

MAINE STATE LEGISLATURE

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NEW ISSUE

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Maine Municipal Bond Bank, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2014A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2014A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Maine Municipal Bond Bank, under existing statutes, interest on the Series 2014A Bonds is exempt from the State of Maine income tax imposed on individuals. See "Tax Matters" herein.

\$44,810,000
MAINE MUNICIPAL BOND BANK
Grant Anticipation Bonds
(Maine Department of Transportation)
Series 2014A

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

The Maine Municipal Bond Bank Grant Anticipation Bonds (Maine Department of Transportation), Series 2014A (the "Series 2014A Bonds") are being issued by the Maine Municipal Bond Bank (the "Bank") pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the "Bond Bank Act"), Chapter 19, Subchapter 3-A of Title 23 of the Maine Revised Statutes, as amended (the "Program Act") and Public Laws of Maine 2013, Chapter 354, Part N (the "2013 Authorizing Act") and the Bank's Grant Anticipation General Bond Resolution adopted December 10, 2004 (the "Resolution") and its Grant Anticipation Bond Series 2014A Bonds Series Resolution adopted November 14, 2014 (the "2014 Series Resolution" and, together with the Resolution, the "Resolutions").

The Series 2014A Bonds will be issued only as fully registered bonds under a book-entry-only system. The Series 2014A Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2014A Bonds. Purchases of beneficial interests in the Series 2014A Bonds will be made in book-entry-only form in denominations of \$5,000 or whole multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Series 2014A Bonds purchased by them.

Interest on the Series 2014A Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2015. So long as the Series 2014A Bonds are registered in the name of DTC, or its nominee, payments of the principal of and interest on the Series 2014A Bonds will be made directly by U.S. Bank National Association, as trustee pursuant to the Resolutions (the "Trustee"), to DTC, which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the Series 2014A Bonds, as described herein. The Series 2014A Bonds are being issued by the Bank to finance a portion of the costs of the Series 2014 Projects (as defined herein) incurred by the Maine Department of Transportation ("MaineDOT") and to pay the costs of issuance of the Series 2014A Bonds. The maturities, interest rates and prices or yields of the Series 2014A Bonds are shown on the inside cover hereof. The Series 2014A Bonds are subject to redemption prior to their respective maturity dates as described herein.

The Series 2014A Bonds are special, limited obligations of the Bank. The Series 2014A Bonds, together with the Series 2010AB Bonds, the Series 2008A Bonds and the Series 2004A Bonds (as defined herein) and any additional grant anticipation bonds (the "Additional Bonds") that are subsequently issued on a parity therewith (collectively, the "Bonds") are payable from, and secured solely by a pledge of, (i) the Trust Estate (as defined herein), which consists primarily of Federal Transportation Funds (as defined herein) relating to qualified transportation projects, including the Series 2014 Projects, that are paid to the Bank or the Trustee in accordance with the Federal Aid Agreements (as defined herein), the Payment Agreement (as defined herein) and the Program Acts (as defined herein), including the Program Act, and (ii) amounts on deposit in the Bond Payment Fund and the Construction Fund created under the Resolution and held by the Trustee. MaineDOT will be required, pursuant to the Payment Agreement and subject to allocation by the State, to direct the transfer of Federal Transportation Funds received from the Federal Highway Administration under a certain Federal Aid Agreement to the Bank for deposit in the Bond Payment Fund created under the Resolution and held by the Trustee.

THE SERIES 2014A BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL, LIMITED OBLIGATION OF THE BANK) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF IS PLEDGED TO THE PAYMENT OF ANY AMOUNT DUE PURSUANT TO THE SERIES 2014A BONDS. THE BANK HAS NO TAXING POWER. THE OBLIGATION OF THE STATE TO MAKE PAYMENTS TO THE BANK FOR DEPOSIT IN THE BOND PAYMENT FUND IS SUBJECT TO ALLOCATION BY THE STATE.

The Series 2014A Bonds are offered when, as and if issued and accepted by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank. Certain legal matters will be passed upon for the Underwriters by their counsel, Preti Flaherty Beliveau & Pachios, LLP, Augusta, Maine. It is expected that the Series 2014A Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York on or about December 3, 2014.

BOFA MERRILL LYNCH

WELLS FARGO SECURITIES

Dated: November 14, 2014

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

\$44,810,000
MAINE MUNICIPAL BOND BANK
Grant Anticipation Bonds
(Maine Department of Transportation)
Series 2014A

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number[†]</u> <u>56045R</u>
2015	\$2,220,000	2.00%	0.28%	PR4
2016	3,025,000	4.00	0.51	PS2
2017	3,145,000	5.00	0.85	PT0
2018	3,305,000	5.00	1.21	PU7
2019	3,470,000	5.00	1.58	PV5
2020	3,640,000	5.00	1.99	PW3
2021	3,825,000	5.00	2.31	PX1
2022	4,015,000	5.00	2.56	PY9
2023	4,215,000	5.00	2.74	PZ6
2024	4,425,000	5.00	2.89	QA0
2025	4,645,000	5.00	3.02*	QB8
2026	4,880,000	3.00	3.23	QC6

[†] CUSIP numbers have been assigned by an independent company not affiliated with the Bank and are included solely for the convenience of the holders of the Series 2014A Bonds. Neither the State nor the Bank is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2014A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2014A Bonds.

* Priced at the stated yield to the September 1, 2024 optional redemption date at a redemption price of 100%.

The information set forth herein has been obtained from the Bank and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the Bank nor is it to be construed as a representation by the Bank. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank, the Federal Highway Administration or MaineDOT since the date hereof, except as expressly set forth herein. No dealer, broker, salesperson or other person has been authorized by the Bank, MaineDOT or the Underwriters to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Bank, MaineDOT or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2014A Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. All quotations from and summaries and explanations of provisions of laws, resolutions, the Series 2014A Bonds and other documents herein do not purport to be complete; reference is made to said laws, resolutions, the Series 2014A Bonds and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the principal office of the Bank. In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series 2014A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2014A Bonds to certain dealers (including dealers depositing the Series 2014A Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower or yields higher than the public offering prices or yields stated on the inside cover page hereof and said offering prices or yields may be changed from time to time by the Underwriters.

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TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE PROJECTS	1
PLAN OF FINANCE	2
THE SERIES 2014A BONDS	3
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	5
INFORMATION CONCERNING THE FUNDING OF FEDERAL AID HIGHWAYS	11
FEDERAL AID REVENUES	25
ANNUAL DEBT SERVICE REQUIREMENTS	27
OVERVIEW OF THE STATE BUDGET PROCESS	27
MAINE DEPARTMENT OF TRANSPORTATION	29
INVESTMENT CONSIDERATIONS	29
THE MAINE MUNICIPAL BOND BANK	31
OUTSTANDING BONDS	33
SECONDARY MARKET DISCLOSURE	33
SERIES 2014A BONDS AS LEGAL INVESTMENTS	35
SECURITY FOR PUBLIC DEPOSITS	35
TAX MATTERS	35
RATINGS	39
UNDERWRITING	39
LITIGATION	40
APPROVAL OF LEGALITY	41
FORWARD-LOOKING STATEMENTS	41
MISCELLANEOUS	41
APPENDIX A THE DEPOSITORY TRUST COMPANY	A-1
APPENDIX B SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION	B-1
APPENDIX C PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT	C-1
APPENDIX D PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL	D-1

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\$44,810,000
MAINE MUNICIPAL BOND BANK
Grant Anticipation Bonds
(Maine Department of Transportation)
Series 2014A

INTRODUCTION

This Official Statement is provided for the purpose of setting forth information concerning the sale by the Maine Municipal Bond Bank (the “Bank”) of its \$44,810,000 Grant Anticipation Bonds (Maine Department of Transportation), Series 2014A (the “Series 2014A Bonds”). The Series 2014A Bonds are issued pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the “Bond Bank Act”), Chapter 19, Subchapter 3-A of Title 23 of the Maine Revised Statutes, as amended (the “Program Act”) and Public Laws of Maine 2013, Chapter 354, Part N (the “2013 Authorizing Act” and, together with the Bond Bank Act and the Program Act, the “Act”).

The Series 2014A Bonds are to be issued under and are to be secured by the Bank’s Grant Anticipation General Bond Resolution adopted December 10, 2004 (the “Resolution”) and its Grant Anticipation Bond Series 2014A Bonds Series Resolution adopted November 14, 2014 (the “2014 Series Resolution”). The Resolution and the 2014 Series Resolution are sometimes collectively referred to herein as the “Resolutions.” The Series 2014A Bonds are the fourth issue of Bonds pursuant to the Resolution and are of a type commonly referred to as “GARVEE bonds.” See “Plan of Finance – The Program Act” herein. The Bank has previously issued \$148,395,000 of its Bonds pursuant to the Resolution (the “Prior GARVEE Bonds”), \$69,430,000 of which are outstanding as of the date hereof. See “Outstanding Bonds” herein. The Series 2014A Bonds, the Prior GARVEE Bonds and any additional bonds issued pursuant to the Resolution (the “Additional Bonds” and, collectively with the Prior GARVEE Bonds and the Series 2014A Bonds, the “Bonds”) constitute special, limited obligations of the Bank payable solely from Federal Transportation Funds, subject to allocation by the State, that are received by the Bank or the Trustee and certain funds and accounts held under the Resolutions. The pledge of the security for the Series 2014A Bonds is on a parity with the security pledged for the Prior GARVEE Bonds and as may be pledged for any Additional Bonds. Any capitalized term used in this Official Statement but not defined herein shall have the meaning ascribed to such term in the Resolutions.

The Series 2014A Bonds are being issued to pay (i) a portion of the costs of the Series 2014 Projects (hereafter defined) and (ii) costs of issuance of the Series 2014A Bonds.

THE PROJECTS

The Series 2014 Projects

The proceeds of the Series 2014A Bonds will be expended to pay (a) a portion of the costs of the replacement of (i) the Sarah Mildred Long Bridge which carries U.S. Route 1 over the Piscataqua River between Portsmouth, New Hampshire and Kittery, Maine and (ii) the Penobscot River Bridge which carries State Routes 6, 116 and 155 over the Penobscot River between Howland and Enfield, Maine (collectively, the “Series 2014 Projects”) (subject to the next following paragraph) and (b) costs of issuance of the Series 2014A Bonds.

Proceeds of the Series 2014A Bonds shall only be expended for projects (i) as shall constitute a “qualified transportation project” within the meaning of the Program Act, and (ii) as shall qualify for Federal Aid Authorization from Federal Transportation Funds provided by the United States Department

of Transportation, Federal Highway Administration (the “FHWA”) pursuant to a Federal Aid Agreement. The Series 2014 Projects may be substituted by the State of Maine Department of Transportation (“MaineDOT”) (upon approval of the Bank) with another project for so long as such substitute project (y) shall satisfy the requirements of the preceding sentence, and (z) shall, in the opinion of Bond Counsel delivered to the Bank and the Trustee, not cause the interest on the Series 2014A Bonds to cease to be excluded from gross income for federal income tax purposes.

The Series 2010AB Project

The proceeds of the Prior GARVEE Bonds delivered December 2, 2010 (the “Series 2010AB Bonds”) were expended to pay (a) a portion of the costs of the construction of a segmental precast/pre-stressed concrete bridge which crosses the Fore River between the City of South Portland and the City of Portland in Cumberland County, Maine and (b) costs of issuance of the Series 2010AB Bonds.

The Series 2008A Project

The proceeds of the Prior GARVEE Bonds delivered September 10, 2008 (the “Series 2008A Bonds”) were expended to pay (a) a portion of the costs of the following fifteen projects and (b) costs of issuance of the Series 2008A Bonds. The fifteen projects were made up of three highway reconstruction projects and twelve (12) bridge projects. The highway reconstruction projects included 18.3 miles from Gardiner to Brunswick on I-295, 1.85 miles in Dixfield on Route 2/17 and 0.95 miles in Guilford, Route 6/15/16. The bridge projects included the two bridges in Etna carrying I-95 over Route 69/143, two bridges in Milbridge over the Narraguagus River, the two North Turner Bridges over the Androscoggin River in Leeds and Turner, the Essex Street bridge in Bangor over I-95, the Falmouth Road bridge over the Piscataqua River in Falmouth, the Old Town bridge over Pushaw Stream, the Hammond Street bridge in Bangor over I-95, the Route 159 bridge over Fish Stream in Crystal and the Bailey Island Bridge over Wills Strait in Harpswell.

The Series 2004A Project

The proceeds of the Prior GARVEE Bonds delivered December 16, 2004 (the “Series 2004A Bonds”) were expended to pay (a) a portion of the costs of (i) construction of a new cable-stayed, concrete bridge which crosses the Penobscot River from the Town of Prospect in Waldo County, Maine to the Town of Verona in Hancock County, Maine and (ii) necessary and related improvements and (b) costs of issuance of the Series 2004A Bonds. The new bridge opened to traffic in December, 2006.

PLAN OF FINANCE

The Program Act

The Series 2014A Bonds are being issued as part of a statutory plan of finance specifically authorized by the Program Act and the 2013 Authorizing Act and designed to accelerate the funding and construction of qualified transportation projects including the Series 2014 Projects. The Series 2014 Projects are major, high priority federal-aid transportation projects of State and regional transportation, economic development and public safety significance.

The Program Act authorizes the Bank to issue the Series 2014A Bonds to accelerate the funding of the federal share of qualified transportation projects and qualified transportation project costs constituting the Series 2014 Projects, through issuance of the Series 2014A Bonds the repayment of which is to be secured by future receipt by MaineDOT of Federal Transportation Funds.

The Program Act authorizes the Bank to issue from time to time “GARVEE bonds” (defined as a grant anticipation revenue vehicle debt financing instrument repaid with federal highway funds as authorized by Title 23 of the United States Code, Section 122) to finance “qualified transportation project costs” of “qualified transportation projects,” subject to statutory limits in amounts that may be modified from time to time. Under the Program Act, a “qualified transportation project” must, among other matters, have a useful life of 20 years or more and meet the eligibility requirements of the FHWA. Pursuant to the Program Act, GARVEE bonds must be secured pursuant to a pledge and certificate issued by MaineDOT, which pledges the receipt of future Federal Transportation Funds to secure the payment of GARVEE bonds, and approved by the Maine State Budget Officer.

Sources and Uses of Proceeds of the Series 2014A Bonds

The sources and uses of the proceeds of the Series 2014A Bonds are estimated to be as follows:

Sources of Funds

Par Amount	\$44,810,000.00
Net Original Issue Premium	<u>5,662,897.40</u>
Total Sources of Funds	\$50,472,897.40

Uses of Funds

Deposit to Series 2014A Account of Construction Fund	\$50,000,000.00
Cost of Issuance ⁽¹⁾	283,354.61
Underwriter’s Discount	<u>189,542.79</u>
Total Uses of Funds	\$50,472,897.40

⁽¹⁾ Costs of Issuance include fees for rating agencies, legal counsel and other expenses associated with the issuance of the Series 2014A Bonds.

The balance of the costs of the Series 2014 Projects not paid from proceeds of the Series 2014A Bonds will be paid with either State or Federal Funds.

Future Issuance

Pursuant to the Act, the Bank may issue Additional Bonds, at the request of MaineDOT, for additional qualified transportation projects and qualified transportation project costs, as defined in the Act. Additional Bonds are permitted to be issued pursuant to the Resolution to finance such projects. Under the Program Act and the 2013 Authorizing Act, current authority to issue GARVEE bonds is limited to \$50 million (in addition to what has been previously authorized and issued) without further legislative action. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds” and “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Issuance of Bonds.”

THE SERIES 2014A BONDS

General Description

The Series 2014A Bonds will be issued in the respective principal amounts and with related maturity dates and interest rates shown on the inside cover page of this Official Statement. The Series

2014A Bonds will be dated the date of their delivery and will bear interest from such date, payable on March 1 and September 1 of each year, commencing March 1, 2015. Interest will be calculated based on a year of 360 days and twelve 30-day months.

As described in “APPENDIX A – THE DEPOSITORY TRUST COMPANY,” the Series 2014A Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2014A Bonds, all payments on the Series 2014A Bonds will be made directly to DTC.

The principal of the Series 2014A Bonds will be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee. U.S. Bank National Association will initially serve as trustee, paying agent and registrar for the Series 2014A Bonds. Payment of the interest on any Series 2014A Bonds will be made to the person whose name appears on the registration books of the Trustee as the registered owner thereof (the “Owner”) as of the fifteenth day of the month preceding the month in which an Interest Payment Date occurs (the “Record Date”). Interest will be paid by check or draft mailed to the Owner at the address shown on the registration books of the Trustee. As long as the DTC book-entry system is in effect, Cede & Co. is the Owner and will receive all Bond Payments.

Any interest on the Series 2014A Bonds not punctually paid or duly provided for shall cease to be payable to the Owner on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which will be given to the Owners not less than ten days prior to the Special Record Date.

Redemption

Optional Redemption. The Series 2014A Bonds maturing after September 1, 2024 shall be subject to redemption on and after September 1, 2024, at the option of the Bank, in whole or in part on any date, in such order of maturity and related interest rate as the Bank shall determine and by lot within a maturity and related interest rate, upon not less than thirty (30) days nor more than sixty (60) days’ notice, at the Redemption Price of one hundred percent (100%) of the principal amount of the Series 2014A Bonds or portion thereof to be redeemed, plus interest accrued thereon to the redemption date.

Effect of Call for Redemption. On the date designated for redemption by notice, the Series 2014A Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2014A Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Trustee, interest on such Series 2014A Bonds so called for redemption shall cease to accrue, such Series 2014A Bonds shall cease to be entitled to any benefit or security under the Resolution except the right to receive payment from moneys held for that purpose by the Trustee and the amount of such Series 2014A Bonds so called for redemption shall be deemed paid and no longer Outstanding. A call for redemption may also be conditional as described in “Notice of Redemption” below. Upon an optional or extraordinary optional redemption described above, the Bank shall determine the maturities to be redeemed. If less than all Series 2014A Bonds maturing on the same date and bearing interest at the same rate are called for redemption, then the manner of selecting such Series 2014A Bonds for redemption shall be determined by DTC.

Notice of Redemption. During the period that DTC or Cede & Co. is the registered owner of the Series 2014A Bonds, the Trustee shall not be responsible for mailing notices of redemption to the

Beneficial Owners of the Series 2014A Bonds. See “APPENDIX A — THE DEPOSITORY TRUST COMPANY.”

Any notice of redemption shall be sent by the Trustee not less than thirty (30) days prior to the date set for redemption by registered or certified mail to the registered owner of each such Series 2014A Bonds to be redeemed in whole or in part at its address as it appears on the registration books of the Trustee. Failure to give any notice with respect to any particular Series 2014A Bond, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Series 2014A Bond with respect to which no such failure or defect has occurred.

If at the time of mailing of notice of any redemption of the Series 2014A Bonds at the option of the Bank there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2014A Bonds called for redemption, which moneys are or will be available for redemption of the Series 2014A Bonds, such notice may state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Partial Redemption of the Series 2014A Bonds. In the event of a partial redemption of any maturity of the Series 2014A Bonds, the identity of the beneficial owners whose beneficial interests in the Series 2014A Bonds will be redeemed and the amount of any such redemption will be determined by DTC and its participants by lot in such manner as DTC and its participants deem appropriate.

Partial Redemption of Series 2014A Bonds When Not in Book-Entry-Only Form. If the Series 2014A Bonds are no longer registered in book-entry only form, any redemption of less than all of the Series 2014A Bonds of any maturity will be allocated among the registered owners of such Series 2014A Bonds as nearly as practicable in proportion to the principal amounts of the Series 2014A Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to such Series 2014A Bonds. The amount of each owner’s interest to be redeemed will be calculated based on the formula: (principal amount of applicable maturity to be redeemed) x (principal amount of applicable maturity owned by owner) / (principal amount of applicable maturity outstanding).

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Act authorizes the Bank to issue bonds in anticipation of the receipt of grants from the United States Department of Transportation, Federal Highway Administration pursuant to the Federal Aid-Highway Program established under Chapter 1 of Title 23 of the United States Code (“Title 23”) or any successor thereto. The Series 2014A Bonds are the fourth issue of Bonds pursuant to the Resolution. The Bank has previously issued the Prior GARVEE Bonds in the aggregate principal amount of \$148,395,000, \$69,430,000 of which are outstanding as of the date hereof. See “Outstanding Bonds” herein. The pledge of the security for the Series 2014A Bonds is on parity with the security pledged for the Prior GARVEE Bonds and as may be pledged for any Additional Bonds.

Creation of Trust Estate

The Resolution constitutes a contract among the Bank, the Trustee and the Owners from time to time of the Bonds, and the pledge, covenants and agreements of the Bank set forth in the Resolution are for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of time or times of their issuance or maturity, shall be of equal rank without preference,

priority or distinction of any of the Bonds over any other Bond, except as expressly provided in or permitted by the Resolution. The Bank, in order to secure the payment of the Bond Payments on all Bonds at any time Outstanding under the Resolution and to secure the performance and observance of all the covenants and conditions set forth in the Bonds and the Resolutions, has pledged to the Trustee pursuant to the Resolution the following described property:

(a) all Federal Transportation Funds which (i) are paid to the Bank or the Trustee and available in accordance with Title 23, a Federal Aid Agreement, the Act or any Additional Program Act and (ii) have been allocated by the State for payment of the Bond Payments as a permitted use, together with the right of the Bank to receive such funds;

(b) all money from time to time held by the Trustee under the Resolution or any Series Resolution in any fund or account other than (i) the Rebate Fund, (ii) the Earnings Account of the Construction Fund, (iii) the General Fund, (iv) any Defeasance Escrow Account and (v) any fund or account created by a Series Resolution that is expressly excluded from the Trust Estate;

(c) all right, title and interest of the Bank to the MaineDOT Pledge Agreement and the funds pledged thereunder; provided that the Bank reserves for itself the right to independently enforce the covenants made by MaineDOT thereunder, and the Trustee's rights to enforce the covenants are limited as set forth in the Resolution; and

(d) any and all other property, revenues or funds that do not constitute revenues or funds from time to time by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security under the Resolution, by the Bank, the State or anyone else, in favor of the Trustee.

Nature of Obligations and Authority

In order to secure the payment of the Bond Payments on all Bonds at any time Outstanding under the Resolution, to secure the performance and observance of all the covenants and conditions set forth in the Bonds, the Resolution and any Series Resolution, and payment of costs of issuance related to the Bonds, MaineDOT pledges to the Bank, pursuant to the Pledge Agreement, all present and future Federal Transportation Funds, subject to their receipt and allocation by the State for funding projects administered by MaineDOT. The Bonds are special, limited obligations of the Bank and are payable from the sources specified in the Resolution. The Bonds and the Bond Payments are not general obligations of the Bank and are not secured by an obligation or pledge of any money raised by the Bank through taxation. The Bonds will not be payable out of any moneys of the Bank other than the Trust Estate. The Bonds are not obligations, general, special or otherwise, of the State, do not constitute a debt of the State, are not enforceable against the State, nor shall payment thereof be enforceable out of any moneys of the State.

THE BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL, LIMITED OBLIGATION OF THE BANK) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON. THE BANK HAS NO TAXING POWER. THE OBLIGATION OF THE STATE TO MAKE PAYMENTS TO THE BANK FOR DEPOSIT IN THE BOND PAYMENT FUND IS SUBJECT TO ALLOCATION BY THE STATE.

The Act authorizes the Bank to issue one or more series of bonds to finance qualified transportation projects and qualified transportation project costs, including the Series 2014 Projects, after MaineDOT has entered into certain Federal Aid Agreements with the FHWA to reimburse MaineDOT for

the federally-eligible costs of such projects. MaineDOT has entered into Federal Aid Agreements relating to the Series 2014 Projects. Pursuant to the Act, the Bank will issue the Series 2014A Bonds in anticipation of the receipt by MaineDOT of the federal aid revenues received by or on behalf of, or available to, MaineDOT pursuant to Title 23, any extension of Title 23 or any successor to Title 23 that are legally available from FHWA for Bond Payments and the payment of Construction Costs (as defined in the Resolution) under the Federal Aid Agreements (the "Federal Transportation Funds"). Such Federal Transportation Funds are initially credited by the State to its Highway and Bridge Capital Account 01317A040695 within its Federal Fund (the "Highway and Bridge Account").

Payment of the Federal Transportation Funds from the Highway and Bridge Account to the Bank for deposit in the Bond Payment Fund is subject to the process described in the Payment Agreement, including allocation by the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Payment Agreement." The term "allocation" refers to legislative action taken by the State Legislature in connection with the State's biennial budget to authorize the expenditure of federal grant funds. The term "allocation" is similar to the term "appropriation," which is used to authorize expenditures from the State's general fund. The 2008 Program Act expressly authorizes MaineDOT and all other agencies or departments of the State working in conjunction with MaineDOT to enter into agreements, including pledge agreements, with any person for the joint financing, construction, operation or maintenance of the Series 2014 Projects and to agree to make payments of the Federal Transportation Funds to defray the costs of the financing, construction, operation or maintenance of the Series 2014 Projects. The State is not, however, legally bound to make an allocation of the Federal Transportation Funds for the Bond Payments and the Act does not restrict the right of the State to repeal or to modify the Act (or to provide for a use or allocation of Federal Transportation Funds other than for Bond Payments). The Bank can give no assurance that the State will allocate the Federal Transportation Funds for Bond Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Deposits of Federal Transportation Funds as Pledged Funds."

Deposits of Federal Transportation Funds as Pledged Funds

MaineDOT has entered into certain Federal Aid Agreements with FHWA, including an Amended and Restated Memorandum of Agreement. Under the provisions of the Federal Aid Agreements, the FHWA has agreed to make payments of Federal Transportation Funds in amounts equal to the Bond Payments, when due, on the Prior GARVEE Bonds and on the Series 2014A Bonds. An Owner of a Series 2014A Bond may not compel the payment of Federal Transportation Funds to MaineDOT. Title 23 provides that such Federal Aid Agreements (1) do not create any right in any party (other than MaineDOT) against FHWA and (2) do not constitute a commitment, guarantee or obligation on the part of the United States to provide for the payment of Bond Payments on the Prior GARVEE Bonds or the Series 2014A Bonds. Payments by FHWA are conditioned on enactment of a federal appropriation to spend such funds.

For a discussion of the authorization of Federal Transportation Funds, see "INFORMATION CONCERNING THE FUNDING OF FEDERAL AID HIGHWAYS."

The Payment Agreement

The State Department of Administrative and Financial Services, Office of the State Controller ("OSC"), the MaineDOT and the Bank entered into the Payment Agreement, dated as of December 1, 2004, pursuant to which in each State Biennium in which any Bonds remain Outstanding under the Resolution, beginning with the State Biennium commencing July 1, 2005, among other matters, MaineDOT, in a timely fashion, agrees to submit to the Bureau of the Budget for recommendation to the Governor for inclusion in the Governor's Biennial Budget the gross amount of the Federal Transportation

Funds anticipated to be received by the State for the benefit of MaineDOT in each State Fiscal Year during such State Biennium. Such submission is required to be amended, from time to time, as may be required to make adjustments for changes in the amount of Federal Transportation Funds that the State is entitled to receive (pursuant to federal authorizations and appropriations) for the benefit of MaineDOT in any State Fiscal Year.

MaineDOT agrees in the Payment Agreement to submit a voucher to OSC, no later than fifteen (15) days prior to each Bond Payment Date, requesting the payment of an amount equal to the Bond Payment due on such Bond Payment Date, and OSC agrees to pay, from the Highway and Bridge Account, the amount set forth in the voucher on the fourth business day preceding the Bond Payment Date. The Payment Agreement may be amended with the consent of the parties thereto and in accordance with the Resolution.

MaineDOT Pledge Agreement

In the MaineDOT Pledge Agreement, MaineDOT pledges to the Bank its rights to all present and future Federal Transportation Funds, subject to their receipt and allocation by the State for funding projects administered by MaineDOT. In addition, MaineDOT represents, covenants and warrants in the MaineDOT Pledge Agreement as follows:

(a) MaineDOT will comply with its obligations under the Federal Aid Agreements, and will take all other actions required to maintain the Federal Aid Agreements in full force and effect.

(b) MaineDOT will take all action necessary to ensure that (i) each Construction Project at all times qualifies as a Qualified Federal Transportation Project; (ii) each Construction Project that may be financed, in whole or in part, with Federal Transportation Funds paid pursuant to Title 23, at all times qualifies as a project with respect to which MaineDOT is entitled to reimbursement of previously expended funds under 23 U.S.C. § 115, as amended, and the regulations promulgated thereunder; and (iii) Federal Aid Agreements are maintained in full force and effect pursuant to which FHWA has agreed to make payments of Federal Transportation Funds in an amount at least equal to the Bond Payments due on each Bond Payment Date. Such action shall include, but shall not be limited to (A) entering into any modification of a Federal Aid Agreement required to assure that Federal Transportation Funds payable thereunder are payable with respect to any Refunding Bonds; and (B) the repayment to FHWA, from moneys other than moneys included in the Trust Estate, of any Federal Transportation Funds paid pursuant to a Federal Aid Agreement during any period in which the Construction Project did not qualify under clause (i) or (ii) above.

(c) So long as Bonds are Outstanding, the pledge by MaineDOT of the Federal Transportation Funds for the payment of Bond Payments and Program Costs shall be irrevocable until all Bond Payments and Program Costs have been paid in full.

(d) MaineDOT covenants that the portion of the Federal Transportation Funds necessary to pay the Bond Payments and Program Costs, as and when due, shall neither be budgeted nor expended to pay current or anticipated operational or other expenses of MaineDOT (other than Bond Payments and Program Costs).

(e) MaineDOT will annually apply for and reasonably cooperate with FHWA in order to receive the greatest amount of Federal Transportation Funds reasonably available to MaineDOT, including amounts sufficient for payment of the Bond Payments and Program Costs.

(f) MaineDOT's obligations to make payment of Federal Transportation Funds, subject to allocation by the State, to the Bank (or to the Trustee, as assignee) for the payment of Bond Payments is unconditional and MaineDOT is not entitled to offset any such payment as a result of the failure to perform by any contractor of any of its obligations relating to the Construction Projects or for any other reason.

(g) As soon as practicable in each Federal Fiscal Year while Bonds are Outstanding, MaineDOT will request FHWA to provide Obligation Authority sufficient to pay the Bond Payments and Program Costs coming due in the current Federal Fiscal Year prior to obligating Federal Transportation Funds for any other purpose coming due in that Federal Fiscal Year. In each Federal Fiscal Year, MaineDOT will obligate (to the extent not previously obligated) and draw Federal Transportation Funds, subject to allocation by the State, to make Bond Payments coming due in that Fiscal Year. MaineDOT will not take any action that would result in, or fail to take any action that would prevent, the reduction or withdrawal of such Obligation Authority and will not de-obligate any such Federal Transportation Funds to the extent needed to make Bond Payments coming due in that Fiscal Year. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL AID HIGHWAYS."

(h) MaineDOT will, to the extent within its reasonable power and authority, ensure that each Construction Project will be constructed expeditiously. Upon completion of construction for each Construction Project, MaineDOT will take all steps necessary to obtain any required approval of FHWA of such Construction Project.

(i) The Commissioner is the official of the State authorized by law to receive Federal Transportation Funds available to MaineDOT for the Construction Projects and to receive other amounts of Obligation Authority allocated or apportioned to the State and other United States Government funds available to the State for MaineDOT to carry out its programs, duties or services and the Commissioner has applied for and received and will continue to receive, Federal Transportation Funds.

(j) MaineDOT is the agency or department of the State that is entitled to receive Federal Transportation Funds pledged thereunder.

(k) MaineDOT shall at all times comply with the Act and the provisions of Title 23, the regulations promulgated thereunder, all other federal laws and regulations, the State Constitution and all other State laws relating to the Bonds, the Construction Projects and the subject matter of the Resolution, each Series Resolution, the Federal Aid Agreements and the MaineDOT Agreements, including the MaineDOT Pledge Agreement.

(l) MaineDOT shall submit requisitions to the Bank sufficient for the Bank to withdraw funds under the Resolution for Construction Costs, which requisitions shall be true, correct and complete in all material respects, and MaineDOT shall not submit any requisition or otherwise apply proceeds of Bonds in a manner that would cause any limitation contained in the Program Act to be exceeded.

(m) MaineDOT agrees to pay to the Bank (or, at the direction of the Bank, the Trustee) an amount sufficient to pay all Program Costs, subject to the limitation that such amounts are payable solely from Federal Transportation Funds that are available for such purpose, and subject to allocation by the State.

(n) MaineDOT shall hold all Federal Transportation Funds received by the State for the benefit of MaineDOT and transferred by the State to MaineDOT in a fund separate and apart from all other funds of MaineDOT, provided that nothing in this covenant shall limit the ability of MaineDOT to apply such funds for any lawful purpose.

(o) If during any Federal Fiscal Year new Obligation Authority is unavailable for the Bonds, MaineDOT will seek other sources of funds that may be available to make Bond Payments, including reallocations of federal funds that are obligated to other transportation projects, provided, however, this covenant shall not require MaineDOT to breach or otherwise amend or modify any agreement to which it is a party, to delay or cancel work on a project for which contracts are in effect, to reallocate funds that are committed under an existing contract, until such time as new Obligation Authority is available, or to pursue a course of action that is otherwise adverse to the interests of the State.

Funds and Accounts

The Resolution creates the Bond Payment Fund, the Construction Fund, an Earnings Account within the Construction Fund, a Rebate Fund and a General Fund. The Bond Payment Fund and the Construction Fund (except for any Earnings Account established therein) and amounts on deposit in those funds are part of the Trust Estate, but the Rebate Fund, the General Fund and the Earnings Account of the Construction Fund and amounts on deposit in those funds are not part of the Trust Estate and, therefore, are not pledged to the payment of the Bonds.

Bond Payment Fund. The Trustee is required to create and maintain separate accounts identified by the appropriate series designation within the Bond Payment Fund to account for and to make the Bond Payments on, and to pay the Redemption Price of, each series of Bonds, but such separate accounts shall not affect the rights of the Owners of the Bonds with respect to money in the Bond Payment Fund. Moneys on deposit in the Bond Payment Fund shall be used to make the following payments:

- (1) To pay the next maturing interest payment on the Bonds;
- (2) To pay the next maturing principal payment on the Bonds;
- (3) To pay the Redemption Price of the Bonds next coming due pursuant to redemption prior to maturity; and
- (4) To transfer to the Construction Fund, the General Fund or MaineDOT any amount specified by the Bank in its discretion at certain times, provided certain requirements are satisfied.

Construction Fund. Proceeds of each Series of Bonds are to be deposited into the Construction Fund and amounts on deposit in the Construction Fund (including the Earnings Account) may be applied by the Bank to pay costs of issuance and, so long as no payment default has occurred with respect to the Bonds, may be requisitioned by MaineDOT for Construction Costs in the manner provided by the Payment Agreement and the Resolution. In the event of a payment default with respect to the Bonds, amounts in the Construction Fund (including the Earnings Account) may be transferred to the Bond Payment Fund, but no such transfers are required.

General Fund. There shall be deposited into the General Fund (i) moneys transferred to the Bank for deposit therein and (ii) such additional amounts as may be directed by the Bank to be transferred from the Bond Payment Fund. Upon the written direction of an Authorized Bank Officer, any amounts on deposit in the General Fund shall be (i) transferred to the Construction Fund, (ii) transferred to the Bond Payment Fund, (iii) transferred to the Rebate Fund or (iv) applied to any lawful purpose of the Bank or MaineDOT.

Rebate Fund. Amounts may be deposited into the Rebate Fund from Federal Transportation Funds, from amounts in the funds and accounts held under the Resolution or from any other legally

available source and, to the extent necessary, are to be applied to make rebate payments to the United States in accordance with the Tax Certificates. Any excess in the Rebate Fund may be transferred to the Bond Payment Fund or to the Construction Fund as directed by the Bank as provided in the Resolution.

Federal Transportation Funds. The assignment and pledge of Federal Transportation Funds by the Bank to the Trustee for the benefit of the Owners of the Bonds under the Resolution constitutes a first lien on the Federal Transportation Funds received by the Bank or the Trustee. The Federal Transportation Funds received by the Bank or the Trustee are required by the Resolution to be deposited and used only in the manner and order of priority specified below.

Deposits are first made into the Bond Payment Fund, and amounts on deposit in an account of the Bond Payment Fund may be used only to make Bond Payments and to pay the Redemption Price on the Bonds and for the purposes of the Rebate Fund. Federal Transportation Funds may then be used to pay obligations that do not have a lien on Federal Transportation Funds equal to the lien securing Bonds. After meeting the foregoing requirements, Federal Transportation Funds may be released free and clear of the lien of the Resolution, if and to the extent (i) not required for Current Payments and (ii) as provided in a certificate of the Commissioner of MaineDOT, not expected to be needed to make any subsequent Bond Payments.

Except for the application required above and for amounts held for the payment of Bonds no longer deemed Outstanding, Federal Transportation Funds need not be retained for any use or in any account described above in excess of the Federal Transportation Funds required for Current Payments if and to the extent such amounts are not expected to be needed to make any subsequent Bond Payments.

Additional Bonds

Pursuant to the Resolution, the Bank has reserved the right to issue from time to time Series of Additional Bonds, including Refunding Bonds, subject to compliance with the terms and conditions of the Resolution. Under the Resolution, prior to the issuance of a Series of Additional Bonds, the Bank must receive, among other things, a certificate of a MaineDOT Representative showing that the amount of Federal Transportation Funds either (A) anticipated to be received by MaineDOT during the Federal Fiscal Year in which the proposed Series of Additional Bonds is to be issued, or (B) received by MaineDOT in either of the prior two Federal Fiscal Years preceding the authentication and delivery of the Series of Additional Bonds then proposed to be issued, is not less than the Required Coverage (as hereinafter defined) of the maximum annual Bond Payments for the Outstanding Bonds in the current and each future Federal Fiscal Year, including the Series of Additional Bonds proposed to be issued, but in the case of a Series of Additional Bonds for refunding purposes, excluding the Bond Payments to be refunded. "Required Coverage" means (i) 150%, for each Federal Fiscal Year that ends on or before the expiration date of the Federal Aid Authorization for Title 23 then in effect (which expiration date is currently May 31, 2015); and (ii) 300%, for each Federal Fiscal Year that ends after the expiration date of the Federal Aid Authorization for Title 23 then in effect. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Issuance of Bonds." However, with the issuance of the Series 2014A Bonds, under current legislation the Bank will need further legislative authorization to issue a Series of Additional Bonds to fund additional projects.

INFORMATION CONCERNING THE FUNDING OF FEDERAL AID HIGHWAYS

The Federal-Aid Highway Program

The Federal-Aid Highway Program ("FAHP") is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states. The FHWA is the federal agency within the

U.S. Department of Transportation responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the federal Highway Trust Fund (“HTF”). The primary source of revenues in the HTF is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

Prior to enactment of the Moving Ahead for Progress in the 21st Century Act (“MAP-21”), the most recent authorization of the FAHP (see “MAP-21,” below), these programs included the Interstate Maintenance Program, the Bridge Program, the National Highway System Program, and the Surface Transportation Program, among others. MAP-21 consolidated many of these programs into five core funding programs: the National Highway Performance Program, the Surface Transportation Program, the Congestion Mitigation and Air Quality Improvement Program, the Highway Safety Improvement Program, the Railway-Highway Crossings Program and the Metropolitan Planning Program.

It should be noted that the terms and conditions of participation in the FAHP as described herein are subject to change at the discretion of Congress, and there can be no assurance that the laws and regulations now governing the FAHP will not be changed in the future in a manner that may adversely affect the ability of the State to receive from FHWA funds sufficient to pay debt service on the Series 2014A Bonds.

Certain FAHP features or requirements are explained or further defined where they appear below but are introduced here for reference:

- (a) *The Federal Highway Trust Fund:* The HTF is a dedicated federal fund with dedicated revenues held in trust for reimbursement of expenditures by the states for costs of eligible transportation projects, including highway projects.
- (b) *Authorization:* “Authorization” is the process by which Congress authorizes the expenditure of federal revenues on federal programs. For the FAHP, authorization historically has been provided on a multi-year basis. This, together with the availability of HTF revenues and future HTF collections, permits states more certainty in planning long-term highway projects. The previous multi-year authorization, SAFETEA-LU, became law on August 10, 2005. The original SAFETEA-LU expired on September 30, 2009 but was subsequently extended to September 30, 2012. See “SAFETEA-LU” below. MAP-21, the most recent authorization of the FAHP (see “MAP-21” below), became effective on October 1, 2012 and has been continued by the Highway and Transportation Funding Act of 2014, enacted August 8, 2014 (the “HTF Act 2014”), until May 31, 2015.
- (c) *Apportionment:* For each Federal Fiscal Year (“FFY”), the FHWA apportions the authorized funding among the states according to formulas that are established in authorizing statutes. The distribution of federal funds that do not have a statutory formula is called “allocation” rather than “apportionment.”
- (d) *Obligation Authority:* “Obligation” is the commitment of the federal government to pay, through reimbursements to a state, its share of the eligible expenditures on an approved project. The amount of such federal revenues that a state can obligate in a given FFY is called its “Obligation Authority.”
- (e) *Advance Construction:* The Advance Construction procedure allows states to commence eligible projects without first having to obligate the federal government’s share of expenditures. Thus, states may begin a project before amassing all of the Obligation

Authority needed to cover the federal government's share. The Series 2014 Projects are Advance Construction Projects.

- (f) *Partial conversion of Advance Construction:* Under partial conversion of Advance Construction, in a given year a state may convert Advance Construction to Obligation Authority and thus be eligible for reimbursement for a portion of the federal share of an Advance Construction project in that or in a subsequent FFY. This removes any requirement for the state to wait for reimbursements until the full amount of Obligation Authority needed for the entire project is available.

These features of the FAHP work in a complementary fashion to provide a regular flow of federal reimbursements over the years to state highway projects.

The participation of the State in such reimbursements, and the role of such participation in providing payment and security for the Bonds, is discussed in "FEDERAL AID REVENUES" herein.

Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

Title 23 includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

Reauthorization History Since 1998

Prior to 1998, Congress reauthorized the FAHP pursuant to a number of multi-year authorizations.

TEA-21. The Transportation Equity Act for the 21st Century ("TEA-21") was enacted in 1998 and authorized programs over the six-year period from Federal Fiscal Years 1998 through 2003.

SAFETEA-LU. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU") became law on August 10, 2005, and authorized programs over the four-year period from Federal Fiscal Years 2006 through 2009. Between the expiration of TEA-21 in September 2003, and the enactment of SAFETEA-LU in August 2005, Congress enacted 12 interim authorization measures for varying periods. After the expiration of SAFETEA-LU in September 2009, Congress enacted 10 interim authorization measures.

MAP-21. MAP-21 extended SAFETEA-LU through the end of FFY 2012. MAP-21 also extended the imposition of the highway-user taxes, generally at the rates that were in place when the legislation was enacted, through September 30, 2016. In addition, it extended provision for deposit of almost all of the highway-user taxes into the HTF through September 30, 2016.

MAP-21 also restructured the core federal highway programs. Activities previously carried out under the National Highway System Program, the Interstate Maintenance Program and the Highway Bridge Program, among others, are incorporated by MAP-21 into the following new core formula programs: National Highway Performance Program, Surface Transportation Program, Congestion Mitigation and Air Quality Improvement Program, Highway Safety Improvement Program, Railway-Highway Crossings and Metropolitan Planning.

In addition, MAP-21 authorized funding for the FAHP of approximately \$37.5 billion for FFY 2013 and \$37.8 billion for FFY 2014. The HTF Act 2014 authorized funding of approximately \$25.2 billion for the FAHP for the period which began on October 1, 2014 and ends on May 31, 2015. Such \$25.2 billion for the FAHP has been limited, however, by sequestration (see hereafter “– Federal Highway Trust Fund – *Impact of Sequestration*”) and because, as of the date hereof, Congress has not enacted any appropriation bill for Federal Fiscal Year 2015 and the federal government is operating under limited spending authority which was enacted on September 19, 2014 and expires on December 11, 2014 (see hereafter “– Federal Highway Trust Fund – *Limited FFY 2015 Appropriation*”).

ALTHOUGH INTERIM AUTHORIZATION MEASURES HAVE BEEN ENACTED BY CONGRESS IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON THE TERMINATION OF EITHER A SHORT-TERM OR MULTI-YEAR AUTHORIZATION PERIOD.

Federal Highway Trust Fund

General. The HTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of a state’s cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects. The HTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

HTF Revenue Sources. Federal gasoline excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon tax, go to the Highway Account. The following table shows annual HTF collections in the Highway Account for Federal Fiscal Years 1999 through 2014.

Highway Trust Fund, Highway Account Receipts, Federal Fiscal Years 1999-2014
(Thousands of Dollars)

<u>Year</u>	<u>Amount</u>
1999	\$33,823,213
2000	30,347,117
2001	26,916,515
2002	27,982,938
2003	29,964,000
2004	29,785,002
2005	32,894,493
2006	33,308,081
2007	35,690,421
2008	33,532,451
2009	30,317,478
2010	30,192,515
2011	32,009,947
2012	35,241,126
2013	31,800,259
2014	34,066,104

Sources: Federal Fiscal Year 1999 through Federal Fiscal Year 2012, Highway Statistics 2012, Office of Highway Policy Information, FHWA, Table FE-210; Federal Fiscal years 2013 and 2014, Status of Highway Trust Fund – Fiscal Year 2013 and – Fiscal Year 2014, FHWA, Table FE-1 as of October 28, 2014.

Excludes interest income and other receipts. For certain other receipts, see “– History of HTF Highway Account Balances” below.

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently by MAP-21 (as described above). The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

History of HTF Highway Account Balances. At least since 2007, the nonpartisan Congressional Budget Office (“CBO”) has, from time to time, reported or testified that if Congress adhered to the highway and safety spending levels which it had authorized, absent other measures, the Highway Account of the HTF would go into deficit within a year or two after such report or testimony was presented.

As part of testimony provided on May 6, 2014 on the status of the HTF and options for financing highway spending, CBO stated that for several decades, the balances in the Highway Account were relatively stable or growing, but since 2001, receipts have consistently fallen below expenditures. During the 1980s and the first half of the 1990s, balances in the Highway Account held steady in the vicinity of \$10 billion. In 1998, TEA-21 authorized spending that was sufficient to gradually draw down those balances. As a result of TEA-21 and SAFETEA-LU, outlays have generally exceeded revenues since 2001. Because of looming shortfalls, since 2008 Congress has enacted legislation from time to time authorizing transfers totaling more than \$67 billion to the Highway Account from the Treasury’s general

fund (“General Fund”) and from the Leaking Underground Storage Tank Trust Fund (“LUST”) as set forth in the table below.

**Net Total Transfers to Highway Account By Federal Fiscal Year of Effective Date
(Billions of Dollars)**

<u>Fiscal Year*</u>	<u>General Fund</u>	<u>LUST</u>	<u>Total</u>
2008	\$8.017		\$8.017
2009	7.000		7.000
2010	14.700		14.700
2011			0.000
2012		\$2.400	2.400
2013	5.884		5.884
2014	17.416	1.000	18.416
2015	<u>9.800</u>	<u>1.000</u>	<u>10.800</u>
TOTAL	\$62.817	\$4.400	\$67.217

*FFY 2015 transfers have been authorized by the HTF Act 2014, subject to appropriation.

Those intragovernmental transfers have allowed the HTF to maintain a positive balance without an increase in the taxes on gasoline, diesel fuel and ethanol blended fuel which are the principal source of HTF revenues. Those taxes were last increased in 1993 and, according to the CBO, their purchasing power is approximately 40% below that in 1993.

HTF Revenue Projections. Revenues generated by excise taxes and credited to the HTF were projected by CBO as of April 2014 to rise from about \$38 billion in 2014 to about \$39 billion in 2024, mostly because annual increases in revenues from taxes on the use of diesel fuel and on truck sales are expected to be largely offset by annual declines in revenues from the tax on gasoline. Tax revenues from diesel fuel and truck sales are projected to increase, on average, by about 3 percent annually over the 2014-2024 period. In contrast, revenues from the tax on gasoline are projected to decline at an average annual rate of 1 percent over that period, mainly because of mandated increases in corporate average fuel economy standards.

CBO stated, in its testimony provided on May 6, 2014, that, with its current revenue sources, the HTF cannot support spending at the current rate and that, to address projected shortfalls in the HTF, spending on highways and transit must be reduced, taxes dedicated to the HTF must be increased, transfers of General Fund or other revenues must be continued or some combination of the first three options must be implemented.

Impact of Lack of Annual Appropriation Bills. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. As described under “– Reauthorization History Since 1998 – MAP-21” above, MAP-21 authorizes the levying and dedication of the HTF revenue sources through September 30, 2016 while also providing obligation limitations for FFY 2013 and FFY 2014 and for FFY 2015 through December 11, 2014. Because of the HTF’s contract authority, even in the event of a lack of annual appropriation bill, MaineDOT expects that HTF revenues would continue to flow to the States and that no FHWA employee positions would be furloughed.

Impact of Sequestration. On March 10, 2014, the Office of Management and Budget (“OMB”) issued a report (the “OMB 2014 Report”) which was prepared consistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The mandate from the Budget Control Act of 2011 (P. L. 112-25) requires, among other things, a 9.4 percent reduction for certain non-exempt defense discretionary programs, an 8.2 percent reduction for certain non-exempt nondefense discretionary programs and a 7.6 percent reduction for certain non-exempt nondefense mandatory programs, beginning in January 2013. The Bipartisan Budget Act of 2013 reduces some of the spending cuts required by sequestration for FFY 2015. Under Title 23, revenues deposited into the HTF carry “mandatory budget authority” in the form of federal contract authority. Federal contract authority exempts HTF revenues subject to obligation limitation from reduction. Therefore, the dedicated tax revenues deposited into the HTF are not subject to sequestration. As set forth in the OMB 2014 Report, OMB has calculated that federal contract authority not subject to obligation limitation is, however, subject to reduction at an annual rate of 7.3 percent for FFY 2015. MaineDOT believes that such reduction has not and will not materially affect the amount of funding provided to the State under the FAHP.

Rescissions. Since 2005, Congress has taken action to reduce unobligated balances of previously authorized funds by issuing certain rescissions. All of those rescissions were spread among the 50 states on a proportional basis, the first three based on certain Federal Fiscal Year 2006 apportionments, the fourth and fifth on certain Federal Fiscal Year 2007 apportionments, the sixth on certain Federal Fiscal Year 2008 apportionments, the seventh and eighth on certain Federal Fiscal Year 2009 apportionments, the ninth and tenth on certain Federal Fiscal Year 2010 apportionments, the eleventh on certain Federal Fiscal Year 2011 apportionments and the twelfth and thirteenth on certain Federal Fiscal Year 2013 apportionments. The FFY 2015 Continuing Resolution (hereafter defined) provides for a rescission of 0.0554% (approximately \$22.3 million) resulting in authorized nationwide Obligation Authority of approximately \$40.234 billion for FFY 2015. Further rescissions are possible and may have a more adverse effect on the State and its highway program. Although rescissions could be large enough to impact Obligation Authority available to the State, to date they have not.

Limited FFY 2015 Appropriation. As of the date hereof, Congress has not, however, enacted any appropriation bill for Federal Fiscal Year 2015 and the federal government is operating under limited spending authority (Public Law 113-164) which was enacted on September 19, 2014 (the “FFY 2015 Continuing Resolution”) and which expires on December 11, 2014. As a result of the 7.3% sequestration, the 0.0554% rescission (each described above) and certain other mandatory reductions, the Obligation Authority for the State during the October 1 – December 11, 2014 period is approximately \$32.2 million.

Operations

The present FAHP continues to reimburse a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

- The FAHP is based on dedicated revenues, from a user-tax source, deposited in a dedicated trust fund (the HTF);
- The budget and contract authority of the FHWA is typically established by a multi-year authorization act rather than annually through appropriation acts (see “– Reauthorization History Since 1998” above); and
- Contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

The process for reimbursing state expenditures may be summarized in three steps: authorization, obligation and program implementation. The first step, authorization, is the most critical step in establishing overall spending authority for federal highway funding. Authorizing legislation extends the life of the FAHP and the collections that fund the HTF, sets FAHP objectives and provides formulas for determining the distribution or apportionment of available resources among the states. The existence of the dedicated revenues in the Highway Account of the HTF and the existence of multi-year (or under interim authorizations, multi-month) contract authorizations are designed to help to make available a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal since sufficient unobligated balances generally exist that cover gaps in coverage between multi-year (or multi-month) reauthorization acts.

The second step, obligation, is the process through which states make use of, or “obligate,” the contract authority that has been apportioned or allocated to them in the authorization process (Step 1). Congress typically limits the amount of Obligation Authority that states may use annually. To whatever extent that a state’s Obligation Authority is set below its authorization, the unobligated balance for that state is increased. These unobligated balances provide available funds, from which the FHWA allows states to draw, when there is a lapse period between authorization acts. Under current law, however, the unobligated balances do not otherwise entitle the states to additional funds.

The third step, program implementation, leads to actual receipt of federal funds by states. FAHP implementation methods vary from state to state. States are permitted to make use of Advance Construction and partial conversion of Advance Construction in order to obligate varying amounts of federal funds to an eligible project from FFY to FFY, depending on how much of the state’s Obligation Authority is available from the FAHP and is desired for such use by the state.

Step 1: Authorization

Introduction. The first step, and the most crucial in financing the FAHP, is the multi-year (or under interim authorizations, multi-month) authorizing legislation. Such highway authorization acts:

- Establish the taxes that fund the HTF and extend their life (reauthorization);
- Establish the specific programs and procedures through which states receive federal financial assistance for their highway programs; and
- Set upper limits on funding for specific programs and for overall FAHP.

Lapsing of Authorization. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels and, for most programs, annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide Obligation Authority by administrative action.

Though recent multi-year federal surface transportation legislation has been authorized for four to six years at a time, there occasionally have been periods in which the previous authorizing legislation had expired and the future multi-year legislation had yet to be enacted. See, “– Reauthorization History Since 1998” above. In such circumstances, Congress, the FHWA or both have found ways to avoid disruptions

to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance. Two mechanisms in particular have kept revenues flowing:

- Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act (“STURAA”) expired on September 30, 1991 and the Intermodal Surface Transportation Efficiency Act of 1991 (“ISTEA”) was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide contract authority to use new Obligation Authority.
- Short-Term Authorization: ISTEA expired on September 30, 1997 and until approval of TEA-21 on June 9, 1998, no new long-term authorization legislation was enacted. Despite the lack of long-term authorizing legislation, states were provided an upper limit on Obligation Authority through passage of an appropriations act plus access to their unobligated balances. On November 13, 1997, Congress passed the Surface Transportation Extension Act of 1997 (“STEA”) which provided a six-month authorization for highway funding and established a limit on the amount of new Obligation Authority states could use at funding levels equal to about a quarter of FFY 1997 authorization levels. Since most states had unobligated balances of at least half their normal annual Obligation Authority levels and an authorization act was not necessary for the FHWA to give states new Obligation Authority, states were able to spend down prior unfunded federal apportionments (contract authority) with newly allocated Obligation Authority. The lack of an enacted authorization act during this period did not pose a threat to the continued flow of revenues because dedicated highway user fees continued to flow into the HTF. See “– Step 2: Obligation” below for further explanation of Obligation Authority and unobligated balances. Similarly, TEA-21 expired on September 30, 2003 and Congress enacted nine interim authorization measures for varying periods over twenty-two months until the enactment of SAFETEA-LU on August 10, 2005.

