the issuer of any Credit Facility or Authority Loan Commitment supporting such notes. The Authority may also pledge (i) the Loan Documents and the Revenues to the payment of the interest on, and/or, the principal of such notes. In connection with the issuance of any notes pursuant to this Section, the Authority shall deliver to the Trustee the items specified in Section 3.02 hereof.

Section 3.07. Issuance of Guaranties.

(a) A Guaranty may be issued as a direct guaranty to the holder of the indebtedness guaranteed thereby (the “Guaranteed Debt”), or to a trustee or paying agent therefor, or may be issued to the provider of a letter of credit, insurance policy or other credit enhancement for the Guaranteed Debt. The holder of the Guaranteed Debt, or the trustee or paying agent therefor, or the provider of credit enhancement for the Guaranteed Debt, in each case which is authorized under the terms of the Guaranty to make a demand for payment thereunder, is referred to herein as the “Guaranteed Holder.”

(b) A Guaranty may also be issued as an agreement by the Authority to make deposits to a debt service reserve fund or other similar fund securing the Guaranteed Debt, in the event one or more withdrawals has been made from such fund for the purpose of making payments with respect to the Guaranteed Debt.

(c) A Guaranty may be issued as Parity Indebtedness or as Subordinated Indebtedness in accordance with the provisions of Section 3.04 or Section 3.05, as applicable.

(d) Each obligor on Guaranteed Debt (a “Guaranteed Obligor”) shall enter into a reimbursement agreement with the Authority providing for the reimbursement to the Authority in accordance with its terms of payments made by the Authority under the Guarantee and for payment of such Administrative Fees as may be agreed upon by the Authority and the Guaranteed Obligor.

(e) For each Guaranty that is issued as Parity Indebtedness, the Guaranteed Debt shall have the following terms:

(i) Payments of principal or redemption price of and interest on the Guaranteed Debt shall be payable to the Guaranteed Holder not less frequently than monthly, or shall be required to be accumulated with the paying agent or trustee therefor in equal monthly deposits equal in the aggregate to the next installment of principal of and interest on the Guaranteed Debt.

(ii) The Guaranteed Obligor shall be required to have paid (or accumulated) each required installment of principal of and interest on the Guaranteed Debt to the paying agent or trustee therefor, not later than 15 days prior to the date on which such installment is due.

(iii) The paying agent or trustee for the Guaranteed Debt shall be required to notify the Authority within one Business Day of any failure by the Guaranteed Obligor to make payments when due of amounts due with respect to (or with respect to the accumulation of) principal or redemption price of or interest on the Guaranteed Debt.

(iv) The instruments evidencing and securing the Guaranteed Debt shall provide for the creation, funding and maintenance of a debt service reserve fund in an amount not less than 50% of the maximum annual debt service requirement on the Guaranteed Debt in the then current or any future fiscal year of the Guaranteed Obligor, calculated in the same manner as Debt Service Requirements hereunder.

(f) The Guaranty and instruments evidencing and securing the Guaranteed Debt shall provide that, in the event that the Authority makes any payment under the Guaranty, it shall be subrogated to the rights of the Guaranteed Holder to the extent of such payment, the amount so paid shall continue to be outstanding until the Authority is reimbursed therefor and the Authority shall be entitled to all of the benefits, covenants, security and other rights of the Guaranteed Holder to the extent of such payment.

(g) Each Guaranty shall provide that the obligation of the Authority to make payments thereunder may not be accelerated by the Guaranteed Holder or any other Person, notwithstanding that the Guaranteed Debt may have been accelerated. The obligation of the Authority under the Guaranty shall be limited to the timely payment of the scheduled principal or mandatory sinking fund installment and interest requirements on the Guaranteed Debt when due.

(h) The Debt Service Requirements on each Guaranty shall be calculated as provided in Section 10.08(i).

In connection with the issuance of any Guaranty pursuant to this Section the Authority shall deliver to the Trustee the items specified in Section 3.04 hereof (if the Guaranty is Parity Indebtedness) or Section 3.05 hereof (if the Guaranty is Subordinated Indebtedness).

ARTICLE IV PLEDGE

Section 4.01. Authority's Pledge; The Trust Estate.

(a) In order to provide for the payment of principal or Redemption Price (as the case may be) in respect of all Bonds Outstanding under this Indenture and each Supplemental Indenture, any Reimbursement Obligations, any Swap Payments and any Swap Termination Payments, together with interest thereon, all other amounts due and owing under this Indenture and each Supplemental Indenture, the rights of the Bondholders, the holders of any Reimbursement Obligations and each Swap Counterparty and the performance of the covenants contained in said Bonds, in this Indenture and in each Supplemental Indenture, and for and in consideration of the mutual covenants contained herein and in each Supplemental Indenture and of the acceptance by the Trustee of the trust hereby created, and intending to be legally bound hereby, the Authority does hereby sell, assign, transfer, set over and pledge unto THE BANK OF

NEW YORK MELLON TRUST COMPANY, N.A., as Trustee, its successors in the trust and its assigns forever, and grant to said Trustee, its successors in trust and assigns forever a security interest in all of the right, title and interest of the Authority in and to the "Trust Estate," which consists of: (1) the Revenues; (2) the Loan Documents; (3) except as provided herein, the amounts on deposit from time to time in the funds and accounts established hereunder and under each Supplemental Indenture; (4) any Swap Receipts and Swap Termination Payments; and (5) investment income with respect to any moneys held by the Trustee in the funds and accounts established hereunder (except the Expense Fund, the Commonwealth Fund, the Purchase Fund, the Debt Service Reserve Fund and the Rebate Fund).

Notwithstanding the foregoing pledge:

(i) the amounts in the Rebate Fund, the Commonwealth Fund and the Expense Fund, together with any income from the investment of such amounts, shall be held outside the lien and security interest of this Indenture;

(ii) amounts held in a Purchase Fund established for any Bonds pursuant to a Supplemental Indenture in connection with Bonds subject to purchase, together with any income from the investment of such amounts, shall be held solely for the benefit of the Persons specified in such Supplemental Indenture;

(iii) amounts held in a CP Payment Fund established for any Commercial Paper in connection with a Commercial Paper Program, together with any income from the investment of such amounts, shall be held solely for the benefit of the Bondholders of the maturing Commercial Paper for which the payment of maturing principal is being made with the proceeds of newly issued Commercial Paper, and for the benefit of the issuer of any Authority Loan Commitment or Credit Facility issued in support of such Commercial Paper Program;

(iv) amounts held in a Debt Service Reserve Fund, together with any income from the investment of such amounts, shall be held solely for the benefit of the Bonds secured by such Debt Service Reserve Fund;

(v) the proceeds of any Obligations deposited with the Trustee in a Program Fund, together with any income from the investment of such amounts, shall be held solely for the benefit of the Holders (or other holder) of such Obligations pending their disbursement, unless specifically provided otherwise in the corresponding Supplemental Indenture; and

(vi) the proceeds of State Match Bonds, the State Match-Funded Loans and all revenues or other amounts received or receivable by the Authority thereunder shall not be subject to the lien and security interest of this Indenture.

Notwithstanding the foregoing, the pledge of and security interest granted by this Indenture to secure the payment of any Reimbursement Obligations that are not Parity Reimbursement Obligations, any Subordinated Swap Payment and any Swap Termination Payment shall be second in priority, and shall be junior in lien and subordinate to the pledge and security interests granted to the Trustee for the benefit of the Bonds, any Parity Swap Obligations

and any Parity Reimbursement Obligations, and the rights of the holders of any Reimbursement Obligations and Swap Counterparties (with respect to Subordinated Swap Payments and Swap Termination Payments) shall be subject to the limitations set forth in this Indenture.

(b) The foregoing pledge is made in trust for the equal and ratable benefit and security of all present and future holders of the Bonds to be issued pursuant to the terms of this Indenture and each Supplemental Indenture, for the benefit of the holder of any Parity Reimbursement Obligation and for the benefit of any Swap Counterparty, with respect to any Parity Swap Payment, without preference, priority or distinction as to lien or otherwise (except as expressly provided herein and in any Supplemental Indenture), of any one Bond, Parity Reimbursement Obligation or Parity Swap Payment over any other Bond, Parity Reimbursement Obligation or Parity Swap Payment, upon the terms and subject to the conditions hereinafter set forth.

(c) Any Series of Bonds or other Obligations may be further secured (or may be unsecured, or secured only by a portion of the Trust Estate) as may be provided in the Supplemental Indenture pertaining thereto.

(d) If the Authority, or its successors or assigns, shall pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds, the Reimbursement Obligations, the Swap Payments and the Swap Termination Payments due or to become due thereon, at the times and in the manner mentioned therein and as provided in Article XIV hereof according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article VII hereof, or shall provide, as permitted hereby, for the payment thereof in accordance with Article XIV hereof, and shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it and shall pay, or cause to be paid all Bonds, all Reimbursement Obligations, all Swap Payments and all Swap Termination Payments, then upon such final payments or deposits as provided in Article XIV hereof, this Indenture and the rights hereby granted shall cease, terminate and be void and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to the Authority such instruments in writing as shall be requisite to evidence the discharge hereof, such writing to be as required by the Authority; otherwise this Indenture shall be and remain in full force and effect, subject to the covenants and conditions hereinafter set forth.

(e) Notwithstanding any other provision of this Indenture, the Authority, to the extent permitted by law, may grant a lien on and security interest in the PENNVEST Fund to secure any indebtedness or other obligation of the Authority. Any lien on and security interest in the PENNVEST Fund granted pursuant to the preceding sentence may be subordinate to or on parity with the lien on and security interest in the PENNVEST Fund granted to the Trustee to secure the Authority's obligations hereunder. The Trustee may enter into one or more intercreditor agreements with the holder of such indebtedness and, if an Event of Default shall have occurred under this Indenture or under the documents pursuant to which such indebtedness is incurred, then amounts held in the PENNVEST Fund shall be applied in accordance with the terms of the intercreditor agreement then in effect.

Section 4.02. Financing Statements; Pledge Under PENNVEST Act.

(a) The Authority shall cause financing statements relating to this Indenture to be filed in such manner and at such places as may be required by law fully to protect the security of the holders of the Bonds and, if applicable, the holders of any Reimbursement Obligations and any Swap Counterparties, and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof. From time to time, the Trustee may, but shall not be required to, obtain an opinion of Counsel setting forth what, if any, actions should be taken to preserve such security. The Authority shall execute or cause to be executed any and all further instruments as may be required by law or as shall reasonably be requested by the Trustee for such protection of the interests of the holders of the Bonds and, if applicable, the holders of any Reimbursement Obligations and any Swap Counterparties, and shall furnish satisfactory evidence to the Trustee of filing and refiling of such instruments and of every additional instrument which shall be necessary to preserve the lien of this Indenture upon the Trust Estate or any part thereof until the principal of and interest on the Bonds and, if applicable, any Reimbursement Obligations, Swap Payments and Swap Termination Payments of the Authority shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of this Indenture upon the Trust Estate or any part thereof until the aforesaid Obligations shall have been paid.

(b) The Authority covenants and agrees that it will, at the request of the Trustee, do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning and confirming unto the Trustee the rights assigned hereby and the amounts and other property pledged by this Indenture.

(c) The PENNVEST Act provides that a pledge of revenues, receipts, moneys, funds or other property or instruments made by the Authority shall be valid and binding from the time when such pledge is made. The PENNVEST Act further provides that the revenues, receipts, moneys, funds or other property pledged and thereafter received by the Authority shall be immediately subject to the lien of the pledge without its physical delivery or further act, and the lien of any pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether the parties have notice of the lien. The PENNVEST Act provides that neither agreements such as this Indenture nor any other instrument by which a pledge under the PENNVEST Act is created or evidenced need be filed or recorded except in the records of the Authority.

ARTICLE V
CREDIT FACILITIES

Section 5.01. Credit Facilities.

(a) In connection with the issuance of any Series of Bonds hereunder, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal, Redemption Price or interest due or to become due

on such Bonds, providing for the purchase of such Bonds by the Credit Facility Issuer or providing funds for the purchase of such Bonds on behalf of the Authority. In connection therewith, the Authority may enter into Credit Facility Agreements and similar agreements with the Credit Facility Issuer 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 repayment of amounts payable to the Credit Facility Issuer.

(b) The Authority may secure its obligations with respect to such Credit Facility by a Credit Facility Agreement and similar agreements 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 Authority in the applicable Supplemental Indenture. The Authority may also in an agreement with such Credit Facility Issuer agree to directly reimburse such Credit Facility Issuer for amounts paid under the terms of such Credit Facility, together with interest and fees thereon (the “Reimbursement Obligation”). Any such Reimbursement Obligation (a “Parity Reimbursement Obligation”) may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by Section 4.01 hereof, subject to the limitations set forth therein.

(c) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Indenture.

(d) The Supplemental Indenture executed in connection with any Credit Facility may provide (among other things) that, so long as the Credit Facility Issuer is not in default with respect to its obligations under its Credit Facility, the Credit Facility Issuer shall be deemed to be the holder of all Bonds that such Credit Facility Issuer owns, that are pledged to such Credit Facility Issuer, or for which its Credit Facility supports for purposes of the exercise of remedies upon an Event of Default hereunder, and for the purposes of consenting to any Supplemental Indentures hereto, changes or waivers hereunder (other than Supplemental Indentures hereto or waivers hereunder that require the consent of all affected Bondholders supported by such Credit Facility) and also may provide that the Credit Facility Issuer has the right to consent to the removal of a Trustee or other fiduciary hereunder, the appointment of a successor thereto and similar matters.

ARTICLE VI LOANS

Section 6.01. Terms and Conditions of Bond-Funded Loans.

(a) The Authority shall enter into Bond-Funded Loans with Borrowers, make funds under the PENNVEST/Commonwealth Funded Loan Pool Program available for Projects of such Borrowers (or to refund interim indebtedness incurred to originally finance such Projects) and enter into Loan Documents in respect of Bond-Funded Loans with Borrowers.

(b) The terms of any Bond-Funded Loan shall comply with the requirements of the PENNVEST Act and the PENNVEST Regulations.

Section 6.02. Terms and Conditions of State Match-Funded Loans.

(a) The Authority shall enter into State Match-Funded Loans with Borrowers, make funds under the Clean Water SRF Program and Drinking Water SRF Program available for Projects of such Borrowers (or to refund interim indebtedness incurred to originally finance such Projects) and enter into Loan Documents in respect of State Match-Funded Loans with Borrowers.

(b) The terms of any State Match-Funded Loan shall comply with the requirements of the PENNVEST Act, the PENNVEST Regulations and, to the extent applicable, the Federal Clean Water Act and the Federal Drinking Water Act.

ARTICLE VII
ESTABLISHMENT AND APPLICATION OF FUNDS

Section 7.01. Creation of Funds and Accounts.

(a) There are hereby created by the Authority the following Funds and Accounts to be held by the Trustee, in accounts segregated from all other moneys of the Trustee:

Commonwealth Fund;
CP Payment Fund;
Debt Service Fund;
 Principal Account;
 Interest Account;
Debt Service Reserve Fund;
Expense Fund;
Loan Prepayment Fund;
PENNVEST Fund;
Program Funds;
 Capitalized Interest Accounts;
 Costs of Issuance Accounts;
 Funding Accounts;
Purchase Fund;
Rebate Fund;
Revenue Fund;
Subordinated Indebtedness Fund; and
Surplus Fund.

The Trustee shall create such Accounts and Subaccounts within the Funds and Accounts as it shall deem necessary or as required by this Indenture or any Supplemental Indenture, or if it is directed to do so by the Authority.

(b) As provided in Section 4.01 hereof, the Expense Fund, the Commonwealth Fund and the Rebate Fund shall be held by the Trustee, as depository for the account of the Authority, outside the lien of this Indenture and shall not be held as security for the Authority's obligations hereunder.

(c) Any Purchase Fund established for a Series of Bonds shall be held by the Trustee in trust solely for the benefit of the tendering Bondholders for which such amounts were received, and otherwise as provided in the Supplemental Indenture establishing such Purchase Fund.

(d) Any CP Payment Fund established for a Commercial Paper Program, together with any income from the investment of such amounts, shall be held solely for the benefit of the Bondholders of the maturing Commercial Paper for which the payment of the maturing principal is being made with the proceeds of newly issued Commercial Paper, and for the benefit of the issuer of any Authority Loan Commitment or Credit Facility issued in support of such Commercial Paper Program.

(e) A Supplemental Indenture executed in connection with a Commercial Paper Program may provide that moneys that otherwise would be transferred to the Debt Service Fund or the Capitalized Interest Account for such Commercial Paper Program instead may be transferred to the CP Payment Fund established for such Commercial Paper Program.

(f) A Supplemental Indenture may provide that a CP Payment Fund or a Purchase Fund established thereunder may be held by an issuing and paying agent, tender agent or similar agent.

(g) Proceeds of State Match Bonds shall be paid to or at the direction of the Authority, shall not be deposited into any Fund or Account under this Indenture and shall not be subject to the lien of or the security interest created by this Indenture. Payments on State Match-Funded Loans shall be paid to or at the direction of the Authority and shall not be subject to the lien of or the security interest created by this Indenture.

Section 7.02. Program Fund.

(a) Except as otherwise provided in a Supplemental Indenture, and with respect to proceeds of State Match Bonds, the Trustee shall establish a Program Fund for each Series of Bonds and a Funding Account within the Program Fund. The Trustee shall apply moneys in the Funding Account of the Program Fund, at the direction of the Authority, for the making and/or fully or partially funding of loans, grants and other payments to Borrowers in accordance with Article VI hereof, and as set forth in this Section. Disbursements of proceeds from the Funding Account of the Program Fund shall be made upon a requisition of the Authority, provided, however, that no disbursements with respect to a particular Loan shall be made by the Trustee until the Trustee receives Loan Documents certified by an Authorized Officer of the Authority as being all such documents for such Loan. The Trustee shall disburse moneys from the Funding Account of the Program Fund to the Authority or to such entities as are specified by the Authority in such requisition. The requisition shall be in the general form attached hereto as Exhibit "B" or in such other form as is reasonably acceptable to the Trustee.

(b) A Supplemental Indenture may specify that a portion of the proceeds of a Series of Bonds be deposited in a separate, segregated Capitalized Interest Account within the Program Fund for such Series of Bonds. The Trustee shall transfer amounts on deposit in a Capitalized Interest Account to the Debt Service Fund, at the times and in the amounts specified

by an Authorized Officer of the Authority, to pay interest on the Series of Bonds for which such Capitalized Interest Account was established, or to reimburse a Credit Facility Issuer for any drawing on its Credit Facility to pay such interest pursuant to such Credit Facility.

(c) A Supplemental Indenture may specify that a portion of the proceeds of a Series of Bonds be deposited in a separate, segregated Costs of Issuance Account within the Program Fund for such Series of Bonds. The Trustee shall disburse moneys on deposit in a Costs of Issuance Account upon delivery to the Trustee of a requisition or certificate of an Authorized Officer of the Authority: (i) stating the name and an address of the payee, the amount to be paid and the purpose for such payment; and (ii) certifying that the amount to be paid is a proper charge against the Costs of Issuance Account. Any moneys remaining in the Costs of Issuance Account established for a Series of Bonds 180 days following the date of issuance of such Series of Bonds shall be transferred to the Funding Account of the Program Fund for such Series of Bonds, to be applied in such manner as the Authority may direct.

(d) The Trustee may transfer the proceeds of a Series of Bonds from any Account within the Program Fund established for such Series of Bonds to any other Account within the Program Fund established for such Series of Bonds. The Trustee also shall transfer any moneys in any Account within the Program Fund in any other manner directed by the Authority, such direction to be accompanied by a Favorable Opinion of Bond Counsel.

(e) On the third anniversary of the date of issuance of a Series of Bonds, moneys remaining in the Program Fund established for such Series of Bonds shall be: (i) transferred to the Debt Service Fund and applied to the next ensuing payment of principal or mandatory Redemption Price of such Series of Bonds; or (ii) applied in any other manner as directed by the Authority, such direction to be accompanied by a Favorable Opinion of Bond Counsel.

Section 7.03. Loan Prepayment Fund.

(a) The Trustee shall deposit any amounts representing Prepayments (other than Prepayments on State Match-Funded Loans) into the Loan Prepayment Fund. Amounts on deposit in the Loan Prepayment Fund shall be: (i) transferred to the Program Fund to a separate account within the Program Fund, in the case of moneys representing Prepayments of Tax-Exempt Bond-Funded Loans and applied with diligence by the Authority to financing new Loans, or (ii) applied as provided below in subsection (b).

(b) Moneys on deposit in the Loan Prepayment Fund also may be transferred to the Authority outside the lien of this Indenture, deposited in any other Fund or Account established hereunder, or otherwise applied as directed by the Authority; provided that the Authority first delivers to the Trustee: (i) in the case of a Tax-Exempt Bond-Funded Loan, a Favorable Opinion of Bond Counsel, and (ii) a certificate demonstrating that, after giving effect to such transfer, for each Fiscal Year during the Projection Period, the Cash Flow Coverage Ratio is projected to be at least 1.30.

Section 7.04. Revenues to Trustee; Application of Revenues and Other Moneys.
As soon as practicable after receipt thereof, the Trustee shall deposit amounts it receives hereunder as follows:

(1) All payments under the Loan Documents, other than payments with respect to State Match-Funded Loans, shall be deposited in the Revenue Fund.

(2) All prepayments of any Loans other than State Match-Funded Loans shall be deposited in the Loan Prepayment Fund.

(3) Subject to Section 7.01(e) hereof, amounts paid under a Credit Facility to pay the principal, interest or Redemption Price on a Series of Bonds supported by such Credit Facility shall be deposited initially in a separate segregated account within the Debt Service Fund and shall be held solely for the benefit and security of the Series of Bonds supported by such Credit Facility.

(4) The proceeds of any Series of Bonds shall be applied as provided in Section 3.03 hereof.

(5) Income from the investment of moneys in the funds and accounts established hereunder shall be applied as provided in Section 8.04 hereof.

(6) Any Swap Receipts shall be deposited in the Debt Service Fund and any Swap Termination Payments shall be deposited in the Revenue Fund.

Section 7.05. Revenue Fund.

(a) The Authority hereby assigns, transfers and sets over to the Trustee, and in confirmation directs payment to the Trustee when and as the same shall become due and payable, of all of its Revenues and other moneys as specified herein. The Authority will cause the Revenues to be paid directly to the Trustee. If, notwithstanding these arrangements, the Authority receives any Revenues, the Authority shall pay over the same to the Trustee.

(b) Subject to the provisions of Section 7.05(c) below, on each Transfer Date, the Trustee shall make the following transfers from the Revenue Fund in the following order of priority:

(1) to the Expense Fund an amount designated by the Authority as being equal to the Program Expenses then payable, or reasonably expected to become payable prior to the next Transfer Date;

(2) to the Debt Service Fund an amount which, together with other monies available therefor, is sufficient to accumulate with respect to the following obligations, *pro rata*:

(i) the principal or mandatory sinking fund Redemption Price coming due on the Bonds of each Series on each maturity or mandatory redemption date for such Bonds occurring on or prior to the next

succeeding Transfer Date, with the amount (if any) of any such transfer in respect of the principal of Commercial Paper to be calculated as provided in Section 7.17 hereof;

(ii) the interest coming due or estimated to be coming due on the Bonds of each Series on each Interest Payment Date for the Bonds occurring on or prior to the next succeeding Transfer Date, with the amount of any such transfer in respect of the interest on Commercial Paper to be calculated as provided in Section 7.17 hereof;

(iii) the principal, interest and fees coming due (or estimated to be coming due) on each Parity Reimbursement Obligation on or prior to the next succeeding Transfer Date;

(iv) the principal, interest and fees coming due (or estimated to be coming due) on all Additional Parity Indebtedness (including all Guarantees that are Parity Indebtedness) on or prior to the next succeeding Transfer Date; and

(v) any Parity Swap Payments coming due (or estimated to be coming due) on any Swap on or prior to the next succeeding Transfer Date;

(3) then, to the Debt Service Reserve Fund, the amount necessary, together with any other moneys available therefor, first, *pro rata*, to restore the amount of any withdrawal from the Debt Service Reserve Fund for the purposes of Section 7.08(b) in twelve substantially equal monthly installments; second, the amount required by Section 7.09(a)(v) and 7.09(a)(vi) hereof; and third the amount required by Section 7.08(f) hereof;

(4) then, to the Subordinated Indebtedness Fund, the amount which, together with other monies available therefor, is sufficient to pay, *pro rata*, the principal, interest and fees coming due on any Subordinated Indebtedness and any Reimbursement Obligation (other than a Parity Reimbursement Obligation) and any Subordinated Swap Payments and Swap Termination Payments coming due on any Swap, in each case prior to the next succeeding Transfer Date;

(5) then, to the Rebate Fund, any amounts required to be deposited therein pursuant to Section 7.10 hereof;

(6) then, to any redemption fund or redemption account established in connection with the proposed redemption (other than a mandatory sinking fund redemption) of Bonds of a Series, an amount sufficient to pay the Redemption Price of all Bonds of such Series being called for redemption on the proposed Redemption Date; and

(7) any balance remaining in the Revenue Fund after making the above transfers shall be transferred to the Surplus Fund to be applied as set forth in Section 7.13 hereof.