ALTHOUGH THESE MEASURES HAVE BEEN ENACTED BY CONGRESS, FHWA OR BOTH IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF AN AUTHORIZATION PERIOD.

Annual Distributions. For most components of the FAHP, the authorization acts set the distribution of spending authority among states. The primary methods used to distribute authorized federal highway revenues are “apportionment” and “allocation:”

- Apportionments. The contract authority created by authorization acts such as MAP-21 is distributed annually among the 50 states, the District of Columbia, and Puerto Rico using a process called apportionment of revenues. Apportionments indicate the maximum amount of contract authority that each state can expend for eligible projects in specific programs. For each FFY, the FHWA has responsibility for apportioning authorized funding for the various programs among the states according to formulas established in the authorizing statute. Annual apportionments are generally made on the first day of the federal fiscal year, which is currently October 1.
- Allocations. While most highway revenues are distributed to states through apportionments, some funding categories do not contain legislatively mandated apportionment formulas. Distribution of revenues where there are no statutory formulas

is called “allocation” or “discretionary allocation.” In most cases, allocated federal funding is divided among states using criteria determined administratively by the federal Department of Transportation or as provided in a statute, often through competitive grant procedures.

Apportionment formulas have been designed historically to ensure distribution of federal revenues among states according to program needs, but are also increasingly intended to provide states a share of total HTF expenditures relatively close to their payments into the HTF.

Availability of Federal Highway Revenues. Federal-aid highway revenues are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with many other federal programs. Consequently, when new apportionments or allocations are made, the amounts are added to a state’s unused apportionments and allocations from the previous FFY. Should a state fail to *obligate* (commit to spend) a year’s apportionments and allocations within the period of availability specified for a given program, however, the authority to obligate any remaining amount “lapses” which means that the authority to obligate is no longer available except for a few programs which receive indefinite, or “no-year,” Obligation Authority.

Matching Requirements. With a few exceptions, the federal government does not pay for the entire cost of construction or improvement of federal-aid highways. Federal reimbursements are typically matched with state and/or local government revenues to account for the necessary dollars to complete the project. The maximum federal share is specified in the legislation authorizing the program. Most projects have an 80% federal share while interstate construction and maintenance projects typically have been funded with a 90% federal share.

Step 2: Obligation

Introduction. The second step of the federal-aid funding process occurs when revenues that have been authorized by legislation, and either apportioned or allocated to individual states, are obligated for a specific purpose. As noted in the previous section, Congress uses annual appropriations acts to control actual annual obligation of funds in the HTF. Appropriations acts limit the amount of federal money that actually will be obligated and thus ultimately spent and these annual amounts may be less than the authorized amount. This ceiling on the amount of contract authority that states may use is called the “annual obligation limit.”

Obligation is the commitment of the federal government to pay, through reimbursement to a state, the federal government’s share of an approved project’s eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. From the federal perspective, obligations made are the outlays the federal government has committed to make from the HTF in the future. Once an obligation is made, the federal government reimburses the states when bills or payments become due.

Distribution of Obligation Authority. Once Congress establishes an overall obligation limitation, the FHWA distributes Obligation Authority to states proportionately based on each state’s share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionments and allocations may vary from state to state because some federal-aid programs are exempt from the obligation limitation. Once each state’s Obligation Authority is set, states then submit requests to the FHWA to obligate revenues representing the federal share of specific projects throughout the years. (A further description of this process is included in Step 3 below.) As a state obligates revenues, its balance

of Obligation Authority is commensurately reduced, although additional Obligation Authority may be received from reallocations from other states.

A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available. If state's Obligation Authority is not so used, it will be distributed to other states. The FHWA closely monitors each state's plans for use of Obligation Authority. In mid-summer, the FHWA collects any Obligation Authority from states that do not plan to obligate all of their available Obligation Authority before the end of the FFY and redistributes it to other states that can obligate the revenues. This reallocation of Obligation Authority is known as the August redistribution. During each FFY in which funding has been provided to the State pursuant to ISTEA, TEA-21, SAFETEA-LU and MAP-21, the State has not failed, for that FFY, to commit its entire Obligation Authority to eligible projects.

Unobligated Balances. Because congressional authorization of federal-aid highway revenues represents a commitment to make all authorized revenues available to states for highway purposes, any shortfall between the limit on Obligation Authority created through the annual appropriations process and the amount of contract authority apportioned and allocated to states does not disappear. Instead, the difference between obligation limitations and authorization levels creates what are known as "unobligated balances."

Although most federal-aid apportionments lapse after four years, this rarely happens with apportioned highway revenues because old apportionments are always spent before new apportionments. Accordingly, when a state receives new apportionments and Obligation Authority at the beginning of a FFY, obligations are first made against remaining prior year apportionments plus allocation until these are depleted. The net effect of this process, in conjunction with the year-to-year establishment of obligation limitations, has been that states have amassed considerable unobligated balances.

As explained in Step 1 above, unobligated balances permit the FAHP to continue to fund state highway projects during periods in which Congress fails to enact a reauthorization law before the expiration of the previous authorization period. In such periods, the unobligated balances allow states to continue to fund their programs for several months, or even longer, after an authorization act has expired.

Step 3: Program Implementation

Introduction. The third and final step in the overall federal-aid highway funding process – program implementation – occurs after authorized revenues have been distributed to states and after states have had the opportunity to obligate those revenues. Once federal-aid highway revenues have been authorized and obligated, states must have developed highway programs that describe, at a project-by-project level, exactly how federal reimbursements will be earned. The process of developing and implementing state highway programs has three broad stages:

- Budgeting;
- Planning and programming; and
- Fiscal management and federal reimbursements.

Each stage helps to ensure that states develop programs which match funding availability and that the FHWA is able to distribute federal reimbursements to states in a timely manner.

Budgeting. Budgetary information about availability of funding is crucial to the development of state highway programs. Projected state and federal funding levels are used to budget transportation needs. Consequently, state transportation budget officials track the availability of funding and develop forecasts of future state and federal revenues. States must estimate the availability of short and long-term state and federal funding in order to plan their highway programs. They use this information as a guide during long-range planning and as a strict constraint on short-term programming. For information on the State's budgeting process see "OVERVIEW OF THE STATE BUDGET PROCESS."

Planning and Programming. The budget process, and in particular, the identification of available funding, provides the context for transportation planning and programming. The long-range planning process provides a perspective of anticipated project needs regionally across the state. State Transportation Improvement Programs ("STIPs") follow on from long-range plans and provide a detailed outline of projects that are proposed for funding with federal revenues in a time-frame of at least four years. At the federal level, state and local highway plans are reviewed by the U.S. Environmental Protection Agency ("EPA") and the FHWA.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states.

The Maine STIP currently is developed bi-annually and covers a four-year period. Maine STIP development is coordinated by MaineDOT. The projects included in the Maine STIP go through a significant public improvement process and are closely linked to the preparation of MaineDOT's biennial Capital Work Plan. MaineDOT submits a Capital Work Plan to the State Legislature in support of MaineDOT's biennial budget request prior to preparing the STIP. All projects included in the STIP have either been represented in a MaineDOT Capital Work Plan and/or have received previous federal approval by inclusion in a prior STIP or via an amendment to a prior STIP. Schedule information in the STIP is based on the anticipated year of obligation of federal funds. Although federal obligation of funds is related to project scheduling, projects may have federal obligations years after project construction is complete due to MaineDOT's use of federal Advance Construction regulations. Furthermore, a project that is scheduled for construction in calendar year 2014 may not have any anticipated federal obligations until FFY 2015 or later.

MaineDOT develops the STIP in cooperation with the four Metropolitan Planning Organizations ("MPOs") and in consultation with eleven Regional Councils as well as Maine municipalities. The Maine STIP includes investments in various modes, such as highway, transit and bicycle facilities. Maine uses its STIP as the means for implementing the goals and objectives identified in MaineDOT's 20-year Plan, *Connecting Maine*, which sets forth the State's integrated, long-range, multimodal transportation plan through 2030, and the *MaineDOT Six Year Plan*, which sets forth the major transportation policy initiatives and capital improvement projects MaineDOT expects to finance within the next six years. The Maine STIP is financially constrained and the spending plan is based on reasonable projections of available resources based on MAP-21 authorization levels. Only those projects for which construction and operating funds can be expected to be available are included in the STIP.

The present STIP was approved by the Maine Division of FHWA on September 30, 2013 and represents approximately \$947 million of projects to be undertaken between 2014 and 2017.

Fiscal Management and Federal Reimbursements. Once budgeting, planning and programming are complete, projects move into a fiscal management phase. This fiscal management process is the third

element of the implementation step in the overall federal highway funding process. A state-led fiscal management system, conducted in accordance with FHWA requirements, is used to determine exactly how much federal funding will be received for each project, to obtain final FHWA authorization before projects are implemented and to ensure timely federal reimbursement of state expenditures on contractor costs. In Maine, these activities are performed by the MaineDOT.

States must follow federal fiscal management procedures as they implement projects that have passed through the approval and programming processes. These fiscal management procedures ensure that the FHWA and states are able to manage the process efficiently, from project authorization to actual payment of Federal Highway Reimbursements to the state.

In the traditional approach, a state obligates the full federal share of available funding at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funding on a project. For example, once the project is finally designed, the project sponsor (e.g., the MaineDOT) submits plans, specifications and estimates ("PS&Es") for a project to the FHWA division office and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and the PS&Es must identify the category of federal funding that will be used.

The FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements (e.g., design standards). Provided that all requirements are satisfied, the FHWA authorizes federal participation in the project and obligates the federal share of project costs. By obligating the revenues, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of that state's Obligation Authority and also sets aside an equivalent amount of apportioned revenues by program (or programs). Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. Based on actual costs identified in bids, the state awards the contract to the lowest qualified bidder and submits a request to the FHWA asking for any necessary adjustments to federal obligations for the project. If approved, the amounts agreed to are included in a project agreement which identifies the revenues that will be encumbered by the state (formally applied against the state's resources) and the amount that will be reimbursed by the federal government.

Construction begins and contractors submit bills to the state as work is completed. A state pays its contractor's bills with cash from the state treasury, the state bills the FHWA electronically for the federal share of completed work for which payment has been made and the FHWA makes payment to the state via electronic transfer. This FHWA reimbursement to the state liquidates its obligation for the federal share of the costs incurred to that point. As project work continues and state expenditures are reported to the FHWA, federal reimbursements are made. In Maine, reimbursement requests are submitted weekly and reimbursements are made by wire transfer generally within one to two days. The State's systems and management in general are highly automated, leading to a routine flow of Federal Highway Reimbursements based on actual spending on approved projects.

Innovative variations on this fiscal management approach include Advance Construction and partial conversion of Advance Construction. These variations complement one another to provide a state with additional flexibility in managing its Obligation Authority and cash.

The Advance Construction approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the federal share of costs at the outset of the project. This

allows states to begin a project before amassing all of the Obligation Authority needed to cover the federal share of that project. As with the traditional approach, the state submits PS&Es to the FHWA and requests project authorization. Under Advance Construction, however, the FHWA is asked to authorize the project without obligating federal revenues. As a result, the state will cover the entire cost of the project and later may request the obligation of revenues when sufficient Obligation Authority is available and is desired by the state. Further, the state may then take credit for state expenditures, made from project approval to that date, as a basis for earning reimbursements.

Once the FHWA authorizes a project for federal assistance, the state follows the same procedure to advertise a project, to award the contract and to reconcile the level of state and federal funding required. The state may request that the FHWA convert its Advance Construction amount to an obligation at any time, provided the state has sufficient Obligation Authority. This conversion of Advance Construction to Obligation Authority must occur in order for the state to be reimbursed for the federal share of the project. The state can convert Advance Construction to Obligation Authority long after state expenditures are made.

Under partial conversion of Advance Construction, moreover, a state follows the steps to apply for Advance Construction but converts, obligates and receives reimbursement for only a portion of its funding of an Advance Construction project in a given year. This removes any requirement to wait until the full amount of Obligation Authority is available. The state can thus obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available and desired by the state.

Memorandum of Agreement

MaineDOT has entered into an Amended and Restated Memorandum of Agreement (the "Memorandum of Agreement") with FHWA relating to debt-funded projects of MaineDOT. The Memorandum of Agreement provides that for each series of Bonds covered by the Memorandum of Agreement, FHWA and MaineDOT shall enter into an amendment identifying the additional series of Bonds to be issued by the Bank to be governed by the Memorandum of Agreement, expressly identifying, among other things, (i) the new projects to be covered by the Memorandum of Agreement, (ii) the projected principal amount of Bonds to be issued and the projected debt service to become due during each FFY during which such Bonds will be outstanding, and (iii) the actual amount of Bonds to be issued and the actual debt service to become due during each FFY during which such Bonds will be outstanding.

Under the Memorandum of Agreement, MaineDOT will establish debt service requirements for projects financed with the Bonds and the total amount of debt service costs (including principal, interest and issuance cost) attributable to the projects financed by the Bonds will be authorized, budgeted and obligated as Advance Construction utilizing MaineDOT's current Federal Aid agreement/authorization process.

Pursuant to the Memorandum of Agreement, MaineDOT will track the debt service projects as Advance Construction projects within its project billing system, and at the beginning of each FFY, MaineDOT will convert the amount of Advance Construction funds necessary to pay total debt service costs for the debt service projects for the current FFY. The conversion of the Advance Construction must be the first authorization in that Fiscal Year of funds legally available for that purpose and MaineDOT will not request authorization for any other federal aid projects until this obligation is met. MaineDOT, through the normal payment process, will pay the debt service cost due to the Trustee four business days prior to the scheduled bond payment date. The projects financed by Bonds covered by the Memorandum of Agreement will accumulate costs in MaineDOT's financial systems in the normal manner. All project costs will be submitted to the State Controller for authorization through the standard state pre-audit

procedures. Upon authorization from the State Controller, the State Treasury will issue payment. MaineDOT will maintain all documentation for such projects in the same manner as any eligible federal aid project and adhere to all procedures and rules currently in place to ensure that costs are eligible for Federal Aid funding.

In connection with each issue of Bonds under the Resolution, MaineDOT and FHWA amended the Memorandum of Agreement to include a new schedule identifying the principal and interest payments on such bonds and acknowledging that FHWA will reimburse such costs under the Memorandum of Agreement.

STIP and Long-Range Plan Conformity with Federal Clean Air Requirements

On July 20, 2012 the entire State was designated as in “attainment” for the 2008 8-hour ozone National Ambient Air Quality Standard (NAAQS). Thus, transportation conformity is no longer required for the 2008 NAAQS. Under the previous (1997) ozone NAAQS, the State had two regions (Portland and Midcoast) designated as “maintenance” areas and subject to transportation conformity requirements under the Clean Air Act. As of July 20, 2013, the 1997 ozone NAAQS were revoked for transportation conformity purposes, thereby eliminating the requirement for MaineDOT to demonstrate transportation conformity for STIP and long-range plans. The State also has one small area (downtown Presque Isle) designated as a “maintenance” area for particulate matter (PM₁₀). No carbon monoxide, lead, nitrogen oxides or sulfur dioxide “non-attainment” areas have been identified in the State.

FEDERAL AID REVENUES

Below and on the following page are tables setting forth apportionments, Obligation Authority and actual receipts of Federal Transportation Funds for MaineDOT for Federal Fiscal Years 1998 through 2014. The ability to make Bond Payments for the Series 2014A Bonds will depend upon the amount of Federal Transportation Funds provided to the State under the FAHP and the State’s ability to use such Federal Transportation Funds.

FEDERAL AID REVENUES APPORTIONMENTS, OBLIGATION AUTHORITY AND ACTUAL RECEIPTS FOR THE MAINE DEPARTMENT OF TRANSPORTATION Under Prior Federal Aid Authorization Period (Transportation Equity Act for the 21st Century) Federal Fiscal Years 1998 – 2003

Federal Fiscal Year	Apportionments	Obligation Authority	Actual Receipts
1998	\$133,569,150	\$116,527,808	\$119,461,851
1999	145,494,521	135,067,732	132,359,594
2000	155,594,687	136,271,533	146,505,059
2001	168,086,852	146,965,414	133,231,778
2002	182,008,492	168,218,470	168,345,163
2003	<u>149,574,858</u>	<u>160,963,459</u>	<u>180,759,566</u>
Totals (1998 – 2003)	\$934,328,560	\$864,014,416	\$880,663,011

Source: MaineDOT

FEDERAL AID REVENUES
APPORTIONMENTS, OBLIGATION AUTHORITY AND
ACTUAL RECEIPTS AVAILABLE FOR BOND PAYMENTS
FOR THE MAINE DEPARTMENT OF TRANSPORTATION
Under Prior Federal Aid Authorization Period
(Safe, Accountable, Flexible, Efficient, Transportation Equity Act – A Legacy for Users)
Federal Fiscal Years 2004 – 2012

Federal Fiscal Year	Apportionments¹	Obligation Authority²	Federal Reimbursements Actual Receipts Available for Bond Payments³
2004	\$163,362,759	\$159,753,186	\$178,026,054
2005	154,057,393	140,498,973	174,988,696
2006	195,127,211	170,887,526	173,347,546
2007	192,726,337	164,412,220	168,499,410
2008	184,209,842	185,793,681	146,454,018
2009	167,855,384	178,242,925	147,529,905
2010	228,485,362	217,999,749	150,868,354
2011	185,098,394	191,590,899	186,449,740
2012	<u>183,958,134</u>	<u>179,603,858</u>	<u>206,827,702</u>
Totals (2004-2012)	\$1,654,880,816	\$1,588,783,017	\$1,532,991,425

Source: MaineDOT

FEDERAL AID REVENUES
APPORTIONMENTS, OBLIGATION AUTHORITY AND
ACTUAL RECEIPTS AVAILABLE FOR BOND PAYMENTS
FOR THE MAINE DEPARTMENT OF TRANSPORTATION
Under Current Federal Aid Authorization Period
(Moving Ahead for Progress in the 21st Century Act)
Federal Fiscal Years 2013 – 2014

Federal Fiscal Year	Apportionments¹	Obligation Authority²	Federal Reimbursements Actual Receipts Available for Bond Payments³
2013	\$182,124,362	\$199,633,280	\$223,076,007
2014	<u>178,669,606</u>	<u>180,630,284</u>	<u>210,869,519</u>
Totals (2013-2014)	\$360,793,968	\$380,263,564	\$433,945,526

Source: MaineDOT

¹ Source: Federal Highway Administration; Report FMISW10A. Does not include funds provided pursuant the American Recovery and Reinvestment Act of 2009 (“ARRA Funds”).

² Actual Amounts - Does not include ARRA Funds.

³ Actual Amounts - Does not include ARRA Funds.

ANNUAL DEBT SERVICE REQUIREMENTS

Set forth below are the principal, interest and total debt service requirements for the Series 2014A Bonds and the Prior GARVEE Bonds.

Payment Date	Prior GARVEE Bonds Debt Service ⁽¹⁾	Total Series 2014A Bonds Debt Service	Total Debt Service	State Fiscal Year Total Debt Service ⁽²⁾	Federal Fiscal Year Total Debt Service ⁽³⁾
3/1/2015	\$1,365,887	\$500,146	\$1,866,033	\$1,866,033	\$ -
9/1/2015	14,825,887	3,243,025	18,068,912	-	19,934,945
3/1/2016	1,084,525	1,000,825	2,085,350	20,154,262	-
9/1/2016	9,524,525	4,025,825	13,550,350	-	15,635,700
3/1/2017	895,175	940,325	1,835,500	15,385,850	-
9/1/2017	9,715,175	4,085,325	13,800,500	-	15,636,000
3/1/2018	697,200	861,700	1,558,900	15,359,400	-
9/1/2018	9,912,200	4,166,700	14,078,900	-	15,637,800
3/1/2019	533,309	779,075	1,312,384	15,391,284	-
9/1/2019	10,073,309	4,249,075	14,322,384	-	15,634,768
3/1/2020	360,331	692,325	1,052,656	15,375,039	-
9/1/2020	10,235,331	4,332,325	14,567,656	-	15,620,311
3/1/2021	179,559	601,325	780,884	15,348,539	-
9/1/2021	5,139,559	4,426,325	9,565,884	-	10,346,768
3/1/2022	93,362	505,700	599,062	10,164,945	-
9/1/2022	5,213,362	4,520,700	9,734,062	-	10,333,123
3/1/2023	-	405,325	405,325	10,139,387	-
9/1/2023	-	4,620,325	4,620,325	-	5,025,650
3/1/2024	-	299,950	299,950	4,920,275	-
9/1/2024	-	4,724,950	4,724,950	-	5,024,900
3/1/2025	-	189,325	189,325	4,914,275	-
9/1/2025	-	4,834,325	4,834,325	-	5,023,650
3/1/2026	-	73,200	73,200	4,907,525	-
9/1/2026	-	4,953,200	4,953,200	-	5,026,400
3/1/2027	-	-	-	4,953,200	-
TOTAL	\$79,848,694	\$59,031,321	\$138,880,014	\$138,880,014	\$138,880,014

Note: Totals may not add due to rounding.

(1) Assumes a subsidy of 31.5% of interest on the Bank's Series 2010B Taxable Build America Bonds.

(2) Currently, State Fiscal Year ends each June 30.

(3) Currently, Federal Fiscal Year ends each September 30.

OVERVIEW OF THE STATE BUDGET PROCESS

The budget of the State government must present a complete financial plan for each fiscal year of the ensuing period of two fiscal years, commencing July 1 in odd-numbered years. The budget must set forth all proposed expenditures for the administration, operation and maintenance of the departments and agencies of State government, all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year of such two-year period. In addition, the budget must set forth the anticipated revenues of the State government and any other means of financing expenditures proposed for each fiscal year of such two-year period.

The State budget consists of a budget message by the Governor (or the Governor-elect) that outlines the financial policy of the State government for the ensuing period of four fiscal years, describing in connection therewith the important features of the financial plan. The budget includes a general budget summary setting forth the aggregate figures of the budget showing the balance between total proposed expenditures and total anticipated revenues, together with other means of financing the budget for each fiscal year of the ensuing two fiscal years, contrasted with the corresponding figures for the last completed fiscal year and the fiscal year in progress. It must also include an overview of a long-range

plan for State government. This plan must describe the vision of the Governor or Governor-elect for the upcoming biennium and the two succeeding biennia and how the proposed biennial budget complements and moves State government towards realization of the long-range vision. The budget specifically describes the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress and the anticipated loss in revenue for each fiscal year of such two-year period caused by tax expenditures provided by law. The general budget summary must be supported by explanatory schedules or statements, classifying the expenditures contained therein by organization units, objects and funds, and the income by organization units, sources and funds. The budget also includes statements of the bonded indebtedness of the State government showing the debt redemption requirements, the debt authorized and unissued, and the condition of the sinking funds.

Pursuant to Public Laws of Maine 2005, chapter 2 (the "2005 Chapter 2"), the total General Fund appropriation for each of the two fiscal years in the biennial budget may not exceed the General Fund appropriation limit established by law. The General Fund appropriation limit was approximately \$3.4 billion for fiscal year 2010 and is approximately \$3.5 billion for fiscal year 2011. 2005 Chapter 2 became effective for fiscal biennia of the State beginning July 1, 2005 and is subject to modification or repeal at any time by the Legislature.

On or before September 1 of even-numbered years, all departments and other agencies of the State government and corporations and associations receiving or desiring to receive State funds must prepare and submit to the State budget officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing two-year fiscal period contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the fiscal year in progress. The total General Fund appropriation requests submitted by each department and agency for each fiscal year may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate or, as required by 2005 Chapter 2, 2.75%, whichever is less. The total Highway Fund appropriation requests submitted by each department and agency for each fiscal year may not exceed the Highway Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate or, as required by 2005 Chapter 2, 2.75%, whichever is less, except that the Highway Fund, highway and bridge improvement accounts, are exempt from the foregoing limitation.

The Governor (or the Governor-elect), with the assistance of the State budget officer, reviews the budget estimates and may alter, revise, increase or decrease the items of the estimates as may be deemed necessary in view of the needs of the various departments and agencies and the total anticipated income of the State government during the ensuing two-year fiscal period. The State budget officer, at the direction of the Governor (or the Governor-elect), then prepares a State budget in the form required by law. The Governor must transmit the budget to the Legislature not later than the Friday following the first Monday in January of odd-numbered years. A Governor-elect to his first term of office must transmit the State budget to the Legislature not later than the Friday following the first Monday in February in odd-numbered years.

Not later than June 1 of each year, the head of each department and agency of State government must submit to the State Bureau of the Budget a work program for the ensuing fiscal year. Such work program must include all appropriations, revenues, transfers and other funds made available to that department or agency for its operation and maintenance and for the acquisition of property, and must show the requested allotments of said sums by quarters for the entire fiscal year, classified to show allotments requested for specific amounts for personal services, capital expenditures and amounts for all other departmental expenses. The Governor, with the assistance of the State budget officer, reviews the requested allotments with respect to the work program of each department or agency and may revise, alter or change its allotments before approving the same. The aggregate of such allotments may not exceed the total sums made available to each department or agency for the fiscal year in question. The State budget

officer transmits a copy of the allotments as approved by the Governor to the head of the department or agency concerned and also a copy to the State controller. The State controller authorizes all expenditures to be made from the sums available on the basis of such allotments and not otherwise. Thereafter, the head of any department or agency of the State government may request, and the Governor may approve, revisions of the allotments for the remaining quarters of a fiscal year.

Whenever it appears to the Commissioner of Administrative and Financial Services that the anticipated income and other available funds of the State will not be sufficient to meet the expenditures authorized by the Legislature, the Commissioner so reports in writing to the Governor and to certain officers of the Legislature. After receiving the report, the Governor may temporarily curtail allotments equitably so that expenditures will not exceed the anticipated income and other available funds. The Governor, upon the curtailment of any allotment, notifies certain officers of the Legislature of the specific allotments curtailed, the extent of curtailment of each allotment and the effect of each curtailment on the objects and purposes of the program so affected.

No State department or agency may make expenditures of any Federal funds or expenditures in anticipation of receipt of Federal funds for any new or expanded programs, unless such Federal funds are approved by the Legislature. The Governor may authorize the expenditure of such Federal funds for a period not to exceed twelve calendar months and shall notify the Office of Fiscal and Program Review of the Legislature of such action.

MAINE DEPARTMENT OF TRANSPORTATION

For almost 100 years, MaineDOT and its predecessors have been responsible for providing in the State a safe, efficient and reliable transportation system that supports economic opportunity and quality of life. During this period, the transportation system for which MaineDOT is responsible has evolved from highways to include rail, marine and air facilities. As of the date hereof, MaineDOT is responsible for more than 8,800 miles of highways and more than 2,700 bridges, operates the Maine State Ferry Service and owns 485 miles of railroad track and the Augusta airport.

To manage the State's highway program, MaineDOT developed and maintains transportation management systems that relate to pavements, bridges, safety and traffic congestion. Fundamentally, these systems involve periodic inventories of condition and performance of the State's highway and bridge assets and provide both a short and long-term assessment of improvement needs that are consistent with MaineDOT goals. The use of these systems provides a framework for resource allocation and cost-effective decision making that emphasizes enhanced service at reduced life-cycle cost with the primary outcome being improved system performance and safety.

Funding for the State's 20% share of the costs of the Series 2014 Projects will be provided from existing and future allocations of certain State highway funds to the State's highway and bridge program.

INVESTMENT CONSIDERATIONS

Factors Affecting Federal Transportation Funds

Federal Transportation Funds have historically been authorized under multiple-year authorizing legislation. The most recent authorization was provided by MAP-21. In addition, Congress must periodically appropriate federal tax collections deposited in the HTF to carry out MAP-21, the most recent of which took effect in August 2014 and provided an appropriation for part of FFY 2015. Furthermore, since September 2008, there have been enactments to supplement such previously authorized federal tax collections. See "INFORMATION CONCERNING THE FUNDING OF

FEDERAL AID HIGHWAYS.” There can be no assurance that such previously authorized federal tax collections will be continued under any future federal reauthorizing legislation or that, if continued, such previously authorized federal tax collections will be sufficient to assure that Federal Transportation Funds will be available as needed if in the future Congress amends existing laws or fails to reauthorize expired transportation legislation, or if future legislation, or lack of legislation, or federal administrative action reduces the amount of Federal Transportation Funds available to MaineDOT. Furthermore, there can be no assurance that Congress will provide any appropriation to supplement such previously authorized federal tax collections.

Changes in law, regulation or policy or a decrease in federal revenues may materially adversely affect the availability of Federal Transportation Funds. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL AID HIGHWAYS.”

Factors Pertaining to State Allocations

Pursuant to the Pledge Agreement, MaineDOT has agreed to seek allocations in the budget process for the purpose of providing Federal Transportation Funds to make the Bond Payments for the Prior GARVEE Bonds and the Series 2014A Bonds. See “THE BUDGET PROCESS” for a description of the State’s budget process. Laws authorizing certain expenditures for the State’s 2015 fiscal year include amounts estimated at the time of enactment to be sufficient to make the Bond Payments for the Prior GARVEE Bonds and the Series 2014A Bonds for the State Fiscal Year ending June 30, 2015. In the event of failure by the State to make an allocation of Federal Transportation Funds for purposes which include payment of debt service on the Prior GARVEE Bonds and the Series 2014A Bonds, the State will not be permitted to make any payment to the Bank with respect to debt service on the Prior GARVEE Bonds and the Series 2014A Bonds for the State Fiscal Year in which an allocation is not available for that purpose. Furthermore, the Owners of the Series 2014A Bonds have no right or interest in the Series 2014 Projects.

Special, Limited Obligations

The Series 2014A Bonds are special, limited obligations of the Bank, payable solely from the Trust Estate. The Owners of the Series 2014A Bonds may not look to any general or other fund of the Bank or the State for payment of principal of or interest on the Series 2014A Bonds and the Series 2014A Bonds will not be deemed or construed as creating an indebtedness of the State within the meaning of the State Constitution or laws of the State concerning or limiting the creation of indebtedness of the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and APPENDIX B — “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Special Limited Obligations.”

Factors Affecting Remedies

The remedies available to the Trustee and the Owners of the Series 2014A Bonds upon an Event of Default (as defined in the Resolution) do not include the right to declare all amounts immediately due and payable and are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. In addition, such remedies may not be readily available or may be limited. Accordingly, the legal opinions rendered in connection with the Series 2014A Bonds will be qualified to the extent that enforceability of contractual obligations are affected by such limitations and, without limiting the generality of the foregoing, will include a statement to the effect that such enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights.

THE MAINE MUNICIPAL BOND BANK

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

Pursuant to the Act, the Bank is authorized to issue bonds for the purpose, among other purposes, of providing funds to enable the Bank to lend money to counties, cities, towns, school administrative districts, community school districts or other quasi-municipal corporations within the State. Such loans are made through the direct purchase by the Bank from such governmental units of their bonds, notes or other evidences of debt payable from taxes or from rates, charges or assessments. It is the policy of the State, as declared in the Act, to foster and promote by all reasonable means the provision of adequate capital markets for the financing by governmental units of their respective public improvements and other municipal purposes from proceeds of their bonds and notes and to assist such governmental units in such financing by making funds available at reduced interest costs for orderly financing especially during periods of restricted credit or money supply, particularly for those governmental units not otherwise able to borrow for such purposes. In furtherance of this policy, the Bank is empowered to issue its bonds to make funds available at reduced rates and on more favorable terms for borrowing by such governmental units through the purchase by the Bank of their municipal bonds.

The Bank is under the direction of a board of five Commissioners, including the Treasurer of State and the Superintendent of Maine Bureau of Financial Institutions, both of whom serve as Commissioners ex officio. Three additional Commissioners are appointed by the Governor and are each required to be a resident of the State. Each holds office for a three-year term of appointment and until a successor is appointed and qualified. Commissioners are eligible for reappointment. Any vacancy in the office of a Commissioner occurring other than by expiration of term shall be filled in the same manner as the original appointment, but only for the remainder of the unexpired term. The Commissioners select a Chairman and a Vice Chairman from among the Commissioners. The Commissioners appoint an Executive Director, who also serves as both Secretary and Treasurer. The Executive Director serves at the pleasure of the Commissioners. Three Commissioners constitute a quorum for exercising the powers of the Bank. Action may be taken and motions and resolutions adopted by the Bank at any meeting thereof by the affirmative vote of at least three Commissioners of the Bank. No vacancy in the office of a Commissioner of the Bank impairs the right of a quorum of the Commissioners to exercise all the powers and perform all the duties of the Bank.

The Commissioners of the Bank and its officers are as follows:

STEPHEN R. CROCKETT, Chairman

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

HON. PHILIP E. HARRIMAN, Chartered Financial Consultant

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

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

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

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

His current term expires in August, 2017.

CHRISTOPHER J. LOGAN

Chris Logan is a resident of Durham, Maine with his wife and three children. Mr. Logan is currently employed by Androscoggin Savings Bank as the Chief Lending Officer, Senior Vice President.

He is a graduate of Siena College with a B.A. in Psychology. He furthered his educational attainment obtaining an M.B.A. with a concentration in finance from the University of Connecticut.

Mr. Logan's service includes serving as: the current President of the Lewiston Development Corporation, a member of the Lewiston/Auburn Economic Growth Council, an associate of Central Maine Medical Center, and a volunteer for Durham Fire and Rescue and Freeport Little League. His current term expires in August, 2015.

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

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

NERIA R. DOUGLASS, Treasurer of State

Neria R. Douglass of Auburn is Maine's 50th State Treasurer. She served for eight years as State Auditor and is an attorney-at-law and Certified Internal Auditor. She served in the Maine Senate from 1998 to 2004. She served on the Auburn City Council from 1994 to 1998 and was Chair of the Auburn School Committee from 1989 to 1994. Douglass earned her law degree from Vanderbilt University and her bachelor's degree from Wellesley College. She is admitted to practice law in the US Supreme Court, the US District Court for Maine, and the State of Maine, and has been a prosecutor and a private attorney. Her current term as Treasurer expires in January, 2015.

MICHAEL R. GOODWIN, Executive Director

Michael R. Goodwin was appointed the Executive Director of the Bank by the Commissioners and also serves as Secretary and Treasurer of the Bank. He also serves as Executive Director of the

Maine Health and Higher Educational Facilities Authority, the Maine Governmental Facilities Authority and the Maine Public Utility Financing Bank. He previously served for twenty-two years as Program Officer of the Maine Health and Higher Educational Facilities Authority. He received his undergraduate degree from Husson University.

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

OUTSTANDING BONDS

As shown below, the Bank has heretofore issued \$148,395,000 aggregate principal amount of its Bonds. As of the date hereof, Bonds in the aggregate principal amount of \$69,430,000 are Outstanding.

<u>Series of Bonds</u>	<u>Principal Amount of Bonds Issued</u>	<u>Outstanding Principal Amounts</u>	<u>Final Maturity (September 1)</u>
Series 2004A	\$48,395,000	\$ 5,325,000	2015
Series 2008A	50,000,000	27,645,000	2020
Series 2010A	25,915,000	12,375,000	2022
Series 2010B	<u>24,085,000</u>	<u>24,085,000</u>	2022
TOTAL	\$148,395,000	\$69,430,000	

SECONDARY MARKET DISCLOSURE

Continuing Disclosure Agreement

The State will covenant in the Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) by and among the Bank, the State and U.S. Bank National Association acting as disclosure agent (the “Disclosure Agent”), for the benefit of the Owners of the Series 2014A Bonds, to provide certain financial information and operating data relating to the State (the “Annual Financial Information”) within certain periods set forth in the Continuing Disclosure Agreement and the Bank will covenant in the Continuing Disclosure Agreement for the benefit of such Holders and Beneficial Owners to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Agreement requires that the Annual Financial Information be provided by the State to the Disclosure Agent and filed by the Disclosure Agent with the Municipal Securities Rulemaking Board (“MSRB”). The Annual Financial Information to be provided to the Disclosure Agent includes the Audited Financial Statements to be provided by the Treasurer of State, on behalf of the State, and certain financial information and operating data with respect to the State highway program to be provided by the Commissioner of MaineDOT, on behalf of the State. The Continuing Disclosure Agreement requires that notices of certain events be provided by the Bank to the Disclosure Agent and filed by the Disclosure Agent with the MSRB. The specific nature of the information to be contained in the Annual Financial Information or the notices of certain events is summarized in APPENDIX C — “PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.” The covenants in the Continuing Disclosure Agreement have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”).

Continuing Disclosure History

Maine Municipal Bond Bank. Except as described below, in the previous five years, the Bank has complied with its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

The Bank has issued the Prior GARVEE Bonds and, in connection with the Prior GARVEE Bonds, has entered into substantially similar continuing disclosure agreements with the trustee for the Prior GARVEE Bonds and the State, acting by and through the Treasurer of State of the State and the Maine Department of Transportation. On November 14, 2012, Moody's downgraded the Prior GARVEE Bonds and on November 15, 2012 the Bank filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notice of such downgrade but did not associate such filing with all of the CUSIP numbers to which such continuing disclosure agreements apply. On August 13, 2013, the Bank made a supplemental filing on EMMA to associate the November 15, 2012 notice with all of the CUSIP numbers to which such continuing disclosure agreements apply.

State of Maine. Except as described below, in the previous five years, the State has complied with its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

In 2006, the State issued its general obligation bonds, certain maturities of which were issued by Financial Security Assurance Inc. ("FSA"), and provided a continuing disclosure undertaking with respect to such bonds. FSA was downgraded by Moody's from Aaa to Aa3 on November 21, 2008 on which date the State was rated Aa3 by Moody's. FSA was downgraded by Fitch on May 11, 2009 from AAA to AA+ on which date the State was rated AA by Fitch. On May 19, 2009, the State notified each nationally recognized municipal securities information repository of both the Moody's November 21, 2008 downgrade and the Fitch May 11, 2009 downgrade. FSA was further downgraded by Fitch on October 12, 2009 from AA+ to AA on which date the State was rated AA. The State did not file a notice of this downgrade. However in April, 2010, Fitch recalibrated its U.S. public finance ratings for states and certain other entities and in connection with that recalibration changed the State's rating from AA to AA+, which had been the rating on the FSA insured bonds prior to the October 2009 downgrade of FSA. The State filed notice of the April 2010 change with EMMA on April 13, 2010. On January 22, 2013, Fitch lowered the State's general obligation bond rating from AA+ to AA and notice of this change was filed with EMMA on January 28, 2013.

The State has provided continuing disclosure undertaking with respect to its general obligation bonds issued from time to time and with respect to certain bonds issued from time to time by the Maine Governmental Facilities Authority ("MGFA") and agreed therein to provide audited financial statements and annual financial information and operating data within one year after the June 30 end of its fiscal years. In order to fulfill such continuing disclosure undertakings, it has been the State's practice to post its official statements with respect to such bonds on EMMA and to associate such official statements with CUSIP numbers to which such continuing disclosure undertaking apply. On June 5, 2012, the State's official statement dated May 31, 2012, which included annual financial information and operating data for the fiscal year ended June 30, 2011 ("FY2011 Annual Financial Information"), was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013, a corrective filing was made with respect to the FY2011 Annual Financial Information. In addition, the State has determined that while its annual financial information and audited financial statements were filed with EMMA in a timely manner each year, such filings were not specifically associated with the MGFA bonds CUSIP numbers to which its continuing disclosure undertakings apply. On August 19, 2013, the State made a corrective filing with respect to its annual financial information and audited financial statements for the years ended June 30, 2008 through 2012. On June 18, 2014, the State's official statement dated June 12, 2014, which included annual financial information and operating data for the fiscal year ended June 30, 2013 ("FY2013 Annual Financial Information"), was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which the State's continuing disclosure undertakings apply. On July 14, 2014, a corrective filing was posted on EMMA with respect to the FY2013 Annual Financial Information.

As described above, the Bank has issued the Prior GARVEE Bonds and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and the State, acting by and through the Treasurer of State and MaineDOT. In or about July, 2012, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure undertaking to post on EMMA within three months after the end of each federal fiscal year annual financial information and operating data with respect to federal highway apportionments, obligation authority and reimbursement receipts available for Bond Payments. Such information for the federal fiscal years ended September 30, 2011 and 2012 was filed on EMMA on July 9, 2012 and January 8, 2013, respectively.

The Bank has issued its Transportation Infrastructure Revenue Bonds (the "TransCap Bonds"), Series 2008A, Series 2009A, Series 2009B and Series 2011A and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and MaineDOT. Before the issuance of the TransCap Bonds, Series 2011A, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure agreements pertaining to the TransCap Bonds with respect to certain annual financial information. On November 3, 2011, MaineDOT made filings that fulfilled all previously unmet continuing disclosure undertakings related to such TransCap Bonds and MaineDOT advised the Bank that it had implemented procedures that MaineDOT believed to be adequate to assure timely filing of information sufficient to comply with its continuing disclosure undertakings with respect to the TransCap Bonds. With respect to the December 30, 2012 filing deadline, certain financial information was filed on EMMA April 1, 2013. Audited financial statements of the State required to be filed by June 30 of each fiscal year for each fiscal year ended the prior June 30, were filed with EMMA in a timely manner; however, certain filings were not specifically associated with TransCap Bonds CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013, the State made a corrective filing with respect to those financial statements for the years ended June 30, 2009 through 2012.

SERIES 2014A BONDS AS LEGAL INVESTMENTS

Under the provisions of Section 6011 of the Act, the Series 2014A Bonds, in the State of Maine, are made securities in which the State and all public officers, governmental units and agencies thereof, all national banking associations, state banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control.

SECURITY FOR PUBLIC DEPOSITS

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

TAX MATTERS

Opinion of Bond Counsel to the Bank

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Bank ("Bond Counsel to the Bank"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2014A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2014A Bonds is not treated as a preference item in calculating

the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel to the Bank has relied on certain representations, certifications of fact and statements of reasonable expectations made by the Bank and the State in connection with the Series 2014A Bonds, and Bond Counsel to the Bank has assumed compliance by the Bank and the State with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Bank, under existing statutes, interest on the Series 2014A Bonds is exempt from the State of Maine income tax imposed on individuals.

Bond Counsel to the Bank expresses no opinion regarding any other Federal, state or local tax consequences with respect to the Series 2014A Bonds. Bond Counsel to the Bank renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact, or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the Bank also expresses no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than Hawkins Delafield & Wood LLP (if such opinion of other counsel shall have been given without consultation with Bond Counsel to the Bank, or after consultation with Bond Counsel to the Bank and to which Bond Counsel to the Bank shall not concur) on the exclusion from gross income for Federal income tax purposes of interest on the Series 2014A Bonds or under the State of Maine income tax imposed on individuals.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2014A Bonds in order that interest on the Series 2014A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2014A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2014A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Bank and the State have each covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2014A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2014A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2014A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2014A Bonds.

The Series 2014A Bonds are not taken into account (subject to certain limitations) in determining the portion of a financial institution's interest expense subject to the pro rata interest disallowance rule of Section 265(b) of the Code for costs of indebtedness incurred or continued to purchase or carry certain tax-exempt obligations. The Series 2014A Bonds, however, are taken into account in the calculation of the amount of a financial institution's preference items under Section 291 of the Code.

Prospective owners of the Series 2014A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2014A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2014A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2014A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Series 2014A Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel to the Bank further is of the opinion that, for any Series 2014A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2014A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2014A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2014A Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2014A Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-

exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Series 2014A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2014A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2014A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2014A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2014A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2014A Bonds. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Series 2014A Bonds should consult their own tax advisors regarding the foregoing matters.

RATINGS

Moody's Investors Service and Fitch Ratings have assigned ratings of "A2" and "A+," respectively, to the Series 2014A Bonds. Such ratings express only the views of each such rating agency. Certain information and materials were furnished to such rating agencies to be considered in evaluating the Series 2014A Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2014A Bonds. The ratings are not recommendations to buy, sell or hold the Series 2014A Bonds.

UNDERWRITING

The Series 2014A Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPFSI") and Wells Fargo Bank, National Association ("WFBNA" and, collectively with MLPFSI, the "Underwriters"), for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative. The Underwriters have agreed to purchase the Series 2014A Bonds at a price that reflects an Underwriters' discount, from the public offering price thereof, in the amount of \$189,542.79. The purchase contract between the Bank and the Underwriters relating to the Series 2014A Bonds provides that the Underwriters will purchase all of the Series 2014A Bonds, if any Series 2014A Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract. The initial public offering prices of the Series 2014A Bonds may be changed, from time to time, by the Underwriters. The Bank has been advised by the Underwriters that (i) they presently intend to make a market in the Series 2014A Bonds, (ii) they are not, however, obligated to do so, (iii) any market making may be discontinued at any time and (iv) there can be no assurance that an active public market for the Series 2014A Bonds will develop. The Underwriters may offer and sell the Series 2014A Bonds to certain dealers (including dealers depositing Series 2014A Bonds into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices lower than the public offering prices stated on the inside cover page hereof. The Underwriters have agreed to allocate the book-running lead management credit to MLPFSI and WFBNA in the amounts of fifty percent (50%) each.

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

The Underwriters have provided the following five sentences for inclusion in this Official Statement. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the Bank. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Bank. The Underwriters and their respective affiliates may also communicate independent investment

recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

WFBNA, one of the Underwriters, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Offered Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA.

LITIGATION

There is no controversy or litigation of any nature now pending, or to the knowledge of the Bank or MaineDOT, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Series 2014A Bonds, or in any way contesting or affecting the validity of the Series 2014A Bonds or any proceedings of the Bank taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2014A Bonds, or the existence or powers of the Bank. There is no litigation or administrative action pending in any court or, to the knowledge of the Bank or MaineDOT, threatened, which would restrain or enjoin the execution, delivery and performance of the Federal Aid Agreements or the Payment Agreement, or the pledge and application of any funds pursuant to the Resolution provided for the payment of the Series 2014A Bonds, or which contests the powers of the State, including MaineDOT, and the Bank, with respect to the foregoing.

The Attorney General of the State will provide an opinion in connection with the issuance of the Series 2014A Bonds that there is no pending or threatened litigation against the State that questions the validity of the Payment Agreement, the MaineDOT Pledge Agreement, the Memorandum of Agreement, the Continuing Disclosure Agreement or the Resolutions or the transactions contemplated by them, or wherein an unfavorable decision, ruling or finding would in any material respect adversely affect the Resolutions, the Payment Agreement, the MaineDOT Pledge Agreement or the Memorandum of Agreement or the transactions contemplated thereby.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Series 2014A Bonds are subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank, in substantially the form of Appendix D attached hereto. Copies of such opinion will be available at the time of delivery of the Series 2014A Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Preti Flaherty Beliveau & Pachios, LLP, Augusta, Maine.

FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

MISCELLANEOUS

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Bank and the purchasers or holders of any of the Series 2014A Bonds.

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

MAINE MUNICIPAL BOND BANK

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

November 14, 2014

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APPENDIX A

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company (“DTC”), New York, New York will act as securities depository for the Series 2014A Bonds. The Series 2014A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014A Bond certificate will be issued for each of the Series 2014A Bonds which bear interest at the same rate and which mature on the same date. The Series 2014A Bond certificates, in the aggregate principal amount of the Series 2014A Bonds, will be deposited with DTC.

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

Purchases of Series 2014A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2014A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Series 2014A 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 Series 2014A Bonds, except in the event that use of the book-entry system for the Series 2014A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014A 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 Series 2014A 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 Series 2014A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series

2014A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2014A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2014A Bond documents. For example, Beneficial Owners of Series 2014A Bonds may wish to ascertain that the nominee holding the Series 2014A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014A 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 Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2014A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Series 2014A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bank or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bank or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014A Bonds at any time by giving reasonable notice to the Bank or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2014A Bond certificates are required to be printed and delivered.

The Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2014A Bond certificates will be printed and delivered to DTC.

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

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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

DEFINITIONS OF CERTAIN TERMS

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

"Accreted Value" means any amount defined as such in a Series Resolution for purposes of determining the Redemption Price of, certain rights of the Owner of or certain other matters with respect to a Capital Appreciation Bond.

"Accretion Date" means any date defined as such in a Series Resolution for purposes of determining the Accreted Value or Maturity Value of a Capital Appreciation Bond.

"Act" means the Bond Bank Act and the Program Act, as such terms are defined in the General Resolution. If an Additional Program Act or other State law is adopted after the date of the General Resolution that provides authority to the Bank to finance transportation projects that are eligible for federal grant funding and are approved by the Federal Highway Administration, the term "Act" shall include such law.

"Additional Program Act" means any State law enacted after the date of the General Resolution granting the Bank and MaineDOT the power to finance transportation projects for which a Federal Aid Agreement is effective, substantially the same as those powers granted to the Bank and MaineDOT under the Program Act.

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

"Bank" means the Maine Municipal Bond Bank, a public body corporate and politic constituted as an instrumentality of the State of Maine exercising public and essential governmental functions and created by the Bond Bank Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Bank.

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

"Bond Counsel" means (a) as of the date of issuance of the first Series of Bonds, Hawkins Delafield & Wood LLP and (b) as of any other date, Hawkins Delafield & Wood LLP

or other attorneys selected by the Bank who have nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal income tax purposes.

“Bond Payment Date” means each date on which Bond Payments are due and includes, but is not limited to, the maturity date of any Bond; each Interest Payment Date on each Current Interest Bond; and the mandatory sinking fund redemption dates of term Bonds that are subject to mandatory sinking fund redemption in accordance with a mandatory sinking fund redemption schedule set forth in a Series Resolution.

“Bond Payment Fund” means the special fund created by the General Resolution.

“Bond Payments” means (a) with respect to a Current Interest Bond, the interest due on such Bond on each Interest Payment Date and the principal and interest due on such Bond at maturity; (b) with respect to a Capital Appreciation Bond, the Maturity Value due on such Bond at maturity; and (c) with respect to term Bonds that are subject to mandatory sinking fund redemption in accordance with a schedule set forth in a Series Resolution, the principal and interest or the Accreted Value payable on such Bonds on the date on which they are subject to mandatory sinking fund redemption in accordance with such schedule. *“Bond Payments”* does not include the Redemption Price of any Bond.

For purposes of this definition:

(i) Bond Payments due on any Interest Payment Date that are payable from accrued interest or capitalized interest held in the Bond Payment Fund pursuant to the General Resolution will be excluded in determining the amount of Bond Payments due in the Federal Fiscal Year in which such Interest Payment Date occurs for purposes of determining (A) the maximum annual Bond Payments for that certificate required of a MaineDOT Representative by the General Resolution as a condition to the issuance of a Series of Bonds and (B) the amount of Federal Transportation Funds for which Federal Aid Agreements are to be in force and effect pursuant to the MaineDOT Pledge Agreement.

(ii) If any Bonds bear interest at an adjustable or variable interest rate such that the Bond Payments due in a Federal Fiscal Year or on a Bond Payment Date cannot be determined with certainty on the date on which Federal Transportation Funds are to be paid to the Trustee pursuant to the General Resolution, or in determining the amount of Bond Payments becoming due during a Federal Fiscal Year for purposes of preparing that certificate required by the General Resolution as a condition to the issuance of a Series of Bonds, the amount of interest included in the Bond Payments due on such Bonds in such Federal Fiscal Year or on such Bond Payment Date shall be based on the interest rate estimated by the Bank, or as stated in any Series Resolution relating thereto.

(iii) If the Bank purchases or arranges for a Credit Facility or an Interest Rate Exchange Agreement with respect to any Bonds pursuant to the General Resolution, (A) moneys paid or payable to the provider of the Credit Facility to reimburse the provider for moneys paid by the provider that are used to make Bond Payments (as defined in the first two sentences of this definition) and (B) moneys paid or payable to the provider of the Interest Rate Exchange Agreement for moneys paid by the provider that are used to make Bond Payments (as defined in

the first two sentences of this definition) may, but in each case if and to the extent provided in a Series Resolution or in a separate agreement between the Bank and the Credit Facility or Interest Rate Exchange Agreement provider entered into pursuant to the General Resolution, be treated as Bond Payments on the Bonds to which the Credit Facility or Interest Rate Exchange Agreement relates.

“*Bonds*” means the grant anticipation bonds or notes authorized pursuant to the General Resolution.

“*Business Day*” means any day other than a Saturday, a Sunday or a day on which banks in New York, New York, Portland, Maine or any city identified in a Series Resolution are authorized by law to remain closed.

“*Capital Appreciation Bond*” means a Bond on which no payments are due until maturity or redemption prior to maturity.

“*Code*” means the Internal Revenue Code of 1986, as amended, and regulations thereunder, or any successor provisions.

“*Commissioner of MaineDOT*” means the Commissioner of MaineDOT, his or her successors, assigns and designees.

“*Construction Costs*” means all costs and expenses paid or incurred or to be paid or incurred (including the reimbursement of MaineDOT for any of such costs and expenses originally paid or incurred by MaineDOT) in connection with:

- (a) The design of, acquisition of land or right-of-way for, utility relocation, construction of and improvements made as part of any Construction Project;

- (b) financing costs, including, but not limited to, costs and expenses that the Bank deems necessary or advantageous in connection with the sale of the Bonds and the administration of the Bonds, the Trust Estate, the General Resolution and any Series Resolution, including, but not limited to, costs and expenses relating to the engagement of consultants, financial advisors, underwriters, bond insurers, letter of credit banks, rating agencies, attorneys, trustees, paying agents, registrars, other agents and other Persons in connection with the issuance of the Bonds, the Trust Estate, the General Resolution or any Series Resolution;

- (c) payment of interest on the Bonds;

- (d) costs and expenses relating to any Credit Facility entered into in accordance with the General Resolution, including the reimbursement of the provider of any Credit Facility as provided in the General Resolution;

- (e) costs and expenses relating to any Interest Rate Exchange Agreement entered into in accordance with the General Resolution; and

- (f) amounts required to be deposited into the Rebate Fund pursuant to the General Resolution and the Tax Certificates.

“Construction Fund” means the special fund created by the General Resolution.

“Construction Project” means any Qualified Federal Aid Transportation Project (a) that is approved by MaineDOT from time to time, and (b) with respect to which a Federal Aid Agreement is in full force and effect.

“Credit Facility” means any letter of credit, insurance, stand-by credit or liquidity agreement or other forms of credit ensuring timely payment of any Bonds, including the Bond Payments on or the Redemption Price or purchase price of such Bonds, that is entered into in accordance with the General Resolution. References to “Credit Facility” with respect to any Series of Bonds shall be ineffective when such Bonds are not supported by a Credit Facility.

“Current Interest Bond” means a Bond on which interest is payable on Interest Payment Dates prior to maturity or redemption prior to maturity.

“Current Payments” means all payments required to be made from Federal Transportation Funds for the payment of all Bond Payments and Program Costs, which become due during the Federal Fiscal Year for which the Obligation Authority was allocated or apportioned.

“Defeasance Escrow Account” means any trust account into which money and/or Defeasance Securities are deposited for the purpose of defeasing any Bonds in accordance with the defeasance provisions of the General Resolution.

“Defeasance Securities” means money and the following to the extent permitted by law

(a) non-callable (at the option of the obligor) direct obligations of the United States of America, non-callable (at the option of the obligor) and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable (at the option of the obligor) direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS” unless the Bank obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (at the option of the obligor) (or non-callable by the obligor before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(b) non-callable (at the option of the obligor) obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof);

(c) certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (b), provided, that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;

(d) bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (a), (b) or (c) which fund may be applied only to the payment when due of such bonds or other obligations; and

(e) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, any Federal Home Loan Bank, the Export-Import Bank of the United States, the Federal Financing Bank, the Government National Mortgage Association, the Farmers' Home Administration, the Federal Home Loan Mortgage Company, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Farm Credit Bank, the Resolution Trust Company, the Student Loan Marketing Association, or the Federal Farm Credit System.

"Earnings Account" means the earnings account within the Construction Fund created by the General Resolution.

"Event of Default" means an "Event of Default" under the General Resolution.

"Federal Aid Agreement" means one or more agreements or memoranda of understanding between MaineDOT and FHWA pursuant to which FHWA agrees to pay Federal Transportation Funds to pay or to reimburse MaineDOT or the Trustee for Bond Payments, as such agreement or agreements may be amended or modified or replaced by another agreement or instrument regarding the payment of Federal Transportation Funds by FHWA to pay or to reimburse MaineDOT or the Trustee for Bond Payments.

"Federal Aid Authorization" means, as applicable, (a) Title 23, (b) any extension of Title 23, or (c) any successor to Title 23 authorizing federal funding for state highways.

"Federal Fiscal Year" means the period commencing on October 1 in each calendar year and ending on the last day of September of the next succeeding calendar year, or any other twelve-month period which any appropriate authority may hereafter establish for the federal government as its fiscal year.

"Federal Transportation Funds" means federal aid revenues received by or on behalf of, or available to, MaineDOT pursuant to Title 23 that are legally available for the payment of Bond Payments and Construction Costs. The Title 23 federal aid revenues legally available as Federal Transportation Funds include, but are not limited to, those derived pursuant to Title 23 from the National Highway System, bridges and the federal surface transportation programs and amounts available under the minimum guarantees under, and as described in, Title 23.

"FHWA" means the United States Department of Transportation, Federal Highway Administration, its successors and assigns and any other agency or branch of government of the United States which succeeds to the powers of FHWA, which term includes the United States

Secretary of Transportation and any other appropriate officer of FHWA with authority to grant approvals or consents or to take other appropriate action as is necessary to approve the Construction Projects, federal grants to finance the Construction Projects and the payment of Bond Payments and to take such other action as is necessary for those purposes under Title 23.

“Fitch” means Fitch Ratings and its successors.

“General Fund” means the special fund so designated created by the General Resolution.

“General Resolution” means the Grant Anticipation General Bond Resolution and any amendments thereto.

“Interest Payment Date” means any date defined as such in a Series Resolution for purposes of paying the interest on a Series of Current Interest Bonds.

“Interest Rate Exchange Agreement” means any interest rate exchange agreement authorized by law and entered into with respect to the Bonds or any portion of the Trust Estate that is entered into in accordance with the General Resolution.

“MaineDOT” means the State of Maine, acting by and through Maine Department of Transportation created pursuant to 23 M.R.S.A. Section 4205, as amended, its successors and assigns.

“MaineDOT Agreements” means the Payment Agreement, any Federal Aid Agreement, the Memorandum of Agreement and the MaineDOT Pledge Agreement.

“MaineDOT Pledge Agreement” means that Pledge and Security Agreement and Certificate, dated as of December 1, 2004, by and among MaineDOT, the Bank and the State Budget Officer, as the same may be amended and supplemented from time to time.

“MaineDOT Pledged Funds” means the federal transportation funds pledged to the Bank pursuant to the MaineDOT Pledge Agreement.

“MaineDOT Representative” means (a) the Commissioner of MaineDOT; (b) the Deputy Commissioner of MaineDOT; or (c) any other officer or employee of MaineDOT authorized by law or by a writing signed by the Commissioner to act as a MaineDOT Representative under the General Resolution or any Series Resolution.

“Maturity Value” means any amount defined as such in a Series Resolution for purposes of determining the amount payable to the Owner of a Capital Appreciation Bond at the maturity of such Capital Appreciation Bond.

“Memorandum of Agreement” means a Memorandum of Agreement, Memorandum of Understanding or similar agreement between FHWA and MaineDOT governing authorization to apply transportation grant funds to make payments on bonds issued to finance advance construction projects.

“Moody’s” means Moody’s Investors Service and its successors.

“New Money Bonds” means Bonds issued for the purpose of financing the Construction Projects.

“Obligation Authority” means the amount of funds apportioned or allocated by FHWA pursuant to Title 23 to MaineDOT for each Federal Fiscal Year.

“Original Principal Amount” means any amount defined as such in a Series Resolution for purposes of determining certain rights of the Owner of, or certain other matters with respect to, a Capital Appreciation Bond.

“Original Purchaser” means the Person defined as such in a Series Resolution for purposes of purchasing a Series of Bonds from the Bank.

“Outstanding” means all Bonds that have been executed and delivered, except:

(a) any Bond on which all Bond Payments due or to become due have been paid at maturity;

(b) any Bond on which the Redemption Price due or to become due has been paid in accordance with the redemption provisions applicable to such Bond;

(c) Bonds in lieu of which other Bonds have been executed and delivered pursuant to the provisions of the General Resolution or any Series Resolution relating to the transfer and exchange of Bonds or the replacement of mutilated, lost, stolen or destroyed Bonds;

(d) Bonds that have been canceled by the Trustee or that have been surrendered to the Trustee for cancellation;

(e) Bonds on which all Bond Payments or the Redemption Price is due and for which the Trustee holds moneys sufficient to pay the Bond Payments or Redemption Price for the benefit of the Owner thereof pursuant to the General Resolution; and

(f) Bonds that have been defeased pursuant to the defeasance provisions of the General Resolution.

“Owner” of a Bond means the registered owner of such Bond as shown in the registration records of the Trustee.

“Payment Agreement” means the Payment Agreement entered into as of December 1, 2004, by and among the Bank, MaineDOT and Maine Department of Administrative and Financial Services, Office of the State Controller.

“Permitted Investments” means with respect to the investment of any fund created under the General Resolution, the following to the extent permitted by law:

(a) Defeasance Securities;

(b) demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, payable on demand or on a specified date no more than three months after the date of issuance thereof, if such deposits or instruments are rated any two of at least A-1 by S&P, P-1 by Moody's and F1 by Fitch;

(c) certificates, notes, warrants, bonds, obligations or other evidences of indebtedness of a state or a political subdivision thereof receiving one of the two highest long term unsecured debt ratings (without regard to rating subcategories) by any two of S&P, Moody's and Fitch;

(d) commercial or finance company paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than three months after the date of issuance thereof) that is rated any two of A-1 by S&P, P-1 by Moody's and F1 by Fitch;

(e) repurchase obligations with respect to any security described in clause (a) above entered into with a primary dealer, depository institution or trust company (acting as principal) rated at least A-1 by S&P, P-1 by Moody's and F1 by Fitch (with respect to each such rating agency, applicable only if the Bonds are then rated by such rating agency) (if payable on demand or on a specified date no more than three months after the date of issuance thereof), or rated at least A3 by Moody's and in one of the three highest long-term rating categories by S&P and Fitch (with respect to each such rating agency, applicable only if the Bonds are then rated by such rating agency), or collateralized by securities described in clause (a) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated "investment grade" by each Rating Agency; provided, that (1) a specific written agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a member of the Federal Deposit Insurance Corporation that has combined surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the obligation, including principal and interest, is equal to at least 102%;

(f) securities bearing interest or sold at a discount (payable on demand or on a specified date no more than three months after the date of issuance thereof) that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated at least P-1 by Moody's, A-1 by S&P and F1 by Fitch (with respect to each such rating agency, applicable only if the Bonds are then rated by such rating agency) at the time of such investment or contractual commitment providing for such investment; provided, that securities issued by any such corporation will not be Permitted Investments to the extent that investment therein would cause the then

outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Permitted Investments then held;

(g) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated at least Aa1 by Moody's and at least AAm or AAm-G by S&P and at least AA by Fitch (with respect to each such rating agency, applicable only if the Bonds are then rated by such rating agency), including if so rated any such fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (x) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (y) the Trustee charges and collects fees and expenses for services rendered pursuant to the General Resolution, and (z) services performed for such funds and pursuant to the General Resolution may converge at any time (the Bank specifically authorizes the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the General Resolution);

(h) investment agreements or guaranteed investment contracts rated, or with any financial institution or corporation whose senior long-term debt obligations are rated, or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, at least A3/P1 by Moody's and in one of the three highest long-term rating categories by S&P and Fitch (with respect to each such rating agency, applicable only if the Bonds are then rated by such rating agency) if the Bank or Trustee has an option to terminate such agreement in the event that such rating is downgraded below the rating on the Bonds, or if not so rated, then collateralized by securities described in clause (a) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated "investment grade" by each Rating Agency; provided, that (1) a specific written agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a member of the Federal Deposit Insurance Corporation that has combined surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the obligation, including principal and interest, is equal to at least 102%; and

(i) other obligations or securities that are non-callable and that are acceptable to each Rating Agency;

provided, that no Permitted Investment may (a) except for Defeasance Securities, evidence the right to receive only interest with respect to the obligations underlying such instrument or (b) be

purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

“Person” means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

“Principal Amount” means (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond; (b) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value of such Bond as of the date on which the Bond is being determined; and (c) with respect to all the Outstanding Bonds together, the sum of the amounts determined pursuant to clauses (a) and (b).

“Program Act Projects” means the Construction Projects authorized pursuant to the Program Act and Additional Program Acts.

“Program Costs” means the costs and expenses set forth in items (b) through (f) included in the definition of Construction Costs.

“Qualified Federal Aid Transportation Project” means any project that may be financed, in whole or in part, with Federal Transportation Funds and authorized under the Program Act or an Additional Program Act.

“Rating Agency” means, with respect to any Bonds, each nationally recognized securities rating service that has, at the request of the Bank, a rating then in effect for such unenhanced Bonds.

“Rating Confirmation” means, with respect to the Bonds, written evidence from a Rating Agency that no underlying Bond rating then in effect from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken under the General Resolution.

“Rebate Fund” means the special fund created so designated by the General Resolution.

“Redemption Price” means the amount due on a Bond on the date on which it is redeemed prior to maturity pursuant to the redemption provisions applicable to such Bond. Such term does not include the principal and interest or Accreted Value due on term Bonds on the dates such Bonds are to be redeemed in accordance with a mandatory sinking fund redemption schedule set forth in a Series Resolution.

“Refunding Bonds” means Bonds issued for the purpose of refunding, and proceeds of which are used to refund, New Money Bonds or other Refunding Bonds.

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

“Series” means the Bonds designated as a separate series in a Series Resolution and any Bonds authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the General Resolution or any Series Resolution.

“Series Resolution” means any resolution supplementing or amending the General Resolution that is adopted for purposes of authorizing the issuance of a Series of Bonds.

“State” means the State of Maine.

“Supplemental Resolution” means any resolution supplementing or amending the General Resolution that is adopted for purposes other than authorizing the issuance of a Series of Bonds. A Supplemental Resolution may be combined with a Series Resolution.

“Taxable Bonds” means any Bonds that are not Tax-Exempt Bonds.

“Tax Certificate” means, with respect to each Series of Tax-Exempt Bonds, (a) the arbitrage and use of proceeds certificate or other instrument that sets forth the Bank’s expectations regarding the investment and use of proceeds of such Tax-Exempt Bonds and other matters relating to Bond Counsel’s opinion regarding the federal income tax treatment of interest on such Tax-Exempt Bonds, including any instructions delivered by Bond Counsel in connection with such certificate, instrument or opinion; and (b) any amendment or modification of any such certificate, instrument or instructions that is accompanied by an opinion of Bond Counsel stating that the amendment or modification will not adversely affect the exclusion of interest on such Tax-Exempt Bonds from gross income for federal income tax purposes.

“Tax-Exempt Bonds” means Bonds the interest on which is intended to be excluded from gross income for federal income tax purposes.

“Title 23” means Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

“Trustee” means U.S. Bank National Association, acting in its capacity as trustee under the General Resolution, and any successor thereto appointed under the General Resolution.

“Trust Estate” means the property granted to the Trustee pursuant to the General Resolution.

GENERAL RESOLUTION CONSTITUTES A CONTRACT

In consideration of the purchase and acceptance of any and all of the Bonds authorized from time to time to be issued under the General Resolution, as amended or supplemented, by those who shall hold the same from time to time, the General Resolution shall be deemed to be and shall constitute contract among the Bank, the Trustee, the Owners from time to time of the Bonds, and the pledge of certain funds, accounts, revenues and other moneys, rights and interest made in the General Resolution and the covenants and agreements set forth in the General Resolution to be performed by and on behalf of the Bank, shall be for the equal and ratable benefit, protection and security of the Owners of any and all of the Bonds, all of which regardless of the time or times of their issue or maturity shall be of equal rank without preference, priority or distinction of any such Bonds over any other thereof, except as expressly provided in or permitted by the General Resolution; and the Bonds shall be special, limited obligations of the Bank payable solely from the Trust Estate.

GRANT OF TRUST ESTATE

In order to secure the payment of the Bond Payments on all Bonds at any time Outstanding under the General Resolution, and to secure the performance and observance of all the covenants and conditions set forth in the Bonds, the General Resolution and any Series Resolution, the Bank assigns, pledges and grants to the Trustee (referred to as the "Trust Estate"):

(a) all Federal Transportation Funds that are paid to the Bank or the Trustee and available in accordance with Title 23, a Federal Aid Agreement, the Program Act or any Additional Program Act, and which have been allocated by the State for payment of the Bond Payments as a permitted use, together with the right of the Bank to receive such funds;

(b) all money from time to time held by the Trustee under the General Resolution or any Series Resolution in any fund or account other than (i) the Rebate Fund, (ii) the Earnings Account of the Construction Fund, (iii) the General Fund, (iv) any Defeasance Escrow Account and (v) any fund or account created by a Series Resolution that is expressly excluded from the Trust Estate;

(c) all right, title and interest of the Bank to the MaineDOT Pledge Agreement and the funds pledged thereunder; provided that the Bank reserves for itself the right to independently enforce the covenants made by MaineDOT thereunder, and the Trustee's rights to enforce the covenants are limited as set forth below under the heading entitled "Remedies Following an Event of Default"; and

(d) any and all other property, revenues or funds from time to time by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security under the General Resolution, by the Bank, the State or anyone else, in favor of the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the General Resolution.

SPECIAL LIMITED OBLIGATIONS

All financial obligations of the Bank under the General Resolution, every Series Resolution and the Bonds (i) are special, limited obligations of the Bank payable solely from the Trust Estate (subject to allocation by the State of Federal Transportation Funds) and shall not constitute or give rise to a pecuniary liability or a charge against the general credit of the Bank or the State and (ii) shall not be deemed or construed as creating a debt, liability or obligation of the State, or any political subdivision of the State, nor a pledge of the faith and credit of the State or any political subdivision of the State within the meaning of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness by the State or any political subdivision of the State.

The Owners and holders of the Bonds may not look to any revenues or assets of the Bank, other than the Trust Estate, or revenues or assets of the State or MaineDOT, other than the MaineDOT Pledged Funds that have been appropriated by the State for the payment of the Bonds.

ISSUANCE OF BONDS

The issuance of each Series of Bonds must be authorized by a Series Resolution or Series Resolutions of the Bank, and the Bonds may be issued in one or more Series. No Series of New Money Bonds may be issued unless, among other things, the following conditions have been satisfied:

All accumulations required to be made into the Bond Payment Fund, or other similar account for Outstanding Bonds, are current.

A certificate of an Authorized Bank Officer and of a MaineDOT Representative has been delivered to the effect that (i) to the best of his or her knowledge no Event of Default exists in connection with any of the covenants or requirements of this General Resolution or the MaineDOT Pledge Agreement and (ii) the issuance of all Bonds issued through and including the date thereof and application of the proceeds thereof in accordance with the terms of the General Resolution, taking into account the actual application of proceeds through the date thereof, will not violate any limitation set forth in the Act.

A certificate has been delivered showing compliance with all applicable provisions of Title 23 and any other applicable law necessary on the date of the delivery of a Series of Bonds to receive and continue to receive federal aid highway funds for the payment of the Bonds pursuant to Title 23 without penalty.

A certificate of a MaineDOT Representative has been delivered, dated the date of issuance, setting forth:

(w) the amount of Federal Transportation Funds either: (A) anticipated to be received by MaineDOT during the Federal Fiscal Year in which the proposed Series of Bonds is to be issued, or (B) received by MaineDOT in either of the prior two Federal

Fiscal Years preceding the authentication and delivery of the Series of Bonds then proposed to be issued;

(x) the maximum annual Bond Payments for the Outstanding Bonds in the current and each future Federal Fiscal Year including the Series of additional Bonds proposed to be issued, but in the case of a Series of Bonds for refunding purposes, excluding the Bond Payments on the Bonds to be refunded; and

(y) showing the Federal Transportation Funds set forth pursuant to (w)(A) or (B) is not less than the Required Coverage (defined below) of the maximum annual Bond Payments for each Federal Fiscal Year set forth in (x).

“Required Coverage” means:

(I) 150%, for each Federal Fiscal Year that ends on or before the expiration date of the Federal Aid Authorization for Title 23 then in effect (which date, at the time of the adoption of the General Resolution through and including September 30, 2009, is deemed to be no sooner than September 30, 2009); and

(II) 300%, for each Federal Fiscal Year that ends after the expiration date of the Federal Aid Authorization for Title 23 then in effect.

A certificate of MaineDOT dated the date of delivery shall have been delivered to the Bank and the Trustee that states in substance that MaineDOT has no information which indicates that Federal Transportation Funds will not be available to the State or will be substantially reduced, during the term of the then current Federal Aid Authorization, which includes the project(s) to be funded with the Series of Bonds and that it is the Director’s reasonable belief that sufficient Federal Transportation Funds will continue to be available to the State pursuant to Title 23 during that period of time.

Notwithstanding other provisions of the Resolutions, the requirements above relating to the Required Coverage test may be revised or deleted in their entirety, without the consent of the Owners of the Bonds, upon the Bank’s receipt of Rating Confirmation from each Rating Agency.

Until all Bond Payments and Program Costs are paid in full and while any Bonds are Outstanding, no bonds, notes, debentures or other obligations shall be issued or incurred having a lien on the Trust Estate prior and superior to the lien thereon of the Bonds.

Before any Series of Bonds constituting Refunding Bonds are issued, all of the following additional conditions shall be satisfied:

Either the above requirements for the issuance of a Series of Bonds shall have been met (as and if in effect on such date), or a certificate of an Authorized Bank Officer shall state that following the issuance of the Refunding Bonds (including Bond Payments with respect to the Refunding Bonds, but excluding Bond Payments with respect to the refunded Bonds), the aggregate amount of Bond Payments due in any Federal Fiscal Year, through and including the latest maturity of any Bonds then Outstanding, shall be no greater than immediately prior to the issuance of such Refunding Bonds.

If any of the Bonds to be refunded are to be redeemed prior to their scheduled maturity date, an Authorized Bank Officer has directed the Trustee to deliver redemption notices and to redeem the Bonds to be refunded in accordance with the provisions of the General Resolution and any applicable provisions of any Series Resolution.

The Federal Aid Agreements pursuant to which Federal Transportation Funds are payable with respect to the Bond Payments on the refunded Bonds have been modified to provide that Federal Transportation Funds will be paid with respect to the Bond Payments on the Refunding Bonds or FHWA has agreed that Federal Transportation Funds will be paid with respect to the Bond Payments on the Refunding Bonds without any modification of such Federal Aid Agreements.

FUNDS AND ACCOUNTS

Bond Payment Fund.

Creation of Bond Payment Fund. A special fund is created with the Trustee designated the Maine Municipal Bond Bank Grant Anticipation Bonds Bond Payment Fund (the “Bond Payment Fund”), which shall be used to pay the Bond Payments on and Redemption Price of the Bonds. The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Bond Payment Fund to account for the receipt of moneys to pay, and the payment of, the Bond Payments on and Redemption Price of each Series of Bonds, but such separate accounts shall not affect the rights of the Owners of the Bonds with respect to moneys in the Bond Payment Fund.

Deposits into Bond Payment Fund. There shall be deposited into the Bond Payment Fund (i) all accrued interest received at the time of the issuance of any Bonds; (ii) any capitalized interest from the proceeds of a Series of Bonds unless deposited in the Construction Fund pursuant to a Series Resolution; (iii) to the extent necessary to make the next Bond Payment, amounts paid to the Trustee as designated below under the heading “Payment of Federal Funds to Trustee” or “Other Payments by MaineDOT” from Federal Transportation Funds; (iv) any moneys paid by the Bank with respect to the Redemption Price of Bonds pursuant to the General Resolution; (v) any moneys transferred to the Bond Payment Fund from the Construction Fund pursuant to the following paragraph; (vi) moneys deposited into the Bond Payment Fund following an Event of Default as described below under the heading entitled “Remedies Following an Event of Default”; and (vii) all other moneys received by the Trustee accompanied by directions that such moneys are to be deposited into the Bond Payment Fund.

Use of Moneys in Bond Payment Fund. Moneys in the Bond Payment Fund shall be used, as further provided in below under the heading “Application of Federal Transportation Funds”, solely for the payment of the Bond Payments on and Redemption Price of the Bonds and, solely to the extent such payments have been determined to be on a parity with Bond Payments in accordance with the heading entitled “Credit Facilities and Interest Rate Exchange Agreements” below, to make payments to the providers of Credit Facilities and Interest Rate Exchange Agreements; provided that (i) moneys representing accrued interest received at the time of the issuance of any Series of Bonds shall be used to pay the first interest payment due on such Bonds; (ii) moneys paid by the Bank with respect to the Redemption Price of Bonds pursuant to the General Resolution shall be used to pay the Redemption Price of the Bonds to be

redeemed; and (iii) moneys held in the Bond Payment Fund following an Event of Default shall be used as provided in the heading below entitled "Use of Moneys Received From Exercise of Remedies."

Application of Excess Moneys in Bond Payment Fund. If between March 15 and August 15, or between September 15 and February 15, the Bank determines that (i) the amount of Federal Transportation Funds anticipated to be received by MaineDOT during the State Fiscal Year exceeds the amount due on all Bonds during the State Fiscal Year by at least 300% and (ii) the State has allocated for the State Fiscal Year an amount of Federal Transportation Funds in at least such amount, then the Bank may, not later than the last day of the period during which a determination is made, transfer any funds in the Bond Payment Fund either (i) to the Construction Fund, (ii) to the General Fund, or (iii) to the MaineDOT, at the sole discretion of the Bank.

Construction Fund.

Creation of Construction Fund. A special fund is created with the Trustee designated the Maine Municipal Bond Bank Grant Anticipation Bonds (Maine Department of Transportation) Construction Fund (the "Construction Fund"). The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Construction Fund to account for the receipt and disbursement of proceeds of each Series of Bonds and shall create and maintain a separate account identified as the Earnings Account (for each Series, the "Earnings Account").

Deposits into Construction Fund. There shall be deposited into the appropriate account of the Construction Fund, proceeds of each Series of Bonds as provided in the applicable Series Resolution and such additional amounts as may be directed by the Bank to be transferred from the Bond Payment Fund.

Use of Moneys in Construction Fund. Upon the written direction of an Authorized Bank Officer, any amounts on deposit in the Construction Fund shall be transferred to or upon the order of the Bank for the payment of, or reimbursement for, costs of issuance relating to any Bonds. So long as no Event of Default as described below in paragraph (a) under the heading "Events of Default" then exists, moneys held in the Construction Fund (including the Earnings Account) shall be disbursed to pay Construction Costs, or reimburse such costs, upon receipt of a requisition signed by an Authorized Bank Officer. Moneys held in the Construction Fund following an Event of Default may be transferred to the Bond Payment Fund in accordance with the General Resolution. In the event of a transfer pursuant to the preceding sentence followed by the availability of sufficient amounts to the Trustee from Federal Transportation Funds or other sources in excess of any amount necessary to make any Bond Payments then due, such excess amount up to the amount transferred from the Construction Fund to the Bond Payment Fund may be transferred to the Construction Fund. Upon the receipt by the Trustee and the Bank of a certificate from the Commissioner of MaineDOT stating that a Construction Project for which a Series of Bonds has been issued has been completed and all required amounts relating thereto have been deposited into the Rebate Fund, the remaining moneys in the Construction Fund allocable to that Construction Project or Projects, minus any amount estimated by the Commissioner of MaineDOT necessary to pay Construction Costs of that Construction Project or

Projects that have not yet been paid, may be transferred by the Trustee to the Bond Payment Fund.

Rebate Fund.

Creation of Rebate Fund. A special fund is created with the Trustee designated Maine Municipal Bond Bank Grant Anticipation Bonds Rebate Fund (the “Rebate Fund”). The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Rebate Fund to account for rebate payments due on each Series of Tax-Exempt Bonds.

Deposits into Rebate Fund. There shall be deposited into the appropriate account of the Rebate Fund moneys paid to the Trustee pursuant to those provisions of the General Resolution summarized under the heading below entitled “Rebate Payments by the Bank.”

Use of Moneys in Rebate Fund. The Trustee at the direction of and on behalf of an Authorized Bank Officer shall use moneys in the Rebate Fund to make rebate payments to the United States in accordance with the Tax Certificates. If the amount on deposit in the Rebate Fund at any time is greater than the amount required under the Tax Certificates, the excess shall be transferred to the Bond Payment Fund or to the Construction Fund, as directed by an Authorized Bank Officer, unless an Event of Default has occurred and is continuing, in which case the excess shall be transferred to the Bond Payment Fund.

Administration of Rebate Fund. The Trustee at the direction of an Authorized Bank Officer shall invest the Rebate Fund in accordance with the Tax Certificates and shall deposit earnings from the investment of moneys in the Rebate Fund into the Rebate Fund immediately upon receipt thereof. Records with respect to the deposits to, payments from and administration of the Rebate Fund shall be retained by the Bank and the Trustee until six years after the final retirement of the Tax-Exempt Bonds.

General Fund.

Creation of General Fund. A special fund is created with the Trustee designated Maine Municipal Bond Bank Grant Anticipation Bonds General Fund (the “General Fund”).

Deposit into General Fund. There shall be deposited into the General Fund (i) moneys transferred to the Bank for deposit therein and (ii) such additional amounts as may be directed by the Bank to be transferred from the Bond Payment Fund.

Use of Moneys in General Fund. Upon the written direction of an Authorized Bank Officer, any amounts on deposit in the General Fund shall be (i) transferred to the Construction Fund, (ii) transferred to the Bond Payment Fund, (iii) transferred to the Rebate Fund, or (iv) applied to any lawful purpose of the Bank or MaineDOT. Notwithstanding the foregoing, amounts in the General Fund shall not be applied to any purpose that is not permitted by any terms or conditions associated with the deposit to the General Fund the proceeds of which are to be applied.

Moneys to be Held in Trust.

The Bond Payment Fund and the Construction Fund (except for the Earnings Account therein) and, except for the Rebate Fund, the General Fund and any Defeasance Escrow Account, any other fund or account created by the General Resolution that is not expressly excluded from the Trust Estate shall be held by the Trustee, for the benefit of the Owners as specified in the General Resolution and amounts therein may be applied for the purposes set forth in the General Resolution, subject to the terms of the General Resolution and any Series Resolution. The Rebate Fund shall be held by the Trustee for the purpose of making payments to the United States pursuant to the above heading entitled "Rebate Fund" above. Any Defeasance Escrow Account shall be held for the benefit of the Owners of the Bonds to be paid therefrom as provided in the agreement governing such Defeasance Escrow Account.

Investment of Moneys.

All moneys held as part of any fund or account created under the General Resolution shall be deposited or invested and reinvested by the Trustee, at the written direction of an Authorized Bank Officer, in any Permitted Investments.

Earnings and losses from the investment of moneys held in the Construction Fund or any account thereof shall be deposited into or charged against the Construction Fund, with any earnings being deposited into the Earnings Account thereof unless, and except to the extent, an Authorized Bank Officer directs the Trustee to deposit any such earnings into the Bond Payment Fund.

Earnings and losses from the investment of moneys held in the Bond Payment Fund or any account thereof shall, except as otherwise provided by Series Resolution, be deposited into or charged against the fund or account in which realized.

Earnings and losses from the investment of moneys held in any account of the Rebate Fund or any account thereof shall, except as otherwise provided in the Tax Certificates, be deposited into or shall be charged against the account in which realized.

Earnings and losses from the investment of moneys held in the General Fund or any account thereof shall, except as otherwise provided by Series Resolution or Supplemental Resolution, be deposited into or charged against the fund or account in which realized.

Earnings and losses from the investment of moneys held in any Defeasance Escrow Account shall be deposited or charged as provided in the escrow agreement governing such account.

The Trustee shall, when and as directed by an Authorized Bank Officer, sell and reduce to cash a sufficient amount of the investments held in any fund or account whenever the cash balance therein is insufficient to make any payment to be made therefrom.

In computing the amount in any fund or account for any purpose under the General Resolution, investments shall be valued at cost (exclusive of accrued interest) or par, whichever is less.

Application of Federal Transportation Funds.

The assignment and pledge of Federal Transportation Funds to the Trustee for the benefit of the Owners of the Bonds under the General Resolution is intended to and shall constitute a first lien on such Federal Transportation Funds received by the Bank or the Trustee. All Federal Transportation Funds received by the Bank or the Trustee shall constitute Federal Transportation Funds which shall be subject to the assignment and lien of the General Resolution upon receipt thereof by the Bank or the Trustee, as applicable.

Amounts received by the Bank or the Trustee under this heading and under the above heading "Bond Payment Fund" shall be deposited and used only in the manner and order of priority specified below.

(a) Deposits shall be made into the Bond Payment Fund, as set forth under this heading and under the heading "Bond Payment Fund" above. Amounts on deposit in an account of the Bond Payment Fund shall be used only to pay Bond Payments and Redemption Price on the Bonds and for the purposes permitted by the General Resolution. Moneys on deposit in the Bond Payment Fund shall be used to make the following payments or for the following purposes: (i) Interest Component. To pay the next maturing interest payment on the Bonds; (ii) Principal Payments. To pay the next maturing principal payment on the Bonds; (iii) Redemption Price. To pay the Redemption Price of the Bonds next coming due pursuant to redemption prior to maturity.

(b) Federal Transportation Funds shall be deposited, as necessary, in the Rebate Fund as required under the heading "Rebate Payments by the Bank" below.

(c) Subject to the General Resolution, Federal Transportation Funds may be released free and clear of the lien of the General Resolution, if and to the extent (i) not required for Current Payments and (ii) as provided in a certificate of the MaineDOT Director, not expected to be needed for any subsequent Bond Payments.

(d) Except as required under this heading, and for amounts held for the payment of Bonds not then deemed Outstanding, Federal Transportation Funds need not be retained for any use or in any account described under this heading, in excess of the Federal Transportation Funds required for Current Payments if and to the extent such amounts are not expected to be needed for any subsequent Bond Payments.

(e) If and to the extent Federal Transportation Funds are received by the Trustee directly from FHWA, prior to depositing such funds in the Bond Payment Fund the Trustee shall confirm with MaineDOT (which confirmation may be an oral representation of a MaineDOT Representative and shall be promptly confirmed in writing) that the applicable funds have been allocated by the State for said purpose.

COVENANTS OF THE BANK

Covenants and Warranties. The Bank covenants and warrants that:

The amount of funds borrowed pursuant to each Series Resolution will not exceed the sum of (i) the cost of the Construction Projects (as determined by MaineDOT) to be financed and (ii) an amount necessary to pay any applicable Program Costs.

So long as Bonds are Outstanding, the pledge by the Bank of the Federal Transportation Funds received by the Bank or the Trustee for the payment of Bond Payments and Program Costs shall be irrevocable until all Bond Payments and Program Costs have been paid in full.

Payment of Bond Payments and Program Costs.

The Bank covenants to pay, when due, solely from Federal Transportation Funds paid to the Bank or the Trustee or other funds available in the Trust Estate, the Bond Payments. Nothing in the General Resolution shall be construed as obligating the Bank to pay Bond Payments from any general or other funds of the Bank, the State other than Federal Transportation Funds, subject to allocation by the State. Nothing contained in the General Resolution, however, shall be constituted as prohibiting the Bank in its sole and absolute discretion, from making such payments from any other sources, to the extent legally available for that purpose.

The Bank shall promptly pay, when due any Program Costs not otherwise paid. Any Program Costs payable to the Trustee and the Paying Agent shall be paid by the Bank to the Trustee on or prior to the due dates thereof. Program Costs are payable solely from Federal Transportation Funds or the proceeds of Bonds. Nothing in the General Resolution shall be construed as obligating the Bank to pay Program Costs from any general or other fund of the Bank, the State, other than Federal Transportation Funds, subject to allocation by the State. Nothing contained in the General Resolution, however, shall be construed as prohibiting the Bank in its sole and absolute discretion, from making such payments from other sources, to the extent legally available for that purpose.

Payment of Federal Funds to Trustee.

The Bank shall require that MaineDOT, subject to allocation by the State, shall forward, or cause to be forwarded, in immediately available funds to the Trustee an amount of Federal Transportation Funds equal to the Bond Payment becoming due to the Trustee for receipt by the Trustee four Business Days (or such other date prior to the Bond Payment Date if limited by FHWA) prior to the respective Bond Payment Date. The Trustee shall deposit the Bond Payments and other revenues received by the Trustee as set forth above under the heading "Bond Payment Fund."

If and to the extent the entire amount of the Bond Payments due on a Bond Payment Date is not paid to the Trustee in accordance with the immediately preceding paragraph, the Trustee shall immediately notify the Bank and MaineDOT by telephone confirmed by telecopier and, if and to the extent MaineDOT has (or has access to) Federal Transportation Funds that are available for such purpose, the Trustee shall direct MaineDOT to pay (or cause to be paid)

directly to the Trustee, within 24 hours after the receipt of such notice by telecopier, Federal Transportation Funds in an amount equal to the amount not so paid.

The Bank shall (i) comply with its obligations under the Payment Agreement, and shall use its best efforts to cause each other party to the Payment Agreement to comply with their respective obligations thereunder, but only to the extent any failure to comply would be materially adverse to the ability of the Trustee to pay any Bond Payments from Federal Transportation Funds, including such actions as are necessary to cause Federal Transportation Funds to be allocated for such purposes by the State; (ii) use its best efforts to take all actions reasonably necessary in its judgment to protect its rights under the Payment Agreement; and (iii) not consent to or participate in any amendment, alteration, modification or other change with respect to the Payment Agreement, but only if and to the extent that any such amendment, alteration, modification or other change, as of the date thereof, would be expected by the Bank to materially and adversely impair the ability of the Trustee to pay any Bond Payments from Federal Transportation Funds or the security provided for the Bonds under the General Resolution; provided, however, that any amendment, alteration, modification or other change with respect to the Payment Agreement may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, obtained in accordance with the General Resolution; provided further that in no event shall a change to the Payment Agreement (i) to provide for the payment of additional Bonds or other obligations of the Bank issued in accordance with the General Resolution or (ii) to conform to provisions of State law respecting the process for appropriations, allocations, the organization of the government of the State, or the eligibility of MaineDOT to receive Federal Transportation Funds, in either case, be deemed to be materially adverse.

The Bank shall (i) use its best efforts to cause MaineDOT to comply with its obligations and covenants under the MaineDOT Pledge Agreement; (ii) use its best efforts to take all actions reasonably necessary in its judgment to protect its rights under the MaineDOT Pledge Agreement; and (iii) not consent to or participate in any amendment, alteration, modification or other change with respect to the MaineDOT Pledge Agreement, but only if and to the extent that any such amendment, alteration, modification or other change, as of the date thereof, would be expected by the Bank to materially and adversely impair the ability of the Trustee to pay any Bond Payments from Federal Transportation Funds or the security provided for the Bonds under the General Resolution; provided, however, that any amendment, alteration, modification or other change with respect to the MaineDOT Pledge Agreement may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, obtained in accordance with the General Resolution; provided further that in no event shall a change to the MaineDOT Pledge Agreement (i) to provide for the payment of additional Bonds issued in accordance with the General Resolution or (ii) to conform to provisions of federal or State law respecting the process for appropriations, allocations or the organization of the government of the State, or the eligibility of MaineDOT to receive federal transportation funds, in either case, be deemed to be materially adverse.

Rebate Payments by the Bank.

The Bank shall pay to the Trustee, to the extent permitted by law, from moneys in the Trust Estate or from moneys requisitioned from the Construction Fund pursuant to the headings entitled "Construction Fund" or "Application of Federal Transportation Funds" above, or from

any other fund or account established by the General Resolution, at the times and in the amounts required to make rebate payments due to the United States in accordance with the heading above entitled "Rebate Fund" and the Tax Certificates.

Other Payments by MaineDOT.

Nothing in the General Resolution shall be interpreted to restrict MaineDOT's right, to the extent permitted by law, (a) to make any payment due to the Trustee under any provision of the General Resolution or any provision of any Series Resolution from any Federal Transportation Funds or any other available moneys and (b) to reimburse MaineDOT or the fund from which such payment is made from moneys that otherwise would have been used to make such payment.

Credit Facilities and Interest Rate Exchange Agreements.

Notwithstanding any other provision of the General Resolution:

(a) The Bank may purchase or arrange for a Credit Facility with respect to any Bonds and may agree to reimburse the provider of such Credit Facility for moneys paid by the provider that are used to make Bond Payments on such Bonds, which reimbursement may be made from any moneys in the Trust Estate that are available for the payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(b) To the extent permitted by law, the Bank may purchase or arrange for an Interest Rate Exchange Agreement with respect to any Bonds and may agree to make payments to the provider of such Interest Rate Exchange Agreement, which may be made from any moneys in the Trust Estate that are available for payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(c) All or any portion of the agreement between the Bank and the provider of any Credit Facility or Interest Rate Exchange Agreement, or provisions to put into effect such an arrangement, may be included in any Series Resolution or in a separate agreement between or among the Bank, the Credit Facility or Interest Rate Exchange Agreement provider and/or the Trustee, and the Trustee is directed to agree to the provisions regarding such Credit Facility or Interest Rate Exchange Agreement contained in any Series Resolution or separate agreement agreed to by the Bank and the Credit Facility or Interest Rate Exchange Agreement provider.

Tax Covenant.

The Bank shall not take any action or omit to take any action with respect to Tax-Exempt Bonds, the proceeds of Tax-Exempt Bonds, the Trust Estate, the Construction Projects or any other funds or property of the Bank or MaineDOT and, to the extent within its reasonable control, it will not permit any other Person to take any action or omit to take any action with respect to Tax-Exempt Bonds, the Trust Estate, the Construction Projects or any other funds or property of the Bank or MaineDOT if such action or omission would cause interest on any of the

Tax-Exempt Bonds to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining “adjusted net book earnings” for the purpose of computing the alternative minimum tax imposed on such corporations). In furtherance of this covenant, the Bank agrees to comply with the procedures set forth in the Tax Certificates for each Series of Tax-Exempt Bonds. The covenants set forth in this paragraph shall remain in full force and effect notwithstanding the payment in full or defeasance of Tax-Exempt Bonds until the date on which all of Bank or MaineDOT obligations in fulfilling such covenants have been met. The covenants set forth in this paragraph shall not apply to any Taxable Bonds.

Defense of Trust Estate.

The Bank shall at all times, to the extent permitted by law, defend, preserve and protect title to the Trust Estate, the grant of the Trust Estate to the Trustee under the General Resolution and all the rights of the Owners under the General Resolution against all claims and demands of all Persons whomsoever.

DEFAULTS AND REMEDIES

Events of Default.

Any of the following shall constitute an “Event of Default” under the General Resolution:

(a) Default in the payment of any portion of the Bond Payments on, or Redemption Price of, any Bond when due.

(b) Failure by the Bank to observe and perform any covenant, condition or agreement on its part to be observed or performed under the General Resolution, other than as referred to in paragraph (a) above, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the Bank by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the owners of Bonds but cannot be cured within the applicable 60-day period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Bank or within the applicable period and diligently pursued until the failure is corrected; and provided, further, that if by reason of force majeure the Bank is unable to carry out the agreements on its part contained in the General Resolution, the Bank shall not be deemed in default under this paragraph during the continuance of such inability (but force majeure shall not excuse any other Event of Default).

(c) Failure by MaineDOT to observe and perform any covenant, condition or agreement on its part to be observed or performed under any Federal Aid Agreement or the MaineDOT Pledge Agreement, other than as referred to in paragraph (a), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to MaineDOT by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure

stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the owners of Bonds but cannot be cured within the applicable 60-day period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by MaineDOT or within the applicable period and diligently pursued until the failure is corrected; and provided, further, that if by reason of force majeure MaineDOT is unable to carry out the agreements on its part therein contained, it shall not be deemed a default under this paragraph during the continuance of such inability (but force majeure shall not excuse any other Event of Default).

Remedies Following an Event of Default.

(a) Upon the occurrence of any Event of Default described above, the Trustee may transfer all or any moneys held in the Construction Fund to the Bond Payment Fund.

(b) Upon the happening and continuance of any Event of Default specified in paragraph (a) above under the heading "Events of Default" the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraphs (b) or (c) under the heading "Event of Default" the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, the Trustee shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (i) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and to require the Bank to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (ii) by bringing suit upon the Bonds; (iii) by action or suit in equity, require the Bank to account as if it were the trustee of any express trust for the Owners of the Bonds; or (iv) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

(c) The Trustee may, and upon the written request of the Owners of 25% in principal amount of all Bonds then Outstanding in the Trustee's or the Bank's own name, by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of such Bondholders hereunder and under the MaineDOT Agreements (subject to the limitations set forth in paragraph (g) below) including the right to require the Bank to collect payments and other amounts and to collect interest and amortization payments under agreements payable to the Bank and pledged to payment of Bonds, adequate to carry out any agreement as to, or pledge of, those payments and other amounts and of such interest and amortization payments and to require the Bank to carry out any other agreements with the Owners of Bonds and to perform its duties under the Act.

(d) Upon the occurrence of any Event of Default, the Trustee may take whatever action at law or in equity as may appear necessary or desirable to enforce the rights of the Owners and shall deposit any moneys received as a result of such action in the Bond Payment Fund.

(e) No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to

any other remedy given in the General Resolution or now or hereafter existing at law or in equity or by statute; provided, however, that neither the Trustee nor any Owners of Bonds shall have the right to declare all Bond Payments to be immediately due and payable.

(f) A judgment requiring a payment of money entered against the Bank or MaineDOT in connection with the Bonds and other obligations under the General Resolution may be satisfied only from the Trust Estate.

(g) Prior to a payment default under paragraph (a) under the above heading "Events of Default", the Trustee's rights to enforce the MaineDOT covenants under the MaineDOT Pledge Agreement shall commence only if: (i) an Event of Default has occurred under paragraph (c) under the above heading "Events of Default", (ii) the Bank is not proceeding on its own behalf to enforce compliance by MaineDOT and (iii) the Owners so direct pursuant to the General Resolution. Nothing under this heading shall limit the Trustee's rights and remedies under paragraph (b) above following a payment default under paragraph (a) under the above heading "Events of Default".

(h) Notwithstanding the occurrence of an Event of Default, including an Event of Default described in paragraph (a) of the above heading entitled "Events of Default", neither the Trustee nor the holders of any Bonds shall have the right to declare the principal of the Bonds due and payable, and the Bonds shall not be due and payable, except on their scheduled maturity dates or mandatory sinking fund redemption dates, as applicable.

Use of Moneys Received from Exercise of Remedies.

Moneys received by the Trustee resulting from the exercise of remedies following an Event of Default shall be deposited in the Bond Payment Fund and shall, together with other moneys in the Bond Payment Fund and other moneys available for such purpose, be applied in the following order of priority:

First, to the payment of the reasonable and proper fees and expenses of the Trustee.

Second, to the payment of interest due on the Bonds, including interest on past due interest on any Bond at the interest rate borne by such Bond, compounded on each Interest Payment Date. If more than one installment of interest is due on the Bonds, such installments shall be paid in the order in which they were due, with the first installment being paid first. If the amount available is insufficient to pay all of any particular installment of interest due on the Bonds (including interest on the past due interest), the amount available shall be paid ratably, based on the ratio of the amount due on each such Bond to the amount due on all such Bonds. For purposes of this paragraph, the difference between the Original Principal Amount and the Accreted Value of a Capital Appreciation Bond shall be treated as interest, the Accretion Date for a Capital Appreciation Bond shall be treated as an Interest Payment Date and the interest rate determined by straight-line interpolation between Accretion Dates shall be treated as the interest rate on a Capital Appreciation Bond.

Third, to the payment of principal due on the Bonds. If principal is due that was to have been paid on more than one date, the amount due on the earliest dates shall be paid first. If the amount available is insufficient to pay all the principal due on any particular date, the amount available shall be paid ratably, based on the ratio of the amount due on each such Bond to the amount due on all such Bonds. For purposes of this paragraph, the Original Principal Amount of a Capital Appreciation Bond shall be treated as principal.

Any excess funds remaining after moneys have been applied as set forth above such that there are no amounts past due and payable shall be deposited in the Bond Payment Fund and (i) if an event of default is continuing, shall be retained therein for application as provided under this heading and (ii) if no event of default is continuing, may be applied as provided under the Bond Payment Fund.

Owners of Majority in Aggregate Principal Amount of Bonds May Control Proceedings.

Notwithstanding any other provision of the General Resolution, the Owners of a majority of in aggregate principal amount of Bonds shall always have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in pursuit of remedies following an Event of Default or otherwise in connection with the enforcement of the terms of the General Resolution.

Limitations on Rights of Owners Acting Individually.

No Owner shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any remedy under the General Resolution or for the enforcement of the terms of the General Resolution, unless an Event of Default under the General Resolution has occurred and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have made a written request to the Trustee, have offered the Trustee indemnity satisfactory to it against its costs, expenses and liabilities reasonably anticipated to be incurred, and have given the Trustee a reasonable opportunity, to take such action in its capacity as Trustee. The purpose of the preceding sentence is to assure that no Owner or Owners shall have the right to affect, disturb or prejudice the lien of the General Resolution by his, her, its or their action or to enforce any right under the General Resolution except in the manner provided in the General Resolution and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the General Resolution and for the equal benefit of the Owners of all Outstanding Bonds. Nothing contained in the General Resolution shall, however, affect or impair the right of any Owner to enforce the payment of the Bond Payments on or Redemption Price of any Bond at and after the date such payment is due.

Trustee May Enforce Rights Without Bonds.

All rights of action and claims under the General Resolution or any of the Outstanding Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as

plaintiffs or defendants, any Owners; and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions of the General Resolution.

Trustee to File Proofs of Claim in Receivership, Etc.

In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Trust Estate, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due on the Bonds under the General Resolution, at the date of the institution of such proceedings and for any additional amounts which may become due by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Delay or Omission No Waiver.

No delay or omission of the Trustee or of any Owner to exercise any remedy, right or power accruing upon any Event of Default or otherwise shall exhaust or impair any such remedy, right or power or be construed to be a waiver of any such Event of Default, or acquiescence therein; and every remedy, right and power given by the General Resolution may be exercised from time to time and as often as may be deemed expedient.

Discontinuance of Proceedings on Event of Default; Position of Parties Restored.

In case the Trustee or any Owner shall have proceeded to enforce any right under the General Resolution and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or such Owner, then and in every such case the Bank, the Trustee and the Owners shall be restored to their former positions and rights, and all rights, remedies and powers of the Trustee and the Owner shall continue as if no such proceedings had been taken.

Waivers of Events of Default.

The Trustee may in its discretion waive any Event of Default and its consequences under the General Resolution and, notwithstanding anything else to the contrary contained in the General Resolution, shall do so upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Owners of 100% of the Bonds any Event of Default in the payment of the Bond Payments and Redemption Price when due, unless, prior to such waiver, all such amounts (with interest on amounts past due on any Bond at the interest rate on such Bond or, in the case of a Capital Appreciation Bond, the interest rate determined by straight-line interpolation between Accretion Dates) and all expenses of the Trustee in connection with such Event of Default have been paid or provided for. In case of any such waiver, then and in every such case the Bank, the Trustee and the Owners shall be restored to their former positions and rights under the General Resolution, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

CONCERNING THE TRUSTEE

Intervention by Trustee.

In any judicial proceeding to which the Bank is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of the Owners and shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of the Bonds and offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred.

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS, AMENDMENTS TO MAINEDOT DOCUMENTS

Supplemental Resolutions or Series Resolutions Not Requiring Consent of Owners.

The Bank may, without the consent of, or notice to, the Owners, but with the acknowledgement and agreement of MaineDOT, as applicable, with respect to (a) or (j) below, enter into a Supplemental Resolution or Series Resolution to amend any provision of the General Resolution or any Series Resolution for any one or more or all of the following purposes:

(a) to add additional covenants to the covenants and agreements of the Bank set forth in the General Resolution or to add to the limitations and restrictions in the General Resolution, other limitations and restriction to be observed by the Bank which are not contrary to or inconsistent with the General Resolution as theretofore in effect;

(b) to add additional revenues, properties or collateral to the Trust Estate;

(c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the General Resolution;

(d) to amend any existing provision of the General Resolution or to add additional provisions which, in the opinion of Bond Counsel, are necessary or advisable (i) to qualify, or to preserve the qualification of, the interest on any Bonds for exclusion from gross income for federal income tax purposes or for exclusion from federal alternative minimum tax; (ii) to qualify any Bonds for exemption from taxation and assessment in the State; (iii) to qualify, or to preserve the qualification of, the General Resolution or any Series Resolution under the federal Trust Indenture Act of 1939; or (iv) to qualify, or preserve the qualification of, any Bonds for an exemption from registration or other limitations under the laws of any state or territory of the United States;

(e) to amend any provision relating to the Rebate Fund if, in the opinion of Bond Counsel, such amendment does not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes;

(f) to provide for or eliminate book-entry registration of any of the Bonds;

(g) to obtain or maintain a rating of the Bonds by a nationally recognized securities rating agency;

(h) to authorize the issuance of any Series of Bonds in accordance with the General Resolution;

(i) to facilitate the provision of a Credit Facility or an Interest Rate Exchange Agreement as specified above under the heading "Credit Facilities and Interest Rate Exchange Agreements;

(j) to facilitate the receipt or use of Federal Transportation Funds to pay Bond Payments;

(k) to establish additional funds, accounts or subaccounts necessary or useful in connection with any Series Resolution authorized by any other provision under this heading or to amend any provision relating to a Fund that is not included in the Trust Estate;

(l) to make any amendment with Rating Confirmation from each Rating Agency then maintaining an uninsured, underlying rating on the Bonds, that such amendment will not, in itself, result in such uninsured, underlying rating on the Bonds following such amendment being lower than such rating on the Bonds immediately prior to such amendment;

(m) to modify any of the provisions in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Series Resolution shall cease to be Outstanding and (ii) such Series Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Series Resolution and of Bonds issued in exchange therefor or in place thereof; or

(n) for any other purpose which, in the judgment of the Trustee does not materially adversely affect the rights of the Owners of any Bonds then Outstanding.

Supplemental Resolutions or Series Resolutions Requiring Consent of Owners.

Except as expressly provided in the immediately preceding heading, the Bank and the Trustee may not enter into a Supplemental Resolution or Series Resolution without the written consent of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, that without the written consent of the Owner of each Bond affected thereby, no Supplemental Resolution or Series Resolution may be entered into that would effect: (i) a reduction of the interest rate, Bond Payments or Redemption Price payable on any Bond, a change in the maturity date of any Bond, a change in the Original Principal Amount of any Capital Appreciation Bond, a change in any Interest Payment Date for any Current Interest Bond or any Accretion Date for any Capital Appreciation Bond or a change in the redemption provisions applicable to any Bond; (ii) the deprivation of an Owner to the lien on the Trust Estate granted in the General Resolution; (iii) the creation of a priority right in the Trust Estate of another Bond over the right of the affected Bond, except as permitted in the General Resolution; or (iv) a reduction in the percentage of the aggregate principal amount of the Bonds required for consent to any Series Resolution.

The Bank may provide, in any Series Resolution authorizing the issuance of a Series of Bonds, additional rights of consent for any provider of a Credit Facility or of an Interest Rate Exchange Agreement, and may provide that, with respect to amendments to the General Resolution, any Series Resolution or any MaineDOT Agreement requiring the consent of a majority in aggregate principal amount of Bonds then Outstanding, the provider of the Credit Facility may, for purposes of voting, be treated as the Owner of the Bond secured by the Credit Facility, and if the Bank so provides, the provisions of the applicable Series Resolution shall govern.

Conditions to Effectiveness of Supplemental Resolutions or Series Resolutions.

No Supplemental Resolution or Series Resolution shall be effective until (i) it has been filed with the Trustee, accompanied by a Counsel's Opinion stating that such Supplemental Resolution or Series Resolution has been duly and lawfully adopted in accordance with the provisions of the General Resolution, is authorized or permitted by the General Resolution, and is valid and binding on the Bank and (ii) Bond Counsel has delivered a written opinion to the effect that the Supplemental Resolution or Series Resolution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Outstanding Bonds.

No Supplemental Resolution or Series Resolution entered into under the heading above shall be effective until, in addition to the conditions set forth in the immediately preceding paragraph, (i) a notice has been mailed to the Owners of the Outstanding Bonds, at the addresses last shown on the registration records of the Trustee, which notice describes the nature of the proposed Supplemental Resolution or Series Resolution and states that copies of it are on file at the office of the Trustee for inspection by the Owners of Outstanding Bonds and (ii) Owners of the required percentage in aggregate principal amount of the Bonds have consented to the Supplemental Resolution or Series Resolution. *Notwithstanding anything in the General Resolution to the contrary, the consent of the Owners of any Series of additional Bonds to be issued pursuant to the General Resolution shall be deemed irrevocably given if the Original Purchaser thereof, whether or not for resale, consents in writing to any modification or amendment and, if such Series of additional Bonds is expected to be resold, such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is sold.*

Amendments to MaineDOT Agreements.