(c) In the case of transfers from the Revenue Fund to the Debt Service Fund pursuant to Section 7.05(c)(1) above:

(1) the Authority may provide that transfers in respect of the principal or mandatory sinking fund Redemption Price coming due on a Series of Bonds and the principal coming due on any Parity Indebtedness or Parity Reimbursement Obligation be made in twelve substantially equal, consecutive monthly installments, with the final such installment to be made on the Transfer Date immediately prior to the date on which the principal or mandatory sinking fund Redemption Price payment in question is due;

(2) in the case of debt service coming due (or estimated to be coming due) on a Guaranty that constitutes Parity Indebtedness, if the Authority has received notice pursuant to Section 3.05(e)(iii) that the Guaranteed Obligor has failed to make payment when due with respect to (or with respect to the accumulation of) principal or redemption price of or interest on the Guaranteed Debt, then, commencing on the next succeeding Transfer Date, the Authority shall include in the transfer made to the Debt Service Fund the amount of principal of and interest scheduled to come due on the Guaranteed Debt on or prior to the second succeeding Transfer Date. Any amounts so transferred to the Debt Service Fund and not required for payments on the Guaranteed Debt on or prior to such second succeeding Transfer Date shall be transferred to the Revenue Fund; and

(3) in the case of the debt service coming due (or estimated to be coming due) on any Commercial Paper and any Parity Reimbursement Obligation due to a Credit Facility Issuer as reimbursement for a drawing under its Credit Facility on such Commercial Paper, if the money on deposit therefor in the Debt Service Fund (or in the CP Fund for such Commercial Paper) is insufficient to pay the amounts then due, the Authority shall direct the Trustee to make transfers to the Debt Service Fund (or to the CP Payment Fund for such Commercial Paper) from the Revenue Fund, the Surplus Fund or the PENNVEST Fund on any Business Day, in amounts specified in a notice to the Trustee.

Section 7.06. Expense Fund.

(a) Amounts credited to the Expense Fund shall be applied by the Authority, from time to time, to the payment of Program Expenses. The Authority shall review and approve all invoices for payments of such invoice as a proper charge against the Expense Fund. If the Authority shall approve such invoice, it shall forward the same to the Trustee for payment as provided below. The Trustee shall disburse moneys in the Expense Fund upon delivery to the Trustee of a requisition or certificate of the Authority: (i) stating the name and address of the payee (which may be the Authority), the amount to be paid and the purpose, and (ii) certifying that the amount to be paid is a proper charge against the Expense Fund for fees and expenses described above.

(b) Amounts credited to the Expense Fund which the Authority at any time determines to be in excess of an amount equal to the sum of (i) the unpaid Program Expenses for

such Fiscal Year, plus (ii) any reserve established by the Authority for Program Expenses, shall be transferred by the Authority to the Trustee for credit to the Revenue Fund.

(c) If and to the extent provided in a Supplemental Indenture authorizing a Series of Bonds, amounts from the proceeds of such Bonds may be credited to the Expense Fund and set aside therein as specified in the Supplemental Indenture for any purpose of the Expense Fund.

Section 7.07. Debt Service Fund.

(a) A Supplemental Indenture may provide that the Debt Service Fund shall include a separate account for each Series of Bonds (including a Commercial Paper Program) issued thereunder.

(b) The Trustee shall transfer to the Paying Agent funds on deposit in the Interest Account of the Debt Service Fund at such times and in such amounts as necessary to pay the interest on the Bonds due on each Interest Payment Date and each other date on which interest is due and payable. For purposes of any transfer pursuant to the preceding sentence in respect of interest on any Variable Rate Obligation accruing prior to the next Interest Payment Date in respect of which all or a portion of the actual interest to be accrued prior to the next Interest Payment Date cannot be determined, the Trustee shall transfer an amount which, together with any amounts then on deposit in respect of such interest in the corresponding Debt Service Fund, is equal to the amount of interest coming due on such Variable Rate Obligation on the next Interest Payment Date, assuming that any portion of interest on the Variable Rate Obligation in question that cannot be determined on the Transfer Date bears interest at the maximum interest rate provided for therein. For purposes of any transfer pursuant to this subsection in respect of interest on any Commercial Paper, the amount of interest to be transferred shall be calculated as provided in Section 7.17 hereof.

(c) i. The Trustee shall transfer to the Paying Agent funds on deposit in the Principal Account of the Debt Service Fund at such times and in such amounts as necessary to pay the principal or mandatory Redemption Price of the Bonds as the same become due and payable.

(1) The Authority may, at its option, direct the Trustee to transfer to the Paying Agent any moneys on deposit in the Program Fund or in the Principal Account of the Debt Service Fund to purchase Bonds of the Series and maturity next coming due at maturity or by operation of mandatory sinking fund redemption in the open market at the most advantageous price then obtainable with reasonable diligence; provided, however, that no such purchase of Bonds in the open market shall be made by the Paying Agent at a price, including any brokerage or other charges, greater than the principal amount of such Bonds or the Redemption Price of such Bonds, if such Bonds are then redeemable at the option of the Authority, whichever is greater. Each direction for the purchase of Bonds shall specify the principal amount of the Bonds to be purchased, and the Series of Bonds to be purchased, which shall be in authorized denominations.

(2) The Trustee shall transfer to each Credit Facility Issuer the principal, interest and fees on the Parity Reimbursement Obligation owing to such Credit Facility Issuer on the day on which such interest, principal and fees are due and payable.

(3) The Trustee shall transfer to the holder of any Additional Parity Indebtedness (including each Guaranty that is Parity Indebtedness) (or any paying agent of such holder) the principal, interest and fees coming due on such Additional Parity Indebtedness (or on the Guaranteed Debt, if applicable) on the day on which the principal, interest or fees are due and payable.

(4) On the redemption date for a Series of Bonds (other than a mandatory sinking fund redemption), the Trustee shall transfer to the Paying Agent from funds on deposit in any redemption fund or redemption account established in connection with the redemption of any Bonds such amounts as necessary to pay the Redemption Price of such Bonds of such Series being called for redemption on such redemption date, together with any accrued interest thereon.

(5) The Trustee shall transfer to each Swap Counterparty (or any paying agent for such Swap Counterparty) the Parity Swap Payments due to such Swap Counterparty on the day on which such Parity Swap Payments are due and payable.

(d) The Supplemental Indenture under which any Series of Bonds shall be issued may provide for additional deposits in the Debt Service Fund and for the redemption or purchase of such Series of Bonds out of the additional moneys deposited or to be deposited therein.

(e) In connection with the provision for the payment (in whole or in part) of any Series of Bonds in accordance with the provisions hereof, the Trustee shall transfer moneys in the Debt Service Fund allocable to the Bonds for which payment is being provided as directed by the Authority.

Section 7.08. Debt Service Reserve Fund.

(a) Concurrently with the issuance of each Series of Bonds, the Authority shall notify the Trustee as to whether such Series of Bonds is to be secured by a Debt Service Reserve Fund and, if so, the provisions for funding such Debt Service Reserve Fund. The amount of any withdrawal for the purpose of subsection (b) below shall be restored in accordance with the priority of payments set forth in Section 7.05 hereof. Moneys on deposit in a Debt Service Reserve Fund shall be applied as set forth in this Section.

(b) On the date of each required payment from the Debt Service Fund for Bonds secured by a Debt Service Reserve Fund, moneys in the Debt Service Reserve Fund shall be applied to cure any deficiency in the Debt Service Fund allocable to Bonds secured by the Debt Service Reserve Fund following any transfers thereto first, from the Surplus Fund pursuant to Section 7.13 hereof, second, from the Commonwealth Fund pursuant to Section 7.12 hereof and third, from the Subordinated Indebtedness Fund pursuant to Section 7.11 hereof.

(c) Except as provided in subsection (e) hereof or in a Supplemental Indenture, any amount in an account of the Debt Service Reserve Fund in excess of a Debt Service Reserve Requirement by virtue of a decrease in the Debt Service Reserve Requirement shall, on the date of such decrease, be transferred to the Debt Service Fund and applied to the payment of principal or Redemption Price of or interest on the Bonds secured thereby.

(d) Except as may be provided in the Supplemental Indenture pursuant to which a Series of Bonds is issued, during the 12-month period preceding the final maturity date of any Series of Bonds secured by the Debt Service Reserve Fund, moneys held in the Debt Service Reserve Fund allocable thereto shall be credited against the payment of principal or Redemption Price of and interest on such Series of Bonds becoming due during such 12-month period and shall be transferred to the Debt Service Fund for the payment of such principal or Redemption Price and interest.

(e) Except as may be provided in a Supplemental Indenture, in connection with the provision for the payment (in whole or in part) of any Series of Bonds in accordance with the provisions hereof, the Trustee shall transfer moneys in the Debt Service Reserve Fund allocable to the Bonds for which payment is being provided as directed by the Authority; provided that after giving effect to such transfer, the balance in the Debt Service Reserve Fund is at least equal to the Debt Service Reserve Requirement.

(f) If a Series of Bonds is to be secured by a Debt Service Reserve Fund, then upon the issuance of such Series of Bonds, except as provided in the following sentence, the Authority shall cause to be provided to the Trustee for deposit in such Debt Service Reserve Fund, an amount which, together with amounts then on deposit in such Debt Service Reserve Fund, will cause the balance therein to be equal to the Debt Service Reserve Requirement for such Series of Bonds, after giving effect to the issuance of such Series of Bonds and the application of the proceeds thereof. The Supplemental Indenture pursuant to which a Series of Bonds is issued may provide that, in lieu of funding in full a Debt Service Reserve Fund concurrently with the issuance of such Series of Bonds, the Authority may cause deposits to be made in such Debt Service Reserve Fund pursuant to Section 7.05(c)(ii) third on each Transfer Date until the amounts so transferred equal the Debt Service Reserve Requirement for such Series of Bonds.

Section 7.09. Reserve Fund Credit Facility.

(a) The Authority may elect to satisfy in whole or in part the Debt Service Reserve Requirement with respect to any Bonds secured by the Debt Service Reserve Fund by means of a letter of credit, insurance policy or surety bond (together with any substitute or replacement therefor, a “Reserve Fund Credit Facility”), subject to the following requirements:

(i) the Reserve Fund Credit Facility Provider must have a credit rating in one of the two highest rating categories of a Rating Agency;

(ii) the Authority shall not secure any obligation to the Reserve Fund Credit Facility Provider by a lien equal to or superior to the security granted to the related Series of Bonds;

(iii) each Reserve Fund Credit Facility shall have a term of at least one year (or, if less, the remaining term of the related Bonds) and shall entitle the Trustee to draw upon or demand payment and receive the amount so requested in immediately available funds on the date of such draw or demand;

(iv) the Reserve Fund Credit Facility shall permit a drawing by the Trustee for the full stated amount of such Reserve Fund Credit Facility in the event (i) the Reserve Fund Credit Facility expires or terminates for any reason prior to the final maturity of the related Bonds, and (ii) the Authority fails to satisfy the Debt Service Reserve Requirement by the delivery to the Trustee of cash, Investment Securities, a substitute Reserve Fund Credit Facility, or any combination thereof, for deposit in the Debt Service Reserve Fund on or before the date of such expiration or termination;

(v) if the rating issued by the Rating Agency to the Reserve Fund Credit Facility Provider in subsection (a)(i) above falls below its two highest rating categories, the Authority shall provide a substitute Reserve Fund Credit Facility within 60 days after said rating change, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, the Authority shall fund the Debt Service Reserve Requirement in not more than 24 equal monthly payments commencing not later than the Transfer Date immediately succeeding the date representing the end of said 60 day period; and

(vi) if the Reserve Fund Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the Authority shall provide a substitute Reserve Fund Credit Facility within 60 days thereafter, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, the Authority shall fund the Debt Service Reserve Requirement in not more than 24 equal monthly payments commencing not later than the Transfer Date immediately succeeding the date representing the end of said 60 day period.

(b) If the events described in either (a)(v) or (a)(vi) above occur, the Trustee shall not relinquish the Reserve Fund Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, Investment Securities, or a substitute Reserve Fund Credit Facility or any combination thereof. The Trustee is hereby authorized and directed to draw upon or demand payment from any such Reserve Fund Credit Facility in accordance with its terms in the event funds are needed from the Debt Service Reserve Fund with respect to the related Bonds. Any amount received from the Reserve Fund Credit Facility shall be deposited directly into the Debt Service Fund and such deposit shall constitute the application of amounts in the Debt Service Reserve Fund.

(c) If the Authority elects to provide a Reserve Fund Credit Facility, any moneys in the Debt Service Reserve Fund that are in excess of the applicable Debt Service Reserve Requirement as a result of the provision of such Reserve Fund Credit Facility shall be applied as set forth in a certificate of the Authority, such certificate to be accompanied by a Favorable Opinion of Bond Counsel.

Section 7.10. Rebate Fund.

(a) The Trustee shall establish and maintain, until 60 days after all of the Bonds have been retired and all required rebate payments have been made, a Rebate Fund for the purpose of paying to the United States Treasury the amount required to be rebated pursuant to Section 148(f) of the Code. The Trustee shall hold the Rebate Fund separate and apart from all other funds and accounts. Amounts in the Rebate Fund, including investment income, shall be free and clear of the lien and pledge of this Indenture.

(b) (2) The Authority shall engage a financial consultant (the “Financial Consultant”) to calculate the rebatable arbitrage in respect of the Bonds of each Series under Section 148(f), unless the Authority determines and delivers to the Trustee a certificate to the effect that such Bonds are exempt from arbitrage rebate by virtue of expenditure of proceeds in accordance with the spending exceptions under Section 148(f) of the Code. The Authority shall direct the Financial Consultant to calculate the rebatable arbitrage as of the end of each bond year or as of the date of retirement of the Bonds of such Series. Within 45 days after each bond year or the date of such last retirement, the Authority shall deposit funds, or the Trustee shall transfer funds from the Revenue Fund or the Program Fund at the written direction of the Authority, sufficient to increase the amount in the Rebate Fund to the rebatable arbitrage or such greater amount representing a deposit in respect of rebatable arbitrage for future periods, as the Authority may determine. The rebatable arbitrage as of the end of any bond year that does not end a five-year installment computation period under the Treasury regulations shall be computed as if the bond year came at the end of a five-year installment computation period. The rebatable arbitrage as of the retirement of the last bond of the Series shall include attributable income after such retirement determined in the manner provided in the Treasury regulations.

(i) If the Authority has elected that in lieu of arbitrage rebate the Bonds of a Series shall be subject to penalties on unspent proceeds in the event of failure to comply with the two-year schedule of expenditures for construction issues, the Authority shall calculate, or direct the Financial Consultant to calculate, the penalty as of the end of each six-month period following the issuance of the Bonds of such Series. Within 75 days after each six-month period, the Authority shall deposit funds, or the Trustee shall transfer funds from the Revenue Fund or the Program Fund at the written direction of the Authority, sufficient to increase the amount in the Rebate Fund to the amount of the penalty.

(ii) At the written direction of the Authority the Trustee shall make payments from the Rebate Fund to the Federal government to comply with the requirements of Section 148(f), including payments of installments of at least 90% of the rebatable arbitrage within 60 days after the end of each fifth bond year, payment of all the rebatable arbitrage and attributable income within 60 days after retirement of the last Bond of the Series, and payment of unspent proceeds penalties by the dates falling 90 days after each six-month period, or shall transfer amounts in excess of rebatable arbitrage or unspent proceeds penalty to the Revenue Fund.

(iii) For purposes of this Section, “bond year” means, with respect to the Bonds of a Series, (A) a one-year period (or shorter period from the date of issue of

the Bonds of such Series) that ends on the last day of a compounding period used in computing yield, or (B) such other period as may be determined by the Authority and is authorized under the Code.

(iv) The provisions of this Section 7.10 may be deemed modified or may be deemed inapplicable with respect to the Bonds of a Series as specified in the applicable Supplemental Indenture or in a direction of the Authority accompanied by a Favorable Opinion of Bond Counsel.

(v) The Trustee shall have no responsibilities with respect to compliance with Section 148(f) of the Code except as otherwise provided in this Section 7.10, and the Trustee shall not be obligated to use any monies to make rebate payments to the United States Treasury other than moneys on deposit in the Rebate Fund.

Section 7.11. Subordinated Indebtedness Fund.

(a) Any amounts deposited in the Subordinated Indebtedness Fund shall be applied by the Trustee from time to time for the following purposes in the following order of priority:

(1) to the extent that there is any deficiency in the Debt Service Fund on any Interest Payment Date in the amounts necessary to pay all interest due on the Bonds, any Additional Parity Indebtedness, any Parity Reimbursement Obligation and any Parity Swap Payment on such date, and following any transfers from the Surplus Fund and the Commonwealth Fund, the amount of such deficiency shall be transferred from the Subordinated Indebtedness Fund to the Debt Service Fund;

(2) to the extent that there is any deficiency on any date in the amounts necessary to pay all principal or mandatory Redemption Price due on the Bonds, any Additional Parity Indebtedness and any Parity Reimbursement Obligation or any fees on any Additional Parity Indebtedness or Parity Reimbursement Obligation payable from the Debt Service Fund on such date and following any transfers from the Surplus Fund and the Commonwealth Fund, the amount of such deficiency shall be transferred from the Subordinated Indebtedness Fund to the Debt Service Fund; and

(3) to the extent that there is any deficiency in the Debt Service Reserve Fund and following any transfers from the Surplus Fund and the Commonwealth Fund, the amount of such deficiency shall be transferred from the Subordinated Indebtedness Fund to the Debt Service Reserve Fund.

(b) Following the transfers made pursuant to subsection (a) above, the Trustee shall transfer, *pro rata*, to the holder of any Subordinated Indebtedness (including any Guaranty that is Subordinated Indebtedness) (or any paying agent of such holder) and to the holder of any Reimbursement Obligation that is not a Parity Reimbursement Obligation, and to each Swap Counterparty, the principal, interest and fees coming due on such Subordinated Indebtedness (or Guaranteed Debt, if applicable) or such Reimbursement Obligation, Subordinated Swap Payment or Swap Termination Payment coming due to such Swap Counterparty, in each case on the day

on which such principal, interest, fees, Subordinated Swap Payment or Swap Termination Payment is due and payable.

Section 7.12. Commonwealth Fund.

(a) The Authority shall provide the Trustee with the Commonwealth Repayment Agreement concurrently with the execution and delivery of this Indenture and shall provide the Trustee with any amendments to the Commonwealth Repayment Agreement promptly following their execution. The Trustee may rely conclusively on the Commonwealth Repayment Agreement, as amended from time to time, as to the amounts due to the Commonwealth thereunder and the times at which such amounts are due.

(b) On the first Business Day of each calendar month, the Trustee shall deposit in the Commonwealth Fund, from moneys available pursuant to Section 7.13(a) hereof, an amount which, together with other moneys available therefor from the Authority, is sufficient to accumulate in substantially equal monthly installments the amount next due and payable to the Commonwealth pursuant to the Commonwealth Repayment Agreement.

(c) At any time and from time to time, amounts deposited in the Commonwealth Fund shall be applied by the Trustee from time to time for the following purposes in the following order of priority:

(1) to the extent that there is any deficiency in the Debt Service Fund on any Interest Payment Date in the amounts necessary to pay all interest due on the Bonds, any Additional Parity Indebtedness, any Parity Reimbursement Obligation and any Parity Swap Payment on such date, and following any transfers from the Surplus Fund, the amount of such deficiency shall be transferred from the Commonwealth Fund to the Debt Service Fund;

(2) to the extent that there is any deficiency on any date in the amounts necessary to pay all principal or mandatory Redemption Price due on the Bonds, any Additional Parity Indebtedness and any Parity Reimbursement Obligation or any fees on any Additional Parity Indebtedness or Parity Reimbursement Obligation payable from the Debt Service Fund on such date and following any transfers from the Surplus Fund, the amount of such deficiency shall be transferred from the Commonwealth Fund to the Debt Service Fund;

(3) to the extent that there is any deficiency in the Debt Service Reserve Fund and following any transfers from the Surplus Fund, the amount of such deficiency shall be transferred from the Commonwealth Fund to the Debt Service Reserve Fund; and

(4) to the extent that amounts in the Subordinated Indebtedness Fund are not sufficient to pay the principal, interest and fees coming due on any Subordinated Indebtedness, any Subordinated Swap Payments and any Swap Termination Payments on such date, the amount of the deficiency shall be transferred from the Commonwealth Fund to the Subordinated Indebtedness Fund.

(d) Following any transfers made pursuant to subsection (c) above, on any date on which moneys are payable to the Commonwealth pursuant to the Commonwealth Repayment Agreement, the Trustee shall transfer moneys in the Commonwealth Fund to, or upon the order of, the Commonwealth.

Section 7.13. Surplus Fund.

(a) On the first Business Day of each calendar month, the Trustee shall transfer from the Surplus Fund to the Commonwealth Fund any amounts required to be deposited therein pursuant to Section 7.12 hereof.

(b) Any amounts deposited in the Surplus Fund shall be applied by the Trustee from time to time to the following purposes in the following order of priority:

(1) to the extent that there is any deficiency in the Debt Service Fund on any date in the amounts necessary to pay all interest due on the Bonds, any Additional Parity Indebtedness, any Parity Reimbursement Obligation and any Parity Swap Payment on such date, the amount of such deficiency shall be transferred from the Surplus Fund to the Debt Service Fund;

(2) to the extent that there is any deficiency on any date in the amounts necessary to pay all principal or mandatory Redemption Price due on the Bonds, any Additional Parity Indebtedness and any Parity Reimbursement Obligation or any fees or any Additional Parity Indebtedness or Parity Reimbursement Obligation payable from the Debt Service Fund on such date, the amount of such deficiency shall be transferred from the Surplus Fund to the Debt Service Fund;

(3) to the extent that there is any deficiency in the Debt Service Reserve Fund, the amount of such deficiency shall be transferred from the Surplus Fund to the Debt Service Reserve Fund;

(4) to the extent that amounts in the Subordinated Indebtedness Fund are not sufficient to pay the principal, interest and fees coming due on any Subordinated Indebtedness on such date and any Subordinated Swap Payments and any Swap Termination Payments, the amount of such deficiency shall be transferred from the Surplus Fund to the Subordinated Indebtedness Fund;

(5) to the extent that there is any deficiency in a redemption fund or account established in connection with the proposed redemption (other than a mandatory sinking fund redemption) of Bonds of a Series on the redemption date for the Bonds of such Series, the amount of such deficiency shall be transferred from the Surplus Fund to such redemption fund or account;

(6) to the extent that there is any deficiency in the Rebate Fund, the amount of such deficiency shall be transferred from the Surplus Fund to the Rebate Fund;

(7) to the extent that amounts in the Expense Fund are not sufficient to pay Program Expenses, the amount of such deficiency shall be transferred from the Surplus Fund to the Expense Fund; and

(8) to the extent that there is any deficiency in the Commonwealth Fund, the amount of such deficiency shall be transferred from the Surplus Fund to the Commonwealth Fund.

(c) On the second Business Day following each Transfer Date, upon receipt by the Trustee of a certificate of the Authority stating that (i) all transfers from the Surplus Fund required to be made pursuant to subsection (b) above have been made, and (ii) no Event of Default or event which, with the giving of notice and/or passage of time, would constitute an Event of Default hereunder has occurred and is continuing, then the Trustee shall transfer all moneys (or, if specified by the Authority, a portion of the moneys in the amount specified by the Authority) remaining in the Surplus Fund to the PENNVEST Fund.

(d) Without limiting the provisions of subsection (a) above, upon the issuance of any Series of Bonds (including Commercial Paper), the Authority may direct the Trustee to transfer from the PENNVEST Fund to the CP Payment Fund, Debt Service Fund, the Capitalized Interest Account or another Fund or Account established under such Supplemental Indenture an amount specified by the Authority to pay a portion of the debt service on such Series of Bonds or to reimburse a Credit Facility Issuer or the issuer of an Authority Loan Commitment for its payment of such debt service.

Section 7.14. PENNVEST Fund.

(a) Amounts deposited in the PENNVEST Fund may be applied by the Authority to make loans or grants, pay expenses or for any authorized purpose of the Authority. The Trustee shall disburse moneys in the PENNVEST Fund upon delivery to the Trustee of a requisition or certificate of the Authority: (i) stating the name and address of the payee (which may be the Authority), the amount to be paid and the purpose, and (ii) certifying that the amount to be paid is a proper charge against the PENNVEST Fund. Amounts disbursed from the PENNVEST Fund to or upon the order of the Authority pursuant to this subsection (a) shall be outside the lien of this Indenture and shall not be held for the security of the Obligations.

(b) If and to the extent provided in a Supplemental Indenture authorizing a Series of Bonds, amounts from the proceeds of such Bonds may be credited to the PENNVEST Fund and set aside therein as specified in the Supplemental Indenture for any purpose of the PENNVEST Fund.

(c) In the event that there is a shortfall in the Debt Service Fund after giving effect to any other transfers thereto made pursuant to this Article VII, the Authority may direct the Trustee to transfer from the PENNVEST Fund an amount sufficient to cure such shortfall.

Section 7.15. Moneys To Be Held for All Obligations, With Certain Exceptions. Until applied as herein provided and except as otherwise provided herein or in a Supplemental Indenture, moneys and investments held in all funds and accounts established and held under the lien of this Indenture shall be held in trust for the benefit of the holders of all Obligations, except

that: (a) on and after the date on which the interest on or principal or Redemption Price of any particular Bond, Additional Parity Indebtedness, Parity Reimbursement Obligation or Parity Swap Payment is due and payable from the Debt Service Fund, the unexpended balance of the amount deposited or reserved in such fund for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Bondholder or Bondholders entitled thereto or to the holder or holders of any Additional Parity Indebtedness or Parity Reimbursement Obligation or the applicable Swap Counterparty; (b) any redemption fund or account established in connection with the issuance of any Series of Bonds for a refunding shall be held for the benefit of the holders of Bonds being refunded; (c) a Debt Service Reserve Fund shall be held solely for the benefit of the Bonds secured by such Debt Service Reserve Fund; and (d) the foregoing shall not alter the provisions of Section 4.01 hereof.

Section 7.16. Monthly Reports by Trustee. The Trustee shall furnish to the Authority on or about the 20th day of each month, a report on the status of each of the funds, accounts and subaccounts established under this Article VII, showing at least the balance in each such fund, account or subaccount as of the first day of the preceding month, the total of deposits to (including interest on investments) and the total of disbursements from each such fund, account or subaccount, the date of such deposits and disbursements, and the balance in each such fund, account or subaccount on the last day of the preceding month.

Section 7.17. Amounts Payable With Respect to Certain Forms of Indebtedness and Swaps; Transfers With Respect to Commercial Paper.

(a) In determining the amounts payable in respect of Additional Parity Indebtedness, Reimbursement Obligations, Subordinated Indebtedness or Swaps, the Trustee may rely without independent investigation on the debt service schedules or payment schedules submitted to the Trustee by the Authority in connection with the incurrence of Additional Parity Indebtedness, Reimbursement Obligations, Subordinated Obligations or Swaps, or upon a certificate delivered to the Trustee by the Authority or by the holder of such Additional Parity Indebtedness, Reimbursement Obligations or Subordinated Indebtedness or by the applicable Swap Counterparty, in each case as the same may be as revised from time to time. In the event that the Trustee receives inconsistent information regarding the amounts described in the preceding sentence from the Authority and from the holders of such indebtedness or by the applicable Swap Counterparty, the Trustee shall promptly notify the Authority and the holders of such indebtedness or Swap Counterparty of such inconsistency and shall not make any payments with respect to such indebtedness or Swaps until such inconsistency is resolved. The failure of the Trustee to make a payment with respect to any indebtedness or Swap in the circumstances described in the preceding sentence shall not be construed as excusing the Authority from any obligation it may have with respect to making such payment.

(b) The amounts to be transferred from the Revenue Fund to the Debt Service Fund or the CP Payment Fund in respect of any Commercial Paper Program shall be calculated as follows:

(i) Principal. No amounts shall be transferred in respect of the principal of any Commercial Paper maturing prior to the next succeeding Transfer Date, unless the Authority notifies the Trustee that it has determined to pay or provide for the

payment of the principal of such Commercial Paper with moneys transferred from the Revenue Fund, in which case the Trustee shall transfer the amount specified in the notice of the Authority.

(ii) Interest. On each Transfer Date, the Trustee shall transfer an amount which, together with the amounts then on deposit in the Debt Service Fund for such Commercial Paper Program, is equal to: (A) the interest due on each piece of Commercial Paper maturing on or prior to the next succeeding Transfer Date, plus (B) the aggregate “Estimated CP Interest Accrual”.

(3) Aggregate Estimated CP Interest Accrual. The amount of the “Estimated CP Interest Accrual” for each piece of Commercial Paper that matures prior to the next Transfer Date is an amount equal to the interest that would accrue on such piece of Commercial Paper for a period commencing on its maturity date and ending on the next succeeding Transfer Date, assuming that such piece of Commercial Paper bears interest at a rate equal to (A) the SIFMA Index in effect on the Calculation Date, plus 25 basis points (one quarter of one percent), or (B) such other interest rate or index as is then generally prevailing in the market for commercial paper similar in all material respects to the Commercial Paper of the Authority, as set forth in a certificate of a Financial Advisor. The aggregate Estimated CP Interest Accrual is an amount equal to the sum of the Estimated CP Interest Accruals for each piece of Commercial Paper.

ARTICLE VIII INVESTMENT AND DEPOSIT OF FUNDS

Section 8.01. Deposits and Security Therefor. All moneys received by the Trustee under this Indenture for deposit in any fund established hereunder shall be considered trust funds, except as hereinafter provided, and shall be deposited in the commercial department of the Trustee or its affiliate, until or unless invested or deposited as provided in Section 8.02. All deposits in the commercial department of the Trustee or its affiliate (whether original deposits under this Section 8.01 or otherwise) shall, to the extent not insured, and to the extent permitted by law, be fully secured as to both principal and interest by United States Government Obligations, or if not so permitted, then secured as provided by law for such trust deposits. If at any time the commercial department of the Trustee or its affiliate is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation. All deposits in any other depository in excess of the amount covered by insurance shall, to the extent permitted by law, be fully secured as to both principal and interest by United States Government Obligations in such manner as may be required or permitted under applicable law in order to grant to the Trustee a perfected security interest in such United States Government Obligations, free and clear of the claims of third parties. If the deposit of the United States Government Obligations with the Trustee or a depository acting on its behalf is required for such purpose under applicable law, the deposit shall be made with a Federal Reserve Bank, with the trust department of the Trustee, or with a bank or trust company having a combined net capital and surplus of not less than \$200,000,000.

Section 8.02. Investment of Funds. Moneys on deposit in the Funds and Accounts established pursuant to Article VII hereof shall be invested and reinvested by the Trustee at the written direction of the Authority as follows:

(a) All investments shall constitute Investment Securities and shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

(b) No investments shall be directed by the Authority which would cause the Bonds to become “arbitrage bonds” within the meaning of the Code.

(c) The principal of the Investment Securities received in respect thereof shall be applied or charged to the Fund or Account in question and the investment income earned from the investment of moneys in any Fund shall be credited in accordance with Section 8.04 hereof.

(d) Neither the Authority nor the Trustee shall be liable or accountable for any depreciation in the value of the Investment Securities or any losses incurred upon any authorized disposition thereof.

(e) The Trustee may conclusively rely upon the Authority’s written instructions as to both the suitability and legality of the directed investments. Ratings of permitted investments shall be determined at the time of purchase of such permitted investments and without regard to rating subcategories. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including investment maintenance fees. In the absence of investment instructions from the Authority, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested in permitted investments.

(f) Although the Authority recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority hereby agrees that confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 8.03. Valuation of Funds. To the extent the Trustee holds amounts in any Fund or Account established under this Indenture, on June 30 of each year and on such additional dates as the Authority may direct, the Trustee shall compute the value of the assets of each such Fund or Account after taking into account any payments required to be made to Bondholders on such dates and any transfers required to be made hereunder. In computing the value of any Fund or Account, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued at the current market value or at the redemption price thereof, if then redeemable at the option of the holder, except that Investment Securities described in clause (8) and in clause (10) of the definition of Investment Securities shall be valued at the face amount thereof.

Section 8.04. Investment Income. All income earned from the investment of moneys in the Debt Service Reserve Fund shall be: (i) retained therein to the extent necessary to cure any deficiency in the amount required to be on deposit therein; and (ii) otherwise transferred to the Debt Service Fund for application for the payment of debt service on the Bonds secured by the Debt Service Reserve Fund. All income from the investment of moneys in any Program Fund shall be retained therein until applied as provided in Section 7.02 hereof. Except as may be provided in a Supplemental Indenture, all income from the investment of any other Fund or Account established hereunder shall be retained therein until applied as set forth in this Indenture.

ARTICLE IX REDEMPTION OF BONDS

Section 9.01. Authorization of Redemption; Selection of Bonds To Be Called for Redemption; Authority's Election to Redeem. Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture shall be redeemable in accordance with this Article IX, at such times, at such Redemption Prices and upon such terms as are specified in the Supplemental Indenture authorizing such Series of Bonds and in the Bonds. Unless otherwise provided in respect of a Series of Bonds, if less than all the Bonds of a Series or of a maturity thereof are to be redeemed, the particular Bonds of such Series or maturity to be called for redemption shall be selected by the Trustee from maturities selected by the Authority and within a maturity by lot. In the case of a Bond of a denomination greater than the minimum authorized denomination, the Trustee shall treat each such Bond as representing such number of separate Bonds each of the minimum authorized denomination as is obtained by dividing the actual principal amount of such Bond by such minimum authorized denomination.

In exercising its option to redeem Bonds, the Authority shall give written notice to the Trustee of its election to redeem and of the principal amount of the Bonds to be redeemed, which notice shall be given at least 45 days prior to the day fixed for redemption, or such lesser number of days as may be authorized in the applicable Supplemental Indenture or shall be acceptable to the Trustee. In the event irrevocable notice of redemption shall have been mailed to Bondholders as provided in Section 9.02, the Authority shall, on or prior to the date fixed for redemption, pay to the Trustee for deposit in the Debt Service Fund, an amount which, in addition to other monies, if any, available therefor in the Debt Service Fund and the Revenue Fund, shall be sufficient to redeem at the Redemption Price thereof, plus accrued interest to the date fixed for redemption, all of the Bonds the Authority has so elected to redeem.

Section 9.02. Notice of Redemption.

(a) The Trustee shall cause notice of any redemption of Bonds hereunder to be mailed by first class mail, postage prepaid, to the holders of all Bonds to be redeemed at the registered addresses appearing in the Bond Register. Each such notice shall (i) be mailed not more than 60 nor fewer than 30 days prior to the date fixed for redemption (or at such other time as may be authorized in the applicable Supplemental Indenture), (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds), (iii) specify the redemption date, the Redemption Price and, if less than all of any particular Bond is to be redeemed, the principal amount so to be redeemed, (iv) state that on the redemption date the

Bonds called for redemption will be payable at the designated corporate trust office or corporate trust agency of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the Bonds, and (v) provide any other descriptive information which may be necessary in order to identify the Bonds to be redeemed, including without limitation the original issuance date, series, maturity date and interest rate applicable to such Bonds. No defect affecting any Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Bonds.

(b) Notice of any redemption of Bonds hereunder shall also be given by the Trustee, at least two Business Days in advance of the mailed notice to Bondholders, by (A) registered or certified mail, postage prepaid, (B) eligible facsimile transmission or (C) overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds to be redeemed and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds. Failure to give all or any portion of the notice described in the preceding sentence shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given to the Bondholders as prescribed in subsection (a) above.

(c) If at the time of giving of notice of an optional redemption there shall not have been deposited with the Trustee redemption monies sufficient to redeem all the Bonds called from redemption, such notice shall state that it is conditional, that is, subject to the availability of such redemption monies not later than the opening of business on the date fixed for redemption, and such notice shall be of no effect unless such monies are so deposited and available.

Section 9.03. Payment of Redemption Price. If (a) unconditional notice of redemption has been duly mailed or duly waived by the holders of all Bonds called for redemption or (b) conditional notice of redemption has been so mailed or waived and the redemption moneys have been duly deposited with the Trustee, then the Bonds called for redemption shall be payable on the redemption date at the applicable Redemption Price. Payment of the Redemption Price together with accrued interest shall be made by the Trustee or the Paying Agent to or upon the order of the holders of the Bonds called for redemption upon surrender of such Bonds. No further interest will accrue on the principal of any Bonds called for redemption after the redemption date if payment of the Redemption Price thereof has been duly provided for, and the holders of such Bonds will have no rights with respect thereto, except to receive payment of the Redemption Price thereof and unpaid interest accrued to the date fixed for redemption.

Section 9.04. Bonds Redeemed in Part. Any Bond which is to be redeemed only in part shall be surrendered at a place stated for the surrender of Bonds called for redemption in the notice provided for in Section 9.02 (with due endorsement by, or a written instrument of transfer in form satisfactory to the Trustee duly executed by, the holder thereof or his attorney duly authorized in writing) and the Authority shall execute and the Trustee shall authenticate and deliver to the holder of such Bond, without service charge, a new Bond or Bonds of the same Series and maturity of any authorized denomination as requested by such holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the

Bond so surrendered; provided, however, that in lieu of an exchange, the Trustee, at its option, may return the Bond, certified as to the partial redemption, to the holder thereof pursuant to subsection 2.05(b)(iii).

ARTICLE X COVENANTS OF THE AUTHORITY

Section 10.01. Payment of Obligations.

(a) The Authority shall promptly pay or cause to be paid the principal or Redemption Price of, and the interest on, every Bond or other Obligation according to the terms thereof.

(b) The Authority shall not extend or assent to the extension of the maturity of any of the Bonds or other Obligations or the time of any claim for interest. The foregoing prohibition is not meant to prohibit the Authority from issuing Commercial Paper to pay maturing Commercial Paper as provided in the Supplemental Indenture pursuant to which a Commercial Paper Program is established, so long as the final maturity date of the corresponding Commercial Paper Program is not so extended.

Section 10.02. Corporate Existence; Compliance with Laws. The Authority shall maintain its corporate existence under the PENNVEST Act; shall use its best efforts to maintain and renew all its rights, powers, privileges and franchises; and shall comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body relating to the Authority's issuance of the Bonds and the performance of its obligations hereunder.

Section 10.03. Further Assurances. Except to the extent otherwise provided in this Indenture, the Authority shall not enter into any contract or take any action by which the rights of the Trustee or the holders of any Obligations may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required or convenient to carry out the purposes of this Indenture.

Section 10.04. Tax-Favored Status of Bonds to be Preserved. The Authority covenants to the holders of the Tax-Exempt Bonds, other than Bonds for which the tax benefit is a tax credit payable to the Authority, that, notwithstanding any other provision of this Indenture or any other instrument, it will not make or permit any investment (including Tax-Exempt Bond-Funded Loans) or other use of the proceeds of the Bonds (including the use of proceeds by Borrowers under Tax-Exempt Bond-Funded Loans) which would cause the Bonds to lose any tax-favored status with which the Bonds were issued, including (1) the excludability of interest on the Bonds from gross income for federal income tax purposes under the rules relating to "arbitrage bonds" or "private activity bonds," (2) the exemption from alternative minimum tax under the Code and (3) the status as Build America Bonds or any other form of tax-credit bond under the Code. The Authority further covenants that it will comply with the requirements of the Code for tax-favored status throughout the term of the Bonds including any applicable requirements of arbitrage yield restriction or rebate (and to pay any interest, penalty, or settlement amount resulting from failure to comply with said requirements), with respect to all

Funds and Accounts created under this Indenture and all moneys on deposit to the credit of any such Fund or Account, and to any other amounts which are Bond proceeds for purposes of the Code.

The Authority further covenants to comply with the temporary period rules of Section 148(c) of the Code and to require each Borrower to comply with the same with respect to any Loan made to such Borrower. To this end, the Authority covenants that the Loan Agreement for each Bond-Funded Loan will provide a mechanism whereby the expiration date of any temporary period (as prescribed by the Code) will be monitored by the Borrower and the Authority.

Section 10.05. Intentionally Omitted.

Section 10.06. Enforcement of Loan Documents; Prohibition Against Certain Amendments.

(a) The Authority shall require the Borrowers to perform their obligations under the Loan Documents. Upon the occurrence of an event of default under any Loan Document, the Authority shall take such action as the Authority deems necessary to enforce the obligations of the Borrower under such Loan Document.

(b) The Authority may exercise all its retained rights under the Loan Documents, as the same are amended or supplemented from time to time, including the right to amend such Loan Documents to cure any ambiguity or to correct or supplement any provision contained therein which may be defective or inconsistent with any other provision contained therein or herein and to make such other provisions in regard to matters or questions arising under such Loan Documents.

Section 10.07. Pledge of Loans; Release and Addition.

(a) The Authority represents, warrants and covenants that the Loans (other than the State Match-Funded Loans) are not and will not be subject to any lien prior to or on a parity with the lien created by this Indenture. The Authority shall maintain a list of the Loans (other than the State Match-Funded Loans) and provide such list, as modified from time to time, to the Trustee.

(b) On the date of issue of the initial Series of Bonds, the Authority shall assign and deliver the Loan Documents for the initial Pledged Loans enumerated in Exhibit "A" hereto to the Trustee. At a Settlement, the Authority shall assign and deliver the Loan Documents executed in connection with such Settlement (other than the loan documents relating to State Match-Funded Loans) to the Trustee. Except as required to effect an assignment to a successor trustee or in the exercise of remedies pursuant to Article XI hereof, the Trustee shall not sell, assign or transfer the Loan Documents assigned to it without instructions from the Authority. At such time as all payments required to be made under a Loan have been made by a Borrower, the Trustee may release the Loan Documents assigned to it applicable thereto from the lien of the Trust Estate and return them to the Borrower.

(c) The Authority may cause the pledge of its right, title and interest in and to specific Loan Documents to be released from the lien of this Indenture in the following circumstances:

(i) the Authority delivers a certificate to the Trustee identifying the Loans and Loan Documents to be released;

(ii) the Authority delivers a certificate to the Trustee (A) demonstrating that, after giving effect to the release of such Loans from the Trust Estate, for each Fiscal Year during the Projection Period, the Cash Flow Coverage Ratio is projected to be at least 1.30, (B) stating that there are no deficiencies in any of the Funds and Accounts established under this Indenture; and (C) stating that no Event of Default or event which, with the giving of notice and/or passage of time, would constitute an Event of Default hereunder has occurred and is continuing; and

(iii) in the case of a Tax-Exempt Bond-Funded Loan, the Trustee receives a Favorable Opinion of Bond Counsel.

The foregoing provisions shall apply to the sale by the Authority of its right, title and interest in and to any Loan, and any proceeds received from a sale or other disposition of a Loan shall be applied as set forth in a Favorable Opinion of Bond Counsel.

(d) The Authority may from time to time pledge to the Trustee the Authority's right, title and interest in and to a Loan or Loans and the corresponding Loan Documents with a Borrower in compliance with the provisions hereof, whereupon such Loan shall become a Pledged Loan and be a part of the Trust Estate hereunder. For purposes of this subsection, any such Loans and Loan Documents so pledged are referred to as "Additional Loans" and "Additional Loan Documents" respectively. In connection with any such additional pledge, the Authority shall deliver to the Trustee: (i) the Additional Loan Documents; and (ii) a certificate of the Authority (A) identifying the Additional Loans to be pledged, and (B) stating that no default or event of default has occurred with respect to such Additional Loans or under such Additional Loan Documents.

(e) Upon any release or sale of Loans and Loan Documents pursuant to subsection (c) or upon any pledge of Additional Loans and Additional Loan Documents pursuant to subsection (d), the Authority or, as applicable, the Trustee, as directed by the Authority, shall take such actions, including the filing of Uniform Commercial Code financing statements and termination statements, the delivery of the Loan Documents, and the amendment of the listing of the Pledged Loans, as may be reasonably necessary or convenient in order to reflect the release and/or the pledge.

Section 10.08. Additional Provisions Concerning Debt Service Requirements. For the purposes of this Indenture, the Debt Service Requirements on Obligations shall be determined as follows:

(a) Balloon Obligations. There shall be taken into account for the period under consideration in determining the Debt Service Requirements with respect to any Balloon Obligations an amount calculated using the following assumptions. The principal and interest

payable in any Fiscal Year will be measured as if the Balloon Obligations were payable in level annual payments which would be required to retire such Balloon Obligations over a term of 30 years following the date of calculation (or such lesser period of years as may be specified by the Authority). The interest payable will be assumed to be (1) an interest rate certified in a certificate of an Authorized Officer to the Authority to be the interest rate at which the Authority could reasonably expect to borrow the same amount by issuing other indebtedness the principal of which is amortized over a 30-year term, or (2) the assumed interest rate determined pursuant to (b) below if such Balloon Obligation is a Variable Rate Obligation; provided, however, that if the Authority has obtained an Authority Loan Commitment under which funds are available for the payment of the balloon payment for any Balloon Obligations, then, at the option of the Authority, the Debt Service Requirements for such Balloon Obligations will be calculated by using the debt service payable under such Authority Loan Commitment during the period under consideration.

(b) Variable Rate Obligations. Except as provided in subsection (f) below, the Debt Service Requirements on Variable Rate Obligations shall be determined as follows:

(i) For the purpose of determining whether the Variable Rate Obligations may be incurred, the Debt Service Requirements thereon shall be deemed to include interest at the rate in effect on the date of incurrence.

(ii) For the purpose of any other required calculation of the Debt Service Requirements on any outstanding Variable Rate Obligations, such Obligation shall be deemed to bear interest at a rate equal to the lesser of (A) the interest rate in effect on the last day of the preceding Fiscal Year, and (B) the average of the actual interest rates that were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(c) Demand Obligations. Debt Service Requirements on Demand Obligations shall be determined in the same manner as provided in subsection (a) above with respect to Balloon Obligations.

(d) Funded Interest. The amount deemed payable by the Authority with respect to interest on any Obligation shall not include funded interest or, upon initial issuance, any accrued interest.

(e) Credit Facility. With respect to any Series of Bonds secured by a Credit Facility, Debt Service Requirements shall include (i) any commission or commitment fee obligations with respect to such Credit Facility and (ii) the outstanding amount of any reimbursement obligation owed to the relevant Credit Facility Issuer and interest thereon.

(f) Calculating Debt Service With Swaps. If a Swap is entered into with respect to any Series of Bonds, the interest on such Series of Bonds shall be calculated as follows:

(i) when calculating interest payable for any Variable Rate Obligations for which a Swap is in effect, pursuant to which the Authority has agreed to pay a fixed rate of interest and the Swap Counterparty has agreed to pay a variable rate of interest (which rate an Authorized Officer of the Authority has certified approximates or is intended to approximate the variable rate payable on such Variable Rate Obligations), such Variable Rate Obligations shall be deemed to bear interest at the fixed rate provided in such Swap; provided that such fixed rate may be utilized for such period as such Swap is contracted to remain in full force and effect.

(ii) when calculating interest payable on any Bonds which are issued with a fixed interest rate and with respect to which a Swap is in effect pursuant to which the Authority has agreed to pay a variable rate of interest and the Swap Counterparty has agreed to pay a fixed rate of interest (which rate an Authorized Officer of the Authority has certified approximates or is intended to approximate the fixed rate payable on such Bonds), such Bonds shall be deemed to bear interest at a variable rate for such period as such Swap is contracted to remain in full force and effect and shall be calculated in accordance with subsection (b).

(g) Commercial Paper. Debt Service Requirements on Commercial Paper shall be calculated as follows:

(i) with respect to any Commercial Paper Program which has been implemented and not then terminated or with respect to any Commercial Paper Program then proposed to be implemented, the principal and interest thereon shall be calculated as if the entire authorized amount of such Commercial Paper Program were to be amortized over a term of up to 30 years commencing in the year in which such Commercial Paper Program is implemented and with substantially level annual debt service payments; and

(ii) the interest rate used for such computation shall be: (A) the rate quoted in the SIFMA Index, plus 25 basis points (one-quarter of one percent), or if that index is no longer published, another similar index selected by the Authority; or (B) if the Authority fails to select a replacement index, that rate determined by a Financial Consultant to be a reasonable market rate for fixed rate Subordinated Indebtedness of a corresponding term issued under this Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinated Indebtedness bears interest which is or is not excluded from gross income for federal income tax purposes.