The Bank and the Trustee may, without the consent of, or notice to, the Owners, amend or consent to the amendment of any provision of any MaineDOT Agreement for any one or more or all of the following purposes:

(a) to add additional covenants to the covenants and agreements of MaineDOT set forth therein or to add to the limitations and restrictions therein, other limitations and restriction to be observed by MaineDOT which are not contrary to or inconsistent with the General Resolution;

(b) to add additional revenues, properties or collateral pledged thereunder;

- (c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained therein;
- (d) to provide for or eliminate book-entry registration of any of the Bonds;
- (e) to obtain or maintain a rating of the Bonds by a nationally recognized securities rating agency;
- (f) to facilitate the issuance of any Series of Bonds in accordance with the General Resolution;
- (g) to facilitate the implementation of the General Resolution or the adoption of any Series Resolution or Supplemental Resolution permitted by the terms of the General Resolution;
- (h) to facilitate the receipt or use of Federal Transportation Funds to pay Bond Payments;
- (i) to make any amendment with Rating Confirmation from each Rating Agency that such amendment will not, in itself, result in the uninsured, underlying rating on the Bonds following such amendment being lower than such rating on the Bonds immediately prior to such amendment;
- (j) to modify any of the provisions in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such modification shall cease to be Outstanding and (ii) such modification shall be specifically referred to in the offering document for all Bonds of any Series authenticated and delivered after the date of the modification and of Bonds issued in exchange therefor or in place thereof;
- (k) for any purpose not prohibited under the last two paragraphs of the heading above entitled "Payment of Federal Funds to the Trustee";
- (l) for any other purpose which, in the judgment of the Trustee does not materially adversely affect the rights of the Owners of any Bonds then Outstanding.

Except as expressly provided in the General Resolution, the Bank and the Trustee may not enter into any amendment to or consent to the amendment of any provision of any MaineDOT Agreement without the written consent of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding.

DEFEASANCE

Discharge of General Resolution.

If 100% of the Bond Payments and Redemption Price due, or to become due, on all the Bonds and all amounts payable to the United States under the heading "Rebate Fund" above, have been paid, or provision shall have been made for the payment thereof in accordance with the defeasance provisions of the General Resolution and the fees and expenses due to the Trustee

and all other amounts payable under the General Resolution have been paid or provision for such payment shall have been made in a manner satisfactory to the Trustee, then (a) the right, title and interest of the Trustee in and to the Trust Estate shall terminate and be discharged (referred to as the “discharge” of the General Resolution); (b) the Trustee shall transfer and convey to or upon the order of the Bank all property that was part of the Trust Estate, including but not limited to any moneys held in any fund or account under the General Resolution, except any escrow account created pursuant to the defeasance provisions of the General Resolution (which escrow account shall continue to be held in accordance with the agreement governing the administration thereof); and (c) the Trustee shall execute any instrument requested by the Bank to evidence such discharge, transfer and conveyance.

Outstanding Bonds or Bond Payments or Redemption Price or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee shall at the respective maturity or redemption dates thereof be deemed to have been paid within the meaning and with the effect expressed in the above paragraph under this heading.

Defeasance of Bonds.

All or any portion of the Outstanding Bonds or Bond Payments shall be deemed to have been paid (referred to as “defeased”) prior to their maturity or redemption if; (i) the defeased Bonds are to be redeemed prior to their maturity, an Authorized Bank Officer has irrevocably instructed the Trustee to give notice of redemption of such Bonds in accordance with the General Resolution and any applicable Series Resolution; (ii) there has been deposited in trust in a Defeasance Escrow Account either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited into or held in the Defeasance Escrow Account, shall be sufficient to pay when due the Bond Payments or Redemption Price, as applicable, due and to become due on the defeased Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and (iii) a certified public accountant or other nationally recognized expert respecting verification of escrows has delivered a verification report verifying the deposit described in clause (ii) of this subparagraph.

The Defeasance Securities and moneys deposited in a Defeasance Escrow Account pursuant to the provisions under this heading and the principal and interest payments on such Defeasance Securities shall not be withdrawn or used for any purpose other than, and shall be held in trust solely for, the payment of the Bond Payments on and Redemption Price of the defeased Bonds; provided, however, that (i) any moneys received from principal and interest payments on such Defeasance Securities that are not required to pay the Bond Payments on or Redemption Price of the defeased Bonds on the date of receipt may, to the extent practicable, be reinvested in Defeasance Securities maturing at the times and in amounts sufficient to pay when due the Bond Payments on and Redemption Price to become due on the defeased Bonds on or prior to the redemption date or maturity date thereof, as the case may be; and (ii) any moneys or Defeasance Securities may be withdrawn from a Defeasance Escrow Account if (A) the moneys and Defeasance Securities that are on deposit in the Defeasance Escrow Account, including any moneys or Defeasance Securities that are substituted for the moneys or Defeasance Securities that are withdrawn from the Defeasance Escrow Account, satisfy the conditions stated above in clause (ii) of the immediately preceding paragraph, (B) a verification report is delivered that complies with clause (iii) of the immediately preceding paragraph and (C) an opinion of Bond

Counsel is delivered to the effect that such withdrawal or substitution complies with the provisions under this heading and will not of itself adversely affect the federal tax status of interest on either the related Refunding Bonds or the Bonds being refunded.

Any Bonds that are so defeased shall no longer be secured by or entitled to any right, title or interest in or to the Trust Estate, and the Bond Payments on and Redemption Price thereof shall be paid solely from the Defeasance Securities and money held in the Defeasance Escrow Account.

Defeasance of Less than all Bonds of a Particular Series or Maturity.

If less than all the Bonds of any particular Series, any particular maturity of any Series or any particular interest rate within a maturity of a Series are defeased, the Trustee shall institute or cause to be instituted a system to preserve the identity of the individual Bonds or portions thereof that are defeased, regardless of changes in Bond numbers attributable to transfers and exchanges of Bonds.

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PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of December 3, 2014, among U.S. Bank National Association, as disclosure agent (the "Disclosure Agent"), Maine Municipal Bond Bank (the "Bank") and the State of Maine (the "State").

RECITALS

WHEREAS, the Bank has issued its \$44,810,000 principal amount Grant Anticipation Bonds (Maine Department of Transportation) Series 2014A (the "Bonds") pursuant to a General Bond Resolution (the "Resolution") adopted by the Bank on December 10, 2004, and a Series Resolution adopted by the Bank on November 14, 2014 (the "Series Resolution"); the General Resolution and the Series Resolution being collectively, the "Resolutions"); and

WHEREAS, the Disclosure Agent, the Bank and the State wish to provide for the disclosure of certain information concerning the Bonds and other matters on an on-going basis as set forth herein for the benefit of the Bondholders (as hereinafter defined) in accordance with the provisions of the Rule (defined below);

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Rule, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; Scope of this Agreement.

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Rule, as amended and supplemented from time to time. Notwithstanding the foregoing, the term "Disclosure Agent" shall originally mean U.S. Bank National Association; any such successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

(1) "Annual Financial Information" shall mean, collectively, (i) the financial information and operating data with respect to apportionments, obligation authority and actual receipts of certain federal transportation funds for MaineDOT for the most recent Federal Fiscal Year for which financial information and operating data are set forth in the tables under the heading "FEDERAL AID REVENUES" in the Official Statement with respect to the Bonds, or comparable information with respect to any federal program that replaces the federal program pursuant to which such federal transportation funds are provided to MaineDOT as of the date hereof and (ii) the information regarding amendments to this Agreement required pursuant to Section 4(D) and (E) of this Agreement. Annual Financial Information shall include Audited Financial Statements.

The descriptions contained in clause (i) of Section 1(A)(1) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall

explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" shall mean the annual financial statements, if any, of the State, audited by such auditor as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 4(A) and (E) hereof, the State may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 4(A) hereof shall include a reference to the specific Federal or State law or regulation describing such accounting principles, or other description thereof. If Audited Financial Statements are not available, then "Audited Financial Statements" means Unaudited Financial Statements.

(3) "Beneficial Owner" shall mean any person which 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).

(4) "Bondholders" shall mean any holder of the Bonds and any Beneficial Owner thereof.

(5) "Commissioner" means the Commissioner of MaineDOT.

(6) "Counsel" shall mean Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(7) "Federal Fiscal Year" shall mean the fiscal year of the federal government of the United States, which begins on each October 1 and ends on the following September 30, or such other fiscal year as may be applicable to the federal government from time to time.

(8) "GAAP" shall mean generally accepted accounting principles as prescribed from time to time by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties or responsibilities of either of them.

(9) "MaineDOT" shall mean the Department of Transportation of the State and any successor thereto established from time to time pursuant to the laws of the State.

(10) "MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(11) "Notice Event" shall mean any of the following events with respect to the Bonds, whether relating to the Bank or the State or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the State;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State 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 State, 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 State;

(xiii) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(12) “Official Statement” shall mean the Official Statement dated November 14, 2014 of the Bank relating to the Bonds.

(13) “Rule” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(14) "SEC" shall mean the United States Securities and Exchange Commission.

(15) "State Fiscal Year" shall mean the fiscal year of the State, which begins on each July 1 and ends on the following June 30, or such other fiscal year as may be applicable to the State from time to time.

(16) "Treasurer" shall mean the Treasurer of State of the State of Maine.

(17) "Unaudited Financial Statements" shall mean the same as Audited Financial Statements, except that they shall not have been audited.

(18) "Turn Around Period" shall mean (i) five (5) business days, with respect to Annual Financial Information delivered by the Commissioner and Audited Financial Statements delivered by the Treasurer to the Disclosure Agent; (ii) two (2) business days with respect to Notice Events disclosed by the Bank to the Disclosure Agent or such lesser period as necessary in order for such Notice Event to be disclosed to the public no more than ten (10) business days after the occurrence thereof; (iii) two (2) business days with respect to (A) the failure, on the part of the Commissioner, to deliver Annual Financial Information required to be delivered by the Commissioner to the Disclosure Agent and (B) the failure, on the part of the Treasurer, to deliver Audited Financial Statements to the Disclosure Agent, which period commences upon notification by the Commissioner or the Treasurer, respectively, of such failure, or upon the Disclosure Agent's actual knowledge of such failure; or (iv) five (5) business days with respect to a change in the State Fiscal Year.

(19) "Underwriters" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, National Association.

(B) This Agreement applies to the Bonds.

(C) The Disclosure Agent shall have no obligation to make disclosure about the Bonds except as expressly provided herein. The fact that the Disclosure Agent or any affiliate thereof may have any fiduciary or banking relationship with the Bank or the State, apart from the relationship created by the Rule, shall not be construed to mean that the Disclosure Agent has actual knowledge of any event or condition except as may be provided by written notice from the Bank, the Commissioner or the Treasurer.

(D) This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

SECTION 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Bank's and the State's directions to the Disclosure Agent, with respect to information to be made public. In their respective actions under this Agreement, the Disclosure Agent is acting as the Bank's or the State's agent, as applicable.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 4 hereof, the Bank (with respect to subsection (3) below only) and the State (with respect to subsections (1), (2) and (3) below) shall make or cause to be made public the information set forth in the applicable subsections:

(1) Annual Financial Information. The State, acting by and through the Commissioner, shall provide Annual Financial Information (except Audited Financial Statements,

which shall be provided by the State acting by and through the Treasurer in accordance with paragraph (2) below) with respect to each Federal Fiscal Year, commencing with the Federal Fiscal Year ending September 30, 2015, within three months after the end of the respective Federal Fiscal Year, to the Disclosure Agent. The Disclosure Agent shall provide notice in writing to the State that such Annual Financial Information is required to be provided by such date, at least five (5) business days but not more than ten (10) business days in advance of such date.

(2) Audited Financial Statements. The State, acting by and through the Treasurer, shall provide Audited Financial Statements with respect to each State Fiscal Year, commencing with the State Fiscal Year ending June 30, 2015, within one year after the end of the respective fiscal year, or if not then available, when and if available, to the Disclosure Agent.

(3) Notice Events. If a Notice Event occurs, the Bank shall provide, in a timely manner not in excess of nine (9) business days after the occurrence of such Notice Event, notice of such Notice Event to the Disclosure Agent. Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and specify the applicable maturity or redemption date.

(4) Reference to Other Filed Documents. It shall be sufficient for purposes of Section 2(B) hereof if the State provides Annual Financial Information by specific reference to documents either (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section 2(B)(5) shall not apply to notices of Notice Events pursuant to Section 2(B)(3) hereof.

(5) Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in various parts at different times.

(6) Dissemination Agents. The Disclosure Agent, with the prior written consent of the Bank and the State in each instance, may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Bank or the State under this Agreement, and revoke or modify any such designation.

(7) Fiscal Year. The Treasurer shall promptly notify the Disclosure Agent in writing of each change in the State Fiscal Year. The Commissioner shall promptly notify the Disclosure Agent in writing of each change in the Federal Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

(C) Additional Disclosure Obligations. The Bank and the State each acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Bank or the State and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Bank or the State under such laws.

(D) Information Provided by Disclosure Agent to the Public.

(1) The Bank and the State each directs the Disclosure Agent on its behalf to make public in accordance with subsection (E) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Agent agrees to act as the Bank's or the State's, as applicable, agent in so making public, the following:

- (a) the Annual Financial Information;
- (b) Notice Event occurrences;
- (c) Notice of the failure of (i) the Commissioner to provide the Annual Financial Information (other than the Audited Financial Statements) or (ii) the Treasurer to provide the Audited Financial Statements, in each case by the respective dates required herein; and
- (d) such other information as the Bank or the State, as applicable, shall determine to make public through the Disclosure Agent and shall provide to the Disclosure Agent in the form required by subsection (D)(2) of this Section 2.

If the Bank or the State chooses to include any information in any Annual Financial Information or in any notice of occurrence of a Notice Event or otherwise, in addition to that which is specifically required by this Agreement, the Bank or the State, as applicable, shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Notice Event; and

(2) The information which the Bank or the State has agreed to make public shall be in the following form:

- (a) as to all notices, reports, financial information and financial statements to be provided to the Disclosure Agent by the Bank or the State, in the form required by this Agreement, the Rule or other applicable document or agreement; and
- (b) as to all other notices or reports, in such form as the Disclosure Agent shall reasonably deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Agent shall make public the Annual Financial Information, the Notice Event occurrences (such notices to be provided to the Disclosure Agent by the Bank) and the notice of failure to provide the Annual Financial Information (other than Audited Financial Statements) by the Commissioner or the Audited Financial Statements by the Treasurer, in each case within the applicable Turn Around Period, with a copy of each thereof to be simultaneously delivered by the Disclosure Agent to the Bank and the State. If by any such required date, information required to be provided by the Bank or the State to the Disclosure Agent has not been provided on a timely basis, the Disclosure Agent shall make such information public as soon thereafter as it is provided to the Disclosure Agent.

(E) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Bank, the State or the Disclosure Agent under this Agreement if it is transmitted as provided in subsection (E)(2) of this Section 2 by the following means:

- (a) to the Bondholders of outstanding Bonds, by the method prescribed by the Rule;
- (b) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB (a description of

such format and information as presently prescribed by the MSRB is included in Exhibit A hereto); and/or;

(c) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Bank, the State or the Disclosure Agent is authorized to transmit information to the SEC by whatever means are mutually acceptable to the Disclosure Agent, the Bank or the State, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

(a) information to be provided to the public in accordance with subsection (B) of this Section 2 shall be transmitted to the MSRB;

(b) all information described in clause (a) shall be made available to any Bondholder upon request, but need not be transmitted to the Bondholders who do not so request; and

(c) to the extent the State is obligated to file any Annual Financial Information with the MSRB pursuant to this Agreement, such Annual Financial Information may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

With respect to requests for periodic or occurrence information from Bondholders, the Disclosure Agent may require payment by requesting of holders a reasonable charge for duplication and transmission of the information and for the Disclosure Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Disclosure Agent to interpret or provide an opinion concerning the information made public. If the Disclosure Agent receives a request for an interpretation or opinion, the Disclosure Agent may refer such request to the Bank or the State, as applicable with respect to pertinence to such request for information, for response.

(F) Disclosure Agent Compensation. The Bank shall pay or reimburse the Disclosure Agent for its fees and expenses for the Disclosure Agent's services rendered in accordance with this Agreement, but only in accordance with the existing fee, expense and service arrangements between the Bank and U.S. Bank National Association under the Resolution.

(G) Indemnification of Disclosure Agent. In addition to any and all rights of the Disclosure Agent to reimbursement, indemnification and other rights pursuant to the Rule or under law or equity, the Bank shall indemnify and hold harmless the Disclosure Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Disclosure Agent's performance under this Agreement; provided that the Bank shall not be required to indemnify the Disclosure Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct, default or negligence of the Disclosure Agent in such disclosure of information hereunder. The obligations of the Bank under this Section shall survive resignation or removal of the Disclosure Agent and payment of the Bonds. The Disclosure Agent shall have no duty or obligation to review any information provided to it hereunder

and shall not be deemed to be acting in any fiduciary capacity for the Bank, the State, the Bondholder or any other party.

SECTION 3. Effective Date; Termination.

(A) This Agreement shall be effective upon the issuance of the Bonds.

(B) The Bank's, the State's and the Disclosure Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(C) This Agreement, or any provision hereof, shall be null and void in the event that (1) the Bank delivers to the Disclosure Agent and the State an opinion of Counsel, addressed to the Bank, the State and the Disclosure Agent, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Disclosure Agent delivers copies of such opinion to the MSRB. The Disclosure Agent shall so deliver such opinion to the MSRB within one (1) business day after receipt by the Disclosure Agent.

(D) This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this Agreement is not effective until (i) the Bank and the State, or their respective successors, enter into a new continuing disclosure agreement with a disclosure agent who agrees to continue to provide, to the MSRB and the Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) Counsel provides an opinion that the new continuing disclosure agreement is in compliance with all State and federal securities laws and (iii) notice of the termination of this Agreement is provided to the MSRB.

SECTION 4. Amendments or Waivers.

(A) This Agreement may be amended or waived, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the State or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Bank shall have delivered to the Disclosure Agent an opinion of Counsel, addressed to the State, the Bank and the Disclosure Agent, to the same effect as set forth in clause (2) above, (4) either (i) the Bank shall have delivered to the Disclosure Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Bank or the State (such as bond counsel or the Disclosure Agent), addressed to the Bank, the State and the Disclosure Agent, to the effect that the amendment or waiver does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment or waiver to this Agreement pursuant to the same procedures as are required for amendments to the General Resolution with consent of holders of Bonds pursuant to the General Resolution as in effect at the time of the amendment or waiver, and (5) the Disclosure Agent shall have delivered copies of such opinion(s) and amendment or waiver to (i) the MSRB, (ii) the State and (iii) the Bank. The Disclosure Agent shall so deliver such opinion(s) and amendment or waiver within one (1) business day after receipt by the Disclosure Agent.

(B) In addition to subsection (A) above, this Agreement may be amended or waived by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Bank shall have delivered to the Disclosure Agent an opinion of Counsel, addressed to the State, the Bank and the Disclosure Agent, to the effect that performance by the State, the Bank and the Disclosure Agent under this Agreement as so amended or waived will not result in a violation of the Rule and (3) the Disclosure Agent shall have delivered copies of such opinion and amendment or waiver to (i) the MSRB, (ii) the State and (iii) the Bank. The Disclosure Agent shall so deliver such opinion and amendment or waiver within one (1) business day after receipt by the Disclosure Agent.

(C) This Agreement may be amended or waived by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Bank shall have delivered to the Disclosure Agent an opinion of Counsel, addressed to the State, the Bank and the Disclosure Agent, to the effect that the amendment or waiver is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Disclosure Agent shall have delivered copies of such opinion and amendment or waiver to (i) the MSRB, (ii) the State and (iii) the Bank. The Disclosure Agent shall so deliver such opinion and amendment or waiver within one (1) business day after receipt by the Disclosure Agent.

(D) To the extent any amendment or waiver to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

(E) If an amendment or waiver is made pursuant to Section 4(A) hereof to the accounting principles to be followed by the State in preparing its financial statements, the Audited Financial Statements for the State Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 5. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that (i) it has duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) it has all requisite power and authority to execute, deliver, and perform this Agreement under applicable law, its organizational documents, if any, and any corporate or other resolutions now in effect, (iii) the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning this Agreement or the issuance of the Bonds.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or

regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Default. In the event of failure of the Bank or the State to comply with any provision of this Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Bank or the State, as applicable, to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the General Resolution or a default with respect to the Bonds, and the sole remedy under this Agreement in the event of any failure of the Bank or the State to comply with this Agreement shall be an action to compel performance. The Bank and the State shall be entitled to enforce the obligations of the Disclosure Agent under this Agreement, or to perform any such obligation in lieu of the Disclosure Agent, to the extent the Disclosure Agent shall fail or refuse or shall be unable to take any action required hereunder.

(F) Beneficiaries. This Agreement is entered into by the parties hereto and shall inure solely to the benefit of the Bank, the State, the Disclosure Agent, the Underwriters, the Beneficial Owners and the Bondholders, and shall create no rights in any other person or entity.

SECTION 6. Notices.

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Bank: Maine Municipal Bond Bank
127 Community Drive
Augusta, Maine 04338-2268
Telephone: (207) 622-9386
Fax: (207) 623-5359
Attention: Executive Director

To the State: Treasurer of State
39 State House Station
Burton M. Cross Office Building, 3rd Floor
111 Sewall Street
Augusta, Maine 04333-0039
Telephone: (207) 624-7477
Fax: (207) 287-2367 Attention: Treasurer of State

With a copy to: Maine Department of Transportation
16 State House Station
Augusta, Maine 04333-0016
Telephone: (207) 624-3202
Fax: (201) 624-3201
Attn: Director, Finance and Administration

To the Disclosure
Agent:

U.S. Bank National Association
Corporate Trust Services
One Federal Street
Boston, Massachusetts 02110
Telephone: (617) 603-6588
Fax: (617) 603-6670
Attention: Jesse Yuen

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, the Disclosure Agent, the State and the Bank have each caused their duly authorized officers to execute this Agreement, as of the day and year first above written.

MAINE MUNICIPAL BOND BANK

By: _____
Michael R. Goodwin
Executive Director

STATE OF MAINE

By: _____
Neria R. Douglass
Treasurer of State

By: _____
David B. Bernhardt
Commissioner
Department of Transportation

U.S. BANK NATIONAL ASSOCIATION,
as Disclosure Agent

By: _____
Andrew Sinasky
Vice President

EXHIBIT A¹

MSRB Procedures for Submission of Continuing Disclosure Documents and Related Information

Securities and Exchange Commission Release No. 34-59061 (the "Release") approves an MSRB rule change establishing a continuing disclosure service of the MSRB's Electronic Municipal Market Access system ("EMMA"). The rule change establishes, as a component of EMMA, the continuing disclosure service for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted by issuers, obligated persons and their agents pursuant to continuing disclosure undertakings entered into consistent with Rule 15c2-12 ("Rule 15c2-12") under the Securities Exchange Act of 1934. The following discussion summarizes procedures for filing continuing disclosure documents and related information with the MSRB as described in the Release.

All continuing disclosure documents and related information is to be submitted to the MSRB, free of charge, through an Internet-based electronic submitter interface or electronic computer-to-computer data connection, at the election of the submitter. The submitter is to provide, at the time of submission, information necessary to accurately identify: (i) the category of information being provided; (ii) the period covered by any annual financial information, financial statements or other financial information or operating data; (iii) the issues or specific securities to which such document is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (iv) the name of any obligated person other than the issuer; (v) the name and date of the document; and (vi) contact information for the submitter.

Submissions to the MSRB are to be made as portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. If the submitted file is a reproduction of the original document, the submitted file must maintain the graphical and textual integrity of the original document. In addition, such PDF files must be word-searchable (that is, allowing the user to search for specific terms used within the document through a search or find function), provided that diagrams, images and other non-textual elements will not be required to be word-searchable.

All submissions to the MSRB's continuing disclosure service are to be made through password protected accounts on EMMA by (i) issuers, which may submit any documents with respect to their municipal securities; (ii) obligated persons, which may submit any documents with respect to any municipal securities for which they are obligated; and (iii) agents, designated by issuers and obligated persons to submit documents and information on their behalf. Such designated agents are required to register to obtain password-protected accounts on EMMA in order to make submissions on behalf of the designating issuers or obligated persons. Any party identified in a continuing disclosure undertaking as a dissemination agent or other party responsible for disseminating continuing disclosure documents on behalf of an issuer or obligated person will be permitted to act as a designated agent for such issuer or obligated person, without a designation being made by the issuer or obligated person as described above, if such party certifies through the EMMA on-line account management utility that it is authorized to disseminate continuing disclosure documents on behalf of the issuer or obligated person under the continuing disclosure undertaking. The issuer or obligated person, through the EMMA on-line account management utility, is able to revoke the authority of such party to act as a designated agent.

The MSRB's Internet-based electronic submitter interface (EMMA Dataport) is at www.emma.msrb.org.

¹ The summary set forth in this Exhibit A may be updated from time to time as necessary to be consistent with MSRB procedures as they may change from time to time.

APPENDIX D

Upon delivery of the Series 2014A Bonds, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank, proposes to issue their approving opinion in substantially the following form:

Hawkins Delafield & Wood LLP

ONE CHASE MANHATTAN PLAZA
NEW YORK, NEW YORK 10005
WWW.HAWKINS.COM

[Closing Date]

Maine Municipal Bond Bank
Augusta, Maine

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$44,810,000 Grant Anticipation Bonds (Maine Department of Transportation), Series 2014A (the "Series 2014A Bonds") of the Maine Municipal Bond Bank (herein called the "Bank"), a public body corporate and politic, constituted as an instrumentality of the State of Maine (the "State"), organized and existing under and pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the "Bond Bank Act").

The Series 2014A Bonds are issued under and pursuant to the Bond Bank Act, Chapter 19, Subchapter 3-A of Title 23 of the Maine Revised Statutes, as amended (the "Program Act") and Public Law Chapter 354 adopted by the Maine Legislature in 2013 in the 126th Legislature (the "2013 Authorizing Act" and, together with the Bond Bank Act and Program Act, collectively, the "Act") and under and pursuant to the general bond resolution of the Bank entitled: "Grant Anticipation General Bond Resolution (Maine Department of Transportation): A Resolution Creating and Establishing an Issue of Bonds of the Maine Municipal Bond Bank; Providing for the Issuance From Time to Time of Said Bonds; Providing for the Payment Thereof, and Providing for the Rights of the Holders Thereof" adopted December 10, 2004 (the "General Bond Resolution"), and the series resolution of the Bank entitled: "A Series Resolution Authorizing the Issuance of \$44,810,000 Grant Anticipation Bonds (Maine Department of Transportation) Series 2014A of the Maine Municipal Bond Bank", adopted November 14, 2014 (the "Series 2014 Resolution"). The General Bond Resolution and the Series 2014 Resolution are herein sometimes collectively referred to as the "Resolutions."

The Series 2014A Bonds are dated, mature on the respective dates and in the respective principal amounts, bear interest and are payable, and are subject to redemption, all as provided in the Resolutions.

The Series 2014A Bonds are issuable in fully registered form without coupons in the denomination of \$5,000 each or any integral whole multiple thereof. The Series 2014A Bonds are lettered AR and shall be numbered separately from one (1) upwards.

Pursuant to the General Bond Resolution, the Bank is authorized to issue additional series of bonds from time to time upon the terms and conditions therein set forth and any such bonds will be on a parity as to security and payment from the Trust Estate with the Series 2014A Bonds and all other bonds previously issued and to be issued pursuant to the General Bond Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2014A Bonds in order that interest on the Series 2014A Bonds be and remain excluded from gross income under Section 103 of the Code. Noncompliance with such requirements may cause interest on the Series 2014A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Bank and the Maine Department of Transportation ("MaineDOT") have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2014A Bonds from gross income under Section 103 of the Code.

In rendering the opinions set forth in paragraph 4 hereof, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Bank and MaineDOT in connection with the Series 2014A Bonds, and we have assumed compliance by the Bank and MaineDOT with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014A Bonds from gross income under Section 103 of the Code.

We are of the opinion that:

1. The Bank has been duly created and validly exists as a public body corporate and politic, constituted as an instrumentality of the State, under and pursuant to the laws of the State (including the Bond Bank Act as amended to the date hereof), with good right and power to adopt the Resolutions which have been duly and lawfully adopted by the Bank, are in full force and effect and are valid and binding upon the Bank and enforceable in accordance with their terms, and no other authorization for the Resolutions is required. The General Bond Resolution creates the valid pledge of and lien upon the Trust Estate (as defined in the General Bond Resolution), subject to the terms of the General Bond Resolution.

2. The Series 2014A Bonds are valid and binding special, limited obligations of the Bank payable solely from the Trust Estate (subject to annual allocation by the State of Federal Transportation Funds, as such term is defined in the General Bond Resolution) and have been duly authorized and issued in accordance with the Act and the Resolutions.

3. The Series 2014A Bonds are not in any way a debt or liability of the State nor do they constitute a loan of the credit of the State or create any debt or liability on behalf of the State or a pledge of the faith and credit of the State. The Series 2014A Bonds are payable solely from the sources pledged for that purpose by the Bank and neither the faith and credit nor the taxing power of the State is pledged to the payment of the Series 2014A Bonds.

4. Under existing statutes and court decisions, (i) interest on the Series 2014A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2014A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Under existing statutes, interest on the Series 2014A Bonds is exempt from the State of Maine income tax imposed on individuals. We further are of the opinion that, for any Series 2014A Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2014A Bonds.

The opinions expressed in paragraphs 1 and 2 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as stated in paragraph 4 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Series 2014A Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves (if such opinion of other counsel shall have been given without consultation with us or after consultation with us and to which we shall not concur) on the exclusion from gross income for Federal income tax purposes of interest on the Series 2014A Bonds, or the exclusion of interest on the Series 2014A Bonds under the State of Maine income tax imposed on individuals.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2014A Bonds.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. We are rendering this opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever.

We have examined an executed Series 2014A Bond numbered AR-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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127 Community Drive, P.O. Box 2268
Augusta, Maine 04338-2268
<http://www.mainebondbank.com>

Michael R. Goodwin, Executive Director
Tel 207-622-9386
Fax 207-623-5359

MAINE MUNICIPAL BOND BANK **TRANSCAP SUMMARY**

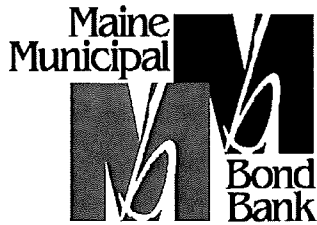
Working in cooperation with the Maine Department of Transportation (MDOT), the Bank issues revenue bond, the principal and interest of which is repaid with State revenues dedicated to the program in State statute. Bond proceeds from TransCap bonds are used at the direction of MDOT to fund eligible projects around the State. In Fiscal Year 2008, the State established the TransCap Trust Fund to provide transportation capital investment for MDOT, funded from five sources: motor fuel excise, vehicle registration fees, vanity plate fees, vehicle plate fees, vehicle title fees, and state highway fund savings. MDOT is responsible for over 8,300 miles of highways and nearly 3,000 bridges, operates the Maine State Ferry Service and owns 478 miles of railroad track and the Augusta airport. The Bond Bank began issuing bonds for this program on behalf of the MDOT in 2008 and has since issued \$240,000,000 in four separate sales. The current outstanding debt as of October 6, 2015 is \$174,460,000. The Bond Bank is currently closing on a 2015A refunding issue on some of these outstanding bonds. The closing is scheduled for October 22, 2015 and is expecting to produce present value savings of \$3,395,455.

The 2011A Series

In 2011 the Bond Bank sold \$55,000,000 on behalf of the MDOT for several bridge projects. The work plan consisted of Bridge Replacement of Knickerbocker Bridge over the Back River and located 1.70 miles easterly of the Boothbay Harbor town line, bridge wearing surface replacement of seventeen (17) bridges located in Portland and South Portland on Interstate 295 northbound, bridge replacement of the Veterans Memorial Bridge over the Fore River and Portland Terminal Railroad, located on the Portland-South Portland town line, and the bridge Replacement of the Wild River Bridge over the Wild River, located 0.07 of a mile westerly of Route 113.

The 2009B Series

The proceeds of the Series 2009B bonds were applied to pay the costs of approximately six individual projects comprising of capital highway projects throughout the State with an estimated useful life of ten years or greater, and such other additional or substitute projects as may be designated by the Maine Department of Transportation and as shall qualify under the Act, and allocated to municipalities in the amount of \$5,000,000 to pay a portion of the costs of various capital improvement projects pursuant to the Urban Rural Initiative Program.



127 Community Drive, P.O. Box 2268
Augusta, Maine 04338-2268
<http://www.mainebondbank.com>

Michael R. Goodwin, Executive Director
Tel 207-622-9386
Fax 207-623-5359

The 2009A Series

The proceeds to the Series 2009A bonds were applied to pay the costs of approximately 55 individual projects comprising the replacement, improvement, rehabilitation or demolition of various bridges (or portions of bridges) throughout the State, and such other additional or substitute projects as may be designated by MDOT and as shall qualify under the Act.

The 2008A Series

The proceeds of the Series 2008A bonds were applied to pay the costs of ten separate projects comprising of the reconstruction of sections of public roadways throughout the State and such other additional or substitute projects as may be designated by MDOT and as shall qualify under the Act.

MEMORANDUM OF AGREEMENT

Relating to TransCap Trust Fund Revenue Bonds

This Memorandum of Agreement (the "Agreement") is entered into as of September 24, 2008 by and among the Maine Municipal Bond Bank (the "Bank"), the Maine Department of Transportation ("MaineDOT"), the Treasurer of the State of Maine (the "Treasurer") and the Maine Department of Administrative and Financial Services, Office of the State Controller ("OSC").

WHEREAS, the Bank was created and exists as a body corporate and politic and an instrumentality of the State of Maine (the "State") under the Maine Municipal Bond Bank Act, Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended from time to time (the "Bond Bank Act"); and

WHEREAS, Public Law Chapter 470, adopted by the Maine Legislature in the 1st Regular Session of the 123rd Legislature (the "Chapter 470"), among other things, establishes the TransCap Trust Fund (the "TransCap Fund") in the custody of the Bank to provide transportation capital investment for MaineDOT and municipalities; and

WHEREAS, the purpose of the TransCap Fund is to provide financial assistance for the planning, design, acquisition, reconstruction and rehabilitation of transportation capital improvements; and

WHEREAS, Chapter 647, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature ("Chapter 647"), grants the Bank express authority to issue up to \$160,000,000 of bonds secured by revenues of the TransCap Fund for the purpose of financing capital improvements to bridges and minor spans on or over public ways in the State, and

WHEREAS, Chapter 682, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature ("Chapter 682") and, together with Chapter 470 and Chapter 647, the "TransCap Act"), grants the Bank express authority to issue up to \$50,000,000 of bonds secured by revenues of the TransCap Fund for the purpose of financing highway reconstruction projects in the State; and

WHEREAS, additional State laws may be enacted, from time to time ("Additional TransCap Acts" and, together with the TransCap Act, the "Program Acts"), to authorize the Bank to issue additional bonds secured by revenues of the TransCap Fund for the purpose of financing similar or other types of transportation projects, and

WHEREAS, on September 24, 2008 the Bank adopted a resolution entitled "General Bond Resolution Authorizing the Issuance of Transportation Infrastructure Revenue Bonds (TransCap Program)" (the "General Resolution") which authorizes the Bank to issue bonds ("Bonds") and to pledge as security for the Bonds revenues authorized by the TransCap Act to be deposited in the TransCap Fund; and

WHEREAS, the General Resolution pledges as security for the Bonds various revenues required by the TransCap Act to be deposited in the TransCap Fund (the "Pledged Revenues") and other security included in the trust estate defined in the General Resolution (together with the Pledged Revenues, the "Trust Estate");

WHEREAS, on September 24, 2008 the Bank adopted a resolution entitled "Transportation Infrastructure Revenue Bonds (TransCap Program) Series 2008A Series Resolution" (the "Series 2008A Resolution") authorizing the issuance of a series of bonds for the various projects, to be secured under the General Resolution and payable from the Trust Estate (the "Series 2008A Bonds"); and

WHEREAS, in order to facilitate payment of the Pledged Revenues to the Bank for deposit in the TransCap Fund, and to ensure that such Pledged Revenues are available to the Bank on a timely basis to be deposited in the TransCap Fund so that the Bank can make transfers to the Trustee in amounts and at times sufficient to make payments of principal of, interest on and sinking fund payments on the Bonds, when due, to make other payments required under the General Resolution, and to pay other program expenses, the parties hereto are entering into this Agreement for the benefit from time to time of parties hereto, the Trustee, the holders of Bonds and other persons benefiting from the lien established by the General Resolution on the Trust Estate.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows

Section 1. Definitions. All capitalized terms contained herein shall have the meanings as ascribed to them in the General Resolution (as defined above) provided that the following terms shall have the following meanings.

"General Resolution" means the General Bond Resolution Authorizing the Issuance of Transportation Infrastructure Revenue Bonds (TransCap Program) adopted by the Commissioners of the Bank on September 24, 2008, as the same may be amended and supplemented from time to time.

"Governor's Biennial Budget" means, for each State Fiscal Year, the proposed budget prepared by the Governor for the upcoming biennium.

"MaineDOT Request" means the request by the MaineDOT to be submitted to the Bureau of the Budget for inclusion in the Governor's Biennial Budget of the gross amount of the Pledged Revenues anticipated to be received by the State for the benefit of the Fund in each State Fiscal Year

"Origination Fee" means 0.25% of the principal amount of the Bonds issued.

"Restricted Revenues" shall have the meaning set forth in the General Resolution.

"State Biennium" means the 24-month period commencing July 1, 2009 and ending June 30, 2011, and each successive 24-month period.

"State Fiscal Year" means the fiscal year of the State consisting of a 12 month period ending on the last day of June in each year, as the same may be lawfully modified from time to time

Section 2. Request for Payment and Recommendation to State Legislature. Beginning with the budget submission process for State Biennium commencing July 1, 2009, and for each State Biennium thereafter in which any of the Bonds remain Outstanding, MaineDOT, in a timely fashion, shall submit the MaineDOT Request for such State Biennium to the Bureau of the Budget for recommendation to the Governor for inclusion in the Governor's Biennial Budget for such State Biennium. Such submission shall be amended, from time to time, as may be required to make adjustments for changes in the amount of Revenues that the MaineDOT shall be entitled to receive for the benefit of Fund in any State Fiscal Year.

Section 3. Transfers by State Controller Pursuant to Chapter 682. Starting with the biennial budget year beginning on July 1, 2009, and in each subsequent State Fiscal Year, promptly upon receipt by the State Controller of notification from the State Budget Officer (which notification shall be delivered within thirty (30) days of the start of each such State Fiscal Year) of the amount of the reduction in Highway Fund allocations to the Department of Public Safety, Bureau of State Police, resulting from the percentage reduction from 60% as previously required under Maine Revised Statutes, (former 25 MRSA Section 1509), to 49% set forth in Section 3 of Chapter 682 (current 25 MRSA Section 1509-A), the State Controller shall transfer from the Highway Fund to the Bank for deposit in the TransCap Fund, in immediately available funds, an amount equal to the amount of the reduction so calculated by the State Budget Officer.

On September 4, 2008, the State Controller transferred from the Highway Fund to the Bank for deposit in the TransCap Fund, the amount of \$5,000,000 in accordance with Section 6 of Chapter 682 (25 MRSA Section 1509-A)

Section 4. Deposits by the Treasurer. (A) Beginning on July 1, 2009, and on the first day of each month thereafter, the Treasurer shall transfer to the Bank for deposit in the TransCap Fund, 7.5 % of annual receipts from the Maine Motor Fuel Excise Tax (after distribution of taxes pursuant to 36 MRSA Section 2903-D imposed under subsection 1), as required by 36 MRSA Section 2903, subsection 5.

(B) Beginning on October 15, 2009 and on each January 15, April 15, July 15 and October 15 thereafter, the Treasurer shall transfer to the Bank for deposit in the TransCap Fund (i) \$10.00 of each \$25.00 of the annual service fee for a vanity license plate, as required by 29-A MRSA Section 453, subsection 2, (ii) \$10 of each \$35.00 of the fee for automobile, pickup truck or sport utility vehicle used for the conveyance of passengers or interchangeably for passengers or property, as required by 29-A MRSA Section 501, subsection 1, (iii) \$10.00 of each \$35.00 of the registration fee for gross weight from 0 to 6,000 pounds, as required by 29-A MRSA Section 504, subsection 1, and (iv) \$10.00 of each \$33.00 paid to the Secretary of State for titles as described in 29-A MRSA Section 603, subsection 1, as required by said provision. Deposits shall be made prior to depositing any of such funds in the Highway Fund.

Section 5. Representations and Obligations of MaineDOT to the Bank. Recognizing the restrictions set forth in the Constitution of Maine, Article IX, Section 19 regarding the use of motor vehicle and motor vehicle fuel revenues, MaineDOT, as a state department having jurisdiction over highways and bridges, represents and agrees that, with respect to all Projects funded, in whole or in part, from either proceeds of Bonds or Restricted Revenues, (i) MaineDOT shall direct and supervise the construction, reconstruction, maintenance and repair of such Projects and (ii) the Bank shall be appointed by MaineDOT as the agent to administer the Pledged Revenues and issue Bonds to finance the Projects.

Section 6. Issuance of Bonds. The Bank shall use reasonable efforts to issue Bonds from time to time upon receipt of a request from MaineDOT to issue Bonds, specifying the principal amount of Bonds to be issued and the Projects to be financed from the proceeds of the Bonds. The Bank's obligations under this Section shall be subject to satisfying the conditions to the issuance of additional Bonds set forth in the General Resolution, compliance with the Program Act, and such other conditions as the Bank, in its sole discretion, deems advisable. The parties hereto agree to provide such information, execute such certificates, make such representations and take such other actions as are reasonable or necessary, consistent with then-current municipal bond financing practices, to issue, sell and prepare disclosure documents for Bonds.

Section 7. Requisitions and Other Obligations. MaineDOT shall submit requisitions to the Bank for costs of Projects (or reimbursement for such costs) funded with proceeds of Bonds, consistent with requirements of the General Resolution, any Series Resolution and the Tax Certificate; provided that no such requisition shall be submitted if the effect thereof when taken together with all prior requisitions would result in payments with respect to any Project exceeding the limitations contained in the Program Act. MaineDOT shall provide to the Bank and the Trustee, prior to the issuance of any series of Bonds, a certificate establishing the amount of Bond proceeds of such series, after giving effect to payments already made with respect to any Project, and amounts remaining available under any prior series of Bonds, which may be used for each Project without exceeding the limitations contained in the Program Act. MaineDOT agrees to comply with and abide by all obligations imposed by the General Resolution.

Section 8. Fees and Expenses of the Bank. In consideration for the issuance of the Bonds by the Bank and for the Bank making the proceeds of the Bonds available to MaineDOT for the Projects, MaineDOT agrees to pay directly to the Bank (or to such person as the Bank may direct) (i) from the proceeds of the Bonds or such other sources as may be determined by MaineDOT, the Bank's Origination Fee, (ii) from the proceeds of the Bonds or such other sources as may be determined by MaineDOT, all costs of issuance incurred by the Bank in connection with the issuance of the Bonds, including underwriting fees, counsel fees, initial trustee fees, printing costs, costs of preparation, filing or recording of any legal instruments or documents, (iii) costs of the Bank associated with the administration of the TransCap Fund and projects financed by the TransCap Fund, (iv) as and when the same become due, fees and expenses of the Bank payable to the Trustee and (v) as and when the same become due, other amounts required to be paid pursuant to the General Resolution. To the extent the foregoing amounts are not paid from the proceeds of Bonds, such amounts shall be payable from Pledged Revenues or other amounts available for such purpose in the Trust Estate. MaineDOT represents and agrees that the fees and expenses set forth in this Section are costs of

administration of, or payment of debts and liabilities incurred in construction or reconstruction of highways and bridges, all of which are under the direction and supervision of MaineDOT. The Bank may withdraw from the TransCap Fund, from time to time, amounts sufficient to reimburse itself for costs set forth in clauses (iii) and (iv) of this Section, subject to such limitations as may apply under applicable law.

Section 9. Amendments. The parties to this Agreement shall enter into such amendments to this Agreement as are from time to time reasonable or necessary to implement further provisions of law authorizing revenues to be deposited in or transfers to the TransCap Fund, or projects eligible to be financed with revenues of the TransCap Fund.

Section 10. Term. This Memorandum of Agreement shall remain in full force and effect until such time as no Bonds remain Outstanding pursuant to the General Resolution.

Section 11. Trustee as Third-Party Beneficiary. The Trustee is hereby designated an intended third-party beneficiary of this Memorandum of Agreement with a recognized and enforceable right to performance of its provisions, subject to such limitations on enforcement as may be set forth in the General Resolution.

Section 12. Failure of Parties to Perform. If any of the undersigned parties fail to perform or abide by their obligations established herein or in the General Resolution, the Bank or the Trustee (subject to the limitations set forth in the General Resolution) may petition a court of competent jurisdiction to issue a mandamus order to such party failing to perform to compel specific performance thereof, or take such other actions as they deem reasonable and necessary to enforce their rights hereunder.

Section 13. Miscellaneous.

13.1. Execution in Counterparts. This Memorandum of Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which, taken together, shall constitute but one and the same instrument.

13.2. Governing Law. This Memorandum of Agreement shall be governed by the laws of the State.

13.3. Amendments; Supplements; Termination; Non-Impairment. This Memorandum of Agreement may not be amended, supplemented or terminated without the prior written consent of the parties hereto; provided, however, that, for so long as any Bonds remain Outstanding, this Memorandum of Agreement shall not be amended (except for purposes permitted by Section 9 hereof) other than in accordance with the provisions that are applicable for amendments to the General Resolution (as if such amendment were an amendment to the General Resolution).

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Agreement by their duly authorized officers as of the date first written above.

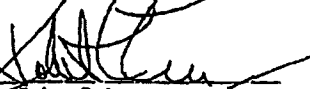
TREASURER OF THE STATE OF MAINE

By: 
Name: David Lemoine
Title: State Treasurer


**DEPARTMENT OF ADMINISTRATIVE &
FINANCIAL SERVICES, OFFICE OF
THE STATE CONTROLLER**

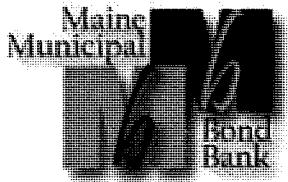
By: 
Name: Edward A. Karass
Title: State Controller

MAINE MUNICIPAL BOND BANK

By: 
Name: Robert O. Lenna
Title: Executive Director

**MAINE DEPARTMENT OF
TRANSPORTATION**

By: 
Name: David A. Cole
Title: Commissioner



MaineDOT

Maine TransCap Program

Rating Agency Presentation

Maine Municipal Bond Bank
Transportation Infrastructure
Revenue Bonds, Series 2015A
\$45,515,000*

September 18, 2015

** Preliminary, subject to change*

Maine Municipal Bond Bank



MaineDOT

Agenda

- I. Team Introduction
- II. TransCap Trust Fund Credit
- III. TransCap Trust Fund Revenues
- IV. Financing Structure and Schedule
- V. Conclusion



MaineDOT



I. Team Introduction





MaineDOT

Presentation Team

The Maine Municipal Bond Bank ("MMBB" or "Bond Bank") and Maine Department of Transportation ("MaineDOT") have partnered since 2008 on the implementation of the Maine TransCap Program with the issuance of four series of Transportation Infrastructure Revenue Bonds for a total par amount of \$240 million

MMBB

- Issuer of TransCap Bonds

Mike Goodwin
Executive Director

Toni Reed
Program Officer

MaineDOT

- Coordinate implementation of the TransCap program

Karen Doyle
Director, Finance & Administration

Financing Team

- Underwriters for 2015 Bonds

Wells Fargo Securities
Senior Manager

Craig Hrinkevich
Managing Director

Bank of America Merrill Lynch
Co-Senior Manager

Paul Ladd
Managing Director

*Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.



MaineDOT

Overview of MMBB and MaineDOT

MMBB and MaineDOT will continue to partner in carrying out the TransCap program with the issuance of \$45.515* million of Series 2015A TransCap Refunding Bonds

Maine Municipal Bond Bank

- Responsible for issuing TransCap Bonds
- Established in 1971 as a public body, corporate and politic, and an instrumentality of the State
- Governed by a board of five commissioners:
 - Three Gubernatorial appointees
 - Two ex officio members:
 - State Treasurer
 - Superintendent of the Maine Bureau of Financial Institutions
- MMBB is empowered under the State law to issue bonds and to provide the bond proceeds to various borrowers, including MaineDOT
- The Bond Bank has issued revenue bonds for a number of critical transportation projects under its TransCap and GARVEE resolutions

Maine Department of Transportation

- Responsible for implementing Maine's TransCap program
- State agency with primary responsibility for statewide transportation system that includes
 - Nearly 18,000 lane miles of highway
 - Nearly 3,000 bridges and spans
 - 489 miles of state-owned rail
 - 7 ferry boats and terminals
 - 3 seaports
 - 6 commercial airports

* Preliminary, subject to change



MaineDOT

II. TransCap Trust Fund Credit



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Maine TransCap Program Summary

The TransCap program has \$174.46 million in outstanding bonds, as of September 15, 2015. The Series 2015A bonds will be issued to refund portions of outstanding bonds.

- Pursuant to State statute, MMBB has previously issued four series of TransCap revenue bonds on behalf of MaineDOT to fund critical transportation improvements throughout the State
- The Series 2015A Bonds represent the fifth issue of bonds under the program
- Prior to the issuance of the Series 2015A Bonds, the Bond Bank issued \$240,000,000 principal amount of bonds, of which \$174,460,000 are currently outstanding
- The Series 2011A Bonds represented the final new money issuance under the TransCap authorization
- On June 30, 2015, legislation was amended to allow for refunding bonds to be issued, if the refunding produces net present value savings and does not exceed the original 15-year term of the refunded bonds

Outstanding TransCap Program Bonds		
Series	Bond Principal Issued	Bond Principal Outstanding (As of September 15, 2015)
2011A	55,000,000	51,100,000
2009B	30,000,000	24,855,000
2009A	105,000,000	67,365,000
2008A	50,000,000	31,140,000
Total	\$ 240,000,000	\$ 174,460,000



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Maine TransCap Credit Strengths

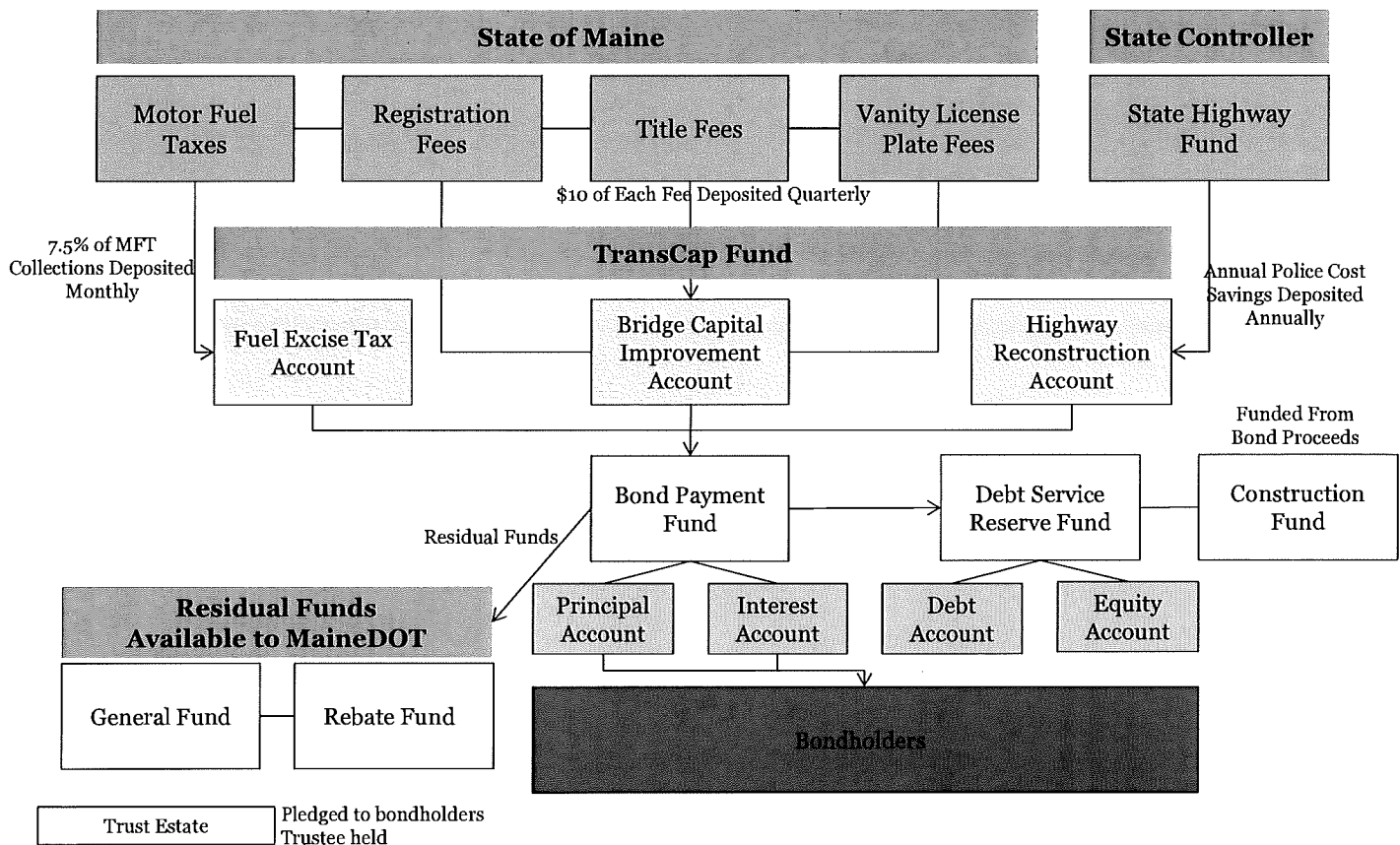
Maine's TransCap Trust Fund Revenue Bond Credit continues to be strong

- **Stable and Diverse Revenue Base**
 - Five sources of revenue provide broad credit support
 - Revenue stream includes: gas/special fuel tax, registration fees, title fees, vanity plate fees, and other highway revenues
- **Solid Revenue Protection**
 - Pledged revenues held in the TransCap Fund until after payment of debt service
 - Revenues may only be used for other purposes after debt service payment date
- **Debt Service Reserve funded at 50% of Maximum Annual Debt Service**
- **Limits on amortization period**
 - Originally, legislatively mandated 15-year maximum final maturity
 - Refundings cannot extend past original 15-year maturity
- **Maximum authorization of \$240 million**
 - Current authorization has been fully issued and no unissued bonds remain
- **Strong debt service coverage in excess of 1.9x**
 - Additional Bonds Test stipulated minimum coverage of 2.0x based upon historical revenues
 - Historical revenues provide 1.9x coverage of projected MADS after the Series 2015 refunding
- **The strength of the structure, pledged revenues, and debt service coverage support affirmation of the AA rating**



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Flow of Funds





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III. TransCap Trust Fund Revenues





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TransCap Fund – Summary of Pledged Revenues

In Fiscal Year 2008, the State established the TransCap Trust Fund to provide transportation capital investment for MaineDOT, funded from five sources:

Motor Fuel Excise Tax

- 7.5% of gasoline/special fuels tax collections are pledged to TransCap Trust Fund
- Current tax rates are 30.0 cents per gallon (gasoline) and 31.2 cents per gallon (diesel)

Vehicle Registration Fees

- \$10 of the \$35 registration fee assessed
- Charged annually, applies to all vehicle/trucks under 6,000 lbs.