(h) Interest on Build America Bonds. The interest payable on any Bonds that are Build America Bonds shall be adjusted in each year to take account, as a credit, any payments made to the Authority by the United States government with respect to such Build America Bonds.

(i) Guaranties. Except as provided in (i) or (ii) below, if applicable, Debt Service Requirements on each Guaranty shall be equal to the debt service requirements on the Guaranteed Debt, calculated as if the Guaranteed Debt were a Series of Bonds hereunder; and subject to the provisions of this Section 10.08.

(i) If the unenhanced long term debt of the Guaranteed Obligor is rated by any of Moody's, S&P or Fitch, the Debt Service Requirements on the related Guaranty shall be equal to the percentage of the Debt Service Requirements set forth below (and if more than one such rating agency has rated such debt, after giving effect to the lowest of such ratings), in each case without regard to numerical modifiers or a symbol such as "+" or "-":

"AA" or "Aa" or higher	0%
"A"	25%
"BBB"	50%
Below "BBB"	100%

(ii) If the Guaranteed Obligor does not have an unenhanced long term debt rating from Moody's, S&P or Fitch, then, at the election of the Authority, the Debt Service Requirements on the related Guaranty shall be determined by calculating the Debt Service Coverage Ratio of the Guaranteed Obligor for each of the two preceding fiscal years of the Guaranteed Obligor, and the Debt Service Requirements on the Guaranty shall be equal to the percentage of the Debt Service Requirements set forth below:

2.00 or higher	0%
1.50 to 2.00	20%
1.25 to 1.50	33%
1.10-1.25	50%
Less than 1.10	100%

For purposes of the foregoing, the "Debt Service Coverage Ratio" of the Guaranteed Obligor shall mean the ratio of (A) income available for debt service (net income plus interest expense, depreciation and amortization) to (B) the maximum annual debt service requirements on all long term debt (consisting of all items constituting long term indebtedness under Generally Accepted Accounting Principles, including without limitation bonds, notes, loans and leases properly capitalized) of the Guaranteed Obligor, calculated in the same manner as Debt Service Requirements hereunder, and assuming that the Guaranteed Debt had been issued on the first day of such two fiscal year period. The calculation of the Debt Service Coverage Ratio shall be adjusted to include income that would have been earned by the Guaranteed Obligor over the historical test period at the rates charged to users of the Guaranteed Obligor's facilities in effect at the time the Guaranty is entered into.

(iii) Notwithstanding the foregoing, if the Authority has made a payment on a Guaranty, the Debt Service Requirements on such Guaranty shall be equal to 100% of the debt service requirements on the Guaranteed Debt in the Fiscal Year in which such payment is made and each of the next two succeeding Fiscal Years.

Section 10.09. Authority Estimate Regarding Program Expenses. Prior to the beginning of each Fiscal Year, the Authority shall submit to the Trustee the Authority's estimate of the Program Expenses for the PENNVEST/Commonwealth Funded Loan Pool Program for

such Fiscal Year. Such estimate may include a reserve. The Trustee shall be under no obligation to approve the estimate so submitted pursuant to this Section.

Section 10.10. Financial Statements. The Authority shall submit to the Trustee copies of any financial statements, reports or other materials pertaining to the operations and finances of the Authority prepared and available for distribution to the public pursuant to the PENNVEST Act or otherwise as soon as practicable after such reports are prepared. Upon request, the Trustee or Authority shall furnish copies of such reports or other materials to any Bondholder, or agent or representative of such Bondholder, and to the Rating Agencies. For purposes of this Section, “Bondholder” also includes any Person that claims in writing to be a Bondholder (or a beneficial holder in the event that all or part of the Bonds of such Person are registered in the name of any securities depository). If the Authority no longer prepares or is required to prepare any financial statements, reports or other materials pursuant to the PENNVEST Act or otherwise, nothing in this Indenture shall be construed as requiring the Authority to continue to be required to prepare such financial statements, reports or other materials.

The Trustee shall have no duty to review or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee shall not be deemed to have notice of any information contained therein or Event of Default which may be disclosed therein in any manner.

Section 10.11. Accounts and Reports. The Authority shall keep, or cause the Trustee to keep, proper books of record and accounts in which entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture. Such books, and all other books and papers of the Authority, and such Funds and Accounts shall at all reasonable times be subject to the inspection of the Trustee.

ARTICLE XI EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default Defined. Each of the following shall be an “Event of Default” hereunder:

A. Payment of the principal of any Bond is not made when it becomes due and payable at maturity or upon redemption, or otherwise or if payment of any installment of interest is not made when it becomes due and payable; provided, however, that an Event of Default shall not occur under this paragraph A. if the failure to pay arises solely out of a wire transfer problem or an operational or administrative error or omission, so long as the funds required to make that payment otherwise are on deposit with the Trustee in the appropriate Fund or Account established hereunder; or

B. The Authority shall fail or refuse to comply with any material provision relating to the issuance of bonds in the PENNVEST Act or shall for any reason be rendered incapable of fulfilling its obligations hereunder or thereunder; or

C. If the Authority defaults in the due and punctual performance of any other covenant in the Bonds or in this Indenture, and such default continues for 30 days after written notice requiring the same to be remedied shall have been given to the Authority by the Trustee; provided that if any such default cannot be cured within 30 days the period shall be extended for such period as is reasonable to cure the same with due diligence if the Authority commences the cure within 30 days and proceeds diligently; or

D. If the Authority shall file a petition or otherwise seek relief under any Federal or Commonwealth bankruptcy or similar laws or if any proceeding shall be instituted with the consent or acquiescence of the Authority for the purpose of effecting a composition between the Authority and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any Federal or state statute now or hereafter enacted, in each case, if the claims of such creditors are under any circumstances payable from the Trust Estate; or

E. If an event of default shall have occurred and be continuing with respect to any Additional Parity Indebtedness, any Parity Reimbursement Obligation or any Parity Swap Payment.

The Trustee shall notify the Authority and the holders of the Bonds Outstanding and all other Obligations as soon as practicable upon the occurrence of any Event of Default of which it has notice or is deemed to have notice pursuant to Section 12.05. However, in the case of an Event of Default described in paragraph C. of this Section 11.01, the Trustee may withhold notice from the Bondholders and holders of all other Obligations if the Trustee in good faith determines that such withholding is in the interest of the Bondholders and holders of all other Obligations. For purposes of this paragraph, "Bondholders" also includes any person or entity that claims in writing to be a Bondholder (or a beneficial holder in the event that all or part of the Bonds are registered in the name of any securities depository).

Section 11.02. Acceleration. Upon the happening and continuance of any Event of Default specified in Section 11.01, then and in every such case the Trustee may, and upon the written request of the Bondholders of a majority in aggregate principal amount of all Bonds then Outstanding, shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon such declaration the said principal, together with the interest accrued thereon to the date of such declaration, shall become due and payable immediately, at the place of payment provided therein.

Upon any declaration of acceleration hereunder, the Trustee shall immediately draw under the applicable Credit Facility (if any) to the extent permitted by the terms thereof that amount which, together with other amounts on deposit with the Trustee, and available for such payment, shall be sufficient to pay the principal of and accrued interest on the related Series of Bonds so declared to be due and payable.

The above provisions, however, are subject to the condition that if, after the principal of the Bonds shall have been so declared to be due and payable, all arrears of interest upon said Bonds, and interest on overdue installments of interest at the rate on such Bonds shall have been paid by the Authority, the principal of said Bonds which have matured (except the principal of any Bonds not then due by their terms except as provided above) have been paid,

and the Authority shall also have performed all other things in respect to which it may have been in default hereunder, and shall have paid the reasonable charges and expenses of the Trustee and its counsel and of the Owners of said Bonds, including reasonable attorneys' fees and expenses paid or incurred, and the Credit Facility Issuer, if applicable, shall have reinstated the Credit Facility with respect to any Bonds that will remain Outstanding following a waiver pursuant to this paragraph in the full amount available to be drawn thereunder by written notice to the Trustee, then, in every such case, the Owners of a majority in aggregate principal amount of all Bonds then Outstanding by written notice to the Authority and to the Trustee, may waive such default and its consequences and such waiver shall be binding upon the Trustee and upon all Owners of the Bonds issued hereunder; but no such waiver shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

The obligations of the Authority under Guaranties are not subject to acceleration.

Section 11.03. Legal Proceedings by Trustee.

(a) Upon the occurrence and continuation of any Event of Default then, and in every such case the Trustee, in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and upon receipt of indemnity to its satisfaction, shall, in its own right:

(1) pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on the Bonds then Outstanding together with the other obligations secured by this Indenture, including (without limitation) enforcement of any rights of the Authority or the Trustee under the Loan Documents;

(2) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders hereunder;

(3) bring suit upon the Bonds;

(4) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Bondholders; or

(5) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders hereunder.

(b) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(c) The Trustee is authorized to conduct legal proceedings hereunder for the benefit of the Bonds, any Additional Parity Indebtedness, Credit Facility Agreements secured as Parity Reimbursement Obligations and Swap Counterparties with respect to Parity Swap Payments, as contemplated by Section 3.04 (b)(iii)(c) and by Section 11.10 (b) hereof.

Section 11.04. Discontinuance of Proceedings. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 11.05. Bondholders May Direct Proceedings. Anything in this Indenture to the contrary notwithstanding but subject to Section 3.04(b)(iv) and Section 5.01(d) hereof, the Bondholders of a majority in principal amount of the Bonds then Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be in conflict with any rule of law or with this Indenture nor in the opinion of the Trustee unduly prejudicial to the rights of minority Bondholders.

Section 11.06. Limitations on Actions by Bondholders. No Bondholder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder, or for any other remedy hereunder or on said Bonds, unless: (a) the Trustee shall have been given notice of an Event of Default; and (b) the Bondholders of a majority in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove granted, or to institute such action, suit or proceedings in its or their name, after the right to exercise such powers, or rights of action, as the case may be, shall have accrued; and (c) the Trustee shall have been offered security and indemnity satisfactory to it against the costs, expenses (including but not limited to its counsel's and/or agent's reasonable fees and expenses) and liabilities to be incurred therein or thereby; and (d) the Trustee shall have refused or neglected to comply with such request, within a reasonable time and (e) 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 and trusts of this Indenture or for any other remedy hereunder, it being understood and intended that no one or more Bondholders shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the lien or security of this Indenture, or to enforce any right hereunder or under the Bonds, except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Bondholders.

Section 11.07. Trustee May Enforce Rights Without Possession of Bonds. All rights of action under this Indenture, or under any of the Bonds secured hereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Bondholders of the Bonds, subject to the provisions of this Indenture.

Section 11.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 11.09. Delays and Omissions Not to Impair Rights. No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default, shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article to the Trustee and the Bondholders, respectively, may be exercised from time to time, and as often as may be deemed expedient.

Section 11.10. Application of Moneys on Event of Default. Any moneys received by the Authority, the Trustee or a receiver pursuant to any right given or action taken under the provisions of this Article XI (except (i) moneys received upon a drawing under a Credit Facility, which moneys shall be applied only to payment of principal of and interest on the related Series of Bonds and (ii) moneys in the Debt Service Reserve Fund and moneys received upon a drawing under a Reserve Fund Credit Facility, which moneys shall be applied only to the payment of Bonds secured by such Debt Service Reserve Fund), shall be applied in the following order:

(a) payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and/or receiver (including reasonable counsel fees and expenses and reasonable payments made to agents and/or consultants);

(b) then to the payment of the principal and interest then due and unpaid upon Bonds, any Additional Parity Indebtedness or upon the Authority's obligations under one or more Credit Facility Agreements secured as a Parity Reimbursement Obligation and to any unpaid Parity Swap Payments, with interest on overdue interest and principal and Parity Swap Payment, as aforesaid, without preference or priority of principal over interest or Parity Swap Payment or of interest over principal or Parity Swap Payment, or of any such installment of interest over any other installment of interest or Parity Swap Payment, or of any such obligation over any other obligation, ratably, according to the amounts due respectively for principal and interest and Parity Swap Payment and other obligation, to the Person entitled thereto without any discrimination or privilege;

(c) then to the payment of the principal and interest then due and unpaid upon any Subordinated Indebtedness or upon the Authority's obligations under one or more Credit Facility Agreements secured as a subordinated Reimbursement Obligation or any Subordinated Swap Payment and Swap Termination Payment due and payable to a Swap Counterparty, with interest on overdue interest and principal and on Subordinated Swap Payment and Swap Termination Payment, as aforesaid, 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 such obligation over any other obligation, ratably, according to the amounts due respectively for principal and interest, Subordinated Swap Payment or Swap Termination Payment, to the Person entitled thereto without any discrimination or privilege.

The surplus, if any, after the principal of and interest on all of the Obligations and all Parity Swap Payments, Subordinated Swap Payments and Swap Termination Payments have been paid

and no Bonds remain Outstanding hereunder or other amounts remain due and owing hereunder or thereunder, shall be paid to the Authority, or to whoever is lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever money is to be applied pursuant to the provisions of this Section, such money shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the earliest practicable date it deems suitable and which shall be an Interest Payment Date unless it 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 dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond, or any Reimbursement Obligation or any Parity Swap Payment, Subordinated Swap Payment or Swap Termination Payment until such Bond or Reimbursement Obligation or Swap shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid, or if the Trustee otherwise is satisfied that such Bond or Reimbursement Obligation, Swap Payment or Swap Termination Payment has been paid.

Section 11.11. Remedies Under PENNVEST Act. It is the purpose and intention of this Article to provide such rights and remedies to the Trustee and the Bondholders as may be lawfully granted under the provisions of the PENNVEST Act, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled, as above set forth, to every lawful right and remedy as provided by the PENNVEST Act, in this Indenture and in any Supplemental Indenture.

Section 11.12. Extension of Maturity of Bonds. In case the maturity of any of the Bonds or the time for payment of any installments of interest shall be extended by mutual agreement between the Authority and the Bondholder of any such Bonds, such Bonds or claims for interest shall not be entitled in case of any default hereunder to the benefit of this Indenture or to any payment out of any assets of the Authority or the funds (except funds held in trust by the Trustee for the payment of particular Bonds or claims for interest pursuant to this Indenture) held by the Trustee, until the payment in full of the principal of all Bonds issued and outstanding, the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

Section 11.13. Opportunity to Cure. With regard to any alleged default concerning which notice is given to the Authority under the provisions of this Article, the Authority hereby grants to the Trustee full authority for the account of the Authority to perform any covenant or obligation alleged in such notice to constitute a default, in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution, but the Trustee shall have no duty or obligation to do so.

ARTICLE XII THE TRUSTEE

Section 12.01. Acceptance of Trust; Enforcement of Loan Agreements.

(a) The Trustee accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the parties hereto, any Credit Facility Issuer, any Swap Counterparty and the Bondholders agree.

(b) The Trustee shall give prompt notice to the Authority of any default under any Loan Document, or any amendment or supplement thereto, of which the Trustee receives notice. Upon the occurrence of an event of default under any Loan Document of which the Trustee has actual knowledge, the Trustee may take such action as the Trustee deems necessary to enforce the obligations of the Borrower under such Loan Document.

(c) The Trustee shall not be required to take any remedial action, other than the giving of notice and drawing on the Credit Facility, except in accordance with the directions of the Owners of a majority in principal amount of the Outstanding Bonds and unless indemnity satisfactory to it is furnished for any expense or liability to be incurred therein. Upon receipt of direction and indemnity, as provided above, and after making such investigation, if any, as it deems appropriate, the Trustee shall promptly pursue the remedies provided herein or by the Loan Documents or any of such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Bondholders.

Section 12.02. No Responsibility for Recitals, etc. The recitals, statements and representations in this Indenture or in the Bonds have been made by the Authority and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof.

Section 12.03. Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence.

(a) The Trustee may exercise any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder. The Trustee shall not be responsible for actions taken, omitted or suffered on the advice of Counsel. The Trustee shall not be responsible for the default or misconduct of any attorney or agent selected by it with reasonable care. Except as otherwise provided in Section 12.03(e), the Trustee shall not be responsible for any adverse consequences caused by the exercise of its discretion or power under this Indenture or any documents executed in connection herewith nor for anything whatever in connection with the trust hereunder, except only its own willful misconduct or negligence.

(b) The Trustee shall be under no obligation to institute any suit, or to take any remedial proceedings under this Indenture or any Loan Document, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the enforcement of any rights and powers under this Indenture or any Loan Document, until it shall be indemnified to its satisfaction against any and all reasonable costs and expenses, outlays, counsel fees and expenses and other disbursements, and against all liability not due to its willful misconduct, negligence or bad faith. However, the Trustee shall provide the Authority

with any notice of proceedings instituted under this Indenture of which the Trustee has notice or is deemed to have notice pursuant to Section 12.05 hereof.

(c) The Trustee shall have no responsibility with respect to the validity or sufficiency of this Indenture, or the security provided hereunder, or the due execution hereof by the Authority, or with respect to the title or the value of the Projects or with respect to the validity of any Bonds authenticated and delivered by the Trustee in accordance with this Indenture, or to see to the recording, rerecording, filing, refiling, continuation, or registration or reregistration of this Indenture or any other document. The recitals, statements and representations contained in this Indenture and in the Bonds shall be taken and be construed as made by and on the part of the Authority and not by the Trustee, and the Trustee does not assume any responsibility for the correctness of the same; provided, however, that the Trustee shall be responsible for its representation contained in its certificate on the Bonds.

(d) The Trustee shall not be liable or responsible because of the failure of the Authority to perform any act required of it by this Indenture or because of the loss of any moneys arising through the insolvency or the act of default or omission of any depository other than itself selected by the Authority in which such moneys shall have been deposited at the direction of the Authority under this Indenture. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the terms of this Indenture. The immunities and exceptions from liability of the Trustee shall extend to its directors, officers, employees and agents.

(e) The Trustee, prior to the occurrence of an Event of Default (as defined in Section 11.01 hereof), undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. If an Event of Default has occurred, the Trustee shall take the actions required of it by Article XI hereof and shall exercise such of the other rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise under the circumstances in the conduct of his or her own affairs.

Section 12.04. Compensation. The Authority shall pay the Trustee reasonable compensation for its services hereunder, and also pay all the reasonable expenses and disbursements of the Trustee and its Counsel.

Section 12.05. Notice of Default; Right to Investigate. The Trustee shall not be deemed to have notice of any default or Event of Default under Section 11.01, except those listed in paragraph A of such section, unless notified in writing of such default by the holders of a majority in aggregate principal amount of all Bonds then Outstanding or by a Credit Facility Issuer or Swap Counterparty. The Trustee may, however, at any time require of the Authority full information as to the performance of any covenant hereunder and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to this Indenture.

Section 12.06. Obligation to Act on Defaults. If any Event of Default shall have occurred and be continuing of which the Trustee has notice pursuant to Section 12.05, the Trustee shall exercise such of the rights and remedies vested in it by this Indenture; provided,

that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it (except that, in all cases, the Trustee must draw and apply funds from a Credit Facility when necessary, whether or not the Trustee has been indemnified).

Section 12.07. Reliance. The Trustee may act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed upon or signed by the proper Persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

Section 12.08. Trustee May Deal in Bonds. The Trustee and any of its affiliates may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee and any of its affiliates may also engage in or be interested in any financial or other transaction with the Authority or any Borrower; provided that if the Trustee determines that any such relation is in conflict with its duties under this Indenture, it shall eliminate the conflict or resign as Trustee.

Section 12.09. Construction of Ambiguous Provisions. The Trustee may construe any ambiguous or inconsistent provisions of this Indenture, and any reasonable construction by the Trustee shall be binding upon the Bondholders.

Section 12.10. Resignation or Removal of Trustee. The Trustee may resign by notifying the Authority and each Credit Facility Issuer and Swap Counterparty at least 60 days prior to the proposed effective date of the resignation. The holders of a majority in aggregate principal amount of the Bonds then Outstanding may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Authority's consent. The Authority may remove the Trustee, by notice in writing delivered to the Trustee (with a copy to each Credit Facility Issuer and Swap Counterparty) 60 days prior to the proposed removal date; provided, however, that the Authority shall have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred which, with the giving of notice and/or the passage of time, would be an Event of Default.

No resignation or removal of the Trustee under this Section shall be effective until a new Trustee has taken office and delivered a written acceptance of its appointment to the retiring Trustee and to the Authority; immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall then (but only then) become effective and the successor trustee shall have all the rights, powers and duties of the Trustee under this Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under this Indenture, the Authority shall promptly appoint a successor trustee.

Section 12.11. Appointment of Successor Trustee. If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or Federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Authority shall appoint a successor and shall mail a copy of such notice to the Paying Agent and each Credit Facility Issuer and Swap Counterparty. If the Authority fails to make such appointment promptly, the Trustee, at the Authority's expense, may petition a court of competent jurisdiction for the appointment of a successor trustee or the holders of a majority in aggregate principal amount of the Bonds then Outstanding may do so, with notice to the Authority, the Paying Agent and each Credit Facility Issuer and Swap Counterparty.

Section 12.12. Qualification of Successor. A successor trustee shall be a national banking association with trust powers, a bank, bank and trust company, or a trust company, which has capital and surplus of at least \$200,000,000 and is actively engaged in the business of acting as trustee for issues of municipal bonds, if there be one able and willing to accept the trust on reasonable and customary terms.

Section 12.13. Instruments of Succession. Any successor trustee shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder (and mail a copy thereof to the Paying Agent and each Credit Facility Issuer and Swap Counterparty); and thereupon such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers; trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder shall pay over to the successor trustee all moneys held by it hereunder; and, upon request of the successor trustee, the Trustee ceasing to act and the Authority shall execute and deliver an instrument transferring to the successor trustee all the estates, properties, rights, powers and trusts hereunder of the Trustee ceasing to act.

Section 12.14. Merger of Trustee. Any corporation or association into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which any Trustee hereunder shall be a party, or any corporation or association to which the Trustee shall sell or otherwise transfer all or substantially all of its corporate trust business shall (provided that the successor corporation or association meets the requirements of Section 12.12 hereof) be the successor trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 12.15. Concerning Other Fiduciaries. Any Paying Agent, Bond Registrar, Authenticating Agent, tender agent or other Person serving as a fiduciary hereunder shall execute a written acceptance of its duties. Any such Person acting as a fiduciary hereunder shall be subject to the same standards of care, and shall be entitled to the same rights, immunities and protections, as the Trustee.

Section 12.16. Co-Trustee. The Trustee, with the approval of the Authority (which approval shall not be required if an Event of Default has occurred and is continuing), may appoint an additional individual or institution as a separate or co-trustee. If the Trustee appoints a separate or co-trustee, each power or right vested in the Trustee hereunder shall be exercisable

by and vest in such separate or co-trustee to the extent necessary or desirable to enable the co-trustee to exercise such powers or rights, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Section 12.17. Other Provisions Concerning the Trustee.

(a) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(b) Any request or direction of the Authority or a Borrower mentioned herein shall be sufficiently evidenced by a certificate of an Authorized Officer, and any resolution shall be sufficiently evidenced by a certified Authority resolution or a certified Borrower resolution, as applicable.

(c) Whenever in the administration of this Indenture, the Trustee deems it desirable that a matter be proved or established before it takes, suffers or omits any action, the Trustee may rely upon a certificate from an Authorized Officer.

(d) Except as otherwise expressly provided hereunder, the Trustee shall not be required to give or furnish any notice, demand, report, reply, statement advice or opinion to any Owner, Borrower, Credit Facility Issuer, the Authority or any other Person, and the Trustee shall not incur any liability for its failure or refusal to give or furnish the same unless obligated or required to do so by express provisions hereof.

(e) In acting or omitting to act pursuant to the Loan Documents, the Trustee shall be entitled to all of the rights and immunities accorded to it under this Indenture, including but not limited to this Article XII.

(f) Except as otherwise expressly provided herein, the Trustee shall not be liable with respect to any action taken or omitted to be taken at the direction of the Owners of a majority in aggregate principal amount of the Bonds Outstanding permitted to be given by them under this Indenture.

(g) The Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to the Bonds or for compliance with securities laws in connection with the issuance and sale of the Bonds.