Vanity Plate Fees

- \$10 of the \$25 vanity plate fee assessed
- Vanity License Plate Fees are charged annually

Vehicle Title Fees

- \$10 of the \$33 title fee assessed
- One time fee paid upfront

State Highway Fund Savings

- Annual savings from State Highway Fund's reduced obligation for the State Police annual budget has been pledged to the TransCap Trust Fund, the obligation was decreased from 60% to 49% of the police budget
- FY 2015 savings of \$5,334,017 were appropriated to the TransCap Trust Fund

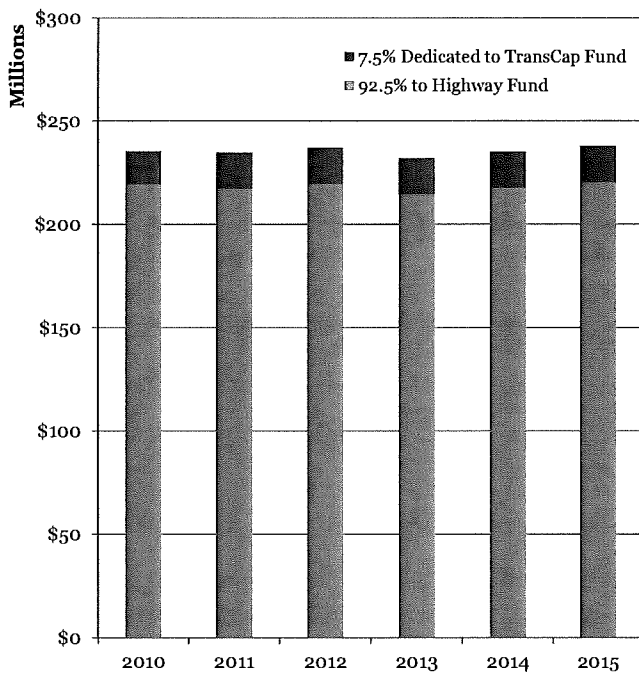


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Motor Fuel Excise Tax

7.5% of the State's Motor Fuel Excise Tax is dedicated to the TransCap Fund. Maine Revenue Services has provided projected fuel revenues through Fiscal Year 2019.

Historical Motor Fuel Tax Revenues



Historical & Forecasted Motor Fuel Tax Revenues

Fiscal Year	92.5% to Highway Fund	7.5% Dedicated to TransCap Fund
2010	219,190,707	16,133,078
2011	217,033,892	17,755,556
2012	219,463,118	17,576,034
2013	214,539,829	17,427,596
2014	217,494,739	17,634,644
2015	220,217,205	17,645,297
2016	220,811,525	17,903,637
2017	224,110,357	18,171,111
2018	226,821,293	18,390,916
2019	229,929,720	18,642,950

Source: Maine Revenue Services for Fiscal Year ending June 30. Shaded area represents May 2015 Maine Revenue Services forecast, assuming the current and approved rate structure.

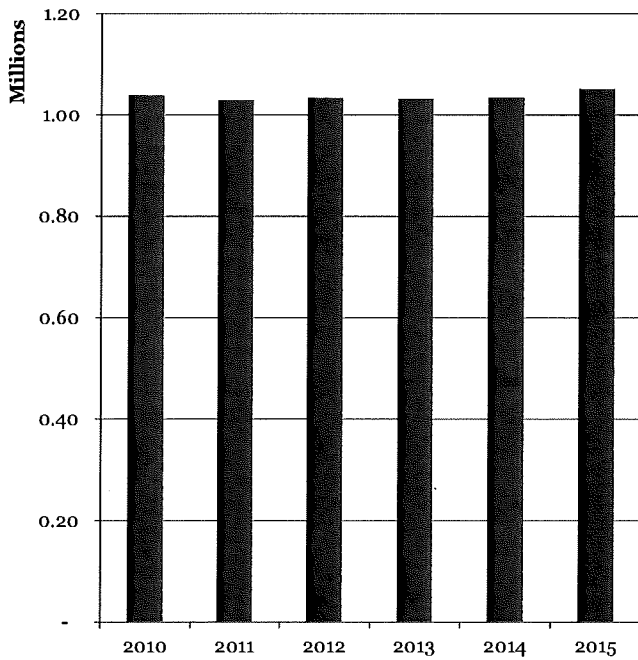


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Vehicle Registration Fees

\$10 of every \$35 registration fee is pledged to the TransCap Fund. This fee applies to all passenger vehicles and commercial vehicles with a gross weight under 6,000 pounds and the fee must be paid annually. Registration fee revenues are forecasted to remain flat in fiscal year 2016 and beyond.

Historical Number of Registration Fees Assessed



Historical & Forecasted Registration Fee Revenues

Fiscal Year	Number of Registrations	Revenue from Registrations
2010	1,039,151	7,395,730
2011	1,028,906	10,313,565
2012	1,033,926	10,327,505
2013	1,031,735	10,309,700
2014	1,034,484	10,344,840
2015	1,051,749	10,383,840
2016	1,051,749	10,383,840
2017	1,051,749	10,383,840
2018	1,051,749	10,383,840
2019	1,051,749	10,383,840

Source: Maine Secretary of State. Collections are expected to remain flat in FY 2016 and beyond.

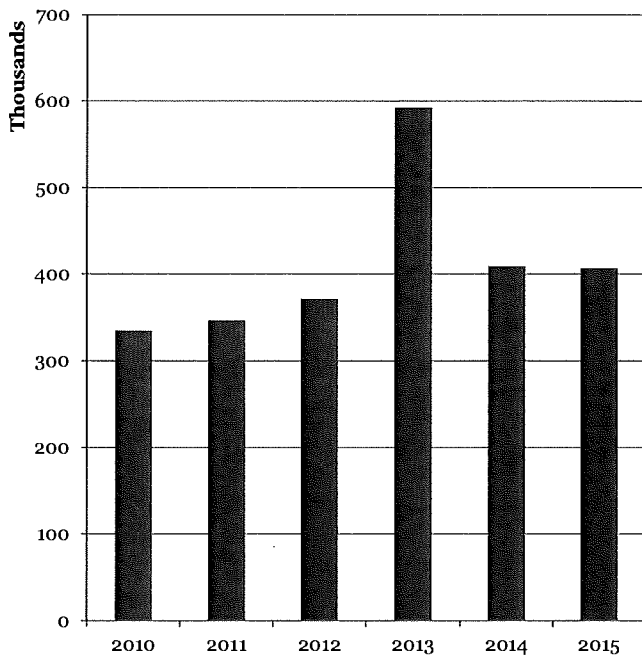


MaineDOT

Vehicle Title Fees

\$10 of every \$33 title fee is pledged to the TransCap Fund. This is a one-time fee that is paid upfront for all vehicles that are 15 years old or newer. Vehicle title fees are expected to remain flat in fiscal year 2016 and beyond.

Historical Number of Title Fees Assessed



Historical & Forecasted Title Fee Revenues

Fiscal Year	Title Fees (Number)	Title Fee Revenue
2010	334,922	2,441,699
2011	346,743	3,419,557
2012	371,602	3,661,460
2013*	592,364	5,770,470
2014	409,291	4,092,910
2015	407,105	4,004,770
2016	407,105	4,004,770
2017	407,105	4,004,770
2018	407,105	4,004,770
2019	407,105	4,004,770

*The significant increase in 2013 is attributable partially to a one-time Title revenue from processing 192,029 additional units for \$1,950,290
Source: Maine Secretary of State. Collections are expected to remain flat in FY 2016 and beyond.

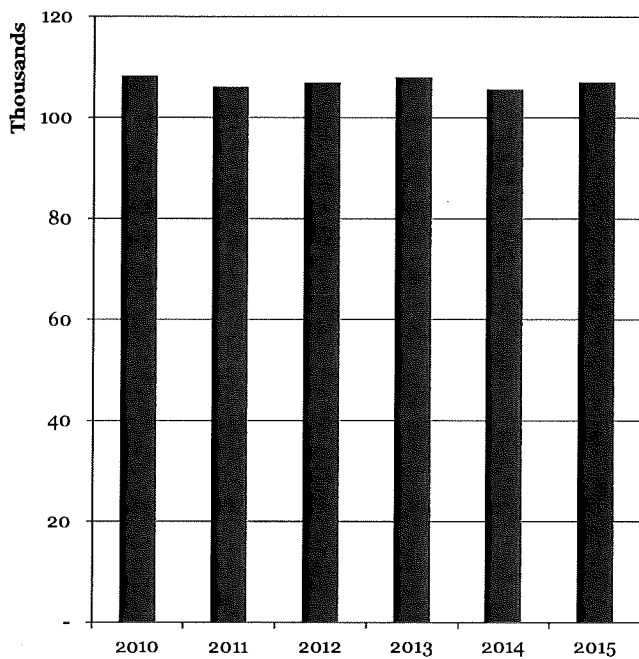


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Vanity Plate Fees

\$10 of every \$25 vanity plate fee is pledged to the TransCap Fund. This is an annual fee that is paid in addition to the registration fee. Vanity plate fees are expected to remain flat in fiscal year 2016 and beyond.

Historical Number of Vanity Plate Fees Assessed



Historical & Forecasted Vanity Plate Fee Revenues

	Vanity Plate Registrations	Vanity Plate Revenue
2010	108,242	735,250
2011	106,097	1,064,350
2012	106,917	1,069,210
2013	107,963	1,064,250
2014	105,639	1,056,390
2015	107,038	1,058,890
2016	107,038	1,058,890
2017	107,038	1,058,890
2018	107,038	1,058,890
2019	107,038	1,058,890

Source: Maine Secretary of State. Collections are expected to remain flat in FY 2016 and beyond.

Maine Municipal Bond Bank



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Dedicated Highway Fund Amounts (Police Savings)

Effective July 1, 2009, Chapter 682 reduced the percentage of the State Police budget that is funded from the Highway Fund from 60% to 49%. Under the Resolutions, the resulting 11% difference in the funding derived from the Highway Fund is a Pledged Revenue to the TransCap Fund.

Historical Number of Title Fees Assessed

Fiscal Year	Highway Fund	General Fund	Total Funding	Incremental Funding Value
2010	22,520,733	23,353,193	45,873,926	5,668,895
2011	21,808,943	22,585,364	44,394,307	5,764,140
2012	22,357,231	23,220,512	45,577,743	5,300,052
2013	21,766,526	22,979,682	44,746,208	5,419,451
2014	17,016,358	30,900,179	47,916,537	5,210,691
2015	16,973,928	30,485,217	47,459,145	5,334,017
2016	18,458,744	33,638,018	52,096,762	5,710,148
2017	18,320,309	33,379,959	51,700,268	5,696,863

Source: Office of Fiscal and Program Review.

⁽¹⁾ Reflects 11% of the funding from the Highway Fund, which amounts are actual for fiscal years 2009 through fiscal year 2015, projected for fiscal year 2016 and proforma for all other fiscal years.

⁽²⁾ Data for fiscal years 2016 and 2017 is estimated.

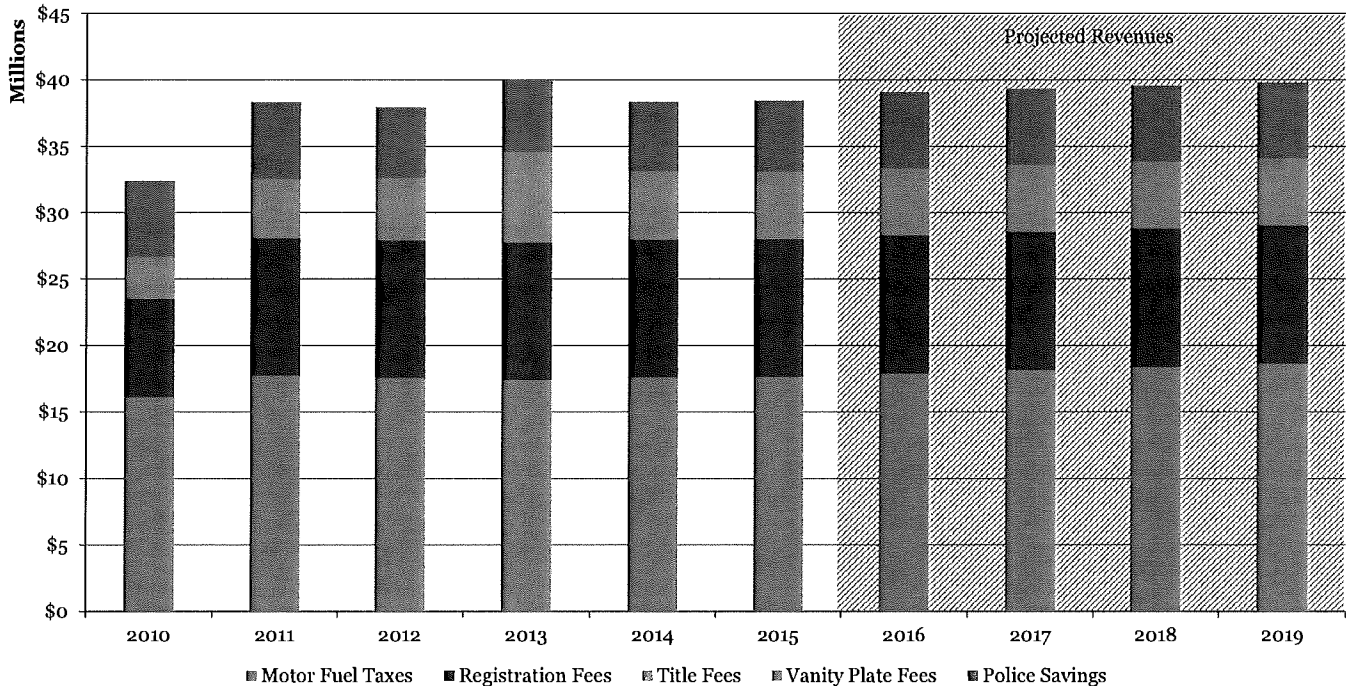


MaineDOT

TransCap Diverse Pledged Revenue Base

The TransCap Fund has a stable and diverse revenue base, with five sources of pledged revenues.

Historical and Forecasted TransCap Dedicated Revenues (FY 2007 – 2019)



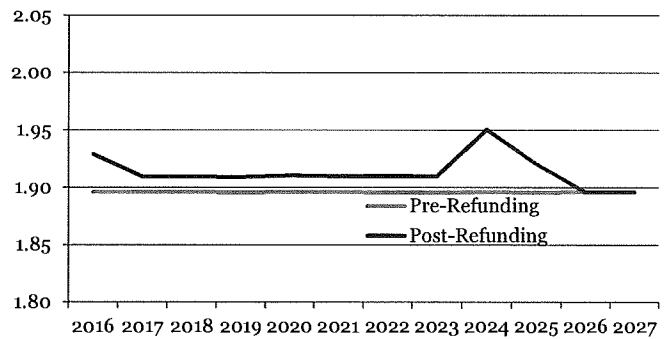
Source: Office of Fiscal and Program Review, Maine Secretary of State, Maine Revenue Services. Please see preceding pages for explanation of revenue numbers for each revenue source. FY16-19 are forecasts (see preceding pages). FY18-19 Police savings are not forecasted by the Office of Fiscal and Program Review, and are assumed to hold constant for this graph.



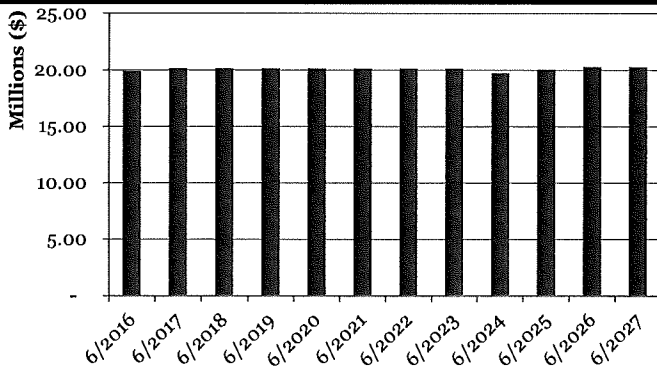
Debt Profile and Debt Service Coverage*

- The Series 2015A refunding transaction will reduce debt service in all but two years that will not be affected by the refunding (in which it will remain the same)
- Due to the decrease in debt service after the refunding, debt service coverage will increase

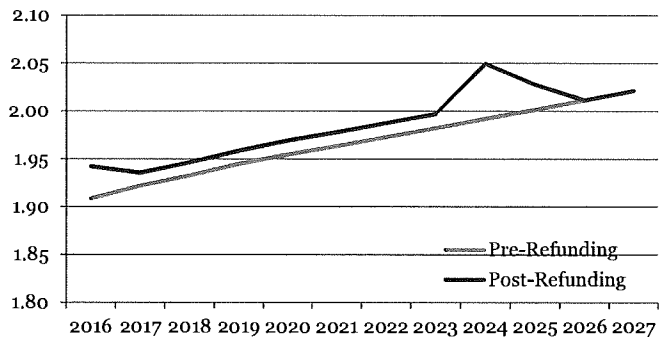
Debt Service Coverage – No Revenue Growth



Annual Debt Service*



Debt Service Coverage with Revenue Growth¹



*Preliminary, subject to change. ¹Assumes Motor Fuel Tax revenues grow projected rate for 2016-2019 (see prior pages) and then at a rate of 1% and other TransCap Fund revenues remain constant over the life of the bonds through 2027

Maine Municipal Bond Bank



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Revenue Stress Case

TransCap Trust Fund Revenues would need to experience a compounded annual decline of 5.2% through final maturity to decrease debt service coverage to sum sufficiency (1.0x)

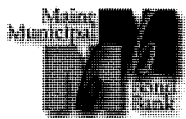
Debt Service Coverage Stress Test				
2015 Revenues	Growth Rate	2027 Adj. Revenues	Projected MADS*	DS Coverage
38,426,814				
	1.0%	43,300,295.84	20,269,575.00	2.14
	0.5%	40,796,895.80	20,269,575.00	2.01
	0.0%	38,426,814.00	20,269,575.00	1.90
	-0.5%	36,183,564.46	20,269,575.00	1.79
	-1.0%	34,060,946.60	20,269,575.00	1.68
	-5.2%	20,269,575.00	20,269,575.00	1.00

*Includes debt service on all outstanding obligations, post-refunding, for Series 2008A, 2009A, 2009B, 2011A, and 2015



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IV. Financing Structure and Schedule



MaineDOT

Plan of Finance

- Refund \$46.525* million of the TransCap debt associated with the Series 2008A, 2009A, and 2009B issues.
 - Advance refund: \$20.875* million of 2008A, \$7.920* million of 2009A, and \$17.730* million of 2009B
- Debt service savings are expected be approximately \$2.0* million, representing 4.2%* of NPV savings

Series 2015	
Maturity	Principal
9/1/2019	\$3,740,000
9/1/2020	\$3,905,000
9/1/2021	\$4,095,000
9/1/2022	\$4,300,000
9/1/2023	\$13,195,000
9/1/2024	\$16,280,000

Sources:	Refund Series 2008A	Refund Series 2009A	Refund Series 2009B	Total
Par Amount:	20,550,000.00	7,735,000.00	17,230,000.00	45,515,000.00
Premium:	3,198,786.40	1,414,035.35	3,289,335.90	7,902,157.65
Debt Service Reserve Fund:	11,279.41	24,105.55	4,868.05	40,253.00
Total Sources:	23,760,065.81	9,173,140.90	20,524,203.95	53,457,410.65
Uses:	Refund Series 2008A	Refund Series 2009A	Refund Series 2009B	Total
Refunding Escrow Deposits:	23,502,868.47	9,073,066.06	20,311,295.59	52,887,230.22
Delivery Date Expenses:	255,976.42	95,349.27	214,621.56	566,947.25
Contingency:	1,220.92	3,725.57	(1,713.30)	3,233.18
Total Uses:	23,760,065.81	9,173,140.90	20,524,203.95	53,457,410.65

* Preliminary, subject to change

**MaineDOT**

Transaction Summary*

Issuer:	• Maine Municipal Bond Bank
Series:	• Transportation Infrastructure Revenue Bonds, Series 2015 A
Par Amount:	• \$45,515,000*
Structure:	• Serial Bonds due September 1, 2019* through 2024*
Use of Proceeds:	<ul style="list-style-type: none">• Advance refund:• Series 2008A: \$20,875,000* (2019-2023)• Series 2009A: \$7,920,000* (2023)• Series 2009B: \$17,730,000* (2023-2024)
Interest Payments:	• March 1 and September 1, commencing on March 1, 2016*
Tax Status / Type of Offering:	• Excludable from gross income for purposes of federal and Maine income tax, fixed rate bonds
Optional Redemption:	• Non-callable
Security:	• The bonds are limited obligations, payable from pledged revenues, consisting of motor vehicle fees and excise taxes, including portions of the excise tax on gasoline, motor vehicle registration fees, and amounts appropriated to the Highway Fund
Pricing and Settlement Dates:	<ul style="list-style-type: none">• Retail Order Period: Monday, October 5, 2015* Institutional Pricing: Tuesday, October 6, 2015*• Closing: Thursday, October 22, 2015*
Senior Managers:	<ul style="list-style-type: none">• Wells Fargo Securities (Bookrunner)• Bank of America Merrill Lynch (Co-Senior)

* Preliminary, subject to change



MaineDOT

Financing Schedule*

September						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

Holiday

October						
S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Event	Date
Rating Agency Presentations	Week of September 14 th
Receipt of Ratings:	Friday, September 25 th
Post Preliminary Official Statement	Friday, September 25 th
Pricing	Tuesday, October 6 th
Closing and Delivery	Thursday, October 22 nd

* Preliminary, subject to change



MaineDOT



V. Conclusion





MaineDOT

Maine TransCap Revenue Credit Remains Strong

- Diverse and stable revenue stream, and 2.0x Additional Bonds Test provides ample protection to bondholders
- Experienced management at MMBB with long-standing proven history of working with MaineDOT
- No additional issuance is planned under the TransCap program and the Series 2015 Bonds represent a refunding of prior series
- The Series 2015 Bonds will be structured to maintain the original debt structure of each prior series, thus the overall debt service structure for all outstanding TransCap debt remains level
- Additional bondholder security provided by the Debt Service Reserve Fund (50% MADS)
- Revenues would need to decline by 5.2% compounded annually to drive pledged revenues down to the level of sum sufficiency (1.0x) by final maturity of all TransCap bonds
- Based on these factors, we strongly believe the outstanding AA level TransCap bond ratings should be affirmed



MaineDOT

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RatingsDirect®

Summary:

Maine Municipal Bond Bank; Gas Tax

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Maine Municipal Bond Bank; Gas Tax

Credit Profile

US\$45.515 mil transp infrastructure rev bnds (Transcap Prog) ser 2015 A due 09/01/2027

Long Term Rating

AA/Stable

New

Maine Mun Bnd Bank transp infrastructure rev bnds (Transcap Prog)

Long Term Rating

AA/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating and stable outlook to Maine Municipal Bond Bank's \$45.515 million transportation infrastructure revenue refunding bonds (TransCap program) series 2015A.

At the same time, Standard & Poor's affirmed its 'AA' rating on the bank's \$174.5 million of parity bonds outstanding. The outlook is stable.

The rating reflects our view of the following credit factors:

- Strong coverage at 1.90x of maximum annual debt service (MADS) by fiscal 2015 pledged revenues;
- Solid and diverse revenue stream, with the pledged revenues coming from multiple sources;
- A diverse economy, with a population of 1.3 million in Maine (AA/Stable); and
- Good legal covenants, including a 2.0x additional bonds test (ABT), statutory limits on the total bond program size, a mandated maximum final maturity of 15 years on all bonds, and a debt service reserve fund requirement of 50% of MADS.

In our opinion, these strengths are somewhat offset by the susceptibility of the pledged revenue sources to economic conditions and the ability of the legislature to potentially change allocations of pledged revenue.

The bonds are being issued to refund certain maturities of bonds outstanding.

The bonds are special, limited obligations of the Maine Municipal Bond Bank secured under a general resolution by pledged revenues deposited to the TransCap Trust Fund that are then pledged to debt service on the bonds.

The pledged revenues consist of the following:

- 7.5% of total revenues from taxes on gas and other special fuels;
- \$10 of each registration, title, and vanity plate fee; and
- An allocation of highway funds, equal to 11% of the Bureau of State Police funding.

The portion of revenue that is based on state police funding is subject to annual biennial allocation--which is similar to appropriation--by the state legislature, although the state treasurer, state controller, and other parties have agreed to make this transfer in each fiscal year. The other pledged revenue is also subject to allocation in the state budget, but those funds cannot be used for any purpose other than transfer into the TransCap trust fund, unless there is a change

in state law.

The last authorization for new money bond issuance under the TransCap program was in 2009. The last of the \$240 million full authorization was issued in 2011, and the current bond issue is being issued wholly for refunding purposes. There are no plans within the current state administration to request a new money TransCap bond authorization or to increase tax rates for transportation purposes. The TransCap bond authorizing legislation also mandated a fairly rapid maximum 15-year final maturity schedule.

Total pledged revenue for fiscal 2015 was \$38.4 million, up only slightly from \$38.2 million the year before due to the stable nature of gas taxes levied on a cents per gallon basis and relatively level annual vehicle registrations. Fiscal 2015 pledged revenue covers estimated MADS after this sale by 1.9x, which we consider strong. The major components of this revenue were fuel taxes (46%), registration fees (27%), the allocation of other highway funds (14%), and title fees (10%).

We believe TransCap trust fund revenues have been stable over time, due to stable state population trends, but trust fund revenue did experience a 4.1% decline in 2014 due to an upward 5.4% blip in 2013 as a result of \$1.95 million of one-time title fee revenue in 2013. Without the one-time revenue, growth from 2013 to 2014 would have been 0.8%. Officials project that future pledged revenues will increase 1.7% in fiscal 2016 and 0.7% in fiscal 2017, based on continued stable state population trends and recent declines in gas prices that could increase the number of gallons sold. The current gasoline tax in Maine is 30 cents per gallon and the diesel tax is 31.2 cents per gallon. The state's motor fuel tax rates were indexed annually for inflation from July 1, 2003, to July 1, 2011, but the indexing law was repealed on Jan. 1, 2012, resulting in what we view as flat revenue trends.

We view the state economy as relatively diverse, but experiencing slow growth. Maine's population of 1.3 million in 2014 has increased only 1.2% in the past 10 years, compared with 8.9% for the nation. State per capita income was 91% of the U.S. in 2014, consistent with recent years. IHS Global Insight Inc. projects employment growth of 0.73% in calendar 2015 and 1.18% in calendar 2016, compared with 1.96% and 1.62%, respectively, for the nation. However, the state's unemployment of 5.7% in 2014 was better than the nation's 6.2%.

We consider the ABT to be strong; the resolution provides for an ABT requirement that pledged revenues for 12 consecutive months of the most recent 24 cover MADS by 2.0x, which is near current coverage levels and, therefore, will prevent the issuance of a significant amount of additional debt. There is a debt service reserve fund to be funded at 50% of MADS, which we consider adequate.

The State of Maine Department of Transportation (MaineDOT) has the primary responsibility for the operation and maintenance of the state's more than 8,300 miles of highways and nearly 3,000 bridges. This system does not include the Maine Turnpike, which is owned and operated by the Maine Turnpike Authority. The state finances capital projects for the highway system in accordance with a constitutional and statutory framework established for such purposes and with an annual capital work plan developed and updated by MaineDOT every three years.

(For more information on the state economy, please refer to the most recent Maine GO full rationale published June 3, 2015, on RatingsDirect.)

Outlook

The stable outlook reflects our expectation of continued strong coverage of annual debt service over our two-year outlook horizon, despite the potential for economically driven declines. Although current levels of coverage are appropriate for the rating level, a decline in coverage could pressure the rating. We do not expect to raise the rating as we do not expect a significant increase in coverage due to the stable nature of the revenue stream.

Related Criteria And Research

Related Criteria

- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009
- USPF Criteria: Special Tax Bonds, June 13, 2007

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FITCH RATES MAINE MUNICIPAL BOND BANK'S TRANSCAP REVS 'AA-'; OUTLOOK STABLE

Fitch Ratings-New York-24 September 2015: Fitch Ratings assigns an 'AA-' rating to the Maine Municipal Bond Bank's (MMBB) \$45 million transportation infrastructure revenue bonds (TransCap Program), series 2015A.

Fitch also affirms the 'AA-' rating on the MMBB's outstanding \$174.46 million Transcap Program revenue bonds.

The Rating Outlook is Stable.

SECURITY

The bonds are limited obligations of the bond bank, payable from various motor vehicle fees and excise taxes, including portions of excise taxes on gasoline, motor vehicle registration fees, and amounts appropriated to the highway fund.

KEY RATING DRIVERS

CONSUMPTION-BASED REVENUE STREAM: Revenues are sensitive to price increases and changes in consumption behavior, especially given the state's sluggish economic recovery and weak demographic trends. Fuel taxes are not indexed, making collections more sensitive to shifts in fuel consumption.

SATISFACTORY DEBT SERVICE COVERAGE: Pledged revenues provide satisfactory debt service coverage on both an annual and maximum annual (MADS) basis, though below the additional bonds test (ABT) standard of 2 times (x) coverage for new money borrowing; the current bonds are for refunding purposes and not subject to the 2x test. No additional new money bonds are currently statutorily authorized.

CONSTITUTIONALLY DEDICATED REVENUES: Portions of various highway revenues, including motor vehicle fees and fuel taxes, are pledged to the bonds. Highway revenues are constitutionally dedicated for highway purposes and statutorily allocated to the TransCap fund from the highway fund.

RATING SENSITIVITIES

DEBT SERVICE COVERAGE: The rating is sensitive to ongoing maintenance of satisfactory coverage by pledged revenues.

CREDIT PROFILE

Fuel taxes, including taxes on gasoline and other motor fuels, constituted 46% of fiscal 2015 pledged revenues. In May 2015 the state's Revenue Forecasting Committee (RFC) forecast revenues essentially flat in fiscal 2015 based on available data through the first 10 months of the fiscal year, and actual revenues were up slightly (0.2%). Going forward, the RFC projects per-gallon fuel tax revenues will increase at an average annual rate of 1.4% between fiscal 2015 and 2019 as the economy continues to recover slowly and vehicle miles travelled increases modestly. The forecast also incorporates the committee's expectation that lower oil prices will support increased gasoline purchases.

Maine's economic growth prospects remain below average. During the recession, the state's peak-to-trough employment loss was less severe than most other states and the nation, but its recovery has significantly lagged. Through August, the state regained just over 70% of the jobs it lost during the recession, which remains one of the weakest job recoveries among the states; U.S. employment fully recovered from recessionary losses last summer. August 2015 year-over-year (yoy) employment for the state increased just 1% (quarterly moving average) versus the national increase of 2.1%. Maine's median age is one of the highest at 43.9 years compared to 37.6 years for the U.S. The state has seen virtually no net population growth since the start of the decade, and Maine's labor force has been flat-to-declining over the past year, all contributing to uncertainty about future workforce growth.

PLEDGED REVENUES PERFORMANCE

Debt service coverage has been adequate, but below the ABT, and remains susceptible to erosion in fuel consumption because of a loss of fuel tax indexing under a statutory change that took effect in 2012 (and which factored into a rating downgrade). Fiscal 2015 pledged revenues covered pro forma MADS (following the proposed series 2015 refunding) by 1.9x, while the ABT sets a 2x test (described further under Rated Security).

The TransCap program has no remaining statutory debt authorization. In a base case scenario derived primarily from the RFC's forecast for fuel taxes and motor vehicle registrations and fees through fiscal 2019, MADS coverage remains at 1.9 - 2.0x from fiscal 2016 through 2019. Under a Fitch stress scenario (6.7% decline in fiscal 2016 to match the worst recessionary decline, followed by annual 2% declines), MADS coverage declines to 1.5x in fiscal 2026 when pro forma MADS occurs. Annual debt service coverage weakens to 1.4x by final maturity in fiscal 2027.

TRANSCAP PROGRAM OVERVIEW

The bond bank serves as the financing agency of the State of Maine for transportation revenue bond projects. Separately secured from the bank's GARVEE bonds and from state general obligation highway bonds, the TransCap program is part of the state's bonding program supporting bridge and highway projects. The 2011 bonds completed issuance under an initial \$210 million authorization that was subsequently increased to \$240 million authorization in 2009. The current bonds are for refunding purposes.

The bonds are paid from revenues in a separate TransCap fund statutorily created for the program and held by the bond bank. To provide monies for debt service, the legislature allocated 7.5% of fuel excise tax revenues along with revenues generated by \$10 increases in motor vehicle registration, title and license plate fees to the fund. In addition, the highway fund's responsibility for public safety expenses was reduced from 60% to 49%, with the general fund assuming the added expenses. The difference between the old and new highway fund obligation (11% of public safety expenses) is pledged to the TransCap fund, providing 13.9% of fiscal 2015 pledged revenues.

RATED SECURITY

The resolution provides for an ABT of 2x of MADS for new money borrowing, excluding the original authorization, based on 12 consecutive months out of the previous 24, a longer than average look-back period. The debt service reserve fund, equal to 50% of MADS, is funded from bond proceeds. On a pro forma basis, debt service declines to \$3.7 million in fiscal 2016 (excluding a Sept. 1 payment MMBB already made) and holds fairly level at the current approximately \$20 million from fiscal 2017 through final maturity in 2027.

While pledged revenues are subject to legislative allocation, any revenues generated from motor vehicle fuels or fees (including the pledged revenues) are constitutionally dedicated to highway and bridge purposes.

A memorandum of agreement (MOA) provides for the state's Department of Transportation to include a budget request for debt service in the biennial budget. The MOA also requires the State Treasurer to transfer allocated revenues monthly to the bond bank to support debt service expenses along with capital construction. The broader highway fund, which provides for debt service on the state's general obligation highway bonds, is not pledged.

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Fitch recently published an exposure draft of state and local government tax-supported criteria (Exposure Draft: U.S. Tax-Supported Rating Criteria, dated Sept. 10, 2015). The draft includes a number of proposed revisions to existing criteria. If applied in the proposed form, Fitch estimates the revised criteria would result in changes to fewer than 10% of existing tax-supported ratings. Fitch expects that final criteria will be approved and published by Jan. 20, 2016. Once approved, the criteria will be applied immediately to any new issue and surveillance rating review. Fitch anticipates the criteria to be applied to all ratings that fall under the criteria within a 12-month period from the final approval date.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from CreditScope, IHS, and FRED, Federal Reserve Bank of St. Louis.

Applicable Criteria

Exposure Draft: U.S. Tax-Supported Rating Criteria (pub. 10 Sep 2015)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869942

Tax-Supported Rating Criteria (pub. 14 Aug 2012)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015

U.S. State Government Tax-Supported Rating Criteria (pub. 14 Aug 2012)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686033

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

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Maine Municipal Bond Bank, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2015A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2015A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on such corporations. In addition, in the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Maine Municipal Bond Bank, under existing statutes, interest on the Series 2015A Bonds is exempt from the State of Maine income tax imposed on individuals. See "TAX MATTERS" herein.

\$54,680,000

MAINE MUNICIPAL BOND BANK
Transportation Infrastructure Revenue Refunding Bonds
(TransCap Program)
Series 2015A

Dated: Date of Delivery**Due:** September 1, as shown on the inside cover

The Maine Municipal Bond Bank Transportation Infrastructure Revenue Refunding Bonds (TransCap Program), Series 2015A (the "Series 2015A Bonds") are being issued by the Maine Municipal Bond Bank (the "Bank") pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the "Bond Bank Act"), the Public Laws of Maine 2007, Chapter 470, adopted by the Maine Legislature in the 1st Regular Session of the 123rd Legislature, as amended (as amended, "Chapter 470"), the Public Laws of Maine 2007, Chapter 647, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature, as amended (as amended, "Chapter 647"), the Public Laws of Maine 2007, Chapter 682, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature ("Chapter 682"), and the Public Laws of Maine 2009, Chapter 413, adopted by the Maine Legislature in the 1st Regular Session of the 124th Legislature ("Chapter 413," and, together with Chapter 470, Chapter 647 and Chapter 682, the "Program Act"), the Bank's General Bond Resolution Authorizing the Issuance of Transportation Infrastructure Revenue Bonds (TransCap Program) adopted September 24, 2008, as supplemented by a First Supplemental Resolution adopted July 8, 2009 (as supplemented, the "Resolution"), and its Transportation Infrastructure Revenue Refunding Bonds (TransCap Program) Series 2015A Series Resolution adopted September 30, 2015 (the "2015A Series Resolution" and, together with the Resolution, the "Resolutions") and a Certificate of Determination by an authorized officer of the Bank.

The Series 2015A Bonds will be issued only as fully registered bonds under a book-entry-only system. The Series 2015A Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2015A Bonds. Purchases of beneficial interests in the Series 2015A Bonds will be made in book-entry-only form in denominations of \$5,000 or whole multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Series 2015A Bonds purchased by them.

Interest on the Series 2015A Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2016. So long as the Series 2015A Bonds are registered in the name of DTC, or its nominee, payments of the principal of and interest on the Series 2015A Bonds will be made directly by U.S. Bank National Association, as trustee pursuant to the Resolutions (the "Trustee"), to DTC, which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the Series 2015A Bonds, as described herein. The Series 2015A Bonds are being issued by the Bank to refund certain outstanding bonds which were issued by the Bank pursuant to the Resolution to finance a portion of certain project costs incurred by the Maine Department of Transportation ("MaineDOT") and to pay certain costs of issuance of the Series 2015A Bonds. The maturities, interest rates and prices or yields of the Series 2015A Bonds are shown on the inside cover hereof. The Series 2015A Bonds are not subject to redemption prior to their respective maturity dates.

The Series 2015A Bonds are special, limited obligations of the Bank. The Series 2015A Bonds, the outstanding bonds that were previously issued by the Bank under the Resolution and any additional transportation infrastructure revenue bonds (the "Additional Bonds") that are subsequently issued on a parity therewith (collectively, the "Bonds") are payable from, and secured solely by a pledge of: (i) the Pledged Revenues (as defined herein); (ii) all Pledged Rights (as defined herein); (iii) the Pledged TransCap Funds and Accounts (as defined herein), subject to the rights of the Bank to apply excess funds towards other permitted purposes; and (iv) amounts on deposit in the Bond Payment Fund, the Construction Fund and the Debt Service Reserve Fund created under the Resolution and held by the Trustee.

THE SERIES 2015A BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL, LIMITED OBLIGATION OF THE BANK) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF IS PLEDGED TO THE PAYMENT OF ANY AMOUNT DUE PURSUANT TO THE SERIES 2015A BONDS. THE BANK HAS NO TAXING POWER.

The Series 2015A Bonds are offered when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank. Certain legal matters will be passed upon for the Underwriters by their counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine. Certain legal matters will be passed upon for MaineDOT by the Office of the Attorney General of the State of Maine. It is expected that the Series 2015A Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York on or about October 22, 2015.

Wells Fargo Securities

BofA Merrill Lynch

Dated: October 6, 2015

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$54,680,000

MAINE MUNICIPAL BOND BANK

**Transportation Infrastructure Revenue Refunding Bonds
(TransCap Program), Series 2015A**

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number 56045P[†]</u>
2019	\$3,695,000	4.000%	\$110.405	DA8
2020	3,850,000	5.000	116.389	DB6
2021	4,045,000	5.000	118.263	DC4
2022	13,910,000	5.000	119.843	DD2
2023	12,955,000	5.000	120.904	DE0
2024	16,225,000	5.000	121.971	DF7

[†] CUSIP numbers have been assigned by an independent company not affiliated with the Bank and are included solely for the convenience of the holders of the Series 2015A Bonds. Neither the State nor the Bank is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2015A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015A Bonds.

The information set forth herein has been obtained from the Bank and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the Bank nor is it to be construed as a representation by the Bank. The information contained in this Official Statement under the captions "THE TRANSPORTATION INFRASTRUCTURE PROGRAM," "OVERVIEW OF THE PROGRAM ACT — Summary of Revenue Dedicated to the TransCap Fund" and "SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND" has been obtained from the Maine Department of Transportation for inclusion herein. The information contained in this Official Statement concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry only system has been obtained from DTC. The Bank has not independently verified such information and neither makes any representation regarding, nor accepts responsibility for, the accuracy, completeness or adequacy of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or MaineDOT since the date hereof, except as expressly set forth herein. No dealer, broker, salesperson or other person has been authorized by the Bank or MaineDOT to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Bank or MaineDOT.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015A Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. All quotations from and summaries and explanations of provisions of laws, resolutions, the Series 2015A Bonds and other documents herein do not purport to be complete; reference is made to said laws, resolutions, the Series 2015A Bonds and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the principal office of the Bank.

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

TABLE OF CONTENTS

INTRODUCTION	1
PLAN OF REFUNDING	2
THE TRANSPORTATION INFRASTRUCTURE PROGRAM	3
OVERVIEW OF THE PROGRAM ACT	6
ESTIMATED SOURCES AND USES OF FUNDS	8
THE SERIES 2015A BONDS	8
SECURITY FOR THE BONDS	9
SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND	17
INVESTMENT CONSIDERATIONS	25
ANNUAL DEBT SERVICE REQUIREMENTS	27
DEBT SERVICE COVERAGE	27
OVERVIEW OF THE STATE BUDGET PROCESS	29
MAINE DEPARTMENT OF TRANSPORTATION	30
THE MAINE MUNICIPAL BOND BANK	31
SECONDARY MARKET DISCLOSURE	33
SERIES 2015A BONDS AS LEGAL INVESTMENTS	33
SECURITY FOR PUBLIC DEPOSITS	34
TAX MATTERS	34
RATINGS	36
VERIFICATION OF MATHEMATICAL COMPUTATIONS	37
UNDERWRITING	37
LITIGATION	38
APPROVAL OF LEGALITY	38
MISCELLANEOUS	38
APPENDIX A BOOK ENTRY SYSTEM	A-1
APPENDIX B SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION	B-1
APPENDIX C PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT	C-1
APPENDIX D CONTINUING DISCLOSURE HISTORY	D-1
APPENDIX E PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL	E-1

\$54,680,000
MAINE MUNICIPAL BOND BANK
Transportation Infrastructure Revenue Refunding Bonds
(TransCap Program)
Series 2015A

INTRODUCTION

This Official Statement is provided for the purpose of setting forth information concerning the Maine Municipal Bond Bank (the “Bank”) in connection with the sale of its \$54,680,000 Transportation Infrastructure Revenue Refunding Bonds (TransCap Program), Series 2015A (the “Series 2015A Bonds”).

The Series 2015A Bonds are issued pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the “Bond Bank Act”), the Public Laws of Maine 2007, Chapter 470, adopted by the Maine Legislature in the 1st Regular Session of the 123rd Legislature, as amended (as amended, “Chapter 470”), the Public Laws of Maine 2007, Chapter 647, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature, as amended (as amended, “Chapter 647”), the Public Laws of Maine 2007, Chapter 682, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature (“Chapter 682”), and the Public Laws of Maine 2009, Chapter 413, adopted by the Maine Legislature in the 1st Regular Session of the 124th Legislature (“Chapter 413,” and together with Chapter 470, Chapter 647 and Chapter 682, the “Program Act,” and, together with the Bond Bank Act, the “Act”).

The Series 2015A Bonds are to be issued under and are to be secured by the Bank’s General Bond Resolution Authorizing the Issuance of Transportation Infrastructure Revenue Bonds (TransCap Program) adopted September 24, 2008, as supplemented by a First Supplemental Resolution adopted July 8, 2009 (as supplemented, the “Resolution”), its Transportation Infrastructure Revenue Refunding Bonds (TransCap Program) Series 2015A Series Resolution adopted September 30, 2015 (the “2015A Series Resolution”) and a Certificate of Determination by an authorized officer of the Bank. The Resolution and the 2015A Series Resolution are sometimes collectively referred to herein as the “Resolutions.” The Series 2015A Bonds will be the fifth issue of bonds to be issued pursuant to the Resolution. Prior to the issuance of the Series 2015A Bonds, the Bank has issued \$240,000,000 principal amount of bonds pursuant to and secured by the Resolution, to finance costs of the Program, of which \$174,460,000 are currently outstanding (collectively, the “Outstanding Bonds”). The Series 2015A Bonds, such outstanding bonds and any additional bonds issued pursuant to the Resolution (the “Additional Bonds” and, collectively with such outstanding bonds and the Series 2015A Bonds, the “Bonds”) constitute special, limited obligations of the Bank. The principal of and interest on the Bonds are payable solely from: (i) Pledged Revenues (as defined herein) that are received by the Bank; (ii) all Pledged Rights (as defined herein); (iii) the Pledged TransCap Funds and Accounts (as defined herein), including any earnings on amounts therein, subject to the rights of the Bank to apply excess funds towards other permitted purposes; and (iv) certain funds and accounts held under the Resolution. The Pledged Revenues include: (i) certain motor vehicle registration and other fees required to be transferred to the TransCap Fund pursuant to Chapter 647; (ii) a portion of the excise tax imposed by the State of Maine (the “State”) on gasoline and special fuel, required to be transferred to the TransCap Fund pursuant to Chapter 470; and (iii) certain amounts required to be transferred from the Highway Fund to the TransCap Fund pursuant to Chapter 682. The pledge of the security for the Series 2015A Bonds is on parity with the security pledged for the currently outstanding Bonds and any Additional Bonds. See “SECURITY FOR THE BONDS” and “SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND” herein.

The Series 2015A Bonds are being issued to provide moneys (i) to refund certain maturities of the Outstanding Bonds (the “Bonds to be Refunded”), all of which were issued pursuant to the Resolution (see “PLAN OF REFUNDING”) and (ii) to pay certain costs of issuance of the Series 2015A Bonds.

PLAN OF REFUNDING

A portion of the Series 2015A Bonds is being applied to refund, on the call dates and at the call prices set forth below, the following amounts of the following Series of the Outstanding Bonds, all of which were issued pursuant to the Resolution:

Series of Bonds	Maturity Date (September 1)	Interest Rate	Amount to be Refunded	Call Date (September 1)	Call Price
2008A	2019	5.00%	\$ 3,770,000	2018	100%
	2020	5.20	3,955,000	2018	100
	2021	5.25	4,160,000	2018	100
	2022	5.30	4,380,000	2018	100
	2023	5.50	<u>4,610,000</u>	2018	100
Series 2008A Total			\$20,875,000		
2009A	2022	5.00%	\$ 9,110,000	2019	100%
	2023	5.00	<u>7,920,000</u>	2019	100
Series 2009A Total			\$17,030,000		
2009B	2022	5.00%	\$ 1,135,000	2019	100%
	2023	5.00	1,195,000	2019	100
	2024	5.00	<u>16,535,000</u>	2019	100
Series 2009B Total			\$18,865,000		
TOTAL					
Bonds to be			<u>\$56,770,000</u>		
Refunded					

The Bonds to be Refunded are currently outstanding in the aggregate principal amount of \$56,770,000 and the refunding will achieve debt service savings for the Bank and MaineDOT. In order to accomplish the refunding of the Bonds to be Refunded, the proceeds of the sale of the Series 2015A Bonds will be deposited into a special trust fund created by a trust agreement (the "Trust Agreement") to be entered into between the Bank and U.S. Bank National Association, as Trustee. The moneys deposited in the special trust fund will be deposited with the Trustee pursuant to the Resolution upon the issuance and delivery of the Series 2015A Bonds and will be held in trust and invested in Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited into or held under the Trust Agreement, shall be sufficient to pay when due the principal or Redemption Price of, as the case may be, the Bonds to be Refunded, and the interest due and to become due on the Bonds to be Refunded on and prior to their redemption date.

Arithmetical Computations

The accuracy of the arithmetical computations of the adequacy of the amounts deposited with the Trustee to pay when due the principal and Redemption Price of, as the case may be, and interest on the Bonds to be Refunded will be verified by American Municipal Tax-Exempt Compliance Corp., Avon, Connecticut, a tax compliance specialty firm (the "Verification Agent"). In the opinion of Bond Counsel to the Bank, and in reliance upon such verification of mathematical computations, upon making such deposits with the Trustee pursuant to the Resolution and upon the issuance of certain irrevocable instructions to the Trustee, the Bonds to be Refunded will, under the terms of the Resolution, be deemed to have been paid, and the covenants, agreements and other obligations of the Bank to the holders of the Bonds to be Refunded will be discharged and satisfied.

THE TRANSPORTATION INFRASTRUCTURE PROGRAM

Legal Framework for Financing the State's Highway System

MaineDOT has the primary responsibility for the operation and maintenance of the State's over 8,300 miles of highways and nearly 3,000 bridges (the "Highway System"). The Highway System does not include the Maine Turnpike, which is owned and operated by the Maine Turnpike Authority. The State currently finances capital projects for the Highway System in accordance with a constitutional and statutory framework established for such purposes and with a biennial capital work plan developed and updated by MaineDOT every two years and with a work plan developed and updated annually by MaineDOT.

Constitutional Limitations. Article IX, Section 19 of the State Constitution ("Article IX") requires that all revenues derived from fees, excises and license taxes relating to registration, operation and use of vehicles on public highways, and to fuels used for propulsion of such vehicles (collectively, "Restricted Revenues") be expended solely for: (i) costs of administration, statutory refunds and adjustments; (ii) payment of debts and liabilities incurred in construction and reconstruction of highways and bridges; (iii) the cost of construction, reconstruction, maintenance and repair of public highways and bridges under the direction and supervision of a state department having jurisdiction over such highways and bridges; and (iv) expenses for state enforcement of traffic laws.

The State currently imposes the following taxes and fees, the revenues of which are classified as Restricted Revenues: (i) the excise tax imposed by the State on gasoline under Title 36, section 2903 of the Maine Revised Statutes; (ii) certain special fuel taxes imposed under Title 36, section 3203 of the Maine Revised Statutes; (iii) motor vehicle registration fees imposed under Title 29-A, sections 453, 501 and 504 of the Maine Revised Statutes; (iv) motor vehicle title fees imposed under Title 29-A, section 603 of the Maine Revised Statutes; (v) motor vehicle license fees imposed under Title 29-A, Chapter 11; (vi) dealer fees imposed under Title 29-A, Section 852 of the Maine Revised Statutes; (vii) fees for motor vehicle inspections imposed under Title 29-A, Section 1751 of the Maine Revised Statutes; and (viii) special permit fees imposed under Title 29-A, Section 501 of the Maine Revised Statutes. Under current law, all of these revenues, along with certain other miscellaneous transportation fees and revenues, are credited to the Highway Fund, except 2.5% of the gasoline tax, which accrues to the Department of Conservation, the Department of Marine Resources and the Department of Inland Fisheries and Wildlife for boating facilities, all terrain vehicles and snowmobile trail funds.

Substantially all of the Pledged Revenues are derived from sources that are Restricted Revenues. See "SECURITY FOR THE BONDS – Source of Pledged Funds." Pledged Revenues derived from these sources may only be applied by the Bank for purposes permitted by Article IX.

Statutory Framework. Under Title 23 of the Maine Revised Statutes, which title governs public highways, the State established the Highway Fund, which is used to account for revenues derived from registration of motor vehicles, operators' licenses, gasoline tax and other dedicated revenues. The following tables set forth the historical amounts credited to the Highway Fund for the years ending June 30, 2006 through 2014.