(h) The Trustee shall have no responsibility with respect to compliance by the Authority or any Borrower with Section 148 of the Code or any covenant in this Indenture or in the Loan Documents regarding yields on investments. Under no circumstances does the Trustee assume any responsibility or liability for the issuance of Bonds (that purport to be Tax-Exempt Bonds) as obligations the interest on which is excludable from gross income for purposes of Federal income taxation or for the maintenance of such tax-exempt status subsequent to the date of issuance of the Bonds.

(i) The Trustee shall not be required to give a bond or surety to act under this Indenture.

(j) No provision of this Indenture or the Loan Documents shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties.

(k) The Trustee shall not be accountable for the application by any Borrower of the proceeds of the Bonds authenticated and delivered hereunder.

(l) The Trustee shall have no duty or responsibility to insure any Project or to monitor the insuring of any Project by a Borrower.

(m) The Trustee shall have no duty or obligation to record or file any mortgage, financing statement, continuation statement or similar document relating to this Indenture, the Loan Documents, or the Project.

(n) The Trustee may appoint an agent or agents with powers to act on the Trustee's exchange or tender of Bonds and the payment of principal, Redemption Price of and interest on the Bonds and the payment of purchase price therefor upon tender. For all purposes of this Indenture, the authentication, registration, and delivery of Bonds by any such agent pursuant to this Section shall be deemed to be the authentication, registration and delivery of those Bonds by the Trustee. The Trustee may pay to any such agent from time to time reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payments as expenses of the Trustee pursuant to Section 12.04 hereof. All provisions protective of the Trustee in this Article XII shall apply to any such agent.

Section 12.18. Electronic Communications. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means; provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various

methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

"Electronic Means" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

ARTICLE XIII AMENDMENTS AND SUPPLEMENTS

Section 13.01. Amendments and Supplements Without Bondholders' Consent. From time to time subject to the conditions and restrictions of this Indenture (and if so specified in a Supplemental Indenture, the prior approval of a Credit Facility Issuer), the Authority and the Trustee may enter into Supplemental Indentures from time to time, which Supplemental Indentures thereafter shall form a part hereof, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority under this Indenture or to surrender any right or power herein reserved or conferred upon the Authority; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority and the Trustee may deem necessary or desirable or for other purposes as the Authority and the Trustee may deem desirable but only to the extent that such Supplemental Indenture does not materially adversely affect the rights of the Bondholders under this Indenture; or

(c) to subject, describe or redescribe any property subjected or to be subjected to the lien of this Indenture; or

(d) to provide for the issuance of one or more Series of Bonds, a Commercial Paper Program or other Obligations pursuant to Article III hereof or for the issuance (or replacement) of a Credit Facility or an Authority Loan Commitment or for the execution and delivery of any Swap; or

(e) to modify, amend or supplement this Indenture or any Supplemental Indenture in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect; or

(f) to modify, amend or supplement the Indenture in such manner as may be necessary to obtain or maintain from the Rating Agencies a securities rating on any Series of Bonds or any other Obligations; or

(g) to modify, amend or supplement the Indenture, so long as the Trustee receives evidence that the proposed amendment will not cause the securities rating on the Series of Bonds or other Obligations affected by such modification, amendment or supplement to be lowered, suspended or withdrawn; or

(h) to make any changes necessary in order to maintain the tax-exempt status of the interest on any Bonds, or to take advantage of any change in tax laws favorable to the Bondholders, provided that a Favorable Opinion of Bond Counsel is delivered to the Trustee; or

(i) to provide for additional duties of the Trustee in connection with the Loans; or

(j) to provide for the orderly sale or remarketing of Bonds.

Section 13.02. Amendments With Bondholders' Consent.

(a) Except as provided in subsection (b), with the consent of the Bondholders of a majority in aggregate principal amount of Bonds Outstanding, the Authority and the Trustee may from time to time and at any time enter into a Supplemental Indenture for the purpose of adding any provisions or changing in any manner or eliminating any of the provisions of this Indenture or of any Supplemental Indenture;

(b) Notwithstanding subsection (a), (i) any Supplemental Indenture that adversely affects the rights of Owners of some but less than all Series of Bonds shall be entered into only with the consent of the Bondholders of a majority in aggregate principal amount of Bonds adversely affected thereby, and (ii) no such Supplemental Indenture shall (A) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Bondholder of each Bond adversely affected thereby or (B) reduce the aforesaid percentage of Bondholders of Bonds required to approve any such Supplemental Indenture unless the consent of all Bondholders Outstanding of the Bonds adversely affected thereby approves such change.

(c) If at any time the Authority shall decide to enter into a Supplemental Indenture under this Section, the Trustee shall mail a notice (which may be prepared by or on behalf of the Authority) to the affected Bondholders and to the Rating Agencies briefly setting forth the nature of the proposed changes, and the process pursuant to which the proposed Supplemental Indenture may be consented to.

Section 13.03. Effect of Supplemental Indentures. Upon the execution of any Supplemental Indenture pursuant to the provisions of this Article XIII, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Bondholders of Bonds Outstanding thereunder shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 13.04. Reliance by Trustee. Before the Trustee shall enter into any Supplemental Indenture pursuant to Section 13.01, there shall have been delivered to the Trustee a Favorable Opinion of Bond Counsel and an opinion of Counsel reasonably acceptable to the Trustee to the effect that such Supplemental Indenture (i) is authorized under this Indenture, and (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms. The Trustee may conclusively rely upon such opinion. In determining whether or not a Supplemental Indenture materially adversely affects the rights of Bondholders, under this Indenture, the Trustee may rely conclusively on an opinion of Counsel or upon a Ratings Affirmation or a certificate of a Financial Advisor.

Section 13.05. Amendments Affecting Trustee and/or Paying Agent. Notwithstanding anything to the contrary contained herein, no amendment to the Indenture or any other document which affects the rights, duties, obligations or immunities of the Trustee, the Paying Agent and/or any other fiduciary hereunder shall become effective without the written consent of the Trustee, or Paying Agent or such other fiduciary, as appropriate.

Section 13.06. Amendment of Credit Facility, etc. Any Supplemental Indenture authorizing the issuance of a Credit Facility may provide that such Credit Facility (and any corresponding Credit Facility Agreement) may be amended and supplemented in certain circumstances, and may set forth the procedures for the execution and delivery of any such amendments or supplements.

Section 13.07. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture or amendment permitted by this Article XIII and in so doing shall be fully protected by an opinion of Counsel or other materials provided pursuant to Section 13.04 hereof.

Section 13.08. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

ARTICLE XIV DEFEASANCE

Section 14.01. Defeasance. If the Authority shall pay or cause to be paid, in accordance with the provisions of this Indenture, to the Bondholder of any Bond, the principal and interest and premium, if any, to become due thereon, at the times and in the manner stipulated therein and herein, then the pledge of the Trust Estate and any other moneys and securities hereby pledged and all other rights granted hereby shall be discharged and satisfied with respect to such Bond. In the event the Authority so provides for all Outstanding Bonds issued under this Indenture and also provides for the payment of all Reimbursement Obligations, Swap Payments and Swap Termination Payments, the Trustee shall, upon the request of the

Authority, execute and deliver to the Authority, all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the Authority, all moneys or securities held by it pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bond for the payment or redemption of which funds shall have been set aside and shall be held in trust by the Trustee (through deposit of funds for such payment or redemption or otherwise) whether at or prior to the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the first sentence of this Section. Any Bond 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 first sentence of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority 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 herein, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or noncallable United States Government Obligations and/or Advance-Refunded Tax-Exempt Municipal Bonds, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient (as verified by a Financial Consultant or an Independent accountant) to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) if said Bonds are not by their terms subject to redemption within the next succeeding 60 days and such Bonds are to be redeemed the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice to the Bondholders of such Bonds that the deposit required by (ii) above has been made in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price of said Bonds. None of the United States Government Obligations, Advance-Refunded Tax-Exempt Municipal Bonds, or moneys deposited with the Trustee pursuant to this Section, nor principal or interest payable on any such United States Government Obligations and Advance-Refunded Tax-Exempt Municipal Bonds, 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 of and interest on said Bonds.

Notwithstanding the preceding paragraph, any cash received from such principal or interest payments on such United States Government Obligations and Advance-Refunded Tax-Exempt Municipal Bonds, deposited with the Trustee, if not then needed for such purpose, shall, at the written direction of the Authority and to the extent practicable, be reinvested in Investment Securities of the type described in this Section maturing at times and in amounts sufficient, together with other moneys available for the purpose, to pay when due the principal or Redemption Price of and interest to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge, provided further that any such Investment Securities may be sold, transferred, redeemed or otherwise disposed of, and the proceeds thereof applied to the purchase of other Investment Securities of the type permitted for this purpose, the principal of and interest on which, when due, together with moneys and other Investment Securities of the type described in this Section

then held by the Trustee for such purpose shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be.

Anything in this Indenture to the contrary notwithstanding and except as the escheat laws of the Commonwealth or other applicable state may otherwise provide, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when all of the Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged. In the absence of any such written request from the Authority, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. Any money held by the Trustee pursuant to this paragraph shall be held uninvested and without any liability for interest.

Section 14.02. Deposit of Funds for Payment of Bonds.

(a) If the principal or Redemption Price of any Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, has been paid or provision therefor made in accordance with Section 14.01, all interest on such Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bonds shall likewise cease, except as hereinafter provided. Thereafter, the holders of such Bonds shall be restricted exclusively to the funds or securities so deposited for any claim of whatsoever nature with respect to such Bonds, and the Trustee shall hold such funds or securities in trust for such holders.

(b) If any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise or at the date fixed for redemption thereof, if moneys sufficient to pay such Bond shall have been deposited with the Trustee, it shall be the duty of the Trustee to hold such moneys uninvested, without liability to the Authority, any Bondholder or any other person for interest thereon, for the benefit of the owner of such Bond until applied as set forth herein.

Section 14.03. Surplus Moneys. In addition to payments authorized to be made to the Authority pursuant to Section 14.01, any surplus moneys held by the Trustee after all obligations arising under the Bonds and this Indenture have been paid or provided for shall (except as the escheat laws of the Commonwealth may otherwise provide) be transferred to the Authority.

ARTICLE XV
MISCELLANEOUS PROVISIONS

Section 15.01. No Personal Recourse; Limited.

(a) No recourse shall be had for any claim based on the Loan Documents, this Indenture or any other obligation secured under this Indenture or the Bonds or any related documents against any member, officer or employee, past, present or future, of the Authority or of any successor body as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise. All covenants, stipulations, promises, agreements and obligations of the Authority contained in this Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority payable solely from the Trust Estate, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or other obligations secured hereunder or for any claim based thereon or on this Indenture against any natural person executing the Bonds or other obligations secured hereunder or against any assets or moneys of the Authority which are not part of the Trust Estate.

(b) Neither the credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged for the payment of the Bonds, nor shall the Bonds be or be deemed an obligation of the Commonwealth or of any political subdivision thereof. The Authority has no taxing power.

Section 15.02. No Rights Conferred on Others. Nothing herein contained shall confer any right upon any Person other than the parties hereto, and the Owners of the Obligations and, to the extent provided in a Supplemental Indenture, a Credit Facility Issuer or Swap Counterparty.

Section 15.03. Illegal, etc. Provisions Disregarded. In case any provision in this Indenture or the Bonds shall for any reason be held invalid, illegal or unenforceable in any respect, this Indenture shall be construed as if such provision had never been contained herein.

Section 15.04. Notices. Any notice, demand, direction, request or other instrument authorized or required by this Indenture or by any Supplemental Indenture to be given to or filed with the Authority, the Trustee and any other fiduciary shall be deemed to have been sufficiently given or filed for all purposes if and when delivered or sent by registered or certified mail, return receipt requested, postage prepaid or any other manner of written transmission capable of providing a paper copy thereof as follows:

To the Trustee:	Bank of New York Mellon Trust Company, N.A. Global Corporate Trust 525 William Penn Place, 38 th Floor Pittsburgh, PA 15259
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To the Authority:	Pennsylvania Infrastructure Investment Authority 22 S. Third Street Harrisburg, PA 17101 Attention: Executive Director
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To the Rating Agencies: Fitch Ratings
One State Street Plaza
New York, NY 10004
Attention: Municipal Structured Finance

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

The Authority, the Trustee and any other fiduciary may, by like notice to each other such person, designate any further or different addresses to which subsequent notices shall be sent.

Section 15.05. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 15.06. Headings for Convenience Only. The descriptive headings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 15.07. Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 15.08. Information Under Commercial Code. The following information is stated in order to facilitate filings under the Uniform Commercial Code:

The secured party is The Bank of New York Mellon Trust Company, N.A., 525 William Penn Place, 38th Floor, Pittsburgh, Pennsylvania 15259, Attention: Global Corporate Trust. The debtor is Pennsylvania Infrastructure Investment Authority. Its mailing address is 22 South 3rd Street, Harrisburg, Pennsylvania 17101.

Section 15.09. Payments Due Non-Business Days. Except as otherwise provided in the applicable Supplemental Indenture, if any payment of the principal of or the interest on Bonds is due on a day that is not a Business Day, such payment will be made on the next Business Day and no interest will accrue on the amount of such payment during the intervening period.

Section 15.10. Applicable Law. This Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

IN WITNESS WHEREOF, PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY has caused this Amended and Restated General Trust Indenture to be executed by its Executive Director and its Secretary/Treasurer and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. has caused this Amended and Restated General Trust Indenture to be executed by one of its Authorized Officers.

PENNSYLVANIA INFRASTRUCTURE
INVESTMENT AUTHORITY

Attest:

Secretary/Treasurer

By: _____
Executive Director

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Signatory

EXHIBIT A
THE PLEDGED LOANS

EXHIBIT B
FORM OF REQUISITION
REQUISITION NO. ____

Date: _____

The Bank of New York Mellon Trust Company, N.A.

Ladies and Gentlemen:

You are hereby directed pursuant to the terms of the Amended and Restated General Trust Indenture (the “Indenture”) between your Bank, as Trustee, and Pennsylvania Infrastructure Investment Authority (the “Authority”) dated as of June 1, 2015, as amended and supplemented, and securing the payment of certain Revenue Bonds (PENNVEST/Commonwealth Funded Loan Pool Program), to make the following payments from the Program Fund. Capitalized terms used herein and not otherwise defined have the meanings accorded them in the Indenture.

See Schedule A attached hereto for additional items.

The undersigned hereby certify that:

(a) The amounts listed above or mentioned in Schedule A have been properly incurred by a Borrower and are properly charged against the Program Fund as Eligible Costs and have not been the basis of any previous disbursement from the Program Fund.

(b) All conditions precedent to the disbursement of money from the Program Fund as set forth in the Indenture and the Loan Documents (as the case may be) have been satisfied.

PENNSYLVANIA INFRASTRUCTURE
INVESTMENT AUTHORITY

By: _____
Authorized Officer

Dated: _____

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APPENDIX C
LISTING OF PLEDGED LOANS

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Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
Overall Result				\$ 998,912,751.97	1.000	\$ 653,139,055.59
P33000054-101	600483	ADAMS TOWNSHIP	1/1/2006	\$ 649,500.00	2.774	\$ 383,491.35
P33000125-101	600483	ADAMS TOWNSHIP	6/1/2013	\$ 594,409.00	3.024	\$ 465,414.02
P33000045-101	600421	ALEXANDRIA BOROUGH	4/1/2005	\$ 995,422.00	1.000	\$ 526,492.24
P33000317-101	600430	ALEXANDRIA BOROUGH	10/1/2014	\$ 4,752,081.00	1.000	\$ 4,322,565.17
P33000211-101	600196	ALSACE TOWNSHIP	12/1/2008	\$ 433,412.50	1.000	\$ 348,925.74
P33000022-101	600262	ALTOONA WATER	3/1/2005	\$ 7,204,016.83	1.000	\$ 3,746,151.73
P33000074-101	600262	ALTOONA WATER	12/1/2006	\$ 1,201,358.67	1.000	\$ 734,027.99
P33000318-101	600262	ALTOONA WATER	9/1/2012	\$ 20,000,000.00	2.547	\$ 17,744,352.13
P33000421-101	600262	ALTOONA WATER	8/1/1998	\$ 20,000,000.00	1.000	\$ 7,969,444.39
P33000372-101	600235	ASHLAND AREA	3/1/2002	\$ 150,922.95	1.000	\$ 56,182.60
P33000028-101	600053	AUBURN MUNICIPAL	8/1/2004	\$ 317,000.00	1.156	\$ 157,745.87
P33000078-101	600280	AUSTIN BOROUGH	2/1/2008	\$ 536,977.75	1.000	\$ 422,596.89
P33000290-101	600609	AVALON BORO	9/1/2009	\$ 1,321,500.92	2.965	\$ 1,011,072.17
P33000483-101	600278	AVIS BOROUGH	2/1/2003	\$ 418,909.35	2.647	\$ 186,969.14
P33000090-101	600610	BADEN BOROUGH	3/1/2011	\$ 744,659.84	2.547	\$ 609,709.77
P33000389-101	600610	BADEN BOROUGH	12/1/1997	\$ 1,291,779.37	1.000	\$ 89,204.21
P33000506-101	600153	BEAR CREEK VILLAGE	5/1/2007	\$ 199,000.00	2.556	\$ 128,845.31
P33000091-101	600606	BEAVER FALLS MUN	11/1/2011	\$ 9,167,940.00	2.547	\$ 7,602,685.10
P33000066-101	600458	BEDFORD TOWNSHIP	5/1/2006	\$ 423,223.15	1.156	\$ 245,373.17
P33000248-101	600458	BEDFORD TOWNSHIP	5/1/2006	\$ 1,081,591.95	1.156	\$ 615,021.06
P33000268-101	600163	BERN TOWNSHIP MUN AUTH	6/1/2006	\$ 724,759.01	3.056	\$ 440,723.62
P33000256-101	600167	BERWICK AREA JT	6/1/2005	\$ 1,148,562.90	1.000	\$ 617,116.51
P33000514-101	600167	BERWICK AREA JT	12/1/2012	\$ 4,103,989.00	3.024	\$ 3,269,761.79
P33000516-101	600167	BERWICK AREA JT	9/1/2013	\$ 2,553,318.00	2.013	\$ 1,997,184.45
P33000441-101	600009	BETHEL TOWNSHIP	3/1/1998	\$ 466,831.00	1.000	\$ 43,230.81
P33000436-101	600333	BETHLEHEM AUTHORITY	9/1/1999	\$ 20,000,000.00	3.201	\$ 4,087,438.12
P33000338-101	600306	BETHLEHEM CITY	5/1/2014	\$ 9,429,730.00	3.018	\$ 8,407,619.47

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
P33000234-101	600575	BIG BEAVER	6/1/2006	\$ 609,175.80	2.774	\$ 368,485.75
P33000029-101	600559	BLACKLICK VALLEY	1/1/2006	\$ 2,663,694.75	1.000	\$ 1,921,474.44
P33000151-101	600607	BLAINE TOWNSHIP	9/1/2009	\$ 101,100.00	1.000	\$ 68,379.77
P33000366-101	600281	BLOSSBURG	1/1/1992	\$ 2,742,100.00	1.000	\$ 559,601.32
P33000046-101	600244	BLYTHE TWP MUN AUTH	2/1/2006	\$ 1,441,862.00	2.583	\$ 852,885.62
P33000307-101	600608	BOROUGH OF ALBION	7/1/2012	\$ 3,867,200.00	2.547	\$ 3,205,512.43
P33000179-101	600180	BOWMANSTOWN	5/1/2003	\$ 950,188.00	1.000	\$ 410,735.16
P33000471-101	600689	BRADFORD CITY	7/1/2001	\$ 2,575,017.00	2.773	\$ 834,221.30
P33000276-101	600101	BRIDGEWATER TOWNSHIP MUNICIPAL AUTH	7/1/2010	\$ 4,527,020.54	1.000	\$ 2,807,026.88
P33001432-101	600197	BRISTOL TOWNSHIP	11/1/2012	\$ 8,326,020.00	2.547	\$ 7,086,297.52
P33000219-101	600596	BROCKWAY AREA	8/1/2006	\$ 17,229,573.39	1.000	\$ 12,806,292.74
P33000038-101	600340	BRODHEAD CREEK	6/1/2006	\$ 3,014,375.65	2.740	\$ 1,835,011.46
P33000043-101	600340	BRODHEAD CREEK	1/1/2006	\$ 5,995,000.00	2.740	\$ 3,541,530.28
P33000280-101	600546	BROKENSTRAW VALLEY AREA AUTHORITY	8/1/2009	\$ 2,126,035.00	1.000	\$ 1,710,481.93
P33000103-101	600554	BROOKVILLE	5/1/2012	\$ 11,655,000.00	2.547	\$ 10,177,383.70
P33000350-101	600359	BROWNSTOWN BOROUGH	6/1/2014	\$ 1,975,504.00	1.000	\$ 1,804,773.22
P33000235-101	600385	BROWNSVILLE MUN AUTH	10/1/2006	\$ 7,246,486.10	1.000	\$ 5,323,226.14
P33000055-101	600792	BUFFALO TWP MUN AUTH	6/1/2006	\$ 2,690,720.00	2.749	\$ 1,639,580.42
P33000155-101	600581	BULLSKIN TWP	7/1/2003	\$ 250,000.00	1.000	\$ 110,268.68
P33000358-101	600121	BURNHAM BOROUGH	5/1/2015	\$ 8,679,268.00	1.000	\$ 5,388,291.14
P33000461-101	600615	CALIFORNIA BOROUGH	10/1/1998	\$ 703,620.00	3.321	\$ 118,395.30
P33000030-101	600587	CAMBRIA SOMERSET	9/1/2003	\$ 1,522,836.69	1.156	\$ 673,368.53
P33000180-101	600587	CAMBRIA SOMERSET AUTH	2/1/2003	\$ 223,131.41	1.156	\$ 89,896.59
P33000489-101	600686	CAMBRIA TOWNSHIP	2/1/2003	\$ 349,561.00	1.156	\$ 147,453.43
P33000289-101	600601	CAMBRIDGE AREA JT	1/1/2010	\$ 7,931,862.62	1.000	\$ 2,169,882.25
P33000160-101	600616	CAMBRIDGE SPRINGS	12/1/1996	\$ 1,580,625.98	3.542	\$ 9,305.96
P33000351-101	600418	CARROLL TOWNSHIP	8/1/2013	\$ 842,876.00	2.306	\$ 733,772.70
P33000182-101	600245	CATASAUQUA BOROUGH	3/1/2003	\$ 408,267.49	3.465	\$ 193,985.87
P33000123-101	600463	CENTRAL CITY WATER	6/1/2013	\$ 399,135.00	3.024	\$ 367,715.12

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
P33000281-101	600149	CHADDS FORD TWP	4/1/2010	\$ 1,600,000.00	2.946	\$ 1,244,271.75
P33000492-101	600618	CHARLEROI BORO	4/1/2007	\$ 7,896,669.03	1.000	\$ 6,033,935.97
P33000092-101	600605	CHARLEROI BORO AUTH	11/1/2011	\$ 4,480,795.00	1.000	\$ 3,779,804.75
P33000410-101	600605	CHARLEROI BORO AUTH	10/1/1996	\$ 251,494.51	1.000	\$ 93,565.88
P33000062-101	600619	CLEARFIELD	6/1/2006	\$ 345,384.81	1.000	\$ 249,448.25
P33001492-101	600772	CLEARFIELD	3/1/2017	\$ 16,128,455.00	1.000	\$ 5,348,790.83
P33000237-101	600620	CLEARFIELD BORO	6/1/2007	\$ 10,110,070.89	1.000	\$ 7,758,569.34
P33000267-101	600621	COCHRANTON BOROUGH	5/1/2010	\$ 526,500.00	1.000	\$ 451,732.42
P33000499-101	600199	COLEBROOKDALE	3/1/2006	\$ 619,612.81	2.774	\$ 370,260.98
P33000296-101	600491	COLUMBUS TWP GENL	1/1/2010	\$ 156,050.00	2.547	\$ 119,228.37
P33000175-101	600429	CONEMAUGH TWP MUN	9/1/1997	\$ 424,456.23	1.280	\$ 5,779.87
P33000390-101	600429	CONEMAUGH TWP MUN	11/1/1997	\$ 390,000.00	1.390	\$ 23,743.91
P33000140-101	600133	CONEWAGO TWP SEWER	5/1/1994	\$ 5,820,271.48	1.000	\$ 763,040.71
P33000015-101	600449	CONNEAUT LAKE	10/1/2004	\$ 1,115,973.44	1.000	\$ 759,101.75
P33000473-101	600690	CONNELLSVILLE CITY	4/1/2000	\$ 121,007.73	1.184	\$ 28,698.73
P33000282-101	600313	COOLBAUGH TOWNSHIP	2/1/2009	\$ 1,628,963.22	1.000	\$ 1,328,763.44
P33000093-101	600465	COOPER TOWNSHIP	7/1/2013	\$ 2,225,046.00	2.509	\$ 1,974,416.98
P33000147-101	600465	COOPER TOWNSHIP	5/1/2003	\$ 2,520,000.00	1.000	\$ 1,609,993.28
P33000047-101	600282	COUDERSPORT	5/1/2007	\$ 7,196,325.52	1.000	\$ 5,516,290.29
P33000387-101	600200	CRESSON BOROUGH	1/1/1999	\$ 900,000.00	1.000	\$ 86,923.58
P33000083-101	600003	CRESSON BOROUGH MUN AUTH	10/1/2009	\$ 2,369,992.78	1.000	\$ 1,771,358.05
P33000325-101	600122	DANVILLE MUNICIPAL	1/1/2013	\$ 12,119,000.00	3.184	\$ 10,819,720.91
P33000448-101	600069	DELANO TWP	8/1/2008	\$ 117,616.99	1.000	\$ 94,288.74
P33000339-101	600077	DELAWARE TOWNSHIP	1/1/2014	\$ 7,520,681.00	1.000	\$ 6,803,428.24
P33000283-101	600120	DERRY TWP SANITARY SEWER AUTH	10/1/2010	\$ 4,308,804.00	1.274	\$ 3,433,521.19
P33000326-101	600629	DONORA BOROUGH	7/1/2012	\$ 553,808.00	1.750	\$ 181,315.82
P33000257-101	600490	DRY TAVERN SEWER	4/1/2007	\$ 1,868,986.00	1.000	\$ 1,428,403.65
P33000208-101	600501	DUDLEY CARBON TWP	4/1/2007	\$ 65,000.00	1.000	\$ 49,692.64
P33000222-101	600501	DUDLEY CARBON TWP	4/1/2007	\$ 1,304,197.27	1.000	\$ 994,809.92
P33000400-101	600834	EAST BANGOR	1/1/1998	\$ 599,000.00	3.336	\$ 73,530.42
P33000131-101	600807	EAST BERLIN AREAS	5/1/2015	\$ 1,525,179.00	2.317	\$ 1,375,419.00

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P33000124-101	600284	EAST STROUDSBURG	8/1/2012	\$ 943,000.00	3.024	\$ 692,873.00
P33000493-101	600633	EDGEWOOD BOROUGH	4/1/2005	\$ 147,085.11	3.465	\$ 85,332.97
P33000468-101	600285	EDWARDSVILLE BOROUGH	4/1/2001	\$ 124,676.76	1.576	\$ 29,259.49
P33000238-101	600707	ELDRED TOWNSHIP	5/1/2006	\$ 332,765.52	1.000	\$ 189,709.70
P33000212-101	600708	ELK LICK TOWNSHIP	2/1/2007	\$ 190,278.23	1.000	\$ 144,487.35
P33000239-101	600708	ELK LICK TOWNSHIP	11/1/2007	\$ 176,349.11	1.000	\$ 131,664.59
P33000404-101	600074	ELKLAND BOROUGH	10/1/1994	\$ 2,977,707.79	1.000	\$ 946,046.77
P33000215-101	600635	ELLWOOD CITY BOROUGH	12/1/2008	\$ 969,500.00	1.000	\$ 739,871.76
P33000026-101	600521	ERIE CITY WATER	8/1/2004	\$ 4,408,898.40	3.045	\$ 1,937,541.67
P33000094-101	600521	ERIE CITY WATER	4/1/2010	\$ 713,161.00	1.000	\$ 544,976.31
P33000501-101	600239	EVERETT BOROUGH	6/1/2006	\$ 337,436.05	1.156	\$ 198,529.67
P33000500-101	600201	EXETER TOWNSHIP	7/1/2006	\$ 299,193.00	2.774	\$ 181,455.21
P33000041-101	600548	FALLS CREEK	1/1/2006	\$ 1,629,048.05	1.000	\$ 1,046,389.06
P33000143-101	600082	FELL TOWNSHIP	10/1/1994	\$ 2,205,000.00	1.000	\$ 349,249.53
P33000391-101	600640	FORD CITY BOROUGH	8/1/1997	\$ 183,665.57	1.390	\$ 17,776.73
P33000204-101	600202	FOSTER TOWNSHIP	3/1/2004	\$ 400,500.00	1.000	\$ 267,113.24
P33000240-101	600537	FOXBURG AREA SEWER	9/1/2005	\$ 241,400.61	3.157	\$ 141,817.23
P33000258-101	600092	FREDERICKSBURG	12/1/2008	\$ 4,691,485.00	1.000	\$ 3,756,328.75
P33000111-101	600257	FREEBURG MUNICIPAL	5/1/2012	\$ 1,096,317.00	1.000	\$ 909,517.58
P33000060-101	600459	FREEDOM TWP WATER	7/1/2006	\$ 1,375,000.00	1.000	\$ 1,010,638.52
P33000003-101	600766	FREELAND BORO MUN	3/1/2003	\$ 1,196,435.99	1.000	\$ 753,303.06
P33000384-101	600766	FREELAND BORO MUN	1/1/1998	\$ 1,210,868.55	1.000	\$ 53,943.11
P33000469-101	600287	FREELAND BOROUGH	11/1/2000	\$ 1,786,826.00	2.562	\$ 517,954.81
P33000497-101	600287	FREELAND BOROUGH	12/1/2005	\$ 956,928.59	2.774	\$ 556,343.49
P33000130-101	600021	GALETON BOROUGH	1/1/2014	\$ 520,127.00	1.868	\$ 367,929.63
P33000004-101	600549	GALLITZIN WATER	9/1/2003	\$ 3,275,744.31	1.000	\$ 2,122,563.06
P33000020-101	600366	GARRETT BOROUGH	1/1/2006	\$ 251,000.00	1.000	\$ 182,013.42
P33000300-101	600642	GIRARD BOROUGH	8/1/2009	\$ 497,515.85	2.547	\$ 366,803.63
P33000388-101	600493	GRAY AREA WATER	5/1/1999	\$ 509,571.70	1.250	\$ 35,878.26
P33000301-101	600045	GREATER HAZLETON	5/1/2012	\$ 33,600,000.00	2.547	\$ 26,274,196.24
P33000027-101	600273	GREATER JOHNSTOWN	10/1/2004	\$ 7,350,692.00	1.156	\$ 3,708,456.36

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
P33000117-101	600273	GREATER JOHNSTOWN	8/1/2013	\$ 5,878,962.00	1.510	\$ 5,447,503.11
P33000129-101	600551	GREEN TOWNSHIP	11/1/2014	\$ 1,912,391.00	1.000	\$ 1,741,981.49
P33000005-101	600402	GREENFIELD TWP MUN	1/1/2005	\$ 4,729,109.16	1.000	\$ 2,367,005.06
P33000176-101	600801	HALIFAX AREA WATER	9/1/2001	\$ 958,017.94	3.994	\$ 390,171.40
P33000139-101	600064	HAMILTON TWP	3/1/1993	\$ 131,032.00	1.000	\$ 33,578.59
P33000359-101	600711	HAMLIN TOWNSHIP	1/1/2015	\$ 2,424,173.00	1.000	\$ 1,178,962.22
P33000278-101	600837	HANOVER TOWNSHIP	2/1/2010	\$ 6,204,479.00	1.000	\$ 4,708,027.36
P33000183-101	600486	HARRISON TWSHP	6/1/2003	\$ 1,149,961.00	3.243	\$ 551,383.92
P33000174-101	600270	HASTINGS MUNICIPAL	11/1/1998	\$ 1,955,493.31	1.000	\$ 261,914.30
P33000494-101	600317	HAZLE TOWNSHIP	10/1/2005	\$ 401,028.84	2.774	\$ 153,126.77
P33000133-101	600784	HAZLETON CITY	6/1/1994	\$ 20,000,000.00	1.000	\$ 5,463,832.93
P33000006-101	600767	HEGINS HUBLEY	3/1/2003	\$ 2,846,549.30	1.156	\$ 1,207,562.56
P33000223-101	600787	HEMPFIELD TWP MUN AUTH	1/1/2007	\$ 5,467,969.41	2.774	\$ 3,344,253.47
P33000031-101	600758	HIGHLAND SEWER &	4/1/2004	\$ 1,137,291.67	1.000	\$ 759,572.33
P33000023-101	600515	HIGHRIDGE WATER	3/1/2003	\$ 680,500.00	2.683	\$ 340,663.63
P33000104-101	600515	HIGHRIDGE WATER	5/1/2013	\$ 1,235,282.00	2.547	\$ 482,553.68
P33000118-101	600515	HIGHRIDGE WATER	10/1/2013	\$ 2,459,555.00	1.620	\$ 1,867,607.74
P33000163-101	600515	HIGHRIDGE WATER	9/1/1995	\$ 1,362,709.95	1.000	\$ 37,353.14
P33000418-101	600515	HIGHRIDGE WATER	8/1/1996	\$ 6,715,890.00	1.000	\$ 2,497,830.57
P33000224-101	600477	HOPEWELL TOWNSHIP	1/1/2008	\$ 74,529.95	1.000	\$ 58,285.37
P33000259-101	600477	HOPEWELL TOWNSHIP	5/1/2007	\$ 80,020.00	1.000	\$ 61,248.91
P33000383-101	600785	HOUTZDALE	5/1/1996	\$ 6,172,562.00	1.000	\$ 523,431.71
P33001494-101	602033	HOWE TOWNSHIP	9/1/2019	\$ 460,000.00	1.000	\$ 202,846.84
P33000385-101	600288	HUGHESVILLE BOROUGH	2/1/1997	\$ 513,373.39	3.384	\$ 9,128.86
P33000252-101	600219	HUNTINGDON BOROUGH	3/1/2006	\$ 915,341.98	1.156	\$ 527,149.53
P33000165-101	600557	HUSTON TWP WATER	5/1/1997	\$ 698,565.99	1.000	\$ 58,331.89
P33000216-101	600379	INDEPENDENCE CROSS	10/1/2009	\$ 93,000.00	1.000	\$ 68,622.22
P33000007-101	600384	INDIAN CREEK	10/1/2003	\$ 1,005,500.00	1.000	\$ 652,581.14
P33000419-101	600384	INDIAN CREEK	1/1/1998	\$ 3,552,497.00	1.000	\$ 55,419.05
P33000166-101	600407	INDIANA COUNTY	2/1/1999	\$ 850,000.00	1.000	\$ 62,202.52
P33000340-101	600407	INDIANA COUNTY	6/1/2014	\$ 2,539,500.00	1.000	\$ 2,402,099.67
P33000386-101	600407	INDIANA COUNTY	8/1/1998	\$ 1,298,809.00	1.000	\$ 41,248.38

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
P33000064-101	600407	INDIANA COUNTY MUNICIPAL AUTHORITY	3/1/2007	\$ 989,074.00	1.000	\$ 751,153.30
P33000225-101	600407	INDIANA COUNTY MUNICIPAL AUTHORITY	2/1/2007	\$ 1,434,304.67	1.000	\$ 1,063,279.69
P33000048-101	600598	IRVONA MUNICIPAL	2/1/2005	\$ 739,267.25	1.000	\$ 505,327.12
P33000274-101	600336	JACKSON TWP	8/1/2006	\$ 500,000.00	2.765	\$ 291,110.82
P33000291-101	600534	JACKSON/EAST	11/1/2009	\$ 2,941,576.66	1.000	\$ 2,234,631.33
P33000184-101	600001	JAMESTOWN	12/1/2002	\$ 1,099,640.72	1.000	\$ 653,299.89
P33000157-101	600495	JEANNETTE CITY	6/1/2010	\$ 100,257.00	2.547	\$ 78,077.85
P33000352-101	600495	JEANNETTE CITY	5/1/2014	\$ 2,993,181.00	1.000	\$ 2,242,650.17
P33000008-101	600460	JEFFERSON TWP AUTH	2/1/2003	\$ 571,446.00	1.156	\$ 241,021.98
P33000173-101	600292	JIM THORPE BOROUGH	7/1/1998	\$ 617,300.00	1.280	\$ 78,424.25
P33000284-101	600292	JIM THORPE BOROUGH	9/1/2009	\$ 993,941.94	2.516	\$ 733,457.31
P33000032-101	600419	JOHNSONBURG	11/1/2003	\$ 489,165.13	1.156	\$ 212,500.33
P33000360-101	600749	JOHNSTOWN	10/1/2014	\$ 5,920,548.00	1.077	\$ 4,561,376.45
P33000430-101	600220	KENNETT SQUARE	2/1/1998	\$ 437,968.77	4.151	\$ 52,789.42
P33000241-101	600395	KISKI VALLEY WATER	6/1/2006	\$ 2,107,501.98	2.749	\$ 1,278,729.19
P33000009-101	600580	KITTANNING	8/1/2003	\$ 1,099,598.24	1.156	\$ 474,570.13
P33000172-101	600392	KITTANNING	3/1/1999	\$ 2,216,251.00	1.280	\$ 365,361.60
P33000185-101	600392	KITTANNING	3/1/2004	\$ 2,265,500.00	1.000	\$ 1,511,101.79
P33000010-101	600187	KLINE TWP MUN AUTH	4/1/2003	\$ 6,707,342.00	1.000	\$ 3,756,039.07
P33000319-101	600650	KNOX BOROUGH	12/1/2011	\$ 2,006,599.00	2.547	\$ 1,377,034.24
P33000033-101	600290	KNOXVILLE BOROUGH	1/1/2004	\$ 292,422.11	1.156	\$ 135,041.82
P33000285-101	600072	KREAMER MUNICIPAL	9/1/2009	\$ 589,045.02	3.087	\$ 391,908.75
P33000452-101	600081	LAFLIN BOROUGH	10/1/1995	\$ 153,790.00	3.384	\$ 867.41
P33000454-101	600663	LAKE CITY	1/1/1998	\$ 85,000.00	3.959	\$ 12,601.51
P33000186-101	600212	LANCASTER CITY	6/1/2002	\$ 692,532.67	3.468	\$ 301,634.33
P33000458-101	600090	LANSFORD BOROUGH	3/1/1997	\$ 588,958.18	1.390	\$ 37,498.19
P33000427-101	600334	LANSFORD COALDALE	1/1/1998	\$ 3,248,622.70	1.000	\$ 392,908.67
P33000490-101	600714	LAWRENCE PARK TWP	3/1/2003	\$ 257,147.96	2.766	\$ 116,166.38
P33000310-101	600715	LAWRENCE TWP	10/1/2011	\$ 3,304,675.00	2.509	\$ 2,331,171.07
P33000250-101	600778	LEETSDALE BOROUGH	1/1/2006	\$ 810,800.00	3.312	\$ 494,691.31

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P33000320-101	600778	LEETSDALE BOROUGH	1/1/2011	\$ 890,000.00	3.051	\$ 643,430.66
P33001478-101	600394	LEHIGH COUNTY	5/1/2014	\$ 2,931,170.00	1.510	\$ 2,669,216.57
P33000226-101	600176	LENHARTSVILLE	5/1/2006	\$ 592,566.45	1.000	\$ 430,123.93
P33000382-101	600406	LEWIS RUN BOROUGH	1/1/1998	\$ 350,000.00	3.384	\$ 12,712.70
P33000341-101	600319	LEWIS TOWNSHIP	4/1/2014	\$ 1,460,000.00	1.000	\$ 1,347,969.70
P33000503-101	600105	LEWISBURG AREA REC	1/1/2007	\$ 298,909.00	3.468	\$ 197,682.40
P33000321-101	600755	LIGONIER TOWNSHIP	3/1/2012	\$ 3,134,932.00	2.690	\$ 2,714,294.84
P33000084-101	600371	LILLY BOROUGH	10/1/2011	\$ 895,000.00	1.000	\$ 676,067.85
P33000044-101	600716	LIMESTONE TOWNSHIP	3/1/2010	\$ 571,500.00	1.000	\$ 393,015.88
P33000167-101	600556	LINCOLN TWP MUN AUTH	3/1/1998	\$ 1,322,255.00	1.000	\$ 138,212.34
P33000322-101	600008	LINESVILLE PINE	7/1/2012	\$ 4,796,459.00	1.000	\$ 4,208,371.54
P33000275-101	600008	LINESVILLE PINE JOINT MUN AUTH	3/1/2012	\$ 869,507.73	1.000	\$ 747,401.07
P33000096-101	600055	LIVERPOOL MUNICIPAL AUTHORITY	11/1/2010	\$ 745,413.77	1.559	\$ 600,822.36
P33000080-101	600307	LOCK HAVEN CITY	7/1/2008	\$ 4,140,426.92	1.000	\$ 3,038,457.26
P33000353-101	600307	LOCK HAVEN CITY	7/1/2014	\$ 18,074,732.00	1.000	\$ 15,085,243.99
P33000462-101	600250	LOWER CHICHESTER	8/1/2002	\$ 695,000.00	3.761	\$ 184,507.78
P33000323-101	600205	LOWER MILFORD	3/1/2012	\$ 530,304.00	1.000	\$ 455,412.21
P33000311-101	600206	LOWER PAXTON	7/1/2012	\$ 13,354,113.00	3.133	\$ 8,434,481.52
P33000075-101	600215	MAHANOEY TOWNSHIP	8/1/2007	\$ 5,122,825.58	1.000	\$ 3,284,844.29
P33000162-101	600215	MAHANOEY TOWNSHIP	10/1/1995	\$ 2,179,444.82	1.000	\$ 665,399.03
P33000374-101	600215	MAHANOEY TOWNSHIP	8/1/1993	\$ 1,790,485.35	1.000	\$ 441,874.60
P33000422-101	600215	MAHANOEY TOWNSHIP	11/1/1996	\$ 6,260,554.81	1.000	\$ 2,305,097.10
P33001431-101	600718	MAHONING TWP	3/1/2012	\$ 1,592,500.00	1.000	\$ 1,453,888.96
P33000018-101	600191	MANHEIM BOROUGH	10/1/2003	\$ 100,000.00	3.468	\$ 50,424.94
P33000362-101	600387	MANOR BOROUGH	9/1/2015	\$ 2,660,000.00	2.159	\$ 1,346,653.38
P33000105-101	600569	MARTINSBURG	11/1/2011	\$ 2,362,749.00	2.690	\$ 1,878,994.36
P33000068-101	600850	MCKEAN TOWNSHIP	2/1/2007	\$ 598,262.97	1.000	\$ 364,535.08
P33000227-101	600695	MCKEESPORT CITY	6/1/2006	\$ 3,672,500.00	1.690	\$ 2,184,547.92
P33000228-101	600656	MEYERSDALE	2/1/2006	\$ 3,250,000.00	1.000	\$ 2,365,606.60
P33000254-101	600478	MIDDLEBORO	2/1/2007	\$ 564,485.24	2.768	\$ 361,388.69
P33000464-101	600091	MIFFLIN TOWNSHIP	4/1/1999	\$ 404,269.14	1.899	\$ 84,537.56

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P33000242-101	600066	MILFORD TOWNSHIP	4/1/2010	\$ 97,656.49	1.000	\$ 82,978.38
P33000373-101	600432	MILLCREEK TOWNSHIP	1/1/2001	\$ 661,633.50	3.237	\$ 230,275.69
P33000459-101	600719	MILLCREEK TOWNSHIP	5/1/2000	\$ 571,446.59	3.071	\$ 130,013.25
P33000069-101	600190	MILLVILLE BORO MUN	2/1/2007	\$ 740,484.71	1.000	\$ 539,472.98
P33000072-101	600190	MILLVILLE BORO MUN	11/1/2008	\$ 257,197.36	1.000	\$ 204,283.59
P33000108-101	600658	MONACA BOROUGH	2/1/2012	\$ 4,200,000.00	2.547	\$ 3,609,039.53
P33000243-101	600697	MONONGAHELA CITY	3/1/2007	\$ 4,066,160.72	1.000	\$ 3,082,271.69
P33000230-101	600424	MOSHANNON VALLEY	1/1/2006	\$ 4,023,407.49	1.156	\$ 2,274,685.66
P33000293-101	600659	MT OLIVER BOROUGH	8/1/2009	\$ 265,607.80	2.965	\$ 199,876.73
P33000342-101	600659	MT OLIVER BOROUGH	2/1/2013	\$ 537,577.00	1.000	\$ 357,701.95
P33000480-101	600659	MT OLIVER BOROUGH	1/1/2002	\$ 812,453.34	1.000	\$ 295,143.04
P33000484-101	600659	MT OLIVER BOROUGH	10/1/2002	\$ 1,031,769.83	1.000	\$ 627,275.68
P33000312-101	600828	MUNHALL SANITARY	11/1/2011	\$ 5,719,250.00	3.051	\$ 4,094,631.26
P33000112-101	600751	NANTY GLO WATER	6/1/2012	\$ 3,988,204.00	1.250	\$ 3,055,778.62
P33000061-101	600461	NELSON TWP AUTHORITY	6/1/2007	\$ 283,071.48	1.000	\$ 216,577.92
P33000371-101	600036	NESQUEHONING	8/1/1996	\$ 3,859,039.22	1.000	\$ 18,852.95
P33000365-101	600722	NEVILLE TOWNSHIP	1/1/2015	\$ 997,800.00	2.276	\$ 910,140.65
P33000035-101	600043	NEW ALBANY BOROUGH	4/1/2004	\$ 30,888.00	1.000	\$ 14,785.66
P33000187-101	600141	NEW BERLIN MUN AUTH	12/1/2003	\$ 1,202,457.98	3.468	\$ 615,763.78
P33000244-101	600100	NEW BUFFALO BORO	10/1/2010	\$ 107,260.73	1.000	\$ 91,996.58
P33000056-101	600698	NEW KENSINGTON	5/1/2006	\$ 1,211,783.00	2.774	\$ 731,509.12
P33000109-101	600698	NEW KENSINGTON	9/1/2011	\$ 971,870.05	2.690	\$ 829,296.96
P33000149-101	600777	NEW KENSINGTON MUN	9/1/2002	\$ 504,436.00	3.237	\$ 220,312.59
P33000201-101	600080	NEW RINGGOLD BOROUGH	8/1/2006	\$ 209,500.00	1.000	\$ 155,829.56
P33000260-101	600080	NEW RINGGOLD BOROUGH	11/1/2006	\$ 803,841.66	1.000	\$ 599,984.72
P33000040-101	600150	NEWPORT BOROUGH	9/1/2008	\$ 114,179.13	1.000	\$ 74,493.98
P33000270-101	600013	NEWTON WAYNE JOINT MUN AUTH	3/1/2011	\$ 398,185.00	1.000	\$ 324,622.65
P33001454-101	600033	NICHOLSON BORO AUTH	11/1/2013	\$ 356,000.00	1.000	\$ 338,991.14
P33000286-101	600033	NICHOLSON BORO AUTH	12/1/2013	\$ 4,157,683.31	1.000	\$ 4,006,865.39
P33001435-101	600540	NORTH EAST	1/1/2014	\$ 5,563,479.00	1.510	\$ 4,690,956.71
P33000049-101	600662	NORTH EAST BOROUGH	11/1/2005	\$ 8,269,025.15	2.583	\$ 4,759,926.51
P33000313-101	600832	NORTH EAST BOROUGH	8/1/2012	\$ 13,595,798.56	2.547	\$