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HISTORICAL AMOUNTS CREDITED TO THE HIGHWAY FUND¹
State Fiscal Years Ending June 30, 2006 - 2010

REVENUE SOURCE	2006		2007		2008		2009		2010 ²	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
Gasoline Tax	\$176,769,409	54.13%	\$181,018,162	54.72%	\$179,096,254	54.58%	\$174,404,167	53.79%	\$177,377,553	57.00%
Special Fuel & Road Use Taxes	44,805,900	13.72	45,805,856	13.85	46,139,086	14.06	41,811,377	12.90%	\$41,813,154	13.44%
Motor Veh. & Operator's Lic. Fees										
Motor Vehicle & Truck Registration Fees	66,330,219	20.31	65,645,050	19.84	64,951,810	19.79	63,063,592	19.45	54,637,007	17.56
Title Fees	10,327,181	3.16	9,697,812	2.93	9,363,014	2.85	9,780,026	3.02	7,497,445	2.41
Special Registration Plates	1,938,192	0.59	2,051,391	0.62	2,160,065	0.66	2,964,787	0.91	2,100,678	0.68
Motor Vehicle Dealer Fees	\$179,991	0.06	177,507	0.05	169,794	0.05	7,450,990	2.30	7,884,523	2.53
Motor Vehicle Inspection Fees	3,099,930	0.95	3,103,044	0.94	2,941,492	0.90	138,424	0.04	141,680	0.05
Special Permit Fees	1,201,407	0.37	1,168,585	0.35	1,182,628	0.36	2,977,297	0.92	2,811,694	0.90
Truck Excise Tax Program	0	0.00	0	0.00	0	0.00	875,110	0.27	802,020	0.26
Motor Vehicle Operator's License Fees	7,395,115	2.26	7,907,249	2.39	7,836,215	2.39	7,085,468	2.19	4,045,010	1.30
Operator's License Restoration Fees	1,488,264	0.46	1,812,865	0.55	1,613,940	0.49	1,403,538	0.43	1,775,948	0.57
Driver Education Licensing Fees	72,355	0.02	70,890	0.02	69,755	0.02	66,719	0.02	70,625	0.02
MV & Oper. Lic. Fees Subtotal	\$92,032,654	28.18%	\$91,634,392	27.70%	\$90,288,711	27.52%	\$95,805,951	29.55%	\$81,766,629	26.28%
Misc. Taxes, Fees & Assessments	(1,072)	0.00	(9,200)	0.00	(9,631)	0.00	145,744	0.04	149,942	0.05
From Federal Government	0	0.00	0	0.00	465,119	0.14	3,379	0.00	0	0.00
From Local Governments	11,280	0.00	11,182	0.00	11,536	0.00	15,069	0.00	15,002	0.00
From Private Sources	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Service Charges for Current Services	5,223,443	1.60	5,270,563	1.59	4,915,029	1.50	4,894,281	1.51	4,517,417	1.45
Contributions & Transfers from Other Funds	1,739,426	0.53	1,989,389	0.60	1,825,540	0.56	1,969,010	0.61	1,850,017	0.59
State Cost Allocation Program Transfers	1,750,557	0.54	1,890,585	0.57	1,958,050	0.60	2,395,365	0.74	1,641,649	0.53
Sales & Comp. for Loss of Property	347,302	0.11	217,945	0.07	309,126	0.09	257,212	0.08	192,848	0.06
Fines, Forfeits & Penalties	1,809,813	0.55	1,668,000	0.50	1,747,986	0.53	1,785,197	0.55	1,440,062	0.46
Earnings on Investments	1,833,806	0.56	1,105,987	0.33	1,152,491	0.35	480,419	0.15	162,488	0.05
From Maine Turnpike Authority	223,637	0.07	218,222	0.07	237,284	0.07	274,981	0.08	263,612	0.08
Total Highway Fund Revenue	\$326,546,157	100.00%	\$330,821,083	100.00%	\$328,136,579	100.00%	\$324,242,149	100.0%	\$311,190,374	100.0%

State Fiscal Years Ending June 30, 2011 - 2014

REVENUE SOURCE	2011 ²		2012 ²		2013 ²		2014 ²	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
Gasoline Tax	\$175,802,947	56.46%	\$177,043,901	55.81%	\$173,237,214	54.34%	\$175,225,204	55.26%
Special Fuel & Road Use Taxes	\$41,230,945	13.24%	\$42,419,217	13.37%	\$41,302,615	12.95%	\$42,269,535	13.33%
Motor Veh. & Oper. Lic. Fees								
Motor Vehicle & Truck Registration Fees	55,250,725	17.75	55,470,755	17.49	55,727,991	17.48	55,895,598	17.63
Title Fees	7,793,871	2.50	8,358,635	2.64	13,258,812	4.16	9,137,616	2.88
Special Registration Plates	2,080,853	0.67	2,128,139	0.67	2,180,241	0.68	2,181,699	0.69
Motor Vehicle Dealer Fees	9,792,983	3.15	9,436,350	2.97	9,801,658	3.07	9,924,915	3.13
Motor Vehicle Inspection Fees	141,468	0.05	149,656	0.05	152,993	0.05	163,442	0.05
Special Permit Fees	2,977,852	0.96	2,997,953	0.95	3,495,704	1.10	3,109,288	0.98
Truck Excise Tax Program	814,532	0.26	860,882	0.27	827,834	0.26	804,168	0.25
Motor Veh. Oper. License Fees	4,372,589	1.40	6,720,823	2.12	6,915,674	2.17	6,212,683	1.96
Operator's License Restoration Fees	1,739,560	0.56	1,637,391	0.52	1,624,568	0.51	1,659,980	0.52
Driver Education Licensing Fees	68,705	0.02	68,010	0.02	48,775	0.02	54,570	0.02
MV & Oper. Lic. Fees Subtotal	\$85,033,137	27.31%	\$87,828,595	27.69%	94,034,249	29.49	89,143,959	28.11
Misc. Taxes, Fees & Assessments	143,972	0.05	94,646	0.03	104,467	0.03	89,240	0.03
From Federal Government	0	0.00	23	0.00	0	0.00	0	0.00
From Local Governments	14,769	0.00	14,333	0.00	12,909	0.00	12,416	0.00
From Private Sources	0	0.00						
Service Charges for Current Services	4,067,465	1.31	4,079,530	1.29	4,204,912	1.32	3,941,028	1.24
Contributions & Transfers from Other Funds	1,791,825	0.58	2,206,285	0.70	2,466,811	0.77	2,863,890	0.90
State Cost Allocation Program Transfers	1,543,685	0.50	1,978,753	0.62	1,935,194	0.61	2,016,040	0.64
Sales & Comp. for Loss of Property	231,958	0.07	175,391	0.06	154,550	0.05	186,805	0.06
Fines, Forfeits & Penalties	1,145,044	0.37	1,044,271	0.33	1,030,267	0.32	976,084	0.31
Earnings on Investments	124,518	0.04	141,082	0.04	105,414	0.03	80,299	0.03
From Maine Turnpike Authority	220,891	0.07	176,383	0.06	237,098	0.07	252,465	0.08
Total Highway Fund Revenue	\$311,351,155	100.0%	\$317,202,409	100.0%	\$318,825,700	100.0%	\$317,076,964	100.0%

¹ Source: Office of Fiscal and Program Review. Totals may not add due to rounding.

² Total does not include revenues of \$26,705,758 in 2010, \$32,553,028 in 2011, \$32,871,153 in 2012, \$34,734,719 in 2013 and \$33,128,784 in 2014, all of which were deposited directly to the TransCap Fund.

The State currently estimates that revenues in the amount of \$323,494,586 have been credited to the Highway Fund in State Fiscal Year 2015. Such amount does not include revenues in the estimated amount of \$33,532,211 which were deposited directly to the TransCap Fund in State Fiscal Year 2015.

The Maine Legislature allocates moneys in the Highway Fund for the operation of various MaineDOT programs, including construction and maintenance of highways and bridges, for a portion of the State Police administration and for other State programs.

Sources of Funding for Current Highway System Capital Plan

The MaineDOT Work Plan for Calendar Years 2015-2016-2017 (the “Work Plan”) is a planning document that is updated annually and that lists anticipated capital transportation funding and MaineDOT’s strategy to apply this funding to specific transportation improvements throughout the State. Development of the Work Plan involves coordination by MaineDOT with Maine municipalities, Metropolitan Planning Organizations (“MPOs”), state and federal agencies and other transportation stakeholders. The current Work Plan covers calendar years 2015, 2016 and 2017 and totals more than \$2.0 billion, with some 1,929 work items to be performed over three years. The projects and activities listed for calendar year (“CY”) 2015 are more firmly funded and with definite schedules, while listings for CY’s 2016 and 2017 are more subject to changes that may be needed due to future fluctuations in funding and prices, permitting variables and seasonal weather conditions.

The major funding sources that combine to provide the financial resources that support the Work Plan include Federal Highway Administration (FHWA) Formula Funds, Federal Transit Administration (FTA) Formula Funds, Federal Aviation Administration (FAA) Formula and Entitlement Funds, USDOT TIGER and Other Federal Competitive Grant Programs, GARVEE Bonds (defined below), the Highway Fund, the TransCap Fund, State Multimodal Transportation Accounts, State general obligation bonds and municipal and private funds.

The following further describes the State bond and Bank bond sources of funding for capital transportation projects.

General Obligation Bonds. One source of State funding for capital transportation projects is through the issuance of State general obligation bonds, proceeds of which are used to support highway reconstruction projects, bridge rehabilitation and replacement projects, highway and bridge improvements and strategic investments in passenger rail, aviation, transit, freight initiatives, ports and the Maine State Ferry Service, along with dedicated bicycle and pedestrian improvements. Under the provisions of the State Constitution and certain authorizing legislation, the State is permitted to expend Restricted Revenues and other moneys credited to the Highway Fund, the General Fund or both to pay debt service on such bonds. The full faith and credit of the State are pledged to the payment of the debt service on such general obligation bonds.

GARVEE Bonding. Under the Bond Bank Act and Chapter 19, Subchapter 3-A of Title 23 of the Maine Revised Statutes, as amended, the Bank is authorized to issue bonds (“GARVEE Bonds”) in anticipation of the receipt of grants from the United States Department of Transportation, Federal Highway Administration pursuant to the Federal Aid-Highway Program established under Chapter 1 of Title 23 of the United States Code (“Title 23”) or any successor thereto. GARVEE Bonds are secured by a pledge of future federal transportation funds to be received by the State for qualified transportation projects. GARVEE Bonds do not constitute a debt or liability of the State or of any political subdivision of the State (other than a special, limited obligation of the Bank), or a pledge of the full faith and credit of the State or of any political subdivision of the State, but are payable solely from the funds and revenues pledged for that purpose.

TransCap Revenue Bonding. Under the Program Act, the Bank is authorized to issue transportation infrastructure revenue bonds to finance capital improvements to or removal of bridges, minor spans on or over public ways, and highway reconstruction projects in the State. The bonds issued thereunder do not constitute a

debt or liability of the State or of any political subdivision of the State (other than a special limited obligation of the Bank), or a pledge of the full faith and credit of the State or of any political subdivision of the State, but are payable solely from the funds and revenues pledged for that purpose. Issuance of transportation infrastructure revenue bonds under the Program has been limited to amounts expressly authorized by the Maine Legislature (except for refunding bonds, which are not subject to legislative approval. See “OVERVIEW OF THE PROGRAM ACT” herein.

OVERVIEW OF THE PROGRAM ACT

Chapter 470

To facilitate the State’s development of a capital transportation program that is geographically balanced and that addresses urban and rural needs and to take advantage of the Bank’s broad financing powers, in State Fiscal Year 2008 the State established in the custody of the Bank a special trust fund designated the TransCap Trust Fund (the “TransCap Fund”) to provide transportation capital investment for MaineDOT and municipalities as specified therein. The purpose of the TransCap Fund is to provide financial assistance for the planning, design, acquisition, reconstruction and rehabilitation of transportation capital improvements of all modes of transportation.

The Bank administers the TransCap Fund, which is established and held separate from any other funds or money of the State or the Bank and used and administered exclusively for the transportation infrastructure purposes set forth in the paragraph above. The TransCap Fund is funded from transportation-related taxes, fees and revenues deposited therein, as described below, and from the proceeds of TransCap Fund revenue bonds. In particular, the TransCap Fund is funded by (a) a portion of the excise tax imposed on gasoline and special fuel transferred from time to time by the Treasurer of State of the State (the “Treasurer of State”) pursuant to Chapter 470 (as described below), (b) a portion of motor vehicle registration and other fees transferred from time to time by the Treasurer of State pursuant to Chapter 647 (as described below), and (c) other revenues and funds of the TransCap Fund, including those amounts required to be transferred from the Highway Fund pursuant to Chapter 682 (as described below).

Pursuant to Chapter 470, since July 1, 2009, the Treasurer of State has been required to transfer to the TransCap Fund on a monthly basis (a) 7.5% of the excise tax imposed by the State on gasoline and (b) 7.5% of the excise tax imposed by the State on special fuel (collectively, the “Pledged Motor Fuels Taxes”). See “SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND” herein.

Chapter 647

Chapter 647 expressly authorized the Bank, at the request of MaineDOT, to issue TransCap Fund revenue bonds from time to time in amounts that in total would not exceed \$160,000,000 through State Fiscal Year 2013 for the purpose of making capital improvements to or removing bridges and minor spans on or over public ways in the State or related capital costs. This authorization was fully utilized with the issuance of the Series 2011A Bonds. Pursuant to Chapter 647, since July 1, 2009, a portion of certain motor vehicle registration and other fees has been required to be transferred to the TransCap Fund. In particular, the Treasurer of State has been required to transfer to the TransCap Fund on a quarterly basis: (a) \$10 of each annual service fee collected for vanity registration plates (“Pledged Vanity Plate Fees”); (b) \$10 of each registration fee collected for an automobile, pickup truck or sport utility vehicle used for the conveyance of passengers or interchangeably for passengers or property (“Pledged Passenger Vehicle Registration Fees”); (c) \$10 of each commercial registration fee collected for vehicles having a gross weight under 6,000 pounds (“Pledged Commercial Registration Fees” and, together with the Pledged Passenger Vehicle Registration Fees, the “Pledged Registration Fees”); and (d) \$10 of each title fee collected (“Pledged Title Fees”). See “SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND” herein.

Chapter 682

Chapter 682 expressly authorized the Bank, at the request of MaineDOT, to issue TransCap Fund revenue bonds from time to time in amounts that in total would not exceed \$50,000,000 through the State Fiscal Year 2013 for the purpose of undertaking highway reconstruction projects in the State. Substantially all of this authorization was utilized. Pursuant to Chapter 682, since July 1, 2009, an amount equivalent to 11% of the Bureau of State Police funding must be allocated from the Highway Fund to the TransCap Fund ("Other Pledged Highway Revenues"). See "SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND – Dedicated Highway Fund Amounts" herein.

Chapter 413

Chapter 413 expressly authorized the Bank, at the request of MaineDOT, to issue TransCap Fund revenue bonds from time to time in amounts that in total would not exceed \$30,000,000 for the purpose of funding capital highway projects in the State. This authorization was fully utilized.

Summary of Revenue Dedicated to the TransCap Fund

The following table summarizes actual revenues received by the State in State Fiscal Year 2015 from the sources dedicated to the TransCap Fund pursuant to the Program Act and pledged to secure the Bonds:

	Fiscal Year Ended June 30, 2015 <u>Pledged Revenues</u>	Percentage of Total Fiscal Year Ended June 30, 2015 <u>Pledged Revenues*</u>
Motor Fuel Taxes	\$17,645,297	45.9%
Registration Fees	10,383,840	27.0
Title Fees	4,004,770	10.4
Vanity Plate Fees	1,058,890	2.8
Other Highway Revenues	<u>5,334,017</u>	<u>13.9</u>
TOTAL	\$38,426,814	100.0%

* Percentages calculated from unrounded data.

Source: MaineDOT

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of the proceeds of the Series 2015A Bonds are expected to be as follows:

Sources:

Par Amount of Series 2015A Bonds.....	\$54,680,000.00
Plus Original Issue Premium.....	<u>10,787,248.85</u>
Total Sources	<u>\$65,467,248.85</u>

Uses:

Deposit of a portion of the proceeds of the Series 2015A Bonds under the Trust Agreement for the redemption of the Bonds to be Refunded.....	\$64,954,559.39
Costs of Issuance *	<u>512,689.46</u>
Total Uses	<u>\$65,467,248.85</u>

* Includes Underwriter's discount.

THE SERIES 2015A BONDS

General Description

The Series 2015A Bonds will be issued in the principal amounts and with maturity dates shown on the inside cover page of this Official Statement. The Series 2015A Bonds will initially be dated the date of their delivery and will bear interest from such date, payable on March 1 and September 1 of each year, commencing March 1, 2016, at the rates shown on the inside cover page of this Official Statement. Interest will be calculated based on a year of 360 days and twelve 30-day months.

As described in "APPENDIX A – THE DEPOSITORY TRUST COMPANY," the Series 2015A Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2015A Bonds, all payments on the Series 2015A Bonds will be made directly to DTC.

The principal of the Series 2015A Bonds will be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee. U.S. Bank National Association will initially serve as trustee, paying agent and registrar for the Series 2015A Bonds. Payment of the interest on any Series 2015A Bonds will be made to the person whose name appears on the registration books of the Trustee as the registered owner thereof (the "Owner") as of the fifteenth day of the month preceding the month in which an Interest Payment Date occurs (the "Record Date"). Interest will be paid by check or draft mailed to the Owner at the address shown on the registration books of the Trustee. As long as the DTC book-entry system is in effect, Cede & Co. is the Owner and will receive all Bond Payments.

Any interest on the Series 2015A Bonds not punctually paid or duly provided for shall cease to be payable to the Owner on such Record Date and shall be paid to the person in whose name such Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which will be given to the Owners not less than ten days prior to the Special Record Date.

Redemption

The Series 2015A Bonds are not subject to redemption prior to maturity.

SECURITY FOR THE BONDS

General

The Act authorizes the Bank to issue bonds (i) to provide financial assistance for the planning, design, acquisition, reconstruction and rehabilitation of transportation capital improvements of all modes of transportation and (ii) to refund Outstanding Bonds. The Series 2015A Bonds are issued under and pursuant to the Resolutions. See APPENDIX B — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” for a more complete description of the Resolution.

The following table sets forth the Bonds issued under the Resolution and the principal amounts currently outstanding. Such Bonds are secured on parity with the Series 2015A Bonds.

Bond Series	Principal Amount of Bonds Issued	Outstanding Principal*
2008A	\$ 50,000,000	\$ 10,265,000
2009A	105,000,000	50,335,000
2009B	30,000,000	5,990,000
2011A	55,000,000	51,100,000
	<u>\$ 240,000,000</u>	<u>\$ 117,690,000</u>

*Excludes the principal of the Bonds to be Refunded.

Additional Bonds may be issued from time to time, subject to there being then-current statutory authority to issue such bonds, and subject to compliance with the conditions set forth in the Resolution. See “— Additional Bonds.”

The Bonds are special, limited obligations of the Bank and are payable from the sources specified in the Resolution. The Bonds and the amounts due with respect to all Bonds are not general obligations of the Bank. The Bonds will not be payable out of any moneys of the Bank other than the Trust Estate. The Bonds are not obligations, general, special or otherwise, of the State, do not constitute a debt of the State, are not enforceable against the State, nor shall payment thereof be enforceable out of any moneys of the State.

THE BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL, LIMITED OBLIGATION OF THE BANK) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON. THE BANK HAS NO TAKING OR TAXING POWER. THE SERIES 2015A BONDS ARE PAYABLE ONLY FROM THE TRUST ESTATE AND OTHER MONEYS AVAILABLE TO THE OWNERS OF THE SERIES 2015A BONDS UNDER THE RESOLUTION.

The Trust Estate

The Resolution constitutes a contract among the Bank, the Trustee and the Owners from time to time of the Bonds, and the pledge, covenants and agreements of the Bank set forth in the Resolution are for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other Bond, except as expressly provided in or permitted by the Resolution. The

Bank, in order to secure the payment of the amounts due with respect to all Bonds at any time Outstanding under the Resolution, to secure payment of amounts due with respect to any Credit Facility, to secure Qualified Swap Payments due with respect to any Qualified Swap, and to secure the performance and observance of all the covenants and conditions set forth in the Bonds and the Resolutions, has pledged to the Trustee pursuant to the Resolution the following described property (the “Trust Estate”):

(a) all Revenues, which include: (i) those fees transferred to the TransCap Fund pursuant to Chapter 647; (ii) those excise taxes transferred to the TransCap Fund pursuant to Chapter 470; (iii) those amounts transferred from the Highway Fund to the TransCap Fund pursuant to Section 3 and Section 6 of Chapter 682; (iv) earnings on amounts in the Pledged TransCap Funds and Accounts (defined below); and (v) such other amounts as the Bank may designate as “Revenues” pursuant to a Supplemental Resolution (collectively, the “Pledged Revenues”). Revenues shall not include proceeds of Bonds or revenues received by the Bank for deposit in the TransCap Fund that are not expressly set forth in clauses (i) through (v) of this definition;

(b) all right, title and interest of the Bank to receive the Pledged Revenues, and all right, title and interest of the Bank to the Memorandum of Agreement dated as of September 24, 2008 (the “Memorandum of Agreement”) among the Bank, MaineDOT, the Treasurer of State and the Maine Department of Administrative and Financial Services, Office of the State Controller (“OSC”), and the right to receive funds thereunder, provided that the Bank reserves for itself the right to independently enforce the obligations made by MaineDOT, the Treasurer of State and the OSC thereunder (collectively, the “Pledged Rights”);

(c) all Funds, Accounts and Subaccounts established by the Bank within the TransCap Fund into which Pledged Revenues received by the Bank are deposited (the “Pledged TransCap Funds and Accounts”), being initially the Bridge Capital Improvement Account, the Highway Reconstruction Account and the Fuel Excise Tax Account, subject to the rights of the Bank to apply the amounts in the Pledged TransCap Funds and Accounts as set forth in the Resolution, and further subject to the rights of the Bank to use money held by the Bank in the Pledged TransCap Funds and Accounts for any purpose permitted by applicable law to the extent permitted by the Resolution (see “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION”);

(d) all money from time to time held by the Trustee under the Resolution or any Series Resolution in the Bond Payment Fund, the Construction Fund and the Debt Service Reserve Fund, but excluding money held in the Rebate Fund, the General Fund, any Defeasance Escrow Account and any fund or account created by a Series Resolution that is expressly excluded from the Trust Estate; and

(e) any and all other property, revenues or funds from time to time by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security under the Resolution, by the Bank, the State or anyone else, in favor of the Trustee.

Source of Pledged Funds

Pledged Revenues include amounts received or to be received by the State from a portion of the excise tax on gasoline and special fuel, a portion of certain motor vehicle registration and other fees and certain other amounts allocated from the Highway Fund. The amount of Pledged Revenues to be received from the excise tax is calculated by MaineDOT on a monthly basis by multiplying the total amount of gasoline tax and special fuel tax collected by the State during such month by 7.5%. The amount of Pledged Revenues to be received from motor vehicle registration and other fees is calculated as \$10 of each such fee collected, to be transferred to the TransCap Fund on a quarterly basis. Pursuant to Chapter 682, an amount equivalent to 11% of the Bureau of State Police funding must be allocated from the Highway Fund to the TransCap Fund, which amount shall constitute Pledged Revenues. Such amount was calculated to be \$38,426,814 for the State Fiscal Year 2015, which amount was transferred to the Bank for deposit in the TransCap Fund during such State Fiscal Year. See “SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND” herein.

In order to issue Additional Bonds the Bank must comply with certain conditions in the Resolution, including certain debt service coverage tests. Except as provided in the Resolution, any such Additional Bonds will be on a parity with all previously issued Bonds that remain outstanding, including the Series 2015A Bonds. See “— Additional Bonds.” The Bank may pledge, in addition to the Trust Estate, certain additional revenues as security for any Series of Bonds (“Special Pledged Revenues”). The Bank is under no obligation to pledge Special Pledged Revenues, and any such pledge may be limited as set forth in the Series Resolution relating to those Series of Bonds secured by such Special Pledged Revenues.

Amounts required under the Program Act to be paid to the Bank for deposit in the TransCap Fund are subject to allocation by the State. The term “allocation” refers to legislative action taken by the State Legislature in connection with the State’s biennial budget to authorize the transfer of the Pledged Revenues to the TransCap Fund. The term “allocation” is similar to the term “appropriation,” which is used to authorize expenditures from the State’s general fund. The State is not legally bound to make an allocation of these amounts to the TransCap Fund and the Act does not restrict the right of the State to repeal or to modify the Act (or to provide for a use or allocation of these amounts other than to the TransCap Fund). The Bank can give no assurance that the State will allocate these amounts to the TransCap Fund.

Funds and Accounts

The Resolution creates the Pledged TransCap Funds and Accounts more fully described in the following paragraph, the Bond Payment Fund, the Construction Fund, a Debt Service Reserve Fund, a Rebate Fund and a General Fund. The Pledged TransCap Funds and Accounts, the Bond Payment Fund, the Construction Fund and the Debt Service Reserve Fund, and amounts on deposit in those funds are part of the Trust Estate, but the Rebate Fund and the General Fund and amounts on deposit in those Funds are not part of the Trust Estate and, therefore, are not pledged to the payment of the Bonds. The Resolution also permits the creation of Funds and Accounts in the TransCap Fund that are not Pledged Funds and Accounts; any amounts deposited therein are not Pledged Revenues and not part of the Trust Estate.

Pledged TransCap Funds and Accounts. Pursuant to Chapter 470, there has been established within the custody of the Bank the TransCap Fund, to be held and administered by and under the custody of the Bank. The Bank may establish, from time to time, within the TransCap Fund, such Pledged TransCap Funds and Accounts as the Bank determines in its sole discretion. As of the date of this Official Statement, within the TransCap Fund the Bank has created three accounts: (i) the Bridge Capital Improvement Account; (ii) the Highway Reconstruction Account; and (iii) the Fuel Excise Tax Account. Pursuant to the Resolution, Pledged Revenues received by the Bank are to be deposited in the Pledged TransCap Funds and Accounts. See “Flow of Pledged Revenues” below.

Bond Payment Fund. The Trustee is required to create and maintain separate accounts identified by the appropriate Series designation within the Bond Payment Fund to account for and to make the Bond Payments on, and to pay the Redemption Price of, each Series of Bonds, but such separate accounts shall not affect the rights of the Owners of the Bonds with respect to moneys in the Bond Payment Fund. Moneys on deposit in the Bond Payment Fund shall be used to make the following payments:

- (1) To pay the next maturing interest payment on the Bonds;
- (2) To pay the next maturing principal payment on the Bonds; and
- (3) To pay the Redemption Price of the Bonds next coming due pursuant to redemption prior to maturity.

Under the Resolution, the Bank is required to transfer Pledged Revenues and amounts in the Pledged TransCap Funds and Accounts to the Bond Payment Fund in such amounts and at such times as it determines in its sole discretion, provided that not less than five (5) Business Days prior to each Bond Payment Date there

shall be on deposit in the Bond Payment Fund an amount sufficient to make the Bond Payments due on such Bond Payment Date.

Construction Fund. The Construction Fund shall be a Fund established within the TransCap Fund, and shall be held by the Trustee subject to the terms of the Resolution. Proceeds of each Series of Bonds, as provided in the applicable Series Resolution, are to be deposited into the Construction Fund and amounts on deposit in the Construction Fund may be applied by the Bank to pay costs of issuance and, so long as no payment Event of Default has occurred with respect to the Bonds, may be requisitioned by the Bank for Project Costs in the manner provided by the Resolution. In the event of a payment Event of Default with respect to the Bonds, amounts in the Construction Fund may be transferred to the Bond Payment Fund, but no such transfers are required.

Debt Service Reserve Fund. The Debt Service Reserve Fund shall be a Fund established within the TransCap Fund, and shall be held by the Trustee subject to the terms of the Resolution. Within the Debt Service Reserve Fund the Bank shall establish an Account designated the "Debt Account" and an Account designated the "Equity Account." Upon the issuance of any Bonds under the Resolution, the Bank shall deposit in the Debt Service Reserve Fund the amount, if any, required to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement, and from time to time, the Bank shall deposit in the Debt Service Reserve Fund such additional amounts from Pledged Revenues, if any, transferred for such purpose. Proceeds of Bonds to be deposited in the Debt Service Reserve Fund shall be deposited in the Debt Account. Amounts deposited in the Debt Service Reserve Fund upon the initial issuance of a Series of Bonds from Pledged Revenues or from amounts in Pledged TransCap Funds and Accounts may be deposited in the Debt Account or the Equity Account, at the Bank's sole discretion.

Under the Resolution, the Debt Service Reserve Fund Requirement is defined to be, as of any date of calculation, with respect to all Outstanding Bonds, and subject to the further limitation set forth in the following sentence, an amount equal to one-half of the greatest amount of Annual Debt Service (calculated as provided in the Resolution) with respect to such Outstanding Bonds for the then current or any future State Fiscal Year. In connection with the issuance of a Series of Tax-Exempt Bonds, the new Debt Service Reserve Fund Requirement upon the issuance of such Series of Tax-Exempt Bonds shall be the lower of: (a) the Debt Service Reserve Fund Requirement calculated as set forth in the preceding sentence; or (b) the Debt Service Reserve Fund Requirement as in effect immediately preceding the issuance of the proposed Series of Tax-Exempt Bonds plus an amount equal to the least of: (i) 10% of the proceeds from the sale of such Series of Bonds; (ii) the maximum Annual Debt Service (calculated as provided in the Resolution) on such Series of Bonds; or (iii) 125% of the average Annual Debt Service (calculated as provided in the Resolution) on such Series of Bonds. For purposes of this definition, the term "Bonds" shall not include any Series of Bonds that is not secured by amounts in the Debt Service Reserve Fund if so provided in the Series Resolution authorizing the issuance of such Series of Bonds. As of August 31, 2015 the Debt Service Reserve Fund is in compliance with the Resolution's Debt Service Reserve Fund Requirements.

If, on the fifth day (or if such day is not a Business Day, on the immediately preceding Business Day) prior to a Bond Payment Date, there are insufficient amounts in the Bond Payment Fund to make the Bond Payments due on the Bond Payment Date, the Trustee shall notify the Bank by telephone, confirmed by e-mail of the amount of the deficiency of Bonds. If on the Business Day preceding any Bond Payment Date, the amounts on deposit in the Bond Payment Fund are not sufficient to make all such payments due on such date with respect to Bonds secured thereby, the Trustee shall immediately transfer the amount necessary from any Accounts within the Debt Service Reserve Fund to the Bond Payment Fund to the extent amounts on deposit in the Debt Service Reserve Fund are available. If, after applying all amounts on deposit in the Accounts of the Debt Service Reserve Fund, there are insufficient amounts to pay the Bond Payments due on such date, the Trustee shall immediately notify the Bank of such fact and of the amount so applied and the amount of the deficiency. If at any time the amount on deposit in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Fund Requirement (such excess being determined: (i) after giving effect to any Debt Service Reserve Fund Credit Facility deposited in such Fund; and (ii) assuming the Debt Service Reserve Fund

Requirement is adjusted to give effect to any interest payments made and to the payment (or deemed payment in accordance with the Resolution) of any Bonds), such excess shall be withdrawn from the Debt Service Reserve Fund and deposited in the Bond Payment Fund, or may, in the discretion of the Bank, be withdrawn from the Debt Service Reserve Fund and deposited into the Rebate Fund, the Construction Fund (if such excess originally constituted Bond proceeds) or deposited in any other Fund or Account within the TransCap Fund, in each case free and clear of any lien, pledge or claim under the Resolution as required or permitted by law, provided that such withdrawal shall not be made unless, at the time of such withdrawal, there shall exist no deficiency in any other fund or account pledged to the payment of Bonds. At least one Business Day prior to drawing on, selling or otherwise liquidating any investment in the Debt Service Reserve Fund in order to generate funds to be transferred to the Bond Payment Fund to make a Bond Payment on a Bond Payment Date, the Trustee will consult with an Authorized Bank Officer with respect to the proposed actions.

Reserve Credit Facilities. The Resolution authorizes the Bank to obtain a Reserve Fund Credit Facility for the purposes of satisfying the Debt Service Reserve Fund Requirement. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Refundings. In the event of the refunding of any Bonds, the Bank may withdraw from the Debt Service Reserve Fund all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded or apply such amounts to pay the costs of issuance of the Refunding Bonds, or, if not so applied, such amounts shall be applied in the same manner as provided for excess amounts in the Debt Service Reserve Fund described above; *provided, however*, that such withdrawal shall not be made unless: (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution; (ii) the amount remaining in the Debt Service Reserve Fund, after giving effect to any Reserve Fund Credit Facility deposited in such Fund, shall not be less than the Debt Service Reserve Fund Requirement; and (iii) at the time of such withdrawal, there shall exist no deficiency in any fund or account pledged to the payment of Bonds established under the Resolution.

General Fund. The General Fund shall be a fund established within the TransCap Fund, and shall be held by the Bank. Amounts in the General Fund are not included in the Trust Estate. There shall be deposited into the General Fund: (i) any Residual Fund Balances (as defined below) transferred to the Bank for deposit therein; and (ii) such additional amounts as may be directed by the Bank to be transferred to the General Fund consistent with the pledge of the Trust Estate.

“Residual Fund Balances” means, with respect to any Bond Payment Date, those amounts that are in the Bridge Capital Improvement Account, the Highway Reconstruction Account, the Fuel Excise Tax Account, or any other Fund, Account or Subaccount included within the definition of Pledged TransCap Funds and Accounts (but expressly excluding amounts in the Construction Fund and the Debt Service Reserve Fund) on such Bond Payment Date, immediately following the making of all required Bond Payments on such Bond Payment Date, and after making any transfers to the Debt Service Reserve Fund that may be required to increase the amounts therein to the then-applicable Debt Service Reserve Fund Requirements.

Any amounts on deposit in the General Fund may be applied by the Bank for any purpose permitted by applicable law.

Rebate Fund. Amounts may be deposited into the Rebate Fund from moneys in the Trust Estate, from any other funds and accounts held under the Resolution or from any other legally available source and, to the extent necessary, are to be applied to make rebate payments due to the United States in accordance with the Tax Certificates. Any excess in the Rebate Fund may be transferred as directed by the Bank as provided in the Resolution, unless an Event of Default exists, in which case the excess shall be transferred to the Bond Payment Fund.

Flow of Pledged Revenues

All Pledged Revenues received by the Bank shall be deposited in the Bridge Capital Improvement Account, the Highway Reconstruction Account, the Fuel Excise Tax Account or such other Fund, Account or Subaccount within the TransCap Fund that the Bank so designates for deposit of the applicable Pledged Revenues, all in accordance with the terms of the Resolution. Set forth below is a description of the flow of the Pledged Revenues under the Program Act and the Resolution. For a complete description of the flow of Pledged Revenues, see "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Receipt of Pledged Revenues and Deposit into TransCap Fund. Amounts transferred to the TransCap Fund pursuant to Chapter 647 from the collection of motor vehicle registration and other fees shall be deposited in the Bridge and Capital Improvement Account. Amounts transferred to the TransCap Fund from proceeds of the excise tax shall be deposited in the Fuel Excise Tax Account. Amounts transferred to the TransCap Fund directly from the Highway Fund pursuant to Chapter 682 shall be deposited in the Highway Reconstruction Account. Any additional amounts to be deposited in the TransCap Fund shall be so deposited as the Bank shall direct. Earnings on funds in any Fund, Account or Subaccount established in the TransCap Fund shall be credited to such Fund, Account or Subaccount. The Bank may change the respective Funds, Accounts or Subaccounts into which Pledged Revenues are deposited in its sole discretion, provided that any such Fund, Account or Subaccount into which Pledged Revenues are deposited shall be a Fund, Account or Subaccount within the meaning of the definition of Pledged TransCap Funds and Accounts, and if a Fund, Account or Subaccount included within the definition of Pledged TransCap Funds and Accounts is eliminated by the Bank from the TransCap Fund, amounts transferred to such Fund, Account or Subaccount shall be deposited in another Fund, Account or Subaccount that is included within the definition of Pledged TransCap Funds and Accounts.

Application of Pledged Revenues. Amounts received by the Bank as Pledged Revenues, and amounts on deposit within the Pledged TransCap Funds and Accounts shall, subject to the transfers and uses of Residual Fund Balances described below, be deposited and used only in the manner and order of priority set forth below:

(A) On or prior to the applicable due dates set forth in the Resolution or any Series Resolution, the Bank shall transfer from the Pledged Revenues or Pledged TransCap Funds and Accounts all amounts required to pay the next maturing interest payment on the Bonds, the next maturing principal payment on the Bonds and the Redemption Price of the Bonds next coming due pursuant to redemption prior to maturity.

(B) Pledged Revenues and amounts in the Pledged TransCap Funds and Accounts shall be deposited in the Debt Service Reserve Fund, as necessary to make the amount on deposit therein (after giving effect to any Reserve Fund Credit Facility deposited therein) at least equal to the Debt Service Reserve Fund Requirement.

(C) Pledged Revenues and amounts in the Pledged TransCap Funds and Accounts shall be deposited, as necessary, in the Rebate Fund to the extent required under the Resolution.

(D) Any Residual Fund Balances may be transferred to the General Fund or applied as otherwise allowed under applicable law.

Application of Residual TransCap Funds. Following the making of all required Bond Payments on any Bond Payment Date, and without limitation as to the time during which the Bank may exercise the rights set forth in this paragraph, upon delivery to the Trustee of a certificate of the Bank to the effect that Pledged Revenues expected to be received by the Bank for deposit in the TransCap Fund, together with any Residual Fund Balances not transferred pursuant to this paragraph, will be sufficient to make all required Bond Payments on the next Bond Payment Date, the Bank may (x) transfer all or any portion of the Residual Fund

Balances to the General Fund, free and clear of the lien created by the Resolution, or (y) apply all or any portion of the Residual Fund Balance to pay any costs that are eligible under applicable law to be paid from the TransCap Fund, or (z) do any combination of the foregoing.

Restricted Funds. Substantially all Revenues to be deposited in the TransCap Fund will be restricted as to use ("Restricted Revenues") pursuant to Article IX. See "THE TRANSPORTATION INFRASTRUCTURE PROGRAM – Legal Framework for Financing the State's Highway System – *Constitutional Limitations.*" Such Restricted Revenues shall be applied only to purposes permitted by Article IX.

Memorandum of Agreement

The OSC, MaineDOT, the Treasurer of State and the Bank entered into the Memorandum of Agreement in connection with the initial issuance of the Bonds under the Resolutions pursuant to which, in each State biennium in which any Bonds remain Outstanding under the Resolution beginning with the State biennium commencing July 1, 2009, MaineDOT, in a timely fashion, agrees to submit the MaineDOT request for such State biennium to the Bureau of the Budget for recommendation to the Governor for inclusion in the Governor's Biennial Budget for such State biennium. Also, starting with the biennial budget year beginning on July 1, 2009 and in each subsequent State Fiscal Year, promptly upon receipt by the OSC of notification from the State Budget Officer (which notification shall be delivered within thirty (30) days of the start of each State Fiscal Year) of the amount of the reduction in Highway Fund allocations to the Department of Public Safety, Bureau of State Police, resulting from the percentage reduction from 60%, as previously required under Maine Statutes, to 49%, as set forth in Section 3 of Chapter 682, the OSC agrees to transfer funds in the amount of such reduction from the Highway Fund to the Bank for deposit in the Transcap Fund. For fiscal year 2012, the OSC agreed to transfer \$5,300,052 to the Bank for deposit into the Transcap Fund in accordance with Section 6 of Chapter 682, which transfer was made by August 24, 2011. Further, as of July 1, 2009, and on the first day of each month thereafter, the Treasurer of State has agreed to transfer to the Bank for deposit into the Transcap Fund, 7.5% of annual receipts from the gasoline tax and the special fuel tax, after distribution of taxes pursuant to 36 MRSA, Section 2903-D imposed under subsection 1. Finally, as of October 15, 2009, and on each January 15, April 15, July 15 and October 15 thereafter, the Treasurer of State has agreed to transfer to the Bank for deposit in the TransCap Fund: (i) \$10.00 of each \$25.00 of the annual service fee for a vanity license plate; (ii) \$10.00 of each \$35.00 registration fee for qualified passenger vehicles; (iii) \$10.00 of each \$35.00 registration fee for vehicles with a gross weight of 0 to 6000 pounds; and (iv) \$10.00 of each \$33.00 paid to the Secretary of State for title fees.

In addition to the above, under the Memorandum of Agreement, MaineDOT agrees to direct and supervise the construction, reconstruction, maintenance and repair of the Projects and the Bank is appointed as the agent of MaineDOT to administer the Pledged Revenues and issue Bonds to finance the Projects. For the issuance of Bonds, the Bank shall use reasonable efforts to issue Bonds from time to time upon the receipt of a request from MaineDOT to issue Bonds, specifying the principal amount of Bonds to be issued and the Projects to be financed from the proceeds of the Bonds. The Bank's obligations under the Memorandum of Agreement to issue Bonds shall be subject to satisfying the conditions to the issuance of additional Bonds set forth in the Resolution, compliance with the Program Act, and such other conditions as the Bank, in its sole discretion, deems advisable. In regards to requisitions and other obligations, MaineDOT shall submit requisitions to the Bank for costs of Projects funded with proceeds of Bonds, consistent with the requirements of the Resolution, any Series Resolution and the Tax Certificate; provided that no such requisition shall be submitted if the effect thereof when taken together with all prior requisitions would result in payments with respect to any Project exceeding the limitations contained in the Program Act. Finally, in consideration for the issuance of the Bonds by the Bank and for the Bank making proceeds of the Bonds available to MaineDOT for the Projects, MaineDOT agrees to pay directly to the Bank the associated fees and expenses, either directly from the proceeds of the Bonds or such other sources as determined by MaineDOT.

Additional Bonds

Pursuant to the Resolution, the Bank has reserved the right to issue from time to time Series of Additional Bonds, including Refunding Bonds, subject to compliance with the terms and conditions of the Resolution. See "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION." A series of Additional Bonds may be issued only upon receipt by the Trustee of, among other things:

(i) A certificate of an Authorized Bank Officer stating that upon the delivery of the Bonds of such Series, the Bank will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds.

(ii) A certificate of an Authorized Bank Officer to the effect that, upon the issuance of the Bonds of such Series, the amount in the Debt Service Reserve Fund shall be equal to the Debt Service Reserve Fund Requirement and that all accumulations required to be made into the Bond Payment Fund, or other similar account for Outstanding Bonds, are current.

(iii) A certificate of an Authorized Bank Officer and a MaineDOT Representative to the effect that the Memorandum of Agreement is in full force and effect and that to their respective knowledge there is no default thereunder.

(iv) A certificate of an Authorized Bank Officer to the effect that the issuance of all Bonds issued through and including the date thereof and application of the proceeds thereof in accordance with the terms of the Resolution, taking into account the actual application of proceeds through the date thereof, will not violate any limitation set forth in the Program Act.

(v) A certificate of a MaineDOT Representative to the effect that the proceeds of Bonds have been applied in accordance with the Program Act.

(vi) With respect to Additional Bonds only, but excluding Refunding Bonds to the extent provided below, a certificate of an Authorized Bank Officer, setting forth:

(a) the amount of Pledged Revenues received by the Bank for each month during the most recent twenty-four month period for which reliable data is available preceding the month of the authentication and delivery of the Series of Additional Bonds then proposed to be issued;

(b) the maximum Annual Debt Service for the Outstanding Bonds in the current and each future State Fiscal Year including the Series of Additional Bonds proposed to be issued, but in the case of a Series of Additional Bonds for refunding purposes, excluding the Bond Payments on the Bonds to be refunded; and

(c) showing the amount of Pledged Revenues for any twelve consecutive months during the twenty-four month period described in (a) is not less than 200% of the maximum Annual Debt Service for each State Fiscal Year set forth in (b).

For purposes of this clause (vi) the term Pledged Revenues shall exclude any Revenues derived from sources that, through the final maturity date of: (i) all Bonds Outstanding; and (ii) the proposed Series of Bonds to be issued, are not of a recurring nature absent further legislative action (other than approval of a biennial budget and allocation, if required). The requirements of clause (vi) above may be revised or deleted in their entirety, without the consent of the Owners of the Bonds, upon the Bank's receipt of a Rating Confirmation from each Rating Agency.

Additional Bonds may be issued at any time to refund in whole or in part any Outstanding Bonds, provided either: (a) that an Authorized Bank Officer certifies that (1) the requirements described in paragraph (vi) above are satisfied or (2) following the issuance of the Refunding Bonds the aggregate amount of Annual Debt Service (including Annual Debt Service with respect to the Refunding Bonds, but excluding Annual Debt Service with respect to the refunded Bonds) due in any State Fiscal Year in which the coverage requirements set forth in paragraph (vi) above are not satisfied through and including the latest maturity of any Bonds then Outstanding, shall not exceed by more than 10% in any State Fiscal Year the aggregate amount of Annual Debt Service due in such State Fiscal Year immediately prior to the issuance of such Refunding Bonds; or (b) that the Bank receives a Rating Confirmation from each Rating Agency. For a more complete description of the requirements under the Resolution for the issuance of Additional Bonds, see “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

No Liens Equal or Senior to the Lien of the Resolution

Until all Bond Payments and Program Costs are paid in full and while any Bonds are Outstanding, no bonds, notes, debentures or other obligations shall be issued or incurred having a lien on the Trust Estate equal to, or prior and superior to the lien thereon of the Bonds. Nothing in the Resolution precludes a junior lien on Pledged Revenues or amounts in the Pledged TransCap Funds and Accounts, provided that the availability of funds under such junior lien is restricted to Residual Fund Balances or funds released from the lien of the Trust Estate.

SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND

The following information was provided by MaineDOT for inclusion herein and has not been independently verified by the Bank. The Bank neither makes any representation regarding nor accepts responsibility for the accuracy, completeness or adequacy of such information.

General

The TransCap Fund receives 7.5% of the revenues from motor fuel taxes, \$10 of certain registration fees collected, \$10 of each title fee, \$10 of each vanity plate fee collected and an amount equivalent to 11% of the Bureau of State Police funding from the Highway Fund. All of the revenue derived from these sources is pledged to secure the Bonds.

The revenue forecasts described in this section are derived from Maine Revenue Services, the Maine Legislature, the Office of Fiscal and Program Review’s annual update of the Compendium of State Fiscal Information, and the Maine Secretary of State. Maine Revenue Services provides data to the State of Maine Revenue Forecasting Committee (whose members include the State Budget Officer, the State Tax Assessor, the State Economist, the Director of the Office of Fiscal and Program Review, and an officer of the University of Maine System), which forecasts Highway Fund Motor Fuel Taxes each year in February and November. See “INVESTMENT CONSIDERATIONS — Factors Affecting Collection of Pledged Revenues.”

Motor Fuel Tax Revenue

Gasoline Tax. The State currently levies an excise tax at the rate of \$0.300 per gallon on internal combustion engine fuel (gasoline) sold or used within the State. From July 1, 2003 to July 1, 2011, motor fuel tax rates were subject to indexing annually for inflation. No additional indexing is currently authorized by law. Revenue collected from the gasoline tax accrues primarily to the Highway Fund, with the exception of 2.5%, which accrues to the Department of Conservation, the Department of Marine Resources and the Department of Inland Fisheries and Wildlife for boating facilities, all-terrain vehicles and snowmobile trail funds.

The following tables provide historical information regarding the gasoline tax rate.

Effective date of change	Rate in cents per gallon
7/6/23 enacted	1
7/10/25	3
7/15/27	4
6/1/47	6
6/1/55	7
7/1/69	8
6/1/71	9
4/1/83	14

Effective date of change	Rate in cents per gallon
5/1/88	16
4/1/89	17
7/19/91	19
8/1/99	22
7/1/03	24.6*
7/1/08	28.4
7/1/09	29.5*
7/1/11	30.0

Source: Office of Fiscal and Program Review, "Compendium of State Fiscal Information through Fiscal Year Ending June 30, 2011."

* Escalated annually on July 1 until 2011 based on the Consumer Price Index.

Special Fuel Tax. An excise tax is imposed on all suppliers of special fuel sold and on all users of special fuel used in the State at the rate of \$0.312 per gallon of distillate. Special fuel includes all combustible gases and liquids used in an internal combustion engine, including biodiesel fuel and certain low-energy fuel, and excludes fuel subject to the gasoline tax. Low-energy fuel such as liquefied natural gas, propane, methane and butane is taxed at a rate based on the energy content of each fuel as compared to gasoline. Receipts from these excise taxes are currently credited to the Highway Fund.

The follow table provides information on the motor fuel tax rates since July 1, 2006.

Motor Fuel Tax Rates¹
(cents per gallon)

Fuel Type	Effective 7/1/06	Effective 7/1/07	Effective 7/1/08	Effective 7/1/09	Effective 7/1/10	Effective 7/1/11
Gasoline	26.8	27.6	28.4	29.5	30.0	30.0
Diesel ²	27.9	28.8	29.6	30.7	31.2	31.2
Propane	19.4	20.1	20.6	21.5	21.9	21.9
Methanol	15.2	15.7	13.9	14.5	14.7	14.7
Ethanol	18.9	19.6	18.7	19.5	19.8	19.8
CNG ³	23.2	23.9	23.0	23.9	24.3	24.3

Source: Office of Fiscal and Program Review, "Compendium of State Fiscal Information through Fiscal Year Ending June 30, 2011."

¹ Inflation factor is determined by the prior year's inflation rate and may not be less than 1.00. The inflation factor for July 1, 2006 was 1.034, for July 1, 2007 was 1.032, for July 1, 2008 was 1.028, for July 1, 2009 was 1.038, for July 1, 2010 was 1.000 and for July 1, 2011 was 1.016.

² For reporting periods beginning on September 1, 2006 through September 19, 2007, the tax rate for diesel fuel containing at least 2% biological component was 0.200.

³ CNG (Compressed Natural Gas). The tax rate is applied to every 100 cubic feet. The tax rate on all other special fuel is based on each gallon.

Historical Summary of Gallonage and Revenues from Motor Fuel Taxes

The following tables provide a ten-year history of gallonage and revenue generated from the gasoline tax and the special fuel tax for deposit in the Highway Fund.

History of Gallonage and Revenue from Gasoline Tax
(percent change calculated from unrounded data)

Fiscal Year Ending June 30	Gallonage⁽¹⁾	Percent Change	Revenue to Highway Fund⁽²⁾	Percent Change
2006	690,218,730	(1.1)	\$176,769,409	0.96
2007	682,556,743	(1.1)	181,018,162	2.40
2008	658,583,320	(3.5)	179,096,254	(1.06)
2009	645,099,073	(2.0)	174,404,167	(2.62)
2010	654,451,227	1.4	177,377,553	1.70
2011	678,224,620	0.7	175,802,947	0.89
2012	658,811,849	(2.9)	177,043,901	0.7
2013	699,603,506	6.2	173,237,214	(2.2)
2014	790,057,695	12.9	175,225,204	1.1
2015	776,429,604	(1.7)	177,122,871	1.1

Source: Maine Revenue Services.

- (1) Gallonage estimates were provided by Maine Revenue Services. For State Fiscal Years 2006 through 2013, amounts were estimated by Maine Revenue Services based on revenue provided to the Highway Fund. For State Fiscal Years 2014 and 2015, amounts were derived from tax returns filed with Maine Revenue Services.
- (2) From July 1, 2003 through July 1, 2011, the gasoline tax was subject to indexing annually for inflation. Historical increases are included in the table above entitled "Motor Fuel Tax Rates."

History of Gallonage and Revenue from Special Fuel Tax
(percent change calculated from unrounded data)

Fiscal Year Ending June 30	Gallonage⁽¹⁾	Percent Change	Revenue to Highway Fund	Percent Change
2006	196,750,166	0.6	\$44,805,900	(1.31)
2007	191,549,749	(2.6)	45,805,856	2.23
2008	191,412,848	(0.1)	46,139,086	(0.73)
2009	178,510,206	(6.7)	41,811,377	(9.38)
2010	182,777,966	2.4	41,813,154	0.00
2011	185,489,974	1.5	41,230,945	(1.39)
2012	170,048,208	(9.1)	42,419,217	2.8
2013	165,543,375	(2.6)	41,302,615	(2.6)
2014	220,042,064	33.5	42,269,535	2.3
2015	260,881,649	18.6	43,094,334	2.0

Source: Maine Revenue Services.

- (1) Gallonage estimates were provided by Maine Revenue Services. For State Fiscal Years 2006 through 2013, amounts were estimated by Maine Revenue Services based on revenue provided to the Highway Fund. For State Fiscal Years 2014 and 2015, amounts were derived from tax returns filed with Maine Revenue Services.
- (2) From July 1, 2003 through July 1, 2011, the special fuel tax was subject to indexing annually for inflation. Historical increases are included in the table above entitled "Motor Fuel Tax Rates."

Motor Fuel Consumption

Motor fuel consumption is affected by various factors, including population growth, stages of the business cycle, cost and availability of fuel, the requirements of the Federal Energy Act and the Federal Clean Air Act Amendments of 1991 and the fuel efficiency of the vehicle fleet.

With respect to special fuel consumption, despite industry struggles, the need for the transportation of goods remains relatively constant, and thus the demand for diesel fuel has remained relatively stable. Revenues are expected to continue to increase steadily based on the Maine Revenue Services forecast data for State Fiscal Years 2016-2019 discussed below.

Due to the Energy Policy Act passed by Congress in 2005, which mandated an increase in the amount of renewable fuels used in gasoline nationally, other Environmental Protection Agency regulations and federal laws, and to encourage the use of low energy fuels and replace the fuel additive MTBE, there has been a shift in Maine (and other states) towards increased consumption of a fuel blend containing ethanol. The tax on this blended fuel, named "E-10," is \$0.01 per gallon lower than the tax on gasoline and its use has outpaced the use originally forecasted by Maine Revenue Services. This has resulted in lower than expected gasoline tax revenues to the Highway Fund. In June 2009, the Legislature passed legislation making the tax rate for E-10 fuels the same rate as for traditional gasoline, effective State Fiscal Year 2010. In addition, the Legislature passed legislation amending the special fuel statutes to impose the full diesel excise tax rate on biodiesel fuels that contain less than 90% biodiesel fuel by volume.

Projections of Gallonage and Revenues from Motor Fuel Taxes

Based on historical data regarding gasoline and special fuel consumption, MaineDOT has provided projections for gallonage consumption and Maine Revenue Services has provided projections of fuel revenues for State Fiscal Years 2016 through 2019. The most important factors that are expected to affect future gasoline and special fuel consumption and revenues, both nationally and in Maine, are expected to be the trend toward increasing the vehicle engine efficiency rate resulting in increased average miles per gallon and the continued reduction in the number of miles being driven by consumers due to economic conditions.

The forecasted gasoline and special fuel consumption and revenue from the gasoline tax and the special fuel tax assumes the current and approved rate structure of 30.0 cents per gallon for gasoline and 31.2 cents per gallon for special fuel.

Projections of Gallonage and Revenue from the Gasoline Tax (percent change calculated from unrounded data)

Fiscal Year	Gallonage⁽¹⁾	Percent Change	Tax Rate (in cents per gallon)	Revenue to Highway Fund⁽²⁾	Percent Change
2016	657,514,333	1.6%	0.3	\$197,254,300	1.6% ⁽³⁾
2017	667,337,333	1.5	0.3	200,201,200	1.5
2018	675,409,667	1.2	0.3	202,622,900	1.2
2019	684,665,667	1.4	0.3	205,399,700	1.4

Source: Maine Revenue Services.

⁽¹⁾ Gallonage estimates for State Fiscal Years 2016-2019 are provided by Maine Revenue Services based on the current and estimated gasoline tax rate.

⁽²⁾ Revenue projections are from a Maine Revenue Services May 2015 forecast.

⁽³⁾ Increase over State Fiscal Year 2015 actual.

Projections of Gallonage and Revenue from the Special Fuel Tax
(percent change calculated from unrounded data)

Fiscal Year	Gallonage⁽¹⁾	Percent Change	Tax Rate (in cents per gallon)	Revenue to Highway Fund⁽²⁾	Percent Change
2016	148,697,436	(4.6)	0.312	\$46,393,600	(4.6) ⁽³⁾
2017	150,918,910	1.5	0.312	47,086,700	1.5
2018	152,744,551	1.2	0.312	47,656,300	1.2
2019	154,837,821	1.4	0.312	48,309,400	1.4

Source: Maine Revenue Services.

⁽¹⁾ Gallonage estimates for State Fiscal Years 2016-2019 are provided by Maine Revenue Services based on the current and estimated special fuel tax rate.

⁽²⁾ Revenue projections are from a Maine Revenue Services May 2015 forecast.

⁽³⁾ Increase over State Fiscal Year 2015 actual.