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
						12,020,733.80
P33000435-101	600757	NORTH FAYETTE	11/1/2000	\$ 1,094,556.33	1.334	\$ 267,707.85
P33000502-101	600725	NORTH FRANKLIN	2/1/2006	\$ 306,927.00	2.774	\$ 181,735.34
P33000354-101	600571	NORTH LEBANON TWP	3/1/2014	\$ 566,018.00	1.000	\$ 460,469.92
P33000197-101	600542	NORTH SEWICKLEY	2/1/2007	\$ 996,900.00	1.000	\$ 756,994.36
P33000153-101	600442	NORTHERN BLAIR	9/1/2001	\$ 200,000.00	2.842	\$ 75,410.17
P33000218-101	600442	NORTHERN BLAIR	8/1/2005	\$ 1,054,000.00	2.774	\$ 585,634.83
P33000051-101	600845	NORTHERN CAMBRIA	9/1/2006	\$ 8,471,650.09	1.000	\$ 6,298,991.26
P33000486-101	600296	NORTHUMBERLAND	2/1/2003	\$ 988,983.07	2.774	\$ 439,649.09
P33000344-101	600438	NORTHWEST CRAWFORD	5/1/2013	\$ 373,334.00	3.024	\$ 343,450.48
P33000298-101	600728	O'HARA TOWNSHIP	3/1/2010	\$ 678,000.00	2.965	\$ 167,860.68
P33000314-101	600728	O'HARA TOWNSHIP	10/1/2011	\$ 590,328.00	3.051	\$ 381,667.20
P33000324-101	600382	OLIVER TOWNSHIP	12/1/2011	\$ 535,171.00	1.000	\$ 453,702.48
P33000168-101	600226	OXFORD BOROUGH	10/1/1999	\$ 2,057,953.15	4.170	\$ 227,425.05
P33000465-101	600377	PAINT BOROUGH	1/1/1999	\$ 335,650.00	1.334	\$ 61,903.32
P33000073-101	600815	PAINT TWP MUN	10/1/2010	\$ 145,490.84	1.000	\$ 126,589.65
P33000052-101	600814	PATTON MUNICIPAL	3/1/2006	\$ 2,552,723.00	1.000	\$ 1,846,525.10
P33000214-101	600078	PENN LAKE PARK	7/1/2006	\$ 2,021,700.00	2.080	\$ 1,199,918.02
P33000206-101	600322	PENN TOWNSHIP	11/1/2006	\$ 110,754.48	1.000	\$ 83,242.03
P33000231-101	600322	PENN TOWNSHIP	11/1/2006	\$ 183,942.00	1.000	\$ 136,025.86
P33000470-101	600730	PENN TOWNSHIP	3/1/2000	\$ 576,506.95	2.912	\$ 148,976.32
P33000477-101	600730	PENN TOWNSHIP	4/1/2002	\$ 230,587.48	3.237	\$ 94,817.80
P33000487-101	600730	PENN TOWNSHIP	6/1/2003	\$ 640,637.40	2.774	\$ 295,208.59
P33000491-101	600730	PENN TOWNSHIP	8/1/2004	\$ 1,325,000.00	2.774	\$ 692,283.93
P33000138-101	600251	PENN TWP MUN AUTH	8/1/1995	\$ 2,004,000.00	1.000	\$ 570,140.34
P33001436-101	600560	PERRY TOWNSHIP MUN	1/1/2013	\$ 1,295,126.00	1.510	\$ 882,767.49
P33000232-101	600846	PERRY TWP MUN AUTH	3/1/2008	\$ 2,673,284.00	1.000	\$ 2,096,289.12
P33000063-101	600381	PETERSBURG BOROUGH	4/1/2007	\$ 553,934.78	1.000	\$ 345,210.52
P33000303-101	600243	PHILADELPHIA CITY	10/1/2012	\$ 84,759,263.00	2.107	\$ 61,750,342.19
P33000475-101	600112	PICTURE ROCKS	2/1/2001	\$ 50,456.27	2.795	\$ 16,754.64
P33000019-101	600476	PITTSBURGH WATER &	10/1/2004	\$ 5,381,330.00	1.000	\$ 2,708,371.14

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
P33000036-101	600476	PITTSBURGH WATER &	4/1/2005	\$ 4,821,500.00	1.000	\$ 2,548,281.98
P33000098-101	600476	PITTSBURGH WATER &	5/1/2011	\$ 8,613,546.00	2.810	\$ 6,534,154.87
P33000188-101	600476	PITTSBURGH WATER &	4/1/2003	\$ 3,940,113.91	1.000	\$ 1,678,316.20
P33000304-101	600476	PITTSBURGH WATER &	3/1/2011	\$ 10,264,250.00	2.810	\$ 4,897,461.72
P33000315-101	600476	PITTSBURGH WATER &	9/1/2011	\$ 4,865,613.00	1.000	\$ 2,726,674.26
P33000482-101	600476	PITTSBURGH WATER &	6/1/2002	\$ 800,963.48	3.250	\$ 335,842.46
P33001496-101	600476	PITTSBURGH WATER &	1/1/2016	\$ 2,720,000.00	1.000	\$ 1,329.50
P33000474-101	600664	PLEASANT HILLS	11/1/2000	\$ 534,205.43	3.450	\$ 155,698.90
P33001523-101	602122	POINT TOWNSHIP	12/1/2015	\$ 3,739,240.00	1.000	\$ 979,481.08
P33000057-101	600666	PORTAGE BORO MUN	5/1/2005	\$ 745,351.03	2.774	\$ 413,792.59
P33000279-101	600073	PORTER TOWER JOINT	1/1/2009	\$ 1,736,288.10	2.547	\$ 1,233,689.58
P33000017-101	600582	PORTER TOWNSHIP	1/1/2004	\$ 724,000.00	1.156	\$ 338,990.36
P33000255-101	600068	PORTLAND BOROUGH	10/1/2010	\$ 270,200.00	1.000	\$ 233,568.81
P33000393-101	600094	PORTLAND BOROUGH	4/1/1999	\$ 854,246.00	3.336	\$ 145,134.84
P33000198-101	600602	PULASKI TOWNSHIP	1/1/2007	\$ 605,917.00	1.000	\$ 458,536.20
P33000050-101	600783	REDBANK VALLEY	11/1/2005	\$ 867,002.56	3.448	\$ 527,277.81
P33000189-101	600783	REDBANK VALLEY	11/1/2005	\$ 50,000.00	3.448	\$ 30,428.96
P33000076-101	600783	REDBANK VALLEY MUNICIPAL AUTHORITY	6/1/2012	\$ 603,169.93	1.000	\$ 551,121.73
P33000199-101	600783	REDBANK VALLEY MUNICIPAL AUTHORITY	10/1/2011	\$ 450,073.81	1.000	\$ 400,748.53
P33000037-101	600733	RESERVE TOWNSHIP	9/1/2003	\$ 394,028.23	3.465	\$ 197,830.71
P33000262-101	600583	REYNOLDSVILLE	11/1/2006	\$ 1,880,608.50	1.000	\$ 1,406,891.62
P33000408-101	600752	REYNOLDSVILLE BORO	9/1/1995	\$ 2,660,515.28	1.000	\$ 637,024.18
P33000169-101	600796	RICHLAND TWP MUN	9/1/1997	\$ 376,811.92	4.062	\$ 35,211.07
P33000263-101	600208	RICHMOND TOWNSHIP	4/1/2008	\$ 3,156,762.00	1.000	\$ 2,378,420.97
P33000450-101	600227	RIDLEY PARK BOROUGH	1/1/1998	\$ 650,000.00	4.186	\$ 55,030.60
P33000361-101	600022	ROCHESTER BORO	7/1/2014	\$ 1,147,283.00	1.000	\$ 844,632.84
P33000431-101	600368	ROCKWOOD BOROUGH	7/1/1997	\$ 750,000.00	1.000	\$ 73,631.84
P33000158-101	600668	ROUSEVILLE BOROUGH	11/1/1993	\$ 789,177.59	1.000	\$ 10,095.89
P33000025-101	600669	RURAL VALLEY BOROUGH	5/1/2004	\$ 1,476,847.00	1.000	\$ 979,700.64
P33000433-101	600375	SAEGERTOWN BOROUGH	9/1/1998	\$ 725,000.00	3.321	\$ 115,494.58

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
P33000135-101	600261	SAINT THOMAS TWP	8/1/1992	\$ 1,532,615.00	1.000	\$ 687,533.40
P33000126-101	600734	SANDY LAKE BOROUGH	2/1/2013	\$ 554,242.36	1.992	\$ 501,403.98
P33000245-101	600735	SANDY TWP	9/1/2006	\$ 5,940,834.11	1.156	\$ 3,548,951.86
P33000058-101	600393	SAXTON BOROUGH	1/1/2006	\$ 2,571,138.01	1.000	\$ 1,862,100.71
P33000141-101	600510	SCHELLSBURG	9/1/1993	\$ 473,375.70	1.000	\$ 109,620.79
P33000107-101	600030	SCHUYLKILL COUNTY	7/1/2011	\$ 2,939,331.33	2.547	\$ 2,451,903.95
P33000121-101	600030	SCHUYLKILL COUNTY	2/1/2013	\$ 3,975,010.00	2.547	\$ 2,236,115.87
P33000164-101	600030	SCHUYLKILL COUNTY	12/1/1997	\$ 4,866,000.00	1.000	\$ 2,010,266.89
P33000345-101	600030	SCHUYLKILL COUNTY	4/1/2015	\$ 15,174,335.00	1.000	\$ 13,503,028.28
P33000434-101	600030	SCHUYLKILL COUNTY	9/1/2000	\$ 376,168.79	2.575	\$ 79,290.67
P33000394-101	600229	SCHUYLKILL HAVEN	10/1/1996	\$ 890,000.00	3.042	\$ 44,224.75
P33000011-101	600127	SCHWENKSVILLE	1/1/2003	\$ 512,655.88	3.468	\$ 225,530.71
P33000496-101	600035	SCHWENKSVILLE	4/1/2004	\$ 80,000.00	3.468	\$ 41,909.05
P33000233-101	600046	SCRANTON SEWER	6/1/2007	\$ 3,509,071.75	3.052	\$ 2,333,959.29
P33000170-101	600789	SEWICKLEY HILLS	3/1/1998	\$ 160,750.00	4.062	\$ 18,633.67
P33000065-101	600736	SHALER TOWNSHIP	10/1/2006	\$ 3,355,500.00	3.312	\$ 2,163,814.84
P33000288-101	600802	SHARON CITY	3/1/2010	\$ 15,000,000.00	1.000	\$ 12,787,465.18
P33000478-101	600701	SHARON CITY	8/1/2001	\$ 272,518.00	3.237	\$ 101,733.26
P33000161-101	600768	SHENANDOAH BORO	9/1/1996	\$ 8,754,950.03	1.000	\$ 2,998,135.48
P33000375-101	600768	SHENANDOAH BORO	6/1/1993	\$ 1,179,763.00	1.000	\$ 286,500.55
P33000134-101	600484	SHENANGO TWP MUN	8/1/1993	\$ 10,005,792.59	1.000	\$ 4,573,499.01
P33000504-101	600230	SINKING SPRING	10/1/2006	\$ 515,041.77	3.056	\$ 325,727.60
P33000077-101	600527	SNAKE SPRING TWP	9/1/2007	\$ 2,750,000.00	1.065	\$ 1,783,041.16
P33000178-101	600527	SNAKE SPRING TWP	9/1/2007	\$ 250,000.00	1.280	\$ 163,656.14
P33000127-101	600672	SOMERSET BORO MUN	7/1/2014	\$ 1,950,000.00	2.013	\$ 1,531,206.42
P33000171-101	600431	SOMERSET TWP MUN	2/1/1997	\$ 475,000.00	1.280	\$ 34,178.59
P33000495-101	600365	SOUTH NEW CASTLE	4/1/2003	\$ 92,974.68	2.432	\$ 46,253.12
P33000246-101	600398	SOUTH VERSAILLES	4/1/2005	\$ 103,720.00	1.000	\$ 54,737.94
P33000012-101	600759	SOUTHWESTERN PA	5/1/2003	\$ 70,398.78	1.000	\$ 30,348.44
P33000100-101	600759	SOUTHWESTERN PA	4/1/2012	\$ 1,713,899.00	2.547	\$ 1,167,294.97

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
P33000085-101	600759	SOUTHWESTERN PA WATER AUTH	3/1/2009	\$ 4,970,703.29	2.516	\$ 3,598,092.74
P33000053-101	600831	SPRING TWP AUTHORITY	7/1/2005	\$ 1,810,236.62	3.468	\$ 1,068,229.12
P33000517-101	600673	SPRINGDALE BOROUGH	8/1/2013	\$ 745,305.00	2.454	\$ 557,945.77
P33000316-101	600231	STEELTON BOROUGH	11/1/2011	\$ 4,710,000.00	1.125	\$ 3,660,016.37
P33000505-101	600231	STEELTON BOROUGH	1/1/2008	\$ 1,259,000.00	3.370	\$ 872,430.19
P33000205-101	600267	STRAUSSTOWN BOROUGH	10/1/2008	\$ 229,585.30	1.000	\$ 190,545.64
P33000395-101	600344	SUBURBAN LOCK	1/1/1998	\$ 755,875.00	1.000	\$ 34,425.85
P33000070-101	600738	SUGAR CREEK BOROUGH	1/1/2008	\$ 3,715,410.13	1.000	\$ 2,914,279.21
P33000249-101	600738	SUGAR CREEK BOROUGH	4/1/2007	\$ 6,960,100.00	2.774	\$ 4,479,979.98
P33000265-101	600010	SUTERSVILLE	1/1/2008	\$ 5,019,887.04	1.000	\$ 3,935,689.79
P33000295-101	600353	THE MUNICIPAL AUTHORITY OF THE	10/1/2011	\$ 611,916.89	1.000	\$ 558,442.43
P33000479-101	600702	TITUSVILLE CITY	8/1/2001	\$ 2,240,439.03	1.000	\$ 764,336.95
P33000397-101	600301	TOWANDA MUNICIPAL	9/1/1997	\$ 796,300.00	3.336	\$ 71,458.84
P33000432-101	600769	TOWER CITY BOROUGH	2/1/1998	\$ 577,553.09	2.671	\$ 85,841.02
P33000196-101	600450	TOWNSHIP OF CROMWELL	7/1/2008	\$ 138,000.00	1.000	\$ 92,664.74
P33001485-101	600450	TOWNSHIP OF CROMWELL	12/1/2015	\$ 968,629.87	1.000	\$ 583,883.92
P33001527-101	602119	TOWNSHIP OF WILKINS	12/1/2015	\$ 537,000.00	1.654	\$ 208,167.30
P33000086-101	600753	TRI COUNTY JOINT MUNICIPAL AUTH	8/1/2009	\$ 2,782,697.91	2.547	\$ 1,891,795.69
P33000021-101	600302	TROY BOROUGH	3/1/2004	\$ 1,528,048.00	1.000	\$ 725,051.95
P33000152-101	600739	UNION TOWNSHIP	10/1/2008	\$ 173,000.00	1.000	\$ 136,781.59
P33000363-101	600703	UNIONTOWN CITY	4/1/2014	\$ 500,000.00	1.868	\$ 11,772.41
P33000488-101	600703	UNIONTOWN CITY	7/1/2004	\$ 1,664,000.00	1.000	\$ 1,127,560.66
P33000498-101	600740	UNITY TOWNSHIP	8/1/2005	\$ 888,437.60	2.774	\$ 505,204.77
P33000472-101	600233	UPLAND BOROUGH	6/1/2000	\$ 216,657.94	3.467	\$ 59,793.25
P33000467-101	600195	UPPER CHICHESTER	10/1/2000	\$ 634,194.75	3.586	\$ 163,447.02
P33000476-101	600195	UPPER CHICHESTER	11/1/2001	\$ 542,203.85	4.024	\$ 220,588.48
P33000346-101	600677	WAMPUM BOROUGH	12/1/2012	\$ 373,785.70	3.024	\$ 336,101.82
P33000001-101	600088	WARRIOR RUN BORO	11/1/1992	\$ 1,302,623.00	1.000	\$ 578,940.64
P33000071-101	600417	WARRIORS MARK	8/1/2006	\$ 257,421.00	1.156	\$ 153,679.14
P33000247-101	600593	WASHINGTON	6/1/2008	\$ 3,741,259.00	2.774	\$ 2,620,803.88
P33000364-101	600536	WASHINGTON TWP MUN	11/1/2014	\$ 1,780,634.00	1.000	\$ 1,674,354.37
P33001430-101	600763	WASHINGTON TWP MUN AUTH	5/1/2011	\$ 712,000.00	1.000	\$ 656,997.14

Loan Number	BP: Main Borrower	Name	Amortization Date	Original Loan Amount	Interest	Outstanding Loan
P33000294-101	600829	WASHINGTON TWP SEWER AUTH	11/1/2009	\$ 5,467,020.41	1.000	\$ 1,368,502.42
P33000485-101	600362	WAYNE TOWNSHIP	5/1/2003	\$ 360,519.00	2.647	\$ 165,087.71
P33000287-101	600480	WAYNE TOWNSHIP MUNICIPAL AUTHORITY	4/1/2010	\$ 3,229,607.88	1.000	\$ 1,551,707.81
P33000512-101	600234	WAYNESBORO BOROUGH	3/1/2015	\$ 5,737,811.65	1.510	\$ 5,265,562.99
P33000039-101	600057	WEST COCALICO TWP	4/1/2004	\$ 705,217.75	3.468	\$ 365,572.53
P33000299-101	600756	WEST LEECHBURG	2/1/2010	\$ 400,000.00	2.547	\$ 306,827.28
P33000191-101	600305	WEST WYOMING BOROUGH	6/1/1993	\$ 7,895,183.26	1.000	\$ 1,851,947.01
P33000333-101	600440	WESTERN CLINTON	2/1/2012	\$ 788,685.00	1.000	\$ 505,082.71
P33000399-101	600303	WESTFIELD BOROUGH	12/1/1997	\$ 219,870.00	1.000	\$ 8,906.62
P33000481-101	600680	WESTMONT BOROUGH	3/1/2002	\$ 163,382.00	2.678	\$ 65,490.64
P33000013-101	600747	WESTMORELAND	3/1/2003	\$ 510,268.19	1.156	\$ 199,987.07
P33000024-101	600747	WESTMORELAND	1/1/2004	\$ 519,613.63	1.156	\$ 234,335.31
P33000034-101	600747	WESTMORELAND	3/1/2004	\$ 516,806.23	2.774	\$ 259,662.98
P33000101-101	600747	WESTMORELAND	10/1/2011	\$ 4,750,000.00	2.690	\$ 3,250,469.77
P33000120-101	600747	WESTMORELAND	6/1/2013	\$ 100,000.00	3.395	\$ 75,902.82
P33000190-101	600747	WESTMORELAND	1/1/2003	\$ 268,839.13	1.000	\$ 105,482.09
P33000059-101	600747	WESTMORELAND COUNTY MUN AUTH	9/1/2006	\$ 406,303.70	2.774	\$ 219,319.15
P33000014-101	600591	WESTOVER MUNICIPAL	12/1/2003	\$ 212,664.40	1.000	\$ 140,061.09
P33000305-101	600345	WILLIAMSPORT	9/1/2011	\$ 10,500,000.00	2.547	\$ 7,691,083.26
P33000192-101	600512	WILMINGTON	1/1/1993	\$ 442,984.68	1.000	\$ 101,401.00
P33000200-101	600512	WILMINGTON	10/1/2006	\$ 113,000.00	1.000	\$ 80,530.69
P33000440-101	600503	WOOD BROAD TOP	8/1/1999	\$ 202,711.30	1.000	\$ 25,696.83
P33000016-101	600532	WOODBURY WATER	7/1/2003	\$ 486,586.06	1.156	\$ 215,488.99
P33000357-101	600504	WOODWARD TWP SEWER	3/1/2015	\$ 4,165,635.00	1.000	\$ 3,767,422.84
P33000466-101	600042	WRIGHT TOWNSHIP	4/1/1999	\$ 227,764.43	2.329	\$ 35,008.76

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APPENDIX D
FORM OF LEGAL OPINION OF BOND COUNSEL

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June 30, 2015

Pennsylvania Infrastructure Investment
Authority
Harrisburg, Pennsylvania

The Bank of New York Mellon Trust
Company, N.A., as Trustee
Pittsburgh, Pennsylvania

Re: \$_____ Pennsylvania Infrastructure Investment Authority Revenue
Bonds (PENNVEST/Commonwealth Funded Loan Pool Program), Series 2015A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Pennsylvania Infrastructure Investment Authority (the "Authority") in connection with the issuance of \$_____ Authority Revenue Bonds (PENNVEST/Commonwealth Funded Loan Pool Program), Series 2015A (the "2015 Bonds"). The 2015 Bonds are being issued pursuant to the provisions of the Pennsylvania Infrastructure Investment Authority Act (Act No. 1988-16, P.L. 82), as amended (the "Act"), the Water and Sewer Systems Assistance Act (Act No. 2008-64, P.L. 915), as amended (the "2008 Act"), and a resolution of the Board of the Authority adopted on April 22, 2014 (the "Resolution"). The 2015 Bonds are being issued under a General Trust Indenture dated as of December 1, 2010 (the "General Indenture"), as supplemented by a First Supplemental Trust Indenture dated as of December 1, 2010 (the "First Supplemental Indenture"), as amended and restated by an Amended and Restated General Trust Indenture dated as of June 1, 2015, and as further supplemented by a Second Supplemental Trust Indenture dated as of June 1, 2015 (as so amended, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms used and not otherwise defined in this opinion letter have the same meanings given to them in the Indenture.

The proceeds of the 2015 Bonds will be applied (i) to pay at maturity on July 1, 2015 \$[_____] aggregate principal amount of the Authority's Tax-Exempt Commercial Paper Revenue Notes, Series 2010 A (the "2010 Program Notes") and (ii) to pay the costs of issuing the 2015 Bonds. The proceeds of the 2010 Program Notes were used to make Loans pursuant to financing documents (the "Loan Documents") for qualifying capital projects undertaken by governmental units in Pennsylvania (the "Borrowers").

The 2015 Bonds are limited obligations of the Authority under the Indenture, payable solely from and secured solely by the Trust Estate pledged under the Indenture, which includes, among other things, amounts received or receivable in respect of loans of Bond proceeds made to the Borrowers and in respect of other loans pledged as security pursuant to the Indenture for the Authority's obligations thereunder and amounts held in certain of the funds and accounts established pursuant to the Indenture.

In the Indenture, the Authority has covenanted that it will not make or permit any investment or other use of the proceeds of the 2015 Bonds or take any action with respect to the amounts payable under the Loan Documents with the Borrowers which would cause the 2015 Bonds to be "arbitrage bonds" or "private activity bonds" (or to cease to be "qualified bonds" if issued as such) under the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code"). In addition, an officer of the Authority responsible for issuing the 2015 Bonds has executed a certificate stating the reasonable expectations of the Authority as of the date hereof as to future events that are material for the purposes of such requirements of the Code. The Authority has also delivered to us for filing with the Internal

Revenue Service a report of the issuance of the 2015 Bonds as required by the Code as a condition of the exclusion from gross income of the interest on the 2015 Bonds for federal income tax purposes.

In our capacity as Bond Counsel we have examined such matters of law, including the Act and the 2008 Act, and such documents, records of the Authority and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture and the other documents listed in the closing checklist in respect of the 2015 Bonds filed with the Trustee. We have also examined an executed 2015 Bond, authenticated by the Trustee, and have assumed that all other 2015 Bonds have been similarly executed and authenticated.

Based on the foregoing, we are of the opinion that:

1. The Authority is a governmental instrumentality organized and existing under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”) and is authorized to issue the 2015 Bonds, to undertake the PENNVEST/Commonwealth Funded Loan Pool Program and enter into and perform its obligations under the Indenture.

2. The Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Trustee, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors’ rights generally.

3. The issuance and sale of the 2015 Bonds have been duly authorized by the Authority. On the assumption as to execution and authentication stated above, the 2015 Bonds have been duly executed and delivered by the Authority and are legal, valid and binding limited obligations of the Authority entitled to the benefit and security of the Indenture, enforceable in accordance with their terms, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors’ rights generally.

4. Under the laws of the Commonwealth, as presently enacted and construed, the 2015 Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the 2015 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

5. Interest on the 2015 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2015 Bonds, assuming the accuracy of the certifications of the Authority and the Borrowers and continuing compliance by the Authority and the Borrowers with the requirements of the Code. Interest on the 2015 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on the 2015 Bonds held by a corporation (other than an S corporation, regulated investment company or real estate trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in adjusted current earnings of a corporate holder.

We express no opinion regarding other Federal tax consequences of ownership or disposition of, or the accrual or receipt of interest on, the 2015 Bonds.

We express no opinion herein with respect to the adequacy of the security for the 2015 Bonds or the sources of payment for the 2015 Bonds or with respect to the accuracy or completeness of any offering document or other information pertaining to the offering of the 2015 Bonds. We are not rendering any opinion with respect to the priority of the lien of the Indenture.

We call your attention to the fact that the 2015 Bonds are limited obligations of the Authority payable solely from and secured by the Trust Estate pledged under the Indenture. The 2015 Bonds do not pledge the credit or taxing power of the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

Very truly yours,

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APPENDIX E
FORM OF DISCLOSURE AGREEMENT

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**Pennsylvania Infrastructure Investment Authority Revenue Bonds
(PENNVEST/Commonwealth Funded Loan Pool Program) Series 2015A**

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of June 1, 2015, is executed and delivered by **PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY** (the “Issuer”) and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (the “Trustee”) in connection with the issuance of \$_____ Pennsylvania Infrastructure Investment Authority Revenue Bonds (PENNVEST/Commonwealth Funded Loan Pool Program) Series 2015A (the “Bonds”). The Bonds are limited obligations of the Issuer, issued pursuant to a General Trust Indenture dated as of December 1, 2010 and supplemented by a First Supplemental Indenture dated as of December 1, 2010, as amended and restated by an Amended and Restated General Trust Indenture dated as of June 1, 2015, and as further supplemented by a Second Supplemental Trust Indenture dated June 1, 2015 (as so amended, the “Indenture”), by and between the Issuer and the Trustee. The Bonds are to be payable from payments to be made pursuant to the Indenture and from other funds available thereunder. The Issuer and the Trustee, intending to be legally bound, covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Bondholders and Beneficial Owners and in order to assist the Participating Underwriter in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the Executive Director of the Issuer or the designee of such officer, or such other person as the Issuer shall designate in writing to the Trustee from time to time.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Obligated Person” shall mean each Borrower whose Loan or Loans in the aggregate outstanding principal amount exceeds fifteen percent (15%) of the aggregate outstanding principal amount of the Loans pledged as security for the repayment of the Bonds. For this purpose, the term “Loan” shall include any issue of debt that is Guaranteed Debt and “Borrower” shall include each Guaranteed Obligor.

“Official Statement” shall mean the Issuer’s Official Statement dated [____, 2015] relating to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”).

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Submission Date” shall mean each December 1 after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2015.

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

SECTION 3. Provision of Annual Reports.

(a) Not later than the Submission Date of each year, the Issuer shall deliver copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement to the Repository, with a copy to the Trustee. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If by the Submission Date of any year, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer to determine whether the Issuer is in compliance with its obligation to provide Annual Reports in compliance with subsection (a) above.

(c) If the Trustee is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Trustee shall in a timely manner send a notice to the Repository in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following information concerning the Issuer:

- (a) audited financial statements, prepared in accordance with generally accepted accounting principles;
- (b) a table listing the Pledged Loans, in the same format as the table included as Appendix C to the Official Statement; and

- (c) the actual debt service coverage for the fiscal year then ended, in the same format as the table included in the Official Statement under the heading “ACTUAL AND PROJECTED DEBT SERVICE COVERAGE”.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been filed with the Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The Issuer shall in a timely manner not in excess of ten business days after the occurrence of the event, provide written notice to the Repository of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, 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 or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the Issuer¹;

(13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Issuer shall provide a copy to the Trustee of each filing made pursuant to subsection (a) above.

SECTION 6. Disclosure Obligation of Obligated Persons. The Issuer agrees to include in each Loan Agreement, Reimbursement Agreement, and funding agreement, or otherwise obtain from each Borrower that the Issuer reasonably believes is or may become an Obligated Person, the agreement of such Borrower, for the benefit of the Issuer and the Beneficial Owners that upon written notification from the Issuer that such Borrower is an Obligated Person, and until the Issuer has provided written notification to such Borrower that it is no longer an Obligated Person, such Borrower will provide to the Issuer the following:

(a) Not later than 210 days after the end of each fiscal year of the Obligated Person, a copy of the audited financial statements of the Obligated Person for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, written notice to the Issuer of the occurrence of any of the following events with respect to the Obligated Person's Loan or Guaranteed Debt:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

¹ For the purposes of the event identified in section 5(a)(12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, 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 Issuer.

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, 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 or determinations with respect to the tax status of the Loan or Guaranteed Debt, or other material events affecting the tax status of the Loan or Guaranteed Debt;
- (7) Modifications to rights of the Issuer, if material;
- (8) Loan or Guaranteed Debt calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Loan or Guaranteed Debt, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;²
- (13) The consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the 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

² For the purposes of the event identified in section 5(a)(12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall file with the Repository in a timely manner upon receipt thereof the annual financial statements of the Obligated Person delivered to the Issuer pursuant to subsection (a) above. The Issuer may file with the Repository in a timely manner upon receipt thereof notice of the occurrence of one or more of the events with respect to the Obligated Person delivered to the Issuer pursuant to subsection (b) above whether or not the Issuer considers such notice to be material with respect to the Bonds. The Issuer shall have no liability to any person, including the Holders, the Beneficial Owners and the Obligated Persons, for the filing (or failure to file) or for the contents of any notice received by it or filed by it, including the truth and accuracy thereof, pursuant to this Section 6.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer's obligations with respect to the Bonds are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Issuer and the original Issuer shall have no further responsibility hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Issuer and the Trustee may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, without the consent of the holders or Beneficial Owners of the Bonds, provided that (i) the amendment requires the Issuer to provide more information than is required by this Agreement or (ii) the following conditions are satisfied:

(a) If the amendment relates to the provisions of Section 3, 4, 5 or 6 it may only be made in connection with a change in circumstances that arises from a change in or clarification of legal requirements, change of law, or change in the identity, nature or status of an obligated person (as defined in the Rule) with respect to the Bonds, or the type of business conducted by it;

(b) The undertaking, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment either (i) is approved by the holders of the Bonds in the same manner as provided in the Indenture for modifications of the Indenture with the consent of such holders or (ii) does not, in the opinion of Bond Counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being provided by the Issuer. In addition, if the amendment or

waiver relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, or any information provided to the Issuer by an Obligated Person pursuant to Section 6 hereof, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event or information provided to the Issuer pursuant to Section 6 hereof, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or otherwise.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds and, in each case, the provision of indemnity satisfactory to the Trustee, shall), or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or any Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Participating Underwriter, and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Notices. All reports, notices and disclosures required to be given to the Trustee hereunder shall be in writing and shall be addressed as follows:

The Bank of New York Mellon Trust Company, N.A.
525 William Penn Place, 38th Floor
Pittsburgh, PA 15259
Attention: Public Finance

All notices required to be given to the Issuer hereunder shall be in writing and shall be addressed as follows:

Pennsylvania Infrastructure Investment Authority
Keystone Building
22 South Third Street, 5th Floor
Harrisburg, PA 17101
Attention: Executive Director

Any party may notify the other in writing of any change in address.

SECTION 13. Counterparts. This Disclosure 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.

SECTION 14. Trustee Liability. Under no circumstances shall the Trustee be liable to any person for money damages in connection with the performance of its duties hereunder, including, without limitation, consequential, special and punitive damages. In addition, notwithstanding any provision contained herein to the contrary, the Trustee, including its officers, directors, employees and agents, shall not be required to risk, use or advance its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

SECTION 15. Resignation of the Trustee. The Trustee may resign its duties hereunder upon giving thirty (30) days' written notice to the Issuer. In addition, the Issuer may remove the Trustee from its duties hereunder upon giving the Trustee thirty (30) days' written notice of such removal. In each case, the Issuer shall assume the duties of the Trustee under this Disclosure Agreement until the Issuer shall appoint a national association or bank with trust powers to succeed the duties of the Trustee hereunder.

Any banking association or corporation into which the Trustee may be merged, converted or with which the Trustee may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any banking association or corporation to which all or substantially all of the corporate trust business of the Trustee shall be transferred, shall succeed to all the Trustee's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 16. Governing Law. This Disclosure Agreement shall be construed, interpreted, governed and enforced under the laws of the Commonwealth of Pennsylvania, and, to the extent it applies, the Rule.

Signatures on following page

**PENNSYLVANIA INFRASTRUCTURE
INVESTMENT AUTHORITY**

By _____
Executive Director

**The Bank of New York Mellon Trust Company,
N.A., as Trustee**

By _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pennsylvania Infrastructure Investment Authority

Name of Bond Issue: Pennsylvania Infrastructure Investment Authority Revenue Bonds
(PENNVEST/Commonwealth Funded Loan Pool Program) Series
2015A

Date of Issuance: June 30, 2015

NOTICE IS HEREBY GIVEN that Pennsylvania Infrastructure Investment Authority (the “Issuer”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of June 1, 2015 between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Issuer anticipates that the Annual Report will be filed by [_____].

Dated: _____

**The Bank of New York Mellon Trust Company,
N.A., as Trustee, on behalf of Pennsylvania
Infrastructure Investment Authority**

APPENDIX F
NOTICE OF SALE

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DETAILED OFFICIAL NOTICE OF SALE
\$65,000,000*
Pennsylvania Infrastructure Investment Authority
Revenue Bonds (PENNVEST/Commonwealth Funded Loan Pool Program),
Series 2015A

Electronic bids will be received by the Pennsylvania Infrastructure Investment Authority (the “Authority” or “PENNVEST”), via **PARITY**[®] (“Parity”) in the manner described below, up to 10:00 A.M., Eastern Standard Time, on

Tuesday, June 23, 2015 (the “Bid Date”)

or such other subsequent date (the “Amended Bid Date”) to be announced in an Amended Notice (as hereinafter defined) to be distributed not later than 4:00 P.M. on the last business day prior to the Bid Date, for the purchase of all, but not less than all, of the \$65,000,000* aggregate principal amount of Pennsylvania Infrastructure Investment Authority Revenue Bonds (PENNVEST Loan Pool Program), Series 2015A (the “Bonds”).

The principal amount of the Bonds and consequently each corresponding serial maturity of the Bonds, is subject to adjustment described below under the heading “Adjustment of Principal.”

Bids must be submitted in accordance with this Notice of Sale prior to 10:00 A.M. Eastern Standard Time on the Bid Date. No bid will be accepted after the bid deadline.

Right to Amend

The Authority reserves the right, in its sole discretion, to:

1. change the date or time it will receive and open electronic bids to purchase the Bonds;
2. increase or decrease the total principal amount of the Bonds; and
3. adjust the respective par amounts of the Bonds based on prevailing market conditions at the time of the sale of the Bonds.

Changes to the Bonds being offered, if made prior to the Bid Date, will be contained in an Amended Notice of Sale (the “Amended Notice”) to be transmitted via The Bond Buyer Wire not later than 4:00 P.M. on the last business day prior to the Bid Date. The Amended Notice shall: (i) state the Amended Bid Date and the time by which bids to purchase the Bonds must be received by the Authority; (ii) state the revised principal amounts; (iii) state the proposed closing date; and (iv) supplement and update the information contained in this Notice of Sale the extent deemed necessary by the Authority.

* Preliminary, subject to change.

Security

The 2015 Bonds are issued pursuant to a General Trust Indenture dated as of December 1, 2010 and supplemented by a First Supplemental Indenture dated as of December 1, 2010, as amended and restated by an Amended and Restated General Trust Indenture dated as of June 1, 2015, and as further supplemented by a Second Supplemental Trust Indenture dated June 1, 2015 (collectively, the “Indenture”).

The Bonds will be limited obligations of the Authority secured and payable as described in the Preliminary Official Statement described below, and shall not be general obligations of the Commonwealth of Pennsylvania (the “Commonwealth”) or any political subdivision thereof. Neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The Authority has no taxing power.

Bond Details

The Bonds will be dated the date of issuance and delivery, and will bear such rate or rates of interest, payable semiannually on May 15 and November 15 in each year commencing November 15, 2015 as shall be fixed by the purchaser in its proposal for the purchase of the Bonds. The Bonds shall mature serially on May 15, in the respective years and in the respective amounts as set forth on the following page:

<u>Maturity (May 15)</u>	<u>Principal Amount</u>
2016	\$1,790,000
2017	2,130,000
2018	2,240,000
2019	2,350,000
2020	2,470,000
2021	2,590,000
2022	2,720,000
2023	2,855,000
2024	3,000,000
2025	3,150,000
2026	3,310,000
2027	3,440,000
2028	3,575,000
2029	3,720,000
2030	3,870,000
2031	4,025,000
2032	4,185,000
2033	4,350,000
2034	4,525,000
2035	4,705,000

Delivery of the Bonds is proposed to occur on June 30, 2015 unless another date is set forth in any Amended Notice (the “Closing Date”).

The Bonds will be issued and sold by means of a book-entry only system with no distribution of Bond certificates made to the public. Bond certificates representing the aggregate principal amount of the Bonds maturing in each year will be issued and fully registered as to principal and interest in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), a depository registered with the Securities and Exchange Commission. Individual beneficial ownership of the Bonds will be in principal amounts of \$5,000 or integral multiples thereof within a maturity pursuant to the rules and procedures established between DTC and its participants.

Transfers of beneficial ownership will be affected through records maintained by DTC and its participants pursuant to rules and procedures established by DTC. The responsibility for maintaining, reviewing and supervising such records rests collectively with DTC and its participants. The winning bidder, as a condition to the delivery of the Bonds, shall be required to deposit the Bond certificates in its account at DTC, registered in the name of Cede & Co. Interest on the Bonds will be payable on each semi-annual interest payment date and principal of the Bonds will be paid annually as set forth in the foregoing maturity schedule, in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to the beneficial owners by participants of DTC will be the responsibility of such DTC participants and other nominees of beneficial owners. The Authority will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Optional Redemption

The Bonds maturing on and after May 15, 2026, are subject to redemption at the option of the Authority prior to scheduled maturity on and after May 15, 2025 as a whole or in part (and if in part, within one or more maturities selected by the Authority) at any time and from time to time, and by lot within a maturity in such manner as the Trustee may determine, on at least 30 days (but not more than 60 days) notice, at a redemption price equal to par (100% of stated principal amount) plus accrued interest to the date fixed for redemption.

Term Bonds and Mandatory Sinking Fund Redemptions

Consecutively maturing Bonds bearing the same interest rate may be converted to term Bonds maturing in the final year of such particular consecutive series in the manner described in the Preliminary Official Statement under the caption “DESCRIPTION OF 2015 BONDS – Redemption – Mandatory Sinking Fund Redemption”, subject to all of the terms and conditions set forth in the Indenture. Bidders may specify that all of the principal amount of Bonds in any two or more consecutive years may, in lieu of maturing in each year, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such years and be subject to mandatory sinking fund redemption as described below. Bidders may specify one or more of such term Bonds. In the event that a bidder chooses to specify a Term Bond, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on May 15 of the first year which has been combined to form such Term Bond and continuing on May 15 in each year

thereafter until the stated maturity of such Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the amortization schedule above.

Interest Rate and Bidding Details

Each bidder shall designate a rate of interest per annum to be paid on the Bonds of each maturity subject to the following limitations:

- (i) all Bonds of the same maturity must bear the same rate of interest and no one Bond shall bear more than one rate of interest;
- (ii) no interest rate shall be other than a whole multiple of one-twentieth (1/20) or one-eighth (1/8) of one percent (1%) and a zero rate of interest may not be named; and
- (iii) the Initial Issuing Price (see term defined on the next page) for Bonds of any maturity must be greater than or equal to 98.5% of that maturity's par value.

No bid for the Bonds at a price less than 102% of their par value, exclusive of accrued interest, will be considered. Bids may specify any number of interest rates subject to (i) through (iii) above. No bid will be considered which does not offer to purchase all of the Bonds.

Electronic Bidding Procedure

Solely as an accommodation to bidders, PENNVEST will receive bids delivered electronically through Parity. Further information about Parity, including any fee charged and applicable requirements, may be obtained from:

i-Deal LLC
1359 Broadway
2nd Floor
New York, NY 10018
Phone: (212) 849-5021

All electronic bids must be delivered via Parity. If any provision of this Notice of Sale conflicts with information provided by Parity, this Notice of Sale shall control. Each bidder submitting an electronic bid agrees by doing so that it is solely responsible for all arrangements with (including any charges by) Parity, that the Authority does not endorse or encourage the use of Parity, and that Parity is not acting as an agent of the Authority. Instructions for submitting electronic bids must be obtained from Parity, and the Authority does not assume any responsibility for ensuring or verifying bidder compliance with the procedures of Parity. The Authority shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder. Acceptance of electronic bids shall be subject to the limitations set forth in “**Warnings Regarding Electronic Bids**” below.

Warnings Regarding Electronic Bids

The Authority and Bond Counsel assume no responsibility for any error contained in any bid submitted electronically, or for failure of any bid to be transmitted or received at the official

time for receipt of bids. The Authority assumes no responsibility for informing any bidder prior to the deadline for receiving bids that its bid is incomplete or not received.

The Authority will accept bids in only electronic form and only through Parity on the official bid form created for such purpose by Parity. Each bidder, by submitting an electronic bid, understands and agrees that in doing so it is solely responsible for all arrangements with Parity, that the Authority neither endorses nor explicitly encourages the use of Parity, and that Parity is not acting as agent of the Authority. Instructions and forms for submitting electronic bids must be obtained from Parity, and the Authority assumes no responsibility for ensuring or verifying bidder compliance with the procedures of Parity. The Authority shall assume that any bid received though Parity has been made by a duly authorized agent of the bidder.

Reoffering and Sale of Bonds to Public

Within thirty minutes after notification of award of the Bonds, the successful bidder (the “Purchaser”) shall provide to the Authority the initial offering price to the public (excluding bond houses and brokers or similar persons or organizations acting as wholesalers or underwriters) for each maturity of the Bonds (the “Initial Issuing Prices”) and certain other information to enable the Authority to compute the yield on the Bonds for federal income tax law purposes. The Purchaser will be required to provide a certificate regarding the issue price of the Bonds prior to settlement for the Bonds in form satisfactory to the Authority and Bond Counsel establishing that the Purchaser has made a bona fide public offering of all of the Bonds at the Initial Issuing Prices and that, as of the date of the award of the Bonds, the Purchaser reasonably expected that a substantial amount (at least 10 percent) of each maturity of the Bonds would be sold to the public at the Initial Issuing Prices with any exceptions noted. **(See form of certificate attached).**

Each bidder, by the submission of a bid, agrees that if it is the Purchaser, it will make a bona fide public offering of the Bonds at prices not greater than the Initial Issuing Prices, offer the Bonds only pursuant to the Official Statement and only in jurisdictions where the offer is legal, and deliver a copy of the Official Statement to each person or entity that purchases the Bonds from the Purchaser as required by Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The Purchaser shall abide by all rules of the Municipal Securities Rulemaking Board (“MSRB”) in connection with the issuance and sale of the Bonds, including the delivery to the MSRB’s Electronic Municipal Market Access (“EMMA”) of the Official Statement.

Basis of Awards

Award of the Bonds will be made on or before 2:00 P.M. Eastern Standard Time, on June 23, 2015 or, in the event of the announcement of an Amended Bid Date, the date specified in the Amended Notice. The Bonds will be sold to the bidder making a bid conforming to the terms of the offering which, on the basis of the lowest net effective interest rate for the Bonds, determined in the manner hereinafter stated, is the best bid, subject to the right of the Authority in its sole discretion to reject any and all bids. The net effective interest rate for the Bonds shall be the interest rate determined on a true interest cost (“TIC”) basis by doubling the semi-annual interest rate, compounded semi-annually, necessary to discount the debt service payments to the date of delivery of the Bonds, proposed to occur on June 30, 2015, unless otherwise announced in an

Amended Notice, to the price bid, including interest accrued to the date of delivery, if any. In the event of more than one bid specifying such lowest rate, the Bonds will be awarded to the bidder whose bid is time-stamped the earliest in Parity from among all such lowest rate bids.

The Authority reserves the right in its sole discretion to waive any minor errors or irregularities in form or content of any bid. No sealed, telephone, facsimile, telegraph or personal delivery bids will be accepted. All bids must be submitted electronically through the PARITY web site.

Adjustment of Principal

After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the Authority's Financial Advisor in \$5,000 increments to reflect the actual interest rates and any premium/discount in the winning bid and to create a more desirable debt service structure for the Bonds and PENNVEST's outstanding bonds.

Such adjustments shall be made at the sole discretion of the Authority. Any adjustments pursuant to this paragraph will not reduce or increase the aggregate principal amount of the Bonds to be issued by more than 15%. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any reduction or increase in the aggregate principal amount and principal amortization schedule of the Bonds finally determined to be issued. Any such adjustment will be communicated to the winning bidder within 24 hours after the opening of the bids.

Good Faith Deposit

The Purchaser is required to submit a good faith deposit in an amount equal to Six Hundred Fifty Thousand Dollars (\$650,000) (the "Good Faith Deposit") to the Authority in the form of a wire transfer of immediately available funds, which must be received no later than 11:00 A.M. Eastern Standard Time on the next business day following the verbal award of the Bonds. If the Good Faith Deposit is not received by such time, the Authority, at its sole discretion, may revoke its acceptance of the Purchaser's proposal. No interest on the Good Faith Deposit will accrue to the Purchaser. The Good Faith Deposit will be applied to the purchase price of the Bonds at closing. In the event the Purchaser fails to honor the accepted proposal, the Good Faith Deposit will be retained by the Authority.

Official Statement and Continuing Disclosure - SEC Rule 15c2-12

The Preliminary Official Statement dated June 16, 2015, issued with respect to the Bonds (the "Preliminary Official Statement"), has been deemed final by the Authority as of its date for purposes of the Rule, except for the omission of information as permitted by the Rule, but is subject to revision, amendment, and completion in the final Official Statement (hereinafter the "Official Statement") to be prepared with respect to the Bonds. A reasonable number of copies (not to exceed 100) of the Official Statement, to be dated as of a date prior to settlement, will be furnished to the Purchaser within seven business days after the sale date. Copies of the Official Statement in excess of 100 will be furnished at the request of the Purchaser at its own expense.

The Purchaser will be required to provide pricing information necessary for the Authority to complete the Official Statement.

In order to assist bidders in complying with the Rule, the Authority will execute a written Continuing Disclosure Agreement to provide or cause to be provided, in accordance with the Rule, certain annual financial information and timely notices of the occurrence of certain events with respect to the Bonds. The form of Continuing Disclosure Agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

CUSIP Numbers

CUSIP numbers will be obtained by the Purchaser and the CUSIP numbers will be printed on the Bonds, provided, however, that incorrect numbers shall not constitute grounds for a Purchaser of the Bonds to refuse delivery thereof.

Delivery of Bonds

Bond certificates will be delivered through The Bank of New York Mellon Trust Company, N.A. to DTC using DTC's Fast Automated Security Transfer (FAST) System. Payment for the Bonds must be made by wire in immediately available funds for credit at The Bank of New York Mellon Trust Company, N.A., as Trustee, in Pittsburgh, Pennsylvania, at 10:00 A.M., Eastern Standard Time, on the Closing Date, or at such other place and time as may be agreed upon with the successful bidder.

The Purchaser shall have the right, at its option, to cancel its obligation to purchase the Bonds if the Authority shall fail to tender the Bonds for delivery within 60 days from the date herein fixed for the receipt of the bids, and in such event, the Purchaser shall be entitled only to the return of its Good Faith Deposit, without interest, and shall have no right of action against the Authority.

Legal Opinions

The legality of the Bonds will be passed upon by Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel, in an opinion substantially in the form as set forth in an appendix to the Preliminary Official Statement. Certain legal matters will be passed upon for the Authority by its chief counsel, Jayne B. Blake, Esquire, Harrisburg, Pennsylvania.

Copies of Documents

Additional information and copies of the Preliminary Official Statement may be obtained from the Trustee, The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania (Telephone 412-234-7992).

Minority Participation

The Authority strongly encourages that minority-owned or minority-controlled firms have an opportunity to participate to a significant degree in any Bond sale activities.

Questions

Any questions should be directed to:

Jonathan Biango
Assistant Vice President
Lamont Financial Services Corporation
30 Two Bridges Road, Suite 205
Fairfield, NJ 07004
973.200.8653 (office)
862.210.8023 (facsimile)
jbiango@lamontfin.com

FORM OF CERTIFICATE OF PURCHASER

\$65,000,000*

**Pennsylvania Infrastructure Investment Authority Revenue Bonds
(PENNVEST/Commonwealth Funded Loan Pool Program)
Series 2015A**

CERTIFICATE OF PURCHASER

This Certificate of Purchaser is made as of _____ by _____ on behalf of itself (the Purchaser) in connection with the issuance by the Pennsylvania Infrastructure Investment Authority (the Authority) of its \$65,000,000* Revenue Bonds (PENNVEST/Commonwealth Funded Loan Pool Program) Series 2015A (the "Bonds"). The undersigned hereby certifies that:

The undersigned is an officer of the Purchaser authorized to execute this Certificate on its behalf.

The Bonds have been purchased by us on _____ (the "Sale Date") in response to a solicitation by the Authority for competitive bids for purchase of the Bonds (the "Notice of Sale"). The Purchaser reasonably expected on the Sale Date to make, and has in fact made, a bona fide offer of the Bonds to the general public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices not greater than the prices shown on the cover of the Official Statement relating to the Bonds dated _____ (the "Official Statement"), at which prices at least 10% of each maturity of the Bonds was sold.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Purchaser as of the date written above.

By: _____
Name:
Title:

Dated:

* Preliminary, subject to change.

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