Registration Fees

The Secretary of State oversees the administration of the various motor vehicle registrations. Motor vehicle registration fees are paid at the time of application for the registration of motor vehicles and prior to the issuance of the required registration plates by the Secretary of State. The revenue (net of refunds to other states) from this source was \$87,704,502 in State Fiscal Year 2015. All fees collected by the Secretary of State from motor vehicle registration accrue to the Highway Fund, except that a portion of the fees and contributions collected for Conservation plates, lobster plates, Black Bear plates and University of Maine System plates accrue as dedicated revenue to be used for special purposes and a portion of excise taxes on nonresident fees accrues to the General Fund.

The fee for an automobile, pickup truck or sport utility vehicle used for the conveyance of passengers or interchangeably for passengers or property is \$35 per year. The fee for commercial vehicles having a gross weight between 0 and 6,000 pounds is \$35 per year.

Historical Summary of Vehicle Registrations and Revenue

The following table shows the historical record of vehicle registrations and registration fees during the period from State Fiscal Year 2006 through State Fiscal Year 2009 that would have constituted Pledged Revenues under current law, if then in effect and if Bonds were then outstanding, and of such fees during the period from State Fiscal Year 2010 through State Fiscal Year 2015 that constituted Pledged Revenues.

History of Vehicle Registrations and Revenue (percent change calculated from unrounded data)

Fiscal Year Ending June 30	Registrations	Percent Change	Registration Revenue⁽¹⁾	Percent Change
2006	1,066,269	(0.5)	\$10,662,690	(0.5)
2007	1,072,098	0.5	10,720,980	0.5
2008	1,076,656	0.4	10,766,560	0.4
2009	1,005,892	(6.5)	10,058,920	(6.5)
2010	1,039,151	3.1	10,391,505	3.1
2011	1,028,906	(1.0)	10,289,060	(1.0)
2012	1,033,926	0.5	10,339,255	0.5
2013	1,031,735	(0.2)	10,317,350	(0.2)
2014	1,034,484	0.3	10,344,840	0.3
2015	1,051,749	1.7	10,517,490	1.7

Source: Maine Secretary of State.

⁽¹⁾ Reflects \$10 of each fee collected.

Collections from vehicle registrations are forecasted to remain flat in State Fiscal Year 2016 and beyond.

Title Fees

The Secretary of State collects a title fee for all vehicles 15 years old or newer. Titles are issued for the following types of vehicles: all motor vehicles and trailers over 3,000 lbs (unladen weight) and motorcycles with engines 300 CC and over. Title fees are collected in conjunction with the initial registration of a vehicle. This one time fee of \$23 increased to \$33 effective September 1, 2008. The title fee must be credited to the Highway Fund. The \$10 rate increase represents the amount of the title fees constituting Pledged Revenues and will be transferred to the TransCap Fund pursuant to Chapter 647.

Historical Summary of Title Fee Revenue

The following table shows the historical record of title fees during the period from State Fiscal Year 2006 through State Fiscal Year 2009 that would have constituted Pledged Revenues under current law, if then in effect and if Bonds were then outstanding, and of such fees during the period from State Fiscal Year 2010 through State Fiscal Year 2015 that constituted Pledged Revenues.

History of Title Fees and Revenue
(percent change calculated from unrounded data)

Fiscal Year Ending June 30	Title Fees	Percent Change	Title Fee Revenue⁽¹⁾	Percent Change
2006	449,783	(7.7)	\$4,497,830	(7.7)
2007	418,719	(6.9)	4,187,190	(6.9)
2008	412,144	(1.6)	4,121,440	(1.6)
2009	318,894	(22.6)	3,188,940	(22.6)
2010	334,922	5.0	3,349,216	5.0
2011	346,743	3.5	3,497,430	3.5
2012	371,602	6.7	3,716,018	5.9
2013 ⁽²⁾	592,364	59.4	5,923,642	59.4
2014	409,291	(30.9)	4,092,910	(30.9)
2015	407,105	(0.5)	4,071,045	(0.5)

Source: Maine Secretary of State.

(1) Reflects \$10 of each fee collected.

(2) The significant increase in 2013 is attributable partially to a one-time Title revenue from processing 192,029 additional units for \$1,950,290.

Collections from title fees have increased recently but are anticipated to remain flat in future years.

Vanity Plate Fees

The Secretary of State may issue registration plates that contain letters or a combination of letters and numbers for automobiles, taxi cabs, limousines, pickup trucks, trucks, motorcycles, motor homes or semitrailers and camp trailers. The annual service fee for a vanity registration plate is \$25 in addition to the regular motor vehicle registration fee. The service fee must be credited to the Highway Fund. A sum sufficient to defray the cost of this program must be allocated annually from the Highway Fund.

Historical Summary of Vanity Plate Fee Revenue

The following table shows the historical record of vanity plate registrations and vanity plate fees during the period from State Fiscal Year 2006 through State Fiscal Year 2008 that would have constituted Pledged Revenues under current law, if then in effect and if Bonds were then outstanding, and of such fees during the period from State Fiscal Year 2009 through State Fiscal Year 2015 that constituted Pledged Revenues.

History of Vanity Plate Registrations and Revenue (percent change calculated from unrounded data)

Fiscal Year Ending June 30	Vanity Plate Registrations	Percent Change	Vanity Plate Revenue⁽¹⁾	Percent Change
2006	108,879	1.6	\$1,088,790	1.6
2007	110,502	1.5	1,105,020	1.5
2008	112,456	1.8	1,124,560	1.8
2009	106,072	(5.7)	1,060,720	(5.7)
2010	108,242	2.1	1,082,420	2.1
2011	106,097	(2.0)	1,060,970	(2.0)
2012	106,917	0.77	1,069,170	0.77
2013	107,963	1.0	1,079,630	1.0
2014	105,639	(2.2)	1,056,390	(2.2)
2015	107,038	1.3	1,070,380	1.3

Source: Maine Secretary of State.

⁽¹⁾ Reflects \$10 of each fee collected.

It is expected that vanity plate fees will remain flat in State Fiscal Year 2016 and beyond.

Dedicated Highway Fund Amounts

Effective July 1, 2009, Chapter 682 reduced the percentage of the Department of Public Safety, Bureau of the State Police budget that is funded from the Highway Fund from 60% to 49%. The funding percentage from the Highway Fund for the Department of Public Safety, Bureau of the State Police has changed in 2009 from 60% to 49%. Effective July 1, 2009, Chapter 682 set the Bureau of State Police funding percentage at 49% from the Highway Fund and 51% from the General Fund. Under the Resolutions, the resulting 11% difference in the funding derived from the Highway Fund is a Pledged Revenue.

The following table shows the amount of money credited from the Highway Fund and the General Fund to the Bureau of the State Police during the period from State Fiscal Year 2006 through State Fiscal Year 2008 that would have constituted Pledged Revenues under current law, if then in effect and if Bonds were then outstanding, and of such fees during the period from State Fiscal Year 2009 through State Fiscal Year 2015.

History of Funding of Bureau of State Police

Fiscal Year Ended June 30	Highway Fund	General Fund	Total Funding	Incremental Funding Value⁽¹⁾
2007	\$29,034,508	\$17,076,762	\$46,111,270	\$5,072,240
2008	27,048,444	18,023,226	45,071,670	4,957,884
2009	24,924,592	25,941,922	50,866,514	5,000,000
2010	22,520,733	23,353,193	45,873,926	5,668,895
2011	21,808,943	22,585,364	44,394,307	5,764,140
2012	22,357,231	23,220,512	45,577,743	5,300,052
2013	21,766,526	22,979,682	44,746,208	5,419,451
2014	17,016,358	30,900,179	47,916,537	5,210,691
2015	16,973,928	30,485,217	47,459,145	5,334,017
2016 ⁽²⁾	18,458,744	33,638,018	52,096,762	5,710,148
2017 ⁽²⁾	18,320,309	33,379,959	51,700,268	5,696,863

Source: Office of Fiscal and Program Review.

⁽¹⁾ Reflects 11% of the funding from the Highway Fund, which amounts are actual for State Fiscal Years 2009 through 2015 and projected for State Fiscal Years 2016 and 2017.

⁽²⁾ Data for State Fiscal Years 2016 and 2017 is estimated.

INVESTMENT CONSIDERATIONS

Special, Limited Obligations

The Series 2015A Bonds are special, limited obligations of the Bank, payable solely from the Trust Estate. The Owners of the Series 2015A Bonds may not look to any general or other fund of the Bank or the State for payment of principal of or interest on the Series 2015A Bonds and the Series 2015A Bonds will not be deemed or construed as creating an indebtedness of the State within the meaning of the State Constitution or laws of the State concerning or limiting the creation of indebtedness of the State. See “SECURITY FOR THE BONDS” and APPENDIX B — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Factors Affecting Collection of Pledged Revenues

Pledged Revenues include amounts received or to be received by the State from a portion of the excise tax on gasoline and special fuel, a portion of certain motor vehicle registration and other fees and a portion of the amount appropriated to the Highway Fund. There is no guarantee that the State will not repeal or reduce the rates of such taxes or the amounts of such fees or apportionments below the levels in effect on the date of issuance of the Series 2015A Bonds until such Bonds are paid or provision for their payment is made. In addition, the annual budgets for capital and operating expenditures of MaineDOT and the Bank are subject to review and approval of the State. There is no guarantee that such budgets will be approved. See “SECURITY FOR THE BONDS – Source of Pledged Funds” and “OVERVIEW OF THE STATE BUDGET PROCESS” herein. Further, the State has not authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the Series 2008A Bonds, the Series 2009A Bonds, the Series 2009B Bonds or the Series 2015A Bonds. In addition, Pledged Revenues may be affected by economic, technological and behavioral factors affecting the actual collection of the taxes and fees that contribute to Pledged Revenues. Such factors include factors that may affect the number and type of motor vehicles registered within the State, the amount of miles driven by such vehicles and their usage of fuel subject to such

taxes, as well as other factors that may affect the amount of fuel purchases within the State. See “SOURCES OF PLEDGED REVENUES FOR TRANSCAP FUND” for a further description of the sources of Pledged Revenues, historical and projected revenue collections from such taxes and fees.

Factors Affecting Remedies

The remedies available to the Trustee and the Owners of the Series 2015A Bonds upon an Event of Default (as defined in the Resolution) are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. In addition, such remedies may not be readily available or may be limited. Accordingly, the legal opinions rendered in connection with the Series 2015A Bonds will be qualified to the extent that enforceability of contractual obligations are affected by such limitations and, without limiting the generality of the foregoing, will include a statement to the effect that such enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights.

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ANNUAL DEBT SERVICE REQUIREMENTS

Set forth below are the principal, interest and total debt service requirements for the Outstanding Bonds (excluding the Bonds to be Refunded) and the Series 2015A Bonds.

<u>Series 2015A Bonds</u>						
Payment Date	Principal	Interest	Total Series 2015A Debt Service	Total Series 2008A, 2009A, 2009B & 2011A Debt Service ⁽¹⁾	Total Debt Service ⁽¹⁾	State Fiscal Year Total ⁽¹⁾⁽²⁾
3/1/2016		\$ 966,442.92	\$ 966,442.92	\$ 2,618,643.75	\$ 3,585,086.67	\$ 3,585,086.67
9/1/2016		1,348,525.00	1,348,525.00	15,028,643.75	16,377,168.75	
3/1/2017		1,348,525.00	1,348,525.00	2,346,650.00	3,695,175.00	20,072,343.75
9/1/2017		1,348,525.00	1,348,525.00	15,291,650.00	16,640,175.00	
3/1/2018		1,348,525.00	1,348,525.00	2,084,887.50	3,433,412.50	20,073,587.50
9/1/2018		1,348,525.00	1,348,525.00	15,619,887.50	16,968,412.50	
3/1/2019		1,348,525.00	1,348,525.00	1,759,337.50	3,107,862.50	20,076,275.00
9/1/2019	\$ 3,695,000.00	1,348,525.00	5,043,525.00	12,169,337.50	17,212,862.50	
3/1/2020		1,274,625.00	1,274,625.00	1,530,125.00	2,804,750.00	20,017,612.50
9/1/2020	3,850,000.00	1,274,625.00	5,124,625.00	12,450,125.00	17,574,750.00	
3/1/2021		1,178,375.00	1,178,375.00	1,263,500.00	2,441,875.00	20,016,625.00
9/1/2021	4,045,000.00	1,178,375.00	5,223,375.00	12,733,500.00	17,956,875.00	
3/1/2022		1,077,250.00	1,077,250.00	988,925.00	2,066,175.00	20,023,050.00
9/1/2022	13,910,000.00	1,077,250.00	14,987,250.00	2,793,925.00	17,781,175.00	
3/1/2023		729,500.00	729,500.00	945,450.00	1,674,950.00	19,456,125.00
9/1/2023	12,955,000.00	729,500.00	13,684,500.00	4,495,450.00	18,179,950.00	
3/1/2024		405,625.00	405,625.00	866,725.00	1,272,350.00	19,452,300.00
9/1/2024	16,225,000.00	405,625.00	16,630,625.00	2,496,725.00	19,127,350.00	
3/1/2025				825,975.00	825,975.00	19,953,325.00
9/1/2025				19,920,975.00	19,920,975.00	
3/1/2026				348,600.00	348,600.00	20,269,575.00
9/1/2026 ⁽³⁾				20,268,600.00	20,268,600.00	20,268,600.00
<hr/>						
TOTAL	\$54,680,000.00	\$19,736,867.92	\$74,416,867.92	\$148,847,637.50	\$223,264,505.42	\$223,264,505.42

Note: Totals may not add due to rounding.

⁽¹⁾ Excludes debt service on the Bonds to be Refunded.

⁽²⁾ State Fiscal Year ends each June 30. State Fiscal Year ending June 30, 2016 total does not include debt service payment made on September 1, 2015.

⁽³⁾ State Fiscal Year ending June 30, 2027.

DEBT SERVICE COVERAGE

The table on the following page shows the ratios of projected collections of Pledged Revenues to annual debt service for the Outstanding Bonds and the Series 2015A Bonds. Under the Program Act, the Bank is not obligated to maintain any debt service coverage ratio. In order to issue Additional Bonds under the Resolution, the Bank will be required to comply with certain debt service coverage tests. See "SECURITY FOR THE BONDS – Additional Bonds."

DEBT SERVICE COVERAGE¹
(in thousands)

Fiscal Year Ended June 30	Pledged Motor Fuel Taxes ²	Pledged Registration Fees ²	Pledged Title Fees ²	Pledged Vanity Plate Fees ²	Other Pledged Highway Revenues ³	Total Pledged Revenues	Total Debt Service on the Series 2008A, Series 2009A, Series 2009B and Series 2015A Bonds	Debt Service Coverage
2016	\$17,903,637	\$10,383,840	\$4,004,770	\$1,058,890	\$5,710,148	\$39,061,285	\$19,788,795	1.974
2017	18,171,111	10,383,840	4,004,770	1,058,890	5,696,863	39,315,474	20,072,344	1.959
2018	18,390,916	10,383,840	4,004,770	1,058,890	5,696,863	39,535,279	20,073,588	1.970
2019	18,642,950	10,383,840	4,004,770	1,058,890	5,696,863	39,787,313	20,076,275	1.982
2020	18,829,380	10,383,840	4,004,770	1,058,890	5,696,863	39,973,743	20,017,613	1.997
2021	19,017,673	10,383,840	4,004,770	1,058,890	5,696,863	40,162,036	20,016,625	2.006
2022	19,207,850	10,383,840	4,004,770	1,058,890	5,696,863	40,352,213	20,023,050	2.015
2023	19,399,929	10,383,840	4,004,770	1,058,890	5,696,863	40,544,292	19,456,125	2.084
2024	19,593,928	10,383,840	4,004,770	1,058,890	5,696,863	40,738,291	19,452,300	2.094
2025	19,789,867	10,383,840	4,004,770	1,058,890	5,696,863	40,934,230	19,953,325	2.051
2026	19,987,766	10,383,840	4,004,770	1,058,890	5,696,863	41,132,129	20,269,575	2.029
2027	20,187,643	10,383,840	4,004,770	1,058,890	5,696,863	41,332,006	20,268,600	2.039

¹. Projections for State Fiscal Years 2016 through 2019 provided by the State of Maine Revenue Forecasting Committee; projections for State Fiscal Years 2020 through 2027 provided by MaineDOT with input from Maine Revenue Services and the Secretary of State, Bureau of Motor Vehicles. Totals may not add due to rounding.

². Estimated from State Fiscal Year 2015 collections.

³. Estimated from State Fiscal Year 2017 State appropriations to Highway Fund.

⁴. Excludes debt service on the Bonds to be Refunded.

OVERVIEW OF THE STATE BUDGET PROCESS

The budget of the State government must present a complete financial plan for each fiscal year of the ensuing period of two fiscal years, commencing July 1 in odd-numbered years. The budget must set forth all proposed expenditures for the administration, operation and maintenance of the departments and agencies of State government, all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year of such two-year period. In addition, the budget must set forth the anticipated revenues of the State government and any other means of financing expenditures proposed for each fiscal year of such two-year period.

The State budget consists of a budget message by the Governor (or the Governor-elect) that outlines the financial policy of the State government for the ensuing period of four fiscal years, describing in connection therewith the important features of the financial plan. The Governor's budget overview must also lay out a vision for the State's long-range financial plan and describe how the proposed budget complements that longer vision, which includes the current biennium and the two succeeding biennia.

The budget includes a general budget summary setting forth the aggregate figures of the budget showing the balance between total proposed expenditures and total anticipated revenues, together with other means of financing the budget for each fiscal year of the ensuing two fiscal years, contrasted with the corresponding figures for the last completed fiscal year and the fiscal year in progress. The budget specifically describes the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress and the anticipated loss in revenue for each fiscal year of such two-year period caused by tax expenditures provided by law. The general budget summary must be supported by explanatory schedules or statements, classifying the expenditures contained therein by organization units, objects and funds, and the income by organization units, sources and funds. The budget also includes statements of the bonded indebtedness of the State government showing the debt redemption requirements, the debt authorized and unissued, and the condition of the sinking funds.

Pursuant to Public Laws of Maine 2005, chapter 2 (the "2005 Chapter 2"), the total General Fund appropriation for each of the two fiscal years in the biennial budget may not exceed the General Fund appropriation limit established by law except as otherwise provided by law. 2005 Chapter 2 became effective for fiscal biennia of the State beginning July 1, 2005 and is subject to modification or repeal at any time by the Legislature.

On or before September 1 of even-numbered years, all departments and other agencies of the State government and corporations and associations receiving or desiring to receive State funds must prepare and submit to the State budget officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing two-year fiscal period contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the fiscal year in progress. The growth in the State's General Fund appropriations is limited by law to the ten-year average annual growth in real personal income (not to exceed 2.75%) plus the ten-year average in population growth. The total Highway Fund appropriation requests submitted by each department and agency for each fiscal year may not exceed the Highway Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate or, as required by 2005 Chapter 2, 2.75%, whichever is less, except that the Highway Fund, highway and bridge improvement accounts, are exempt from the foregoing limitation.

The Governor (or the Governor-elect), with the assistance of the State budget officer, reviews the budget estimates and may alter, revise, increase or decrease the items of the estimates as may be deemed necessary in view of the needs of the various departments and agencies and the total anticipated income of the State government during the ensuing two-year fiscal period. The State budget officer, at the direction of the Governor (or the Governor-elect), then prepares a State budget in the form required by law. The Governor must transmit the budget to the Legislature not later than the Friday following the first Monday in January of

odd-numbered years. A Governor-elect to his first term of office must transmit the State budget to the Legislature not later than the Friday following the first Monday in February in odd-numbered years.

Not later than June 1 of each year, the head of each department and agency of State government must submit to the State Bureau of the Budget a work program for the ensuing fiscal year. Such work program must include all appropriations, revenues, transfers and other funds made available to that department or agency for its operation and maintenance and for the acquisition of property, and must show the requested allotments of said sums by quarters for the entire fiscal year, classified to show allotments requested for specific amounts for personal services, capital expenditures and amounts for all other departmental expenses. The Governor, with the assistance of the State budget officer, reviews the requested allotments with respect to the work program of each department or agency and may revise, alter or change its allotments before approving the same. The aggregate of such allotments may not exceed the total sums made available to each department or agency for the fiscal year in question. The State budget officer transmits a copy of the allotments as approved by the Governor to the head of the department or agency concerned and also a copy to the State controller. The State controller authorizes all expenditures to be made from the sums available on the basis of such allotments and not otherwise. Thereafter, the head of any department or agency of the State government may request, and the Governor may approve, revisions of the allotments for the remaining quarters of a fiscal year.

Whenever it appears to the Commissioner of Administrative and Financial Services that the anticipated revenue and other available funds of the State will not be sufficient to meet the expenditures authorized by the Legislature, the Commissioner so reports in writing to the Governor and to certain officers of the Legislature. After receiving the report, the Governor may temporarily curtail allotments equitably so that expenditures will not exceed the anticipated income and other available funds. The Governor, upon the curtailment of any allotment, notifies certain officers of the Legislature of the specific allotments curtailed, the extent of curtailment of each allotment and the effect of each curtailment on the objects and purposes of the program so affected.

No State department or agency may make expenditures of any Federal funds or expenditures in anticipation of receipt of Federal funds for any new or expanded programs, unless such Federal funds are approved by the Legislature. The Governor may authorize the expenditure of such Federal funds for a period not to exceed twelve calendar months and shall notify the Office of Fiscal and Program Review of the Legislature of such action.

MAINE DEPARTMENT OF TRANSPORTATION

For over 100 years, MaineDOT and its predecessors have been responsible for providing in the State a safe, efficient and reliable transportation system that supports economic opportunity and quality of life. During this period, the transportation system for which MaineDOT is responsible has evolved from highways to include rail, marine and air facilities. Today, MaineDOT is responsible for over 8,300 miles of highways and nearly 3,000 bridges, operates the Maine State Ferry Service and owns 478 miles of railroad track and the Augusta airport.

To manage the State's highway program, MaineDOT developed and maintains transportation management systems that relate to pavements, bridges, safety and traffic congestion. Fundamentally, these systems involve periodic inventories of condition and performance of the State's highway and bridge assets and provide both a short and long-term assessment of improvement needs that are consistent with MaineDOT goals. The use of these systems provides a framework for resource allocation and cost-effective decision making that emphasizes enhanced service at reduced life-cycle cost with the primary outcome being improved system performance and safety.

THE MAINE MUNICIPAL BOND BANK

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

Pursuant to the Act, the Bank is authorized to issue bonds for the purpose, among other purposes, of providing funds to enable the Bank to lend money to counties, cities, towns, school administrative districts, community school districts or other quasi-municipal corporations within the State. Such loans are made through the direct purchase by the Bank from such governmental units of their bonds, notes or other evidences of debt payable from taxes or from rates, charges or assessments. It is the policy of the State, as declared in the Act, to foster and promote by all reasonable means the provision of adequate capital markets for the financing by governmental units of their respective public improvements and other municipal purposes from proceeds of their bonds and notes and to assist such governmental units in such financing by making funds available at reduced interest costs for orderly financing especially during periods of restricted credit or money supply, particularly for those governmental units not otherwise able to borrow for such purposes. In furtherance of this policy, the Bank is empowered to issue its bonds to make funds available at reduced rates and on more favorable terms for borrowing by such governmental units through the purchase by the Bank of their municipal bonds.

The Bank is under the direction of a board of five Commissioners, including the Treasurer of State and the Superintendent of Maine Bureau of Financial Institutions, both of whom serve as Commissioners ex officio. Three additional Commissioners are appointed by the Governor and are each required to be a resident of the State. Each holds office for a three-year term of appointment and until a successor is appointed and qualified. Commissioners are eligible for reappointment. Any vacancy in the office of a Commissioner occurring other than by expiration of term shall be filled in the same manner as the original appointment, but only for the remainder of the unexpired term. The Commissioners select a Chairman and a Vice Chairman from among the Commissioners. The Commissioners appoint an Executive Director, who also serves as both Secretary and Treasurer of the Bank. The Executive Director serves at the pleasure of the Commissioners. Three Commissioners constitute a quorum for exercising the powers of the Bank. Action may be taken and motions and resolutions adopted by the Bank at any meeting thereof by the affirmative vote of at least three Commissioners of the Bank. No vacancy in the office of a Commissioner of the Bank impairs the right of a quorum of the Commissioners to exercise all the powers and perform all the duties of the Bank.

The Commissioners of the Bank and its officers are as follows:

STEPHEN R. CROCKETT, Chairman

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

HON. PHILIP E. HARRIMAN, Chartered Financial Consultant

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

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

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

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

His current term expires in August, 2017.

CHRISTOPHER J. LOGAN

Chris Logan is a resident of Durham, Maine with his wife and three children. Mr. Logan is currently employed by Androscoggin Savings Bank as the Chief Lending Officer, Senior Vice President.

He is a graduate of Siena College with a B.A. in Psychology. He furthered his educational attainment obtaining an M.B.A. with a concentration in finance from the University of Connecticut.

Mr. Logan's service includes serving as: the current President of the Lewiston Development Corporation, a member of the Lewiston/Auburn Economic Growth Council, an associate of Central Maine Medical Center, and a volunteer for Durham Fire and Rescue and Freeport Little League. His current term expired on August 31, 2015. Mr. Logan will serve until his successor is appointed.

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

Lloyd P. LaFountain, III, a resident of Biddeford, Maine, graduated from the College of Holy Cross and Suffolk University School of Law. Mr. LaFountain served eight years (1996-2004) as a State Senator and as Chair of the Insurance and Financial Services Committee. From 1994-1996 he represented District 19 in the Maine House of Representatives. Mr. LaFountain was a partner at the Biddeford law firm of LaFountain and LaFountain. His current term expires in April, 2018.

TERESEA HAYES, Treasurer of State

Teresea Hayes was elected Treasurer of State by the Joint Convention of the 127th Maine Legislature in December 2014. She is the first Independent to hold this position. From 2006 through 2014 Terry served as a Democrat in the Maine House of Representatives, representing the Oxford County towns of Buckfield, Hartford, Sumner, and Paris. She was elected Assistant Minority Leader by the House Democratic Caucus in the 125th Legislature and served on the Legislative Council from 2010 through 2012. In 2012-2014 she convened the non-partisan Measures of Growth caucus; in 2009 and 2014 she collaborated with Republican colleagues to bring national civility training and trust building workshops to Maine legislators. She served as a member of the Joint Standing Committee on State and Local Government in the 123rd, 124th, and 126th Legislatures. Prior to her legislative service, Terry served on the school board of Maine School Administrative District #39, representing Buckfield, from 1991 through 2004.

Terry has been a teacher, an adult education administrator, a real estate educator, and a guardian ad litem in custody litigation. She continues to volunteer in her local communities as a moderator for town meetings and helping connect local school children with their state Government. Terry is a Maine native with a B.A. in Government from Bowdoin College (1980) and an M.B.A. from Thomas College (2014). She and her husband Steve Hayes, LCSW, live in Buckfield. They have three adult children, Charlee, Harry, and Danny, all living and working in Maine.

Her current term as Treasurer of State expires in January 2017.

MICHAEL R. GOODWIN, Executive Director

Michael R. Goodwin was appointed the Executive Director of the Bank by the Commissioners and also serves as Secretary and Treasurer of the Bank. He also serves as Executive Director of the Maine Health and Higher Educational Facilities Authority, the Maine Governmental Facilities Authority and the Maine Public Utility Financing Bank. He previously served for twenty-two years as Program Officer of the Maine Health and Higher Educational Facilities Authority. He received his undergraduate degree from Husson University.

The firm of Jim Mitchell and Jed Davis, P.A., Augusta, Maine, is counsel to the Bank.

SECONDARY MARKET DISCLOSURE

Continuing Disclosure Agreement

The Bank, the Treasurer of State and MaineDOT will covenant in the Continuing Disclosure Agreement by and among the Bank, the Treasurer of State, MaineDOT and the Trustee (the “Continuing Disclosure Agreement”), for the benefit of the Owners of the Series 2015A Bonds, to provide certain financial information and operating data relating to the State and the Bank, respectively (the “Annual Financial Information”), within one year after the end of each fiscal year of the State or the Bank, respectively, commencing with the fiscal year ending June 30, 2015, and the Bank will further covenant in the Continuing Disclosure Agreement for the benefit of such Holders and Beneficial Owners to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Agreement requires that the Annual Financial Information be filed by the Treasurer of State, MaineDOT or the Bank, as applicable, with the Municipal Securities Rulemaking Board (the “MSRB”). The Continuing Disclosure Agreement requires that notices of certain events be provided by the Bank to the Trustee and filed by the Trustee with the MSRB. The specific nature of the information to be contained in the Annual Financial Information or the notices of certain events is summarized in APPENDIX C — “PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.” The covenants in the Continuing Disclosure Agreement have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”). Additionally, the State currently makes its certified audited financial statements available to the public by posting such information on its website. There is no assurance that the State will continue this practice. This information is included herein for general reference purposes and the Bank expressly disclaims any intent to incorporate any information appearing on the State’s website herein.

Continuing Disclosure History

Except as set forth in APPENDIX D hereto, neither the State nor the Bank has ever failed to comply in all material respects with any previous continuing disclosure undertaking with respect to the Rule to provide annual financial information or notices of certain events.

SERIES 2015A BONDS AS LEGAL INVESTMENTS

Under the provisions of Section 6011 of the Act, the Series 2015A Bonds, in the State of Maine, are made securities in which the State and all public officers, governmental units and agencies thereof, all national banking associations, state banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control.

SECURITY FOR PUBLIC DEPOSITS

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

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Bank, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2015A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2015A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact and statements of reasonable expectations made by the Bank and MaineDOT in connection with the Series 2015A Bonds, and Bond Counsel has assumed compliance by the Bank and MaineDOT with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2015A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Bank, under existing statutes, interest on the Series 2015A Bonds is exempt from the State of Maine income tax imposed on individuals.

Bond Counsel to the Bank expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2015A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereinafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or interpretation, thereof that may hereafter occur, or for any other reason. Bond Counsel also expresses no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than Hawkins Delafield & Wood LLP on the exclusion from gross income for Federal income tax purposes of interest on the Series 2015A Bonds or under state and local law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2015A Bonds in order that interest on the Series 2015A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2015A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2015A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Bank and the State have each covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2015A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2015A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2015A Bond. Prospective investors, particularly those who may be subject to

special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2015A Bonds.

Prospective owners of the Series 2015A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2015A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2015A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2015A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2015A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2015A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2015A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2015A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2015A Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2015A Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under

certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Series 2015A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2015A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2015A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Proposed Legislation and Other Matters

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, the federal fiscal year 2016 budget proposed by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors regarding the foregoing matters.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. and Fitch Ratings have assigned ratings of "AA" and "AA-," respectively, to the Series 2015A Bonds. Such ratings express only the views of each such rating agency. Certain information and materials were furnished to such rating agencies to be considered in evaluating the Series 2015A Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2015A Bonds. The ratings are not recommendations to buy, sell or hold the Series 2015A Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (a) the mathematical computations of the adequacy of the amounts deposited with the Trustee to pay when due all principal or Redemption Price of, as the case may be, and interest on the Bonds to be Refunded, and (b) the mathematical computations supporting the conclusion that the Series 2015A Bonds are not “arbitrage bonds” under the Code, will be verified by the Verification Agent.

UNDERWRITING

The Series 2015A Bonds are being purchased by Wells Fargo Bank, National Association (“WFBNA”), and Merrill Lynch, Pierce Fenner and Smith Incorporated (“MLPFSI” and, collectively with WFBNA, the “Underwriters”) for whom Wells Fargo Bank, National Association is acting as representative. The Underwriters have agreed to purchase the Series 2015A Bonds at a price of \$65,229,441.35, plus accrued interest, if any, that reflects an aggregate premium of \$10,787,248.85 and an aggregate Underwriters’ discount from the public offering price thereof in the amount of \$237,807.50. The purchase contract between the Bank and the Underwriters relating to the Series 2015A Bonds provides that the Underwriters will purchase all of the Series 2015A Bonds, if any of the Series 2015A Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, subject to the approval of certain legal matters by Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, counsel to the Underwriters. The initial public offering prices of the Series 2015A Bonds may be changed, from time to time, by the Underwriters. The Bank has been advised by the Underwriters that (i) they presently intend to make a market in the Series 2015A Bonds, (ii) they are not, however, obligated to do so, (iii) any market making may be discontinued at any time, and (iv) there can be no assurance that an active public market for the Series 2015A Bonds will develop. The Underwriters may offer and sell the Series 2015A Bonds to certain dealers (including dealers depositing the Series 2015A Bonds into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices lower than the respective public offering prices stated on the inside front cover page hereof. The Underwriters have agreed to allocate the book-running lead management credit to WFBNA and MLPFSI in the amounts of fifty percent (50%) each.

WFBNA, the lead underwriter of the Series 2015A Bonds, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2015A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2015A Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2015A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

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

The Underwriters have provided the following five sentences for inclusion in this Official Statement. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the Bank. In the ordinary course of their various business activities,

the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Bank. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

LITIGATION

There is no controversy or litigation of any nature now pending, or to the knowledge of the Bank or MaineDOT, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Series 2015A Bonds, or in any way contesting or affecting the validity of the Series 2015A Bonds or any proceedings of the Bank taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2015A Bonds, or the existence or powers of the Bank. There is no litigation or administrative action pending in any court or, to the knowledge of the Bank or MaineDOT, threatened, which would restrain or enjoin the performance of the Memorandum of Agreement, or the pledge and application of any funds pursuant to the Resolution provided for the payment of the Series 2015A Bonds, or which contests the powers of the State, including MaineDOT, and the Bank, with respect to the foregoing.

The Attorney General of the State will provide an opinion in connection with the issuance of the Series 2015A Bonds that there is no pending or threatened litigation which questions the validity of the Bonds, the Memorandum of Agreement, the Continuing Disclosure Agreement or the Resolutions or the transactions contemplated by the foregoing or wherein an unfavorable decision, ruling or finding would in any material respect adversely affect such agreements or transactions. In addition, general counsel to the Bank will certify that there is no pending or threatened litigation wherein an unfavorable decision, ruling or finding would affect materially and adversely the financial condition of the Bank, the transactions contemplated by this Official Statement or the validity of the Resolutions, the Series 2015A Bonds or the Memorandum of Agreement, or seeking to restrain or enjoin the issuance of the Series 2015A Bonds by the Bank, the pledges of the Resolutions or the performance of the Memorandum of Agreement by the Bank.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Series 2015A Bonds are subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank, in substantially the form of APPENDIX E attached hereto. Copies of such opinion will be available at the time of delivery of the Series 2015A Bonds. Bond Counsel has not assumed responsibility for the accuracy, completeness or fairness of this Official Statement and has not independently verified the information contained herein, and its opinion will be limited to matters relating to the authorization and validity of the Bonds and the exclusion of interest on the Series 2015A Bonds from gross income for federal and Maine income tax purposes. Certain legal matters will be passed upon for MaineDOT by the Attorney General of the State.

MISCELLANEOUS

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Bank and the purchasers or holders of any of the Series 2015A Bonds.

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

MAINE MUNICIPAL BOND BANK

By: /s/ Michael R. Goodwin
Michael R. Goodwin
Executive Director

October 6, 2015

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APPENDIX A

BOOK ENTRY SYSTEM

The Information contained in this Appendix has been extracted from a document prepared by DTC, entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE."

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Series 2015A Bonds. The Series 2015A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015A Bond certificate will be issued for each of the Series 2015A Bonds which bear interest at the same rate and which mature on the same date. The Series 2015A Bond certificates, in the aggregate principal amount of the Series 2015A Bonds, will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's 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. The information contained in such website is not incorporated by reference in this Official Statement.

Purchases of Series 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Series 2015A 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 Series 2015A Bonds, except in the event that use of the book-entry system for the Series 2015A Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2015A Bond documents. For example, Beneficial Owners of Series 2015A Bonds may wish to ascertain that the nominee holding the Series 2015A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015A 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 Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Series 2015A Bonds at any time by giving reasonable notice to the Bank or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2015A Bond certificates are required to be printed and delivered.

The Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2015A Bond certificates will be printed and delivered to DTC.

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

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Transportation Infrastructure Revenue Bonds (TransCap Program) General Bond Resolution (the "General Resolution"). This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from the Trustee or the Bank.

DEFINITIONS OF CERTAIN TERMS

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

"Account" means any account within a Fund established under the General Resolution.

"Accreted Value" means any amount defined as such in a Series Resolution for purposes of determining the Redemption Price of, certain rights of the Owner of or certain other matters with respect to a Capital Appreciation Bond or a Capital Appreciation and Current Interest Bond.

"Accretion Date" means any date defined as such in a Series Resolution for purposes of determining the Accreted Value or Maturity Value of a Capital Appreciation Bond or a Capital Appreciation and Current Interest Bond.

"Additional Bonds" means Bonds authenticated and delivered pursuant to the General Resolution other than the initial Series of Bonds.

"Additional Bonds Test" means the conditions for the issuance of a Series of Additional Bonds set forth in the General Resolution.

"Administrative Costs" means costs incurred by the Bank in administering the TransCap Fund and the projects financed by the Bank through the TransCap Fund, including collecting the Revenues authorized or required to be deposited in the TransCap Fund and implementing and maintaining the financing program established by the General Resolution and any Supplemental Resolution or Series Resolution, and including the fees and expenses of the Bank set forth in the Memorandum of Agreement, the Program Act and the Bond Bank Act.

"Administrative Cost Reimbursement Limitation" means, with respect to any period of time, the maximum amount permitted by applicable law to be paid for Administrative Costs.

"Annual Debt Service" means, with respect to the Bonds, as of any date of calculation, for any State Fiscal Year (or other designated consecutive twelve-month period) the amount of principal (including sinking fund redemption payments) of and interest scheduled to become due and payable on all Outstanding Bonds, in such State Fiscal Year (or other designated consecutive twelve-month period); provided, that for the purposes of computing Annual Debt Service:

The interest rate on Bonds bearing interest at a variable rate shall be determined for purposes of this definition as set forth in the Series Resolution authorizing such Series of Bonds;

Notwithstanding clause (a), if a Qualified Swap is in effect pursuant to which the Bank is obligated to pay a fixed rate with respect to any variable rate Bonds, the interest rate on such variable

rate Bonds during the period such Qualified Swap is scheduled to be in effect shall be assumed to be the fixed rate specified in such Qualified Swap;

if a Qualified Swap is in effect with respect to any fixed rate Bonds pursuant to which the Bank receives a fixed rate in exchange for paying a variable rate, the interest rate on such Bonds during the period such Qualified Swap is scheduled to be in effect shall be assumed to be the sum of (i) the variable rate payable by the Bank with respect to the Qualified Swap determined for purposes of this definition as set forth in the Series Resolution authorizing such Series of Bonds and Qualified Swap, plus (ii) the positive difference, if any, between the fixed rate of interest borne by such Bonds minus the fixed rate the Bank receives pursuant to such Qualified Swap; and

the principal and interest payments on Bonds shall be excluded to the extent such payments are to be made from amounts on deposit, as of the date of calculation, with the Trustee in an escrow or other account dedicated therefor, including interest payments that are to be paid from the proceeds of Bonds held by the Trustee.

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

“Authorized Denomination” means the denomination or denominations defined as such in a Series Resolution for purposes of determining the denominations of a Series of Bonds.

“Bank” means the Maine Municipal Bond Bank, a public body corporate and politic constituted as an instrumentality of the State of Maine exercising public and essential governmental functions and created by the Bond Bank Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Bank.

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

“Bond Counsel”, means (a) as of the date of issuance of the first Series of Bonds, Hawkins Delafield & Wood LLP and (b) as of any other date, Hawkins Delafield & Wood LLP or other attorneys selected by the Bank who have nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal income tax purposes.

“Bond Payment Date” means each date on which Bond Payments are due and includes, but is not limited to, the maturity date of any Bond; each Interest Payment Date on each Current Interest Bond; and the mandatory sinking fund redemption dates of term Bonds that are subject to mandatory sinking fund redemption in accordance with a mandatory sinking fund redemption schedule set forth in a Series Resolution.

“Bond Payment Fund” means the special fund so designated created by the General Resolution.

“Bond Payments” means, as of any date, the principal of, interest on and sinking fund installment payments due on all Bonds Outstanding.

“Bondholder” means any Person who shall be the registered owner of any Bonds.

“Bonds” means the bonds or notes authorized pursuant to the General Resolution.

“Bridge Capital Improvement Account” means the Account so designated within the TransCap Fund established pursuant to the General Resolution.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks in New York, New York, Portland, Maine or any city identified in a Series Resolution are authorized by law to remain closed.

“Capital Appreciation and Current Interest Bond” means a Bond as to which a portion of the interest is paid as a Current Interest Bond and a portion of the interest is paid as a Capital Appreciation Bond.

“Capital Appreciation Bond” means a Bond on which no payments are due until maturity or redemption prior to maturity.

“Chapter 470” means Chapter 470, adopted by the Maine Legislature in the 1st Regular Session of the 123rd Legislature, as amended by Chapter 538, adopted by the Maine Legislature in the 2nd Regular Session of the 123rd Legislature.

“Chapter 647” means Chapter 647, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature.

“Chapter 682” means Chapter 682, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature.

“Code” means the Internal Revenue Code of 1986, as amended, and regulations thereunder, or any successor provisions.

“Commissioner of MaineDOT” means the Commissioner of MaineDOT, his or her successors, assigns and designees.

“Construction Fund” means the special fund so designated created by the General Resolution.

“Credit Facility” means any letter of credit, policy of insurance, stand-by credit or liquidity agreement or other forms of credit ensuring timely payment of any Bonds, including the Bond Payments on or the Redemption Price or purchase price of such Bond; (a) that is entered into in accordance with the General Resolution; and (b) which has been designated by the Bank, in the Series Resolution authorizing the Series of Bonds to which such Credit Facility relates, as a Credit Facility. References to “Credit Facility” with respect to any Series of Bonds shall be ineffective when such Bonds are not supported by a Credit Facility.

“Credit Facility Agreement” means an agreement between the Bank and a Credit Facility Provider relating to reimbursement by the Bank from the Trust Estate of the Credit Facility Provider for payments made by the Credit Facility Provider with respect to Bonds pursuant to a Credit Facility.

“Credit Facility Provider” means the financial institution or insurance company that is providing a Credit Facility.

“Current Interest Bond” means a Bond on which interest is payable at least annually to the Owners thereof commencing within 18 months from the date of issuance thereof.

“Debt Account” means the Debt Account within the Debt Service Reserve Fund created by the General Resolution.

“Debt Service Reserve Fund” means the special fund so designated created by the General Resolution.

“Debt Service Reserve Fund Credit Facility” means a Credit Facility provided to the Trustee by a Credit Facility Provider which provides for payment when due, in accordance with the terms thereof, of the principal or Redemption Price of and interest on one or more Series of Bonds or portions thereof.

“Debt Service Reserve Fund Requirement” means as of any date of calculation, with respect to all Outstanding Bonds, and subject to the further limitation set forth in the following sentence, an amount equal to one-half of the greatest amount of Annual Debt Service with respect to such Outstanding Bonds for the then current or any future State Fiscal Year. In connection with the issuance of a Series of Tax-Exempt Bonds the new Debt Service Reserve Fund Requirement upon the issuance of such Series of Tax-Exempt Bonds shall be the lower of (a) the Debt Service Reserve Fund Requirement calculated as set forth in the preceding sentence or (b) the Debt Service Reserve Fund Requirement as in effect immediately preceding the issuance of the proposed Series of Tax-Exempt Bonds plus an amount equal to the lesser of (i) 10% of the proceeds from the sale of such Series of Bonds, (ii) the maximum Annual Debt Service on such Series of Bonds or (iii) 125 percent of the average Annual Debt Service on such Series of Bonds. For purposes of this definition, “proceeds” shall have the meaning given such term for purposes of Section 148(d) of the Code. For purposes of this definition the term Bonds shall not include any Series of Bonds that is not secured by amounts in the Debt Service Reserve Fund if so provided in the Series Resolution authorizing the issuance of such Series of Bonds as permitted by the General Resolution.

“Defeasance Escrow Account” means any trust account into which money and/or Defeasance Securities are deposited for the purpose of defeasing any Bonds in accordance with the General Resolution.

“Defeasance Securities” means money and the following to the extent included in Permitted Investments:

non-callable (at the option of the obligor) direct obligations of the United States of America, non-callable (at the option of the obligor) and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable (at the option of the obligor) direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS”) and the interest components of REFCORP bonds for which the underlying bond is non-callable (at the option of the obligor) (or non-callable by the obligor before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

non-callable (at the option of the obligor) obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof);

certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (b), provided, that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;

bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (a), (b) or (c) which fund may be applied only to the payment when due of such bonds or other obligations; and

direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, any Federal Home Loan Bank, the Export-Import Bank of the United States, the Federal Financing Bank, the Government National Mortgage Association, the Farmers' Home Administration, the Federal Home Loan Mortgage Company, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Farm Credit Bank, the Resolution Trust Company, the Student Loan Marketing Association, or the Federal Farm Credit System.

"Equity Account" means the Equity Account within the Debt Service Reserve Fund created by the General Resolution.

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

"Fitch" means Fitch Ratings and its successors.

"Fuel Excise Tax Account" means the Account so designated within the TransCap Fund established pursuant to the General Resolution.

"Fund" means any fund established under the General Resolution.

"General Fund" means the special fund so designated created by the General Resolution.

"General Resolution" means the General Bond Resolution and any amendments thereto.

"Highway Reconstruction Account" means the Account so designated within the TransCap Fund established pursuant to the General Resolution.

"Interest Payment Date" means any date defined as such in a Series Resolution for purposes of paying the interest on a Series of Bonds.

"Letter of Representations" means the Blanket Letter of Representations from the Bank and the Trustee to The Depository Trust Company, New York, New York, dated October 13, 1995, or any successor depository with respect to the book-entry registration system for the Bonds, or any other similar writing or writings.

"MaineDOT" means the State of Maine, acting by and through Maine Department of Transportation created pursuant to 23 M.R.S.A. Section 4205, as amended, its successors and assigns.

"MaineDOT Representative" means (a) the Commissioner of MaineDOT; (b) the Deputy Commissioner of MaineDOT; or (c) any other officer or employee of MaineDOT authorized by law or by a writing signed by the Commissioner of MaineDOT to act as a MaineDOT Representative under the General Resolution or any Series Resolution.

"Maturity Value" means any amount defined as such in a Series Resolution for purposes of determining the amount payable to the Owner of a Capital Appreciation Bond or a Capital Appreciation and Current Interest Bond at the maturity of such Bond.

"Memorandum of Agreement" means a Memorandum of Agreement among the Bank, MaineDOT, the Treasurer and the Office of the State Controller, relating to collection and transferring of certain fees and excise taxes to the TransCap Fund, the application of amounts in the TransCap Fund and related matters.

"Moody's" means Moody's Investors Service and its successors.

“National Rating Agencies” means Fitch, Moody’s or S&P, or any other nationally recognized securities credit rating agency identified and approved by the Bank.

“Original Principal Amount” means any amount defined as such in a Series Resolution for purposes of determining certain rights of the Owner of, or certain other matters with respect to, a Capital Appreciation Bond.

“Original Purchaser” means the Person defined as such in a Series Resolution for purposes of purchasing a Series of Bonds from the Bank.

“Office of the State Controller” means the Maine Department of Administrative and Financial Services, Office of the State Controller.

“Outstanding” means all Bonds that have been executed and delivered, except:

- i. any Bond on which all Bond Payments due or to become due have been paid at maturity;
- ii. any Bond on which the Redemption Price due or to become due has been paid in accordance with the redemption provisions applicable to such Bond;
- iii. Bonds in lieu of which other Bonds have been executed and delivered pursuant to the provisions of the General Resolution or any Series Resolution relating to the transfer and exchange of Bonds or the replacement of mutilated, lost, stolen or destroyed Bonds;
- iv. Bonds that have been canceled by the Trustee or that have been surrendered to the Trustee for cancellation;
- v. Bonds on which all Bond Payments or the Redemption Price is due and for which the Trustee holds moneys sufficient to pay the Bond Payments or Redemption Price for the benefit of the Owner thereof pursuant to the General Resolution; and
- vi. Bonds that have been defeased pursuant to the General Resolution.

“Owner” of a Bond means the registered owner of such Bond as shown in the registration records of the Trustee.

“Permitted Investments” means any investment that is permitted for investment of funds belonging to the State or held in the State Treasury.

“Permitted Uses of Restricted Funds” means those purposes for which Restricted Funds may be applied, as set forth in the Constitution of the State of Maine, Article IX, Section 19.

“Person” means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

“Pledged Revenues” means those Revenues pledged by the Bank pursuant to the General Resolution and such additional Revenues as the Bank may, pursuant to a Supplemental Resolution, include as Pledged Revenues subject to the pledge of the General Resolution. Pledged Revenues shall not include Special Pledged Revenues.

“Pledged Rights” means all right, title and interest of the Bank to receive the Pledged Revenues, and all right, title and interest of the Bank to the Memorandum of Agreement and the right to receive funds

thereunder, provided that the Bank reserves for itself the right to independently enforce the obligations made by MaineDOT, the Office of the State Treasurer and the Office of the State Comptroller thereunder.

“Pledged TransCap Funds and Accounts” means those Funds and Accounts within the TransCap Fund into which Pledged Revenues received by the Bank are deposited. Initially the Pledged TransCap Funds and Accounts includes the Bridge Capital Improvement Account, the Highway Reconstruction Account and the Fuel Excise Tax Account.

“Principal Amount” means (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond; (b) with respect to any Outstanding Capital Appreciation Bond or Capital Appreciation and Current Interest Bond, the Accreted Value of such Bond as of the date on which the Principal Amount is being determined; and (c) with respect to all the Outstanding Bonds together, the sum of the amounts determined pursuant to clauses (a) and (b).

“Program” means the program authorized by the Program Act, including the creation of the TransCap Fund, the designation of revenues to be deposited in the TransCap Fund, the designation of the types of projects that may be paid for from revenues to be deposited in or funds otherwise in the TransCap Fund, and bonds authorized to be issued by the Bank and secured by revenues to be deposited in or funds otherwise in the TransCap Fund.

“Program Act” means Chapter 470, Chapter 647, Chapter 682, and any act amending or supplementing any of the foregoing (or the applicable provisions as codified in the Maine Revised Statutes Annotated) or affecting revenues available to be deposited in the TransCap Fund, projects authorized to be financed with revenues to be deposited in the TransCap Fund, or bonds authorized to be issued and secured by revenues to be deposited in the TransCap Fund.

“Program Costs” means all costs and expenses paid or incurred or to be paid or incurred (including the reimbursement of MaineDOT for any of such costs and expenses originally paid or incurred by MaineDOT) in connection with:

- i. financing costs, including, but not limited to, issuance and servicing fees established from time to time by the Bank, costs and expenses that the Bank deems necessary or advantageous in connection with the sale of the Bonds and the administration of the Bonds, the Trust Estate, the Memorandum of Agreement, the General Resolution and any Series Resolution, including, but not limited to, costs and expenses relating to the engagement of consultants, financial advisors, underwriters, Credit Facility Providers, Qualified Swap Providers, rating agencies, attorneys, trustees, paying agents, registrars, other agents and other Persons in connection with the issuance of the Bonds, the Trust Estate, the Memorandum of Agreement, the General Resolution or any Series Resolution;
- ii. payment of interest on the Bonds;
- iii. costs and expenses relating to any Credit Facility entered into in accordance with the General Resolution, including the reimbursement of any Credit Facility Provider as provided in the General Resolution;
- iv. costs and expenses relating to any Qualified Swap entered into in accordance with the General Resolution; and
- v. amounts required to be deposited into the Rebate Fund pursuant to the General Resolution and the Tax Certificates.

“Project” means any project authorized under applicable law to be financed by Revenues, amounts in the TransCap Fund or Bonds the proceeds of which are deposited in the TransCap Fund.

“Project Costs” means the costs of MaineDOT for the design, acquisition, construction, renovation, or repair of any Project, which are eligible for payment from the TransCap Fund under applicable law.

“Qualified Swap” means any financial instrument that: (a) is entered into by the Bank with a party that is a Qualified Swap Provider at the time the instrument is entered into; (b) is entered into with respect to all or a portion of a Series of Bonds; (c) is for a term not extending beyond the final maturity of the Series of Bonds or portion thereof to which it relates; (d) provides that the Bank shall pay to such Qualified Swap Provider an amount accruing at either a fixed rate or a variable rate, as the case may be, on a notional amount equal to or less than the principal amount of the Series of Bonds or portion thereof to which it relates, and that such Qualified Swap Provider shall pay to the Bank an amount accruing at either a variable rate or a fixed rate, as appropriate, on such notional amount; (e) provides that one party shall pay to the other party any net amounts due under such instrument; and (f) which has been designated by the Bank in the Series Resolution authorizing the Series of Bonds to which such Qualified Swap relates as a Qualified Swap with respect to such Series of Bonds.

“Qualified Swap Payments” means the regularly scheduled net amounts required to be paid by the Bank to the Qualified Swap Provider pursuant to a Qualified Swap, and expressly excludes any termination payments or collateral maintenance requirements.

“Qualified Swap Provider” means a party other than the Bank which is the party to a Qualified Swap and, at the time of execution and delivery of the Qualified Swap (a)(i) whose senior unsecured debt obligations are or claims-paying ability is rated in one of the three highest rating categories of each of at least two National Rating Agencies (without regard to any gradations within a rating category) or (ii) whose obligations under the Qualified Swap are guaranteed for the entire term of the Qualified Swap by a Person whose senior debt obligations are or claims-paying ability is rated in one of the three highest rating categories of each of at least two National Rating Agencies (without regard to any gradations within a rating category) and (b) which is otherwise qualified to act as the party to a Qualified Swap with the Bank under applicable law.

“Rating Agency” means, with respect to any Series of Bonds, each National Rating Agency that has, at the request of the Bank, a rating then in effect for such Series of Bonds.

“Rating Confirmation” means, with respect to the Bonds, written evidence from a Rating Agency that no underlying Bond rating (without regard to ratings based on the credit quality of a Credit Facility Provider) then in effect from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken under the General Resolution.

“Rebate Fund” means the special fund so designated created by the General Resolution.

“Record Date” means (a) with respect to any Interest Payment Date that is the first day of a month, the fifteenth day of the month (whether or not a Business Day) preceding the month in which the Interest Payment Date occurs; (b) with respect to any Interest Payment Date that is the fifteenth day of a month, the first day of such month (whether or not a Business Day); and (c) with respect to any other Interest Payment Date, the date designated as the Record Date for such Interest Payment Date in a Series Resolution.

“Redemption Date” means the date upon which Bonds are to be called for redemption pursuant to the General Resolution or any Series Resolution.

“Redemption Price” means the amount due on a Bond on the date on which it is redeemed prior to maturity pursuant to the redemption provisions applicable to such Bond. Such term does not include the principal and interest or Accreted Value due on term Bonds on the dates such Bonds are to be redeemed in accordance with a mandatory sinking fund redemption schedule set forth in a Series Resolution.

"Refunding Bonds" means Bonds issued for the purpose of refunding, and proceeds of which are used to refund any Bonds.

"Residual Fund Balances" means, with respect to any Bond Payment Date, those amounts that are in the Bridge Capital Improvement Account, the Highway Reconstruction Account, the Fuel Excise Tax Account, or any other Fund, Account or Subaccount included within the definition of Pledged TransCap Funds and Accounts (but expressly excluding amounts in the Construction Fund and the Debt Service Reserve Fund) on such Bond Payment Date, immediately following the making of all required Bond Payments on such Bond Payment Date, and after making any transfers to the Debt Service Reserve Fund that may be required to increase the amounts therein to the then-applicable Debt Service Reserve Fund Requirement.

"Resolution" means the General Resolution, as from time to time amended or supplemented by Supplemental Resolutions and Series Resolutions in accordance with the terms and provisions thereof.

"Restricted Funds" means Revenues deposited in the TransCap Fund from sources enumerated in the Constitution of the State of Maine, Article IX, Section 19.

"Revenues" means revenues received by the Bank for deposit in the TransCap Fund comprising (i) those fees required to be transferred to the TransCap Fund pursuant to Chapter 647, (ii) those excise taxes required to be transferred to the TransCap Fund pursuant to Chapter 470, (iii) those amounts required to be transferred from the Highway Fund to the TransCap Fund pursuant to Sections 3 and 6 of Chapter 682, (iv) earnings on amounts in the Pledged TransCap Funds and Accounts and (v) such other amounts as the Bank may designate as "Revenues" pursuant to a Supplemental Resolution. Revenues shall not include proceeds of Bonds or revenues received by the Bank for deposit in the TransCap Fund that are not expressly set forth in clauses (i) through (v) of this definition.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors.

"Series" means the Bonds designated as a separate series in a Series Resolution and any Bonds authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the General Resolution or any Series Resolution.

"Series Resolution" means any resolution supplementing or amending the General Resolution that is adopted for purposes of authorizing the issuance of a Series of Bonds.

"Special Pledged Revenues" means Revenues pledged by the Bank, pursuant to the General Resolution or a Series Resolution, to secure payment of principal of, interest on and redemption price of one or more Series of Bonds, but not all Series of Bonds.

"Special Record Date" means a special date fixed to determine the names and addresses of Owners of Bonds for purposes of paying defaulted interest on Current Interest Bonds in accordance with the General Resolution.

"Subaccount" means any subaccount within an Account established under the General Resolution.

"State" means the State of Maine.

"State Fiscal Year" means the fiscal year of the State, which commences on July 1 and ends on the following June 30, or such other fiscal year as the State may adopt.

“*Supplemental Resolution*” means any resolution supplementing or amending the General Resolution that is adopted for purposes other than authorizing the issuance of a Series of Bonds. A Supplemental Resolution may be combined with a Series Resolution.

“*Tax Certificate*” means, with respect to each Series of Tax-Exempt Bonds, (a) the arbitrage and use of proceeds certificate or other instrument that sets forth the Bank’s expectations regarding the investment and use of proceeds of such Tax-Exempt Bonds and other matters relating to Bond Counsel’s opinion regarding the federal income tax treatment of interest on such Tax-Exempt Bonds, including any instructions delivered by Bond Counsel in connection with such certificate, instrument or opinion; and (b) any amendment or modification of any such certificate, instrument or instructions that is accompanied by an opinion of Bond Counsel stating that the amendment or modification will not adversely affect the exclusion of interest on such Tax-Exempt Bonds from gross income for federal income tax purposes.

“*Taxable Bonds*” means any Bonds that are not Tax-Exempt Bonds.

“*Tax-Exempt Bonds*” means Bonds the interest on which is intended to be excluded from gross income for federal income tax purposes.

“*Treasurer*” means the Treasurer of the State.

“*Trustee*” means U.S. Bank National Association, acting in its capacity as trustee under the General Resolution, and any successor thereto appointed under the General Resolution.

“*Trustee Representative*” means any officer in the corporate trust department of the Trustee and any other person authorized by a writing signed by an officer of the Trustee to act as a Trustee Representative under the General Resolution or any Series Resolution.

“*Trust Estate*” means the property granted to the Trustee pursuant to the General Resolution.

PLEDGE EFFECTED BY THE GENERAL RESOLUTION

The Bank, in consideration of the premises, the purchase of the Bonds by the Owners, the providing of a Credit Facility by any Credit Facility Provider, and the entering into a Qualified Swap by any Qualified Swap Provider, and other good and valuable consideration, in order to secure the payment of amounts due with respect to all Bonds at any time Outstanding under the General Resolution, to secure payment of amounts due with respect to any Credit Facility, to secure Qualified Swap Payments due with respect to any Qualified Swap, to secure the performance and observance of all the covenants and conditions set forth in the Bonds, the General Resolution and any Series Resolution, grants, pledges and assigns to the Trustee (collectively, the “Trust Estate”):

- i) all Revenues;
- ii) all Pledged Rights;
- iii) all Pledged TransCap Funds and Accounts, subject to the rights of the Bank to apply the amounts in the Pledged TransCap Funds and Accounts as set forth in the General Resolution and further subject to the rights of the Bank to use money held by the Bank in the Pledged TransCap Funds and Accounts for any purpose permitted by applicable law to the extent permitted by the General Resolution;
- iv) all money from time to time held by the Trustee under the General Resolution or any Series Resolution in the Bond Payment Fund, the Construction Fund and the Debt Service Reserve Fund, but excluding money held in the Rebate Fund, the General Fund, any Defeasance Escrow

Account and any fund or account created by a Series Resolution that is expressly excluded from the Trust Estate; and

any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security under the General Resolution, by the Bank, the State or anyone else, in favor of the Trustee.

SPECIAL, LIMITED OBLIGATIONS

The Bonds shall be special, limited obligations of the Bank payable by the Bank solely out of the Trust Estate. The State shall not be liable on the Bonds and the Bonds shall not be a debt or liability or constitute a pledge or loan of the faith and credit of the State. The Bonds shall contain on the face thereof a statement to the effect that the Bonds are special, limited obligations of the Bank and the Bank is obligated to pay the principal, interest, redemption premium, if any, and other amounts payable on the Bonds solely from the sources pledged for that purpose by the Bank and that neither the faith and credit nor the taxing power of the State or any municipality thereof is pledged to the payment of the principal, interest, premium, charge, fee or other amount due on the Bonds.

Until all Bond Payments and Program Costs are paid in full and while any Bonds are Outstanding, no bonds, notes, debentures or other obligations shall be issued or incurred having a lien on the Trust Estate equal to, or prior and superior to the lien thereon of the Bonds. Nothing in the General Resolution shall preclude a junior lien on Pledged Revenues or amounts in Pledged TransCap Funds or Accounts, provided that the availability of funds under such junior lien is restricted to Residual Fund Balances or funds released from the lien of the Trust Estate.

CONDITIONS TO ISSUANCE OF BONDS

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

General Conditions to the Issuance of Bonds. Each Series of Bonds shall be authenticated by the Trustee from time to time in such amounts as are directed by the Bank and by it delivered to, or upon the order of, the Bank upon receipt of the consideration therefore and upon delivery to the Trustee of, among other things:

(1) A Series Resolution authorizing the issuance of the Series of Bonds is adopted by the Board of Commissioners of the Bank.

(2) A certificate of an Authorized Bank Officer stating that upon the delivery of the Bonds of such Series, the Bank will not be in default in the performance of any of the terms, provisions or covenants of the General Resolution or of any of the Bonds.

(3) A certificate of an Authorized Bank Officer and a MaineDOT Representative to the effect that the Memorandum of Agreement is in full force and effect and that to their respective knowledge there is no default thereunder.

(4) A certificate of an Authorized Bank Officer to the effect that, upon the issuance of the Bonds of such Series, the amount in the Debt Service Reserve Fund shall be equal to the Debt Service Reserve Fund Requirement and that all accumulations required to be made into the Bond Payment Fund, or other similar account for Outstanding Bonds, are current.

(5) A certificate of an Authorized Bank Officer to the effect that the issuance of all Bonds issued through and including the date thereof and application of the proceeds thereof in accordance with the terms of the General Resolution, taking into account the actual application of proceeds through the date thereof, will not violate any limitation set forth in the Program Act.

(6) A certificate a MaineDOT Representative to the effect that the proceeds of Bonds have been applied in accordance with the Program Act.

(7) With respect to Additional Bonds only, but excluding the first \$210,000,000 of Bonds issued under the General Resolution, and further excluding Refunding Bonds if permitted by the General Resolution, a certificate of an Authorized Bank Officer dated the date of issuance, setting forth:

(a) the amount of Pledged Revenues received by the Bank for each month during the most recent twenty-four month period for which reliable data is available preceding the month of the authentication and delivery of the Series of Additional Bonds then proposed to be issued;

(b) the maximum Annual Debt Service for the Outstanding Bonds in the current and each future State Fiscal Year including the Series of Additional Bonds proposed to be issued, but in the case of a Series of Additional Bonds for refunding purposes, excluding the Bond Payments on the Bonds to be refunded; and

(c) showing the amount of Pledged Revenues for any twelve consecutive months during the twenty-four month period described in (a) is not less than 200% of the maximum Annual Debt Service for each State Fiscal Year set forth in (b).

For purposes of this heading the term Pledged Revenues shall exclude any Revenues derived from sources that, through the final maturity date of (i) all Bonds Outstanding and (ii) the proposed Series of Bonds to be issued, are not of a recurring nature absent further legislative action (other than approval of a biennial budget and allocation, if required).

(8) An opinion of Bond Counsel to the effect (which may be subject to customary assumptions and limitations) that (i) the Bonds are valid and binding special, limited obligations of the Bank, payable from the sources provided in the General Resolution and the applicable Series Resolution; (ii) the General Resolution creates a valid pledge of and lien upon the Trust Estate, subject to the terms of the General Resolution; and (iii) if the Bonds are intended to be Tax-Exempt Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code (or any successor provision).

Notwithstanding any contrary provisions in the General Resolution, the requirements of paragraph (7) above may be revised or deleted in their entirety, without the consent of the Owners of the Bonds, upon the Bank's receipt of a Rating Confirmation from each Rating Agency.

A written certification or opinion by an Authorized Bank Officer that the above requirements have been satisfied shall be conclusively presumed to be accurate in determining the right to authorize, issue, sell and deliver the Series of Bonds proposed to be issued.

Conditions to the Issuance of Refunding Bonds. Before any Series of Bonds constituting Refunding Bonds are issued, all of the following additional conditions shall be satisfied:

(1) Either (a) (i) the requirements of paragraph (7) above shall have been met, or (ii) a certificate of an Authorized Bank Officer shall have been delivered stating that following the issuance of the Refunding Bonds the aggregate amount of Annual Debt Service (including Annual Debt Service with respect to the Refunding Bonds, but excluding Annual Debt Service with respect to the refunded Bonds) due in any State Fiscal Year in which the coverage requirements set forth in paragraph (7) above are not satisfied through and

including the latest maturity of any Bonds then Outstanding, shall not exceed by more than 10% in any State Fiscal Year the aggregate amount of Annual Debt Service due in such State Fiscal Year immediately prior to the issuance of such Refunding Bonds, or (b) the Bank shall have delivered a Rating Confirmation from each Rating Agency.

(2) If any of the Bonds to be refunded are to be redeemed prior to their scheduled maturity date, an Authorized Bank Officer has directed the Trustee to deliver redemption notices and to redeem the Bonds to be refunded in accordance with the provisions of the General Resolution and any applicable provisions of any Series Resolution.

(3) Either or both of (i) monies in an amount sufficient to effect payment of the principal at the maturity date therefor or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which monies shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the defeasance provisions of the General Resolution, which Defeasance Securities and monies shall be held in trust and used only as provided in the defeasance provisions of the General Resolution.

FUNDS AND ACCOUNTS

Administration of TransCap Fund.

Establishment of TransCap Fund. Pursuant to Chapter 470, there has been established within the custody of the Bank the TransCap Fund. The TransCap Fund shall be held by, administered by and under the custody of the Bank.

Establishment of Funds, Accounts and Subaccounts within TransCap Fund. The Bank may establish, from time to time, within the TransCap Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. Within the TransCap Fund the Bank creates an Account designated the "Bridge Capital Improvement Account", an Account designated the "Highway Reconstruction Account" and an Account designated the "Fuel Excise Tax Account". The Bank may establish additional Funds, Accounts or Subaccounts within the TransCap Fund in its sole discretion. Except for the Bond Payment Fund, the Construction Fund, the Debt Service Reserve Fund and the Rebate Fund, the Bank may change the designations or purposes of any Funds, Accounts or Subaccounts within the TransCap Fund or eliminate any Funds, Accounts or Subaccounts within the TransCap Fund, in its sole discretion, provided, however that any such Fund, Account or Subaccount into which Pledged Revenues are deposited shall be a Fund, Account or Subaccount within the meaning of the definition of Pledged TransCap Funds and Accounts and if a Fund, Account or Subaccount included within the definition of Pledged TransCap Funds and Accounts is eliminated by the Bank from the TransCap Fund, amounts transferred from such Fund, Account or Subaccount shall be deposited in another Fund, Account or Subaccount that is included within the definition of Pledged TransCap Funds and Accounts.

Restricted Funds. Certain Revenues to be deposited in the TransCap Fund will be restricted as to use pursuant to Article IX, Section 19 of the State Constitution. Such Restricted Revenues shall be applied only to purposes permitted by Article IX, Section 19 of the State Constitution.

Deposits into the TransCap Fund. There shall be deposited into the TransCap Fund:

(1) into the Bridge Capital Improvement Account, those service fees, licensing fees and other fees transferred by the Treasurer to the Bank for deposit in the TransCap Fund pursuant to: (a) 29-A MRSA Section 453, subsection 2, (b) 29-A MRSA Section 501, subsection 1, (c) 29-A MRSA Section 504, subsection

1, (d) 29-A MRSA Section 603, subsection 1, and (e) such additional authorizations as the Bank shall designate;

(2) into the Highway Reconstruction Account: (a) those amounts transferred by the State Controller from the Highway Fund to the Bank for deposit in the TransCap Fund pursuant to 25 MRSA Section 1509-A, Sections 5 and 6, and (b) such additional amount as the Bank shall designate;

(3) into the Fuel Excise Tax Account: (a) those excise taxes transferred by the Treasurer to the Bank for deposit in the TransCap Fund pursuant to 36 MRSA subsections 4 and 5, and (b) such additional authorizations the Bank shall designate;

(4) into the Highway Reconstruction Account, the \$5,000,000 transferred by the State Controller from the Highway Fund to the Bank for deposit in the TransCap Fund pursuant to 25 MSRA Section 1509-A, Section 7; and

(5) into such Funds, Accounts or Subaccounts as shall be designated by the Bank such additional amounts as may be directed by the Bank to be deposited in the TransCap Fund.

Earnings or losses on funds in any Fund, Account or Subaccount established pursuant to the General Resolution shall be credited to such Fund, Account or Subaccount.

Uses of Money in TransCap Fund. Except as provided in the General Resolution with respect to the application of Residual Fund Balances, all amounts in the TransCap Fund (other than amounts in the Construction Fund and the Debt Service Reserve Fund, which shall be applied as provided below for such Funds) shall be applied as set forth under the headings below entitled “*Payment of Bond Payments and Project Costs*” and “*Deposit of Pledged Revenues in the TransCap Fund*”.

Application of Residual Fund Balances. Following the making of all required Bond Payments on any Bond Payment Date, and without limitation as to the time during which the Bank may exercise the rights set forth above upon delivery to the Trustee of a certificate of the Bank to the effect that Pledged Revenues expected to be received by the Bank for deposit in the TransCap Fund, together with any Residual Fund Balances not transferred pursuant to this paragraph, will be sufficient to make all required Bond Payments on the next Bond Payment Date, the Bank may (x) transfer all or any portion of the Residual Fund Balance to the General Fund, free and clear of the lien created by the General Resolution, (y) apply all or any portion of the Residual Fund Balance to pay any costs that are eligible under applicable law to be paid from the TransCap Fund, or (z) do any combination of the foregoing

Bond Payment Fund.

Creation of Bond Payment Fund. A special fund is created with the Trustee to be designated the Maine Municipal Bond Bank TransCap Bonds Bond Payment Fund (the “Bond Payment Fund”), which shall be used to pay the Bond Payments on and Redemption Price of the Bonds. The Bank may establish, from time to time, within the Bond Payment Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Bond Payment Fund to account for the receipt of moneys to pay, and the payment of, the Bond Payments on and Redemption Price of each Series of Bonds, but such separate accounts shall not affect the rights of the Owners of the Bonds with respect to moneys in the Bond Payment Fund.

Deposits into Bond Payment Fund. There shall be deposited into the Bond Payment Fund: (i) all accrued interest received at the time of the issuance of any Series of Bonds; (ii) any capitalized interest to be paid from the proceeds of a Series of Bonds (unless such amounts are deposited in the Construction Fund) as set forth in the applicable Series Resolution; (iii) amounts transferred by the Bank to the Trustee pursuant to those provisions of the General Resolution summarized under the heading below entitled “*Deposit of Pledged*

Revenues in the TransCap Fund” from Pledged Revenues or other amounts available in the Pledged TransCap Funds and Accounts; (iv) any moneys paid by the Bank with respect to the Redemption Price of Bonds pursuant to the General Resolution; (v) any moneys transferred to the Bond Payment Fund from the Construction Fund pursuant to the General Resolution; (vi) moneys transferred from the Debt Service Reserve Fund pursuant to the General Resolution, (vii) moneys deposited into the Bond Payment Fund pursuant to the General Resolution following an Event of Default; and (viii) all other moneys received by the Trustee accompanied by directions that such moneys are to be deposited into the Bond Payment Fund.

Use of Moneys in Bond Payment Fund. Moneys in the Bond Payment Fund shall be used, as further provided in those provisions of the General Resolution summarized under the heading below entitled “*Application of Pledged Revenues*”, solely for the payment of the Bond Payments on and Redemption Price of the Bonds and, solely to the extent such payments have been determined to be on a parity with Bond Payments in accordance with those provisions of the General Resolution summarized under the heading below entitled “*Credit Facilities and Qualified Swaps*”, to make payments to the providers of Credit Facilities and to pay Qualified Swap Payments; provided that (i) moneys representing accrued interest received at the time of the issuance of any Series of Bonds shall be used to pay the first interest payment due on such Bonds; (ii) moneys paid by the Bank with respect to the Redemption Price of Bonds pursuant to the General Resolution shall be used to pay the Redemption Price of the Bonds to be redeemed; and (iii) moneys held in the Bond Payment Fund following an Event of Default shall be used as provided below under those provisions of the General Resolution summarized under the heading entitled “*Use of Moneys Received from Exercise of Remedies*”. With respect to any Series of Bonds, if there shall be no Bonds of such Series Outstanding, amounts in the Bond Payment Fund determined by the Bank to have been deposited in the Bond Payment Fund or otherwise allocated to make Bond Payments with respect to Bonds of such Series, may be transferred to any Fund, Account or Subaccount that is a Pledged TransCap Fund and Account, provided that following such transfer there is no deficiency in the Bond Payment Fund with respect to any other Series of Bonds Outstanding and the balance in the Debt Service Reserve Fund is at least equal to the Debt Service Reserve Fund Requirement.

Construction Fund.

Creation of Construction Fund. A special fund is created with the Trustee to be designated the Maine Municipal Bond Bank TransCap Bonds Construction Fund (the “Construction Fund”). The Construction Fund shall be a Fund established within the TransCap Fund, and shall be held by the Trustee subject to the terms of the General Resolution. The Bank may establish, from time to time, within the Construction Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Construction Fund to account for the receipt and disbursement of proceeds of each Series of Bonds.

Deposits into Construction Fund. There shall be deposited into the appropriate account of the Construction Fund, such portion of the proceeds of each Series of Bonds as is provided in the applicable Series Resolution.

Use of Moneys in Construction Fund. Upon the written direction of an Authorized Bank Officer, any amounts on deposit in the Construction Fund shall be transferred to or upon the order of the Bank for the payment of, or reimbursement for, costs of issuance relating to any Bonds. So long as no Event of Default described in the General Resolution then exists, moneys held in the Construction Fund shall be disbursed to pay Project Costs, or reimburse such costs, upon receipt of a requisition signed by an Authorized Bank Officer. Upon receipt of such requisition the Trustee shall pay each such item directly to the Person or party entitled thereto as named in such requisition or shall deliver to the Bank or at the Bank’s direction checks for the payment thereof, or shall make arrangements for the transfer or deposit of the amount for such payment, as the Bank or an Authorized Bank Officer shall request. If a Series Resolution authorizes proceeds of the Series of Bonds authorized thereby to be deposited in the Construction Fund to pay capitalized interest on such Bonds, the amounts so allocated and deposited in the Construction Fund shall be transferred to the Bond Payment Fund in the amounts and at the times specified in the Series Resolution. Moneys held in the Construction Fund

following an Event of Default may be transferred to the Bond Payment Fund in accordance with the General Resolution. In the event of a transfer pursuant to the preceding sentence followed by the availability of sufficient amounts to the Trustee from Pledged Revenues or other sources in excess of any amount necessary to make any Bond Payments then due, such excess amount up to the amount transferred from the Construction Fund to the Bond Payment Fund may be transferred back to the Construction Fund. Upon the receipt by the Trustee and the Bank of a certificate from the Commissioner of MaineDOT stating that a Project or Projects for which a Series of Bonds has been issued has been completed and all required amounts relating thereto have been deposited into the Rebate Fund, the remaining moneys in the Construction Fund allocable to that Project or those Projects, minus any amount estimated by the Commissioner of MaineDOT necessary to pay Construction Costs of that Project or Projects that have not yet been paid, may be transferred by the Trustee to the Bond Payment Fund.

Debt Service Reserve Fund.

Creation of Debt Service Reserve Fund. A special fund is created with the Trustee to be designated the Maine Municipal Bond Bank TransCap Bonds Debt Service Reserve Fund (the “Debt Service Reserve Fund”). The Debt Service Reserve Fund shall be a Fund established within the TransCap Fund, and shall be held by the Trustee subject to the terms of the General Resolution. Within the Debt Service Reserve Fund the Bank establishes the “Debt Account” and the “Equity Account”. The Bank may establish, from time to time, within the Debt Service Reserve Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. The Trustee shall create and maintain separate Accounts or Subaccounts within the Debt Account and Equity Account identified by the appropriate Series designation to account for the deposit of moneys into the Debt Service Reserve Fund in connection with the issuance of particular Series of Bonds, but such separate Accounts or Subaccounts shall not affect the rights of the Owners of the Bonds with respect to moneys in the Debt Service Reserve Fund, except as the rights of holders of a Series of Bonds may be limited by a Series Resolution. In a Series Resolution, the Bank may establish a separate account and related subaccounts in the Debt Service Reserve Fund or a separate debt service reserve fund or establish that there shall be no debt service reserve fund securing such Series of Bonds and any related payments to Credit Facility Providers or Qualified Swap Providers; provided, however, that any such accounts and subaccounts or other debt service reserve fund shall not secure Bonds other than the Series of Bonds and any related payments to Credit Facility Providers or Qualified Swap Providers for which it is established and any such Series of Bonds shall not be secured by the other accounts or subaccounts in the Debt Service Reserve Fund or, as applicable, by the Debt Service Reserve Fund.

Deposits into Debt Service Reserve Fund. The Bank covenants (i) upon the issuance of any Bonds under the General Resolution, subject to the provisions of the General Resolution, to deposit in the Debt Service Reserve Fund the amount, if any, required to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement and (ii) from time to time, subject to the provisions of the General Resolution, to deposit in the Debt Service Reserve Fund the amount, if any, transferred for such purpose pursuant to those provisions of the General Resolution summarized under the heading below entitled “*Application of Pledged Revenues*”. Proceeds of Bonds to be deposited in the Debt Service Reserve Fund shall be deposited in the Debt Account. Amounts deposited in the Debt Service Reserve Fund upon the initial issuance of a Series of Bonds from Pledged Revenues or from amounts in Pledged TransCap Funds and Accounts may be deposited in the Debt Account or the Equity Account, at the Bank’s sole discretion.

Withdrawals from Debt Service Reserve Fund. If, on the fifth day (or if such day is not a Business Day, on the immediately preceding Business Day) prior to a Bond Payment Date, there are insufficient amounts in the Bond Payment Fund to the Bond Payments due on the Bond Payment Date, the Trustee shall notify the Bank by telephone, confirmed by e-mail of the amount of the deficiency of Bonds. If on the Business Day preceding any Bond Payment Date, the amounts on deposit in the Bond Payment Fund are not sufficient to make all such payments due on such date with respect to Bonds secured thereby, the Trustee shall immediately transfer the amount necessary from any account or accounts securing such Bonds to the Bond Payment Fund to the extent amounts on deposit in the Debt Service Reserve Fund are available. If, after

applying all amounts on deposit in the related Accounts and Subaccounts of the Debt Service Reserve Fund, there are insufficient amounts to pay the Bond Payments due on such date, the Trustee shall immediately notify the Bank of such fact and of the amount so applied and the amount of the deficiency. If at any time the amount on deposit in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Fund Requirement (such excess being determined (i) after giving effect to any Debt Service Reserve Fund Credit Facility deposited in such Fund and (ii) assuming the Debt Service Reserve Fund Requirement is adjusted to give effect to any interest payments made and to the payment (or deemed payment in accordance with the defeasance provisions of the General Resolution) of any Bonds), such excess shall be withdrawn from the Debt Service Reserve Fund and deposited in the Bond Payment Fund, or may, in the discretion of the Bank, be withdrawn from the Debt Service Reserve Fund and deposited into the Rebate Fund, the Construction Fund (if such excess originally constituted Bond proceeds) or deposited in any other Fund or Account within the TransCap Fund, in each case free and clear of any lien, pledge or claim under the General Resolution as required or permitted by law, provided that such withdrawal shall not be made unless, at the time of such withdrawal, there shall exist no deficiency in any other fund or account pledged to the payment of Bonds. At least one Business Day prior to drawing on, selling or otherwise liquidating any investment in the Debt Service Reserve Fund in order to generate funds to be transferred to the Bond Fund to make a Bond Payment on a Bond Payment Date, the Trustee will consult with an Authorized Bank Officer with respect to the proposed actions.

Reserve Fund Credit Facility. In lieu of the required transfers or deposits of money to the Debt Service Reserve Fund, or as a replacement or substitution for any moneys or Permitted Investments then on deposit in the Debt Service Reserve Fund, the Bank may at any time cause to be deposited into the Debt Service Reserve Fund a Reserve Fund Credit Facility for the benefit of the holders of the specified Bonds and payments to the providers of Credit Facilities. If a disbursement is made pursuant to a Reserve Fund Credit Facility provided pursuant to this heading, the Bank shall be obligated, but only from the sources of payment specified in the General Resolution, either (i) to promptly reinstate the maximum limits of such Reserve Fund Credit Facility or (ii) to deposit into the Debt Service Reserve Fund at the times provided in the General Resolution, funds in the amount of the disbursement made under such Reserve Fund Credit Facility, or (iii) to promptly deposit into the Debt Service Reserve Fund a different Reserve Fund Credit Facility having a maximum limit equal to the amount of the disbursement made under the existing Reserve Fund Credit Facility, or (iv) to utilize any combination of the alternatives set forth in clauses (i), (ii) or (iii) above as shall provide that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement. Subject to the maintenance of the Debt Service Reserve Fund Requirement, moneys and Permitted Investments on deposit in the Debt Service Reserve Fund may, if required by the terms of any Reserve Fund Credit Facility, be utilized by the Bank to repay any drawings on such Reserve Fund Credit Facility, but only if such repayment will result in a reinstatement of the amount available to be drawn under such Reserve Fund Credit Facility in an amount at least equal to the amount of such repayment.

Refundings. In the event of the refunding of any Bonds, the Bank may withdraw from the Debt Service Reserve Fund all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded or apply such amounts to pay the costs of issuance of the Refunding Bonds, or, if not so applied, such amounts shall be applied in the same manner as provided for excess amounts in the Debt Service Reserve Fund as provided above; provided, however, that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the defeasance provisions of the General Resolution, (ii) the amount remaining in the Debt Service Reserve Fund, after giving effect to any Reserve Fund Credit Facility deposited in such Fund, shall not be less than the Debt Service Reserve Fund Requirement, and (iii) at the time of such withdrawal, there shall exist no deficiency in any fund or account pledged to the payment of Bonds established under the General Resolution.

Rebate Fund.

Creation of Rebate Fund. A special fund is created with the Trustee to be designated Maine Municipal Bond TransCap Bonds Rebate Fund (the “Rebate Fund”). The Bank may establish, from time to time, within the Rebate Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Rebate Fund to account for rebate payments due on each Series of Tax-Exempt Bonds.

Deposits into Rebate Fund. There shall be deposited into the appropriate account of the Rebate Fund moneys paid to the Trustee pursuant to those provisions of the General Resolution summarized under the heading below entitled “*Rebate Payments by the Bank*”.

Use of Moneys in Rebate Fund. The Trustee at the direction of and on behalf of an Authorized Bank Officer shall use moneys in the Rebate Fund to make rebate payments to the United States in accordance with the Tax Certificates. If the amount on deposit in the Rebate Fund at any time is greater than the amount required under the Tax Certificates, the excess may be transferred as directed by an Authorized Bank Officer, unless an Event of Default has occurred and is continuing, in which case the excess shall be transferred to the Bond Payment Fund.

Administration of Rebate Fund. The Trustee at the direction of an Authorized Bank Officer shall invest the Rebate Fund in accordance with the Tax Certificates and shall deposit earnings from the investment of moneys in the Rebate Fund into the Rebate Fund immediately upon receipt thereof.

General Fund.

Creation of General Fund. A special fund is created to be designated Maine Municipal Bond Bank TransCap Bonds General Fund (the “General Fund”). The General Fund shall be a Fund established within the TransCap Fund, and shall be held by the Bank. Amounts in the General Fund are not included in the Trust Estate. The Bank may establish, from time to time, within the General Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion.

Deposits into General Fund. There shall be deposited into the General Fund (i) moneys transferred to the Bank for deposit therein pursuant to the “Residual Fund Balances” provision of the General Resolution and (ii) such additional amounts as may be directed by the Bank to be transferred to the General Fund consistent with the pledge of the Trust Estate.

Use of Moneys in General Fund. Any amounts on deposit in the General Fund may be applied by the Bank for any purpose permitted by applicable law.

Moneys to be Held in Trust.

The Bond Payment Fund, the Construction Fund, the Debt Service Reserve Fund and, except for the Rebate Fund, the General Fund and any Defeasance Escrow Account, any other fund or account created under the General Resolution that is not expressly excluded from the Trust Estate shall be held by the Trustee, for the benefit of the Owners as specified in the General Resolution, and amounts therein may be applied for the purposes set forth in the General Resolution, subject to the terms of the General Resolution and any Series Resolution. The Rebate Fund shall be held by the Trustee for the purpose of making payments to the United States pursuant to the General Resolution. Any Defeasance Escrow Account shall be held for the benefit of the Owners of the Bonds to be paid therefrom as provided in the agreement governing such Defeasance Escrow Account.

Investment of Moneys.

(A) All moneys held by the Trustee as part of any Fund, Account or Subaccount created under the General Resolution shall be deposited or invested and reinvested by the Trustee, at the written direction of an Authorized Bank Officer, in any Permitted Investments. The Trustee shall be entitled to rely conclusively on all such written investment instructions provided under the General Resolution, and shall have no duty to monitor the compliance thereof with the restrictions set forth in the General Resolution. The Trustee shall have no responsibility or liability for any depreciation in the value of any investment or for any loss, direct or indirect, resulting from any investment made in accordance with the written instructions of an Authorized Bank Officer. The Trustee shall have no liability to the Bank or any other person in the event that any investment made in accordance with the written instructions of an Authorized Bank Officer or in any Permitted Investment shall cause any or all of the Bonds to be or become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or shall cause any person to incur any liability or rebates or other monies payable pursuant to the Internal Revenue Code. In the event that the Trustee has not received written investment instructions, moneys held under the General Resolution by the Trustee as to which no investment instructions have been received, shall be invested in a money market account most recently authorized by the Bank, or if no such authorization has been received, shall be held uninvested.

(B) Earnings and losses from the investment of moneys held in the Construction Fund or any Account or Subaccount thereof shall be deposited into or charged against the Construction Fund or applicable Account or Subaccount therein in which the earnings or losses are realized, unless, and except to the extent, an Authorized Bank Officer directs the Trustee to deposit any such earnings into the Rebate Fund or the Bond Payment Fund.

(C) Earnings and losses from the investment of moneys held in the Bond Payment Fund or any Account or Subaccount thereof shall, except as otherwise provided by Series Resolution, be deposited into or charged against the Bond Payment Fund or applicable Account or Subaccount therein in which the earnings or losses are realized.

(D) Earnings and losses from the investment of moneys held in any Account or Subaccount in the Debt Service Reserve Fund shall be deposited into or charged against such Account or Subaccount. To the extent a transfer of earnings will not cause the amount in the Debt Service Reserve Fund to be lower than the Debt Service Reserve Fund Requirement, an Authorized Bank Officer may direct the Trustee to transfer any such earnings in the Debt Account of the Debt Service Reserve Fund into the Bond Payment Fund, and may direct the Trustee to transfer earnings in the Equity Account of the Debt Service Reserve Fund into any Fund or Account in its sole discretion.

(E) Earnings and losses from the investment of moneys held in the Rebate Fund or any Account or Subaccount thereof shall, except as otherwise provided in the Tax Certificates, be deposited into or shall be charged against the Rebate Fund or the applicable Account or Subaccount in which the earnings or losses are realized.

(F) Earnings and losses from the investment of moneys held in the General Fund or any Account or Subaccount thereof shall be deposited into or charged against the General Fund or the applicable Account or Subaccount therein in which the earnings or losses are realized.

(G) Earnings and losses from the investment of moneys held in any Defeasance Escrow Account shall be deposited or charged as provided in the escrow agreement governing such account.

(H) Earnings and losses from the investment of moneys held in the Bridge Capital Improvement Account, the Highway Reconstruction Account or any other Fund or Account within the TransCap Fund not otherwise specified in the General Resolution into which Revenues are deposited shall, except as otherwise

provided in a Series Resolution or a Tax Certificate, be deposited into or charged against said Fund or Account, unless directed otherwise by an Authorized Bank Officer.

(I) With respect to Funds, Accounts or Subaccounts held by the Trustee, the Trustee shall, when and as directed by an Authorized Bank Officer, sell and reduce to cash a sufficient amount of the investments held in any Fund, Account or Subaccount whenever the cash balance therein is insufficient to make any payment to be made therefrom.

(J) In computing the amount in any Fund, Account or Subaccount for any purpose under the General Resolution, investments shall be valued at cost (exclusive of accrued interest) or par, whichever is less.

Application of Pledged Revenues.

All Pledged Revenues received by the Bank shall be deposited in the Bridge Capital Improvement Account, the Highway Reconstruction Account, the Fuel Excise Tax Account or such other Fund, Account or Subaccount within the TransCap Fund that the Bank so designates for deposit of the applicable Pledged Revenues.

Amounts received by the Bank as Pledged Revenues, and amounts on deposit within Pledged TransCap Funds and Accounts shall, subject to the transfers and uses of Residual Fund Balances permitted by the General Resolution, be deposited and used only in the manner and order of priority specified below.

(A) Deposits shall be made into the Bond Payment Fund, as set forth in the General Resolution. Amounts on deposit in an account of the Bond Payment Fund shall be used only to pay Bond Payments and Redemption Price on the Bonds and for rebate purposes. Moneys on deposit in the Bond Payment Fund shall be used to make the following payments or for the following purposes:

(i) Interest Component. To pay the next maturing interest payment on the Bonds.

(ii) Principal Payments. To pay the next maturing principal payment on the Bonds.

(iii) Redemption Price. To pay the Redemption Price of the Bonds next coming due pursuant to redemption prior to maturity.

(B) Pledged Revenues and amounts in the Pledged TransCap Funds and Accounts shall be deposited in the Debt Service Reserve Fund, as necessary to make the amount on deposit therein (after giving effect to any Reserve Fund Credit Facility deposited therein pursuant to the General Resolution) at least equal to the Debt Service Reserve Fund Requirement.

(C) Pledged Revenues and amounts in the Pledged TransCap Funds and Accounts shall be deposited, as necessary, in the Rebate Fund as required by the General Resolution.

(D) Subject to the preceding paragraphs of this heading and as provided in the General Resolution, any Residual Fund Balances may be transferred to the General Fund or applied as otherwise allowed under applicable law.

COVENANTS OF THE BANK

Payment of Bond Payments and Program Costs.

(A) The Bank covenants to pay, when due, solely from Pledged Revenues paid to the Bank, amounts available in the Pledged TransCap Funds and Accounts, or other funds available in the Trust Estate,

the Bond Payments. The Bank shall transfer Pledged Revenues and amounts in the Pledged TransCap Funds and Accounts to the Bond Payment Fund in such amounts and at such times as it determines in its sole discretion, provided that not less than five (5) Business Days prior to each Bond Payment Date there shall be on deposit in the Bond Payment Fund an amount sufficient to make the Bond Payments due on such Bond Payment Date. Nothing in the General Resolution shall be construed as obligating the Bank to pay Bond Payments from any general or other funds of the Bank, the State other than Pledged Revenues paid to the Bank or amounts available in the Pledged TransCap Funds and Accounts. Nothing contained in the General Resolution, however, shall be constituted as prohibiting the Bank in its sole and absolute discretion, from making such payments from any other sources, to the extent legally available for that purpose.

(B) The Bank shall promptly pay, when due, solely from Pledged Revenues paid to the Bank, amounts available in the Pledged TransCap Funds and Accounts, or the proceeds of Bonds, any Program Costs not otherwise paid from other sources. Any such costs payable to the Trustee and the Paying Agent shall be paid by the Bank to the Trustee on or prior to the due dates thereof. Nothing in the General Resolution shall be construed as obligating the Bank to pay such costs from any general or other fund of the Bank, the State, other than Pledged Revenues paid to the Bank or amounts available in the Pledged TransCap Funds and Accounts, or the proceeds of Bonds permitted to be used therefor. Nothing contained in the General Resolution, however, shall be construed as prohibiting the Bank in its sole and absolute discretion, from making such payments from other sources, to the extent legally available for that purpose.

Deposit of Pledged Revenues in the TransCap Fund.

(A) The Bank shall promptly deposit Pledged Revenues, when received, in the Fund, Account or Subaccount of the TransCap Fund established by the Bank for the deposit of such Pledged Revenues.

(B) The Bank shall promptly transfer to the Trustee for deposit in the Bond Payment Fund and the Debt Service Reserve Fund on or prior to the applicable due dates set forth in the General Resolution and any Series Resolution, all amounts required to be transferred thereto from the Pledged Revenues or Pledged TransCap Funds or Accounts

(C) The Bank shall (i) comply with its obligations under the Memorandum of Agreement, and shall use its best efforts to cause each other party to the Memorandum of Agreement to comply with their respective obligations thereunder, including such actions as are necessary to cause Pledged Revenues to be allocated for such purposes by the State; and (ii) use its best efforts to take all actions reasonably necessary in its judgment to protect its rights under the Memorandum of Agreement. The Bank shall not consent to or participate in any amendment, alteration, modification or other change with respect to the Memorandum of Agreement, of the alteration, modification or other change, as of the date thereof, would be expected by the Bank to materially and adversely impair the ability of the Bank to receive Pledged Revenues on a timely basis to make required transfers to the Bond Payment Fund and the Debt Service Reserve Fund or the security provided for the Bonds under the General Resolution. Nothing under this heading shall limit the ability of the Bank to amend the terms of the Memorandum of Agreement to conform to provisions of State law respecting the sources and amounts of funds comprising Pledged Revenues, the process for appropriations or allocations, or the organization of the government of the State.

Rebate Payments by the Bank.

The Bank shall pay to the Trustee, to the extent permitted by law, from moneys in the Trust Estate or from moneys requisitioned from the Construction Fund pursuant to the General Resolution, or from any other fund or account under the General Resolution, at the times and in the amounts required to make rebate payments due to the United States in accordance with the General Resolution and the Tax Certificates. The Bank may, in its sole discretion, make periodic transfers from moneys in the Trust Estate to the Rebate Fund in amounts reasonably estimated by the Bank to be sufficient to build up balances in the Rebate Fund sufficient to

make rebate benefits when such payments will become due. The Bank, and not the Trustee, shall be responsible for the calculation of rebate amounts.

Other Payments by MaineDOT.

Nothing in the General Resolution shall be interpreted to restrict MaineDOT's right, to the extent permitted by law, (a) to make any payment due to the Trustee or the Bank under any provision of the General Resolution or any Series Resolution from any available moneys and (b) to reimburse MaineDOT or the fund from which such payment is made from moneys that otherwise would have been used to make such payment.

Credit Facilities and Qualified Swaps.

Notwithstanding any other provision of the General Resolution:

(a) The Bank may purchase or arrange for a Credit Facility with respect to any Bonds and may agree to reimburse the provider of such Credit Facility for moneys paid by the provider that are used to make Bond Payments on such Bonds, which reimbursement may be made from any moneys in the Trust Estate that are available for the payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(b) To the extent permitted by law, the Bank may purchase or arrange for a Qualified Swap with respect to any Bonds and may agree to make payments to the provider of such Qualified Swap, which may be made from any moneys in the Trust Estate that are available for payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(c) All or any portion of the agreement between the Bank and any Credit Facility Provider or Qualified Swap Provider, or provisions to put into effect such an arrangement, may be included in any Series Resolution or in a separate agreement between or among the Bank, the Credit Facility Provider or Qualified Swap Provider and/or the Trustee, and the Trustee is directed to agree to the provisions regarding such Credit Facility or Qualified Swap contained in any Series Resolution or separate agreement agreed to by the Bank and the Credit Facility Provider or Qualified Swap Provider.

Tax Covenant.

The Bank shall not take any action or omit to take any action with respect to Tax-Exempt Bonds, the proceeds of Tax-Exempt Bonds, the Trust Estate, the Projects or any other funds or property of the Bank or MaineDOT and, to the extent within its reasonable control, it will not permit any other Person to take any action or omit to take any action with respect to Tax-Exempt Bonds, the Trust Estate, the Projects or any other funds or property of the Bank or MaineDOT if such action or omission would cause interest on any of the Tax-Exempt Bonds to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted net book earnings" for the purpose of computing the alternative minimum tax imposed on such corporations). In furtherance of this covenant, the Bank agrees to comply with the procedures set forth in the Tax Certificates for each Series of Tax-Exempt Bonds. The covenants set forth under this heading shall remain in full force and effect notwithstanding the payment in full or defeasance of Tax-Exempt Bonds until the date on which all of Bank or MaineDOT obligations in fulfilling such covenants have been met. The covenants set forth under this heading shall not apply to any Taxable Bonds.

Defense of Trust Estate.

The Bank shall at all times, to the extent permitted by law, defend, preserve and protect title to the Trust Estate, the grant of the Trust Estate to the Trustee under the General Resolution and all the rights of the Owners under the General Resolution against all claims and demands of all Persons whomsoever.

DEFAULTS AND REMEDIES

Events of Default.

Any of the following shall constitute an “Event of Default” under the General Resolution:

(a) Default in the payment of any portion of the Bond Payments on, or Redemption Price of, any Bond when due.

(b) Failure by the Bank to observe and perform any covenant, condition or agreement on its part to be observed or performed under the General Resolution, other than as referred to in paragraph (a), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the Bank by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Owners of Bonds but cannot be cured within the applicable 60 day period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Bank or within the applicable period and diligently pursued until the failure is corrected; and provided, further, that if by reason of force majeure the Bank is unable to carry out the agreements on its part in the General Resolution contained, the Bank shall not be deemed in default under this paragraph (b) during the continuance of such inability (but force majeure shall not excuse any other Event of Default).

Remedies Following an Event of Default.

(a) Upon the occurrence of any Event of Default described in paragraph (a) above under “*Events of Default*”, the Trustee shall, if directed by the Bank, transfer all or any moneys held in the Construction Fund to the Bond Payment Fund.

(b) Upon the happening and continuance of any Event of Default specified in paragraph (a) above under “*Events of Default*” the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (b) above under “*Events of Default*”, the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five per centum (25%) in aggregate principal amount of all Bonds then Outstanding, the Trustee shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and to require the Bank to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, require the Bank to account as if it were the trustee of any express trust for the Owners of the Bonds; or

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

(c) The Trustee may, and upon the written request of the Owners of not less than twenty-five per centum 25% in aggregate principal amount of all Bonds then Outstanding in the Trustee's or the Bank's own name, by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders under the General Resolution and under the Memorandum of Agreement and to require the Bank to carry out any other agreements with the Owners of Bonds and to perform its duties under the Act.

(d) Upon the occurrence of any Event of Default, the Trustee may take whatever action at law or in equity as may appear necessary or desirable to enforce the rights of the Owners and shall deposit any moneys received as a result of such action in the Bond Payment Fund.

(e) No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the General Resolution or now or hereafter existing at law or in equity or by statute; provided, however, that neither the Trustee nor any Owners of Bonds shall have the right to declare all Bond Payments to be immediately due and payable.

(f) A judgment requiring a payment of money entered against the Bank in connection with the Bonds and other obligations under the General Resolution may be satisfied only from the Trust Estate.

Use of Moneys Received from Exercise of Remedies.

Moneys received by the Trustee resulting from the exercise of remedies following an Event of Default shall be deposited in the Bond Payment Fund and shall, together with other moneys in the Bond Payment Fund and other moneys available for such purpose, be applied in the following order of priority:

(a) First, to the payment of the reasonable and proper fees and expenses of the Trustee determined in accordance with the General Resolution.

(b) Second, to the payment of interest due on the Bonds, interest due under any Credit Facility Agreement, and Qualified Swap Payments including, to the extent permitted by law, interest on past due interest on any of the foregoing at the interest rate set forth in the applicable instrument, compounded on each applicable interest payment date. If more than one installment of interest is due on the Bonds, such installments shall be paid in the order in which they were due, with the first installment being paid first. If the amount available is insufficient to pay all of any particular installment of interest due on the obligations (including interest on the past due interest), the amount available shall be paid ratably, based on the ratio of the amount due on each such Bond to the amount due on all such Bonds.

(c) Third, to the payment of principal due on the Bonds (or, if such principal has been paid with a Credit Facility, a like amount as reimbursement of principal to the Credit Institution). If principal is due that was to have been paid on more than one date, the amount due on the earliest dates shall be paid first. If the amount available is insufficient to pay all the principal due on any particular date, the amount available shall be paid ratably, based on the ratio of the amount due on each such Bond to the amount due on all such Bonds.

Any excess funds remaining after moneys have been applied as set forth above such that there are no amounts past due and payable shall be deposited in the Bond Payment Fund and (i) if an Event of Default is continuing, shall be retained therein for application in accordance with this heading and (ii) if no Event of Default is continuing, may be applied as permitted above under the heading entitled "*Administration of TransCap Fund*".

Owners of Majority in Aggregate Principal Amount of Bonds May Control Proceedings.

Notwithstanding any other provision of the General Resolution, the Owners of a majority in aggregate principal amount of Bonds shall always have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in pursuit of remedies following an Event of Default or otherwise in connection with the enforcement of the terms of the General Resolution.

Limitations on Rights of Owners Acting Individually.

No Owner shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any remedy under the General Resolution or for the enforcement of the terms of the General Resolution, unless an Event of Default under the General Resolution has occurred and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have made a written request to the Trustee, have offered the Trustee indemnity satisfactory to it against its costs, expenses and liabilities reasonably anticipated to be incurred, and have given the Trustee a reasonable opportunity, to take such action in its capacity as Trustee. The purpose of the preceding sentence is to assure that no Owner or Owners shall have the right to affect, disturb or prejudice the lien of the General Resolution by his, her, its or their action or to enforce any right under the General Resolution except in the manner as provided in the General Resolution and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the General Resolution and for the equal benefit of the Owners of all Outstanding Bonds. Nothing contained in the General Resolution shall, however, affect or impair the right of any Owner to enforce the payment of the Bond Payments on or Redemption Price of any Bond at and after the date such payment is due.

Trustee May Enforce Rights Without Bonds.

All rights of action and claims under the General Resolution or any of the Outstanding Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants, any Owners; and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions of the General Resolution.

Trustee to File Proofs of Claim in Receivership, Etc.

In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Trust Estate, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due on the Bonds under the General Resolution, at the date of the institution of such proceedings and for any additional amounts which may become due by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Delay or Omission No Waiver.

No delay or omission of the Trustee or of any Owner to exercise any remedy, right or power accruing upon any Event of Default or otherwise shall exhaust or impair any such remedy, right or power or be construed to be a waiver of any such Event of Default, or acquiescence therein; and every remedy, right and power given by the General Resolution may be exercised from time to time and as often as may be deemed expedient.

Discontinuance of Proceedings on Event of Default; Position of Parties Restored.

In case the Trustee or any Owner shall have proceeded to enforce any right under the General Resolution and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or such Owner, then and in every such case the Bank, the Trustee and the Owners shall be restored to their former positions and rights, and all rights, remedies and powers of the Trustee and the Owner shall continue as if no such proceedings had been taken.

Waivers of Events of Default.

The Trustee may in its discretion waive any Event of Default and its consequences under the General Resolution and, notwithstanding anything else to the contrary contained in the General Resolution, shall do so upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Owners of 100% of the Bonds any Event of Default in the payment of the Bond Payments and Redemption Price when due, unless, prior to such waiver, all such amounts (with interest on amounts past due on any Bond at the interest rate on such Bond to the extent permitted by law and all expenses of the Trustee in connection with such Event of Default have been paid or provided for. In case of any such waiver, then and in every such case the Bank, the Trustee and the Owners shall be restored to their former positions and rights under the General Resolution, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

CONCERNING THE TRUSTEE

Intervention by Trustee.

In any judicial proceeding to which the Bank is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of the Owners and shall do so if requested in writing by the Owners of at least 50% in aggregate principal amount of the Bonds and offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred.

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

Supplemental Resolutions or Series Resolutions Not Requiring Consent of Owners.

The Bank may, without the consent of, or notice to, the Owners, but with the acknowledgement and agreement of MaineDOT with respect to (a) below, enter into a Supplemental Resolution or Series Resolution to amend any provision of the General Resolution or any Series Resolution for any one or more or all of the following purposes:

- (a) to add additional covenants to the covenants and agreements of the Bank set forth in the General Resolution or to add to the limitations and restrictions in the General Resolution other limitations and restriction to be observed by the Bank which are not contrary to or inconsistent with the General Resolution as theretofore in effect;
- (b) to add additional revenues, properties or collateral to the Trust Estate;
- (c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the General Resolution;
- (d) to amend any existing provision of the General Resolution or to add additional provisions which, in the opinion of Bond Counsel, are necessary or advisable (i) to qualify, or to

preserve the qualification of, the interest on any Tax-Exempt Bonds for exclusion from gross income for federal income tax purposes or for exclusion from federal alternative minimum tax; (ii) to qualify any Bonds for exemption from taxation and assessment in the State; (iii) to qualify, or to preserve the qualification of, the General Resolution or any Series Resolution under the federal Trust Indenture Act of 1939, as amended; or (iv) to qualify, or preserve the qualification of, any Tax-Exempt Bonds for an exemption from registration or other limitations under the laws of any state or territory of the United States;

(e) to amend any provision of the General Resolution relating to the Rebate Fund if, in the opinion of Bond Counsel, such amendment does not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes;

(f) to provide for or eliminate book entry registration of any of the Bonds;

(g) to obtain or maintain a rating of the Bonds by a nationally recognized securities rating agency;

(h) to authorize the issuance of any Series of Bonds in accordance with the General Resolution;

(i) to facilitate the provision of a Credit Facility or an Qualified Swap in accordance with those provisions of the General Resolution summarized above under the heading entitled "*Credit Facilities and Qualified Swaps*";

(j) to establish additional funds, accounts or subaccounts necessary or useful in connection with any Series Resolution authorized by any other provision of this heading or to amend any provision relating to a Fund, Account or Subaccount that is not included in the Trust Estate;

(k) to make any amendment with Rating Confirmation from each Rating Agency then maintaining an underlying rating (without taking into account the effect of any Credit Facility) on the Bonds, that such amendment will not, in itself, result in such underlying rating (without taking into account the effect of any Credit Facility) on the Bonds following such amendment being lower than such rating on the Bonds immediately prior to such amendment;

(l) to modify any of the provisions in any other respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Series Resolution shall cease to be Outstanding and (ii) such Series Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Series Resolution and of Bonds issued in exchange therefor or in place thereof; or

(m) for any other purpose which, in the judgment of the Trustee, does not materially adversely affect the rights of the Owners of any Bonds then Outstanding.

Supplemental Resolutions or Amendments to Series Resolutions Requiring Consent of Owners.

Except as expressly provided in the immediately preceding heading, the Bank and the Trustee may not enter into a Supplemental Resolution or an amendment to a Series Resolution without the written consent of the Owners as set forth below and in the next following heading. Any modification or amendment of the General Resolution or any Series Resolution and of the rights and obligations of the Bank and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in this heading, (a) by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds

then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the General Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Bank may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Bank shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof.

The Bank may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the General Resolution to take effect when and as provided under this heading. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to the Bondholders for their consent thereto, shall be mailed by the Bank to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided under this heading). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Bank (i) the written consents of the Holders of the percentages of Outstanding Bonds specified in the General Resolution, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Bank in accordance with the provisions of the General Resolution, is authorized or permitted by the General Resolution, and is valid and binding upon the Bank and enforceable in accordance with its terms. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the General Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee and the Bank prior to the time when the written statement of the Bank as provided below is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of a trust officer of the Trustee filed with the Bank to the effect that no revocation thereof is on file. Notwithstanding anything under this heading or the General Resolution to the contrary, the consent of the Owners of any Series of additional Bonds to be issued under the General Resolution shall be deemed irrevocably given if the Original Purchaser thereof, whether or not for resale, consents in writing to any modification or amendment and, if such Series of additional Bonds is expected to be resold, such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is sold. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Bank shall make and file with its records relating to the Bonds and with the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Bank on a stated date, a copy of which is on file with the Bank) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided under this heading, may be given to such Bondholders by the Bank by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding). Such Supplemental Resolution making such amendment or modification

shall be deemed conclusively binding upon the Bank, the Trustee, or the Holders of all Bonds upon filing with the Bank records of proof of mailing of such, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Bank during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

Modifications by Unanimous Consent.

The terms and provisions of the General Resolution or any Series Resolution and the rights and obligations of the Bank and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Bank of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the heading above, except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Bank of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

Exclusion of Bonds.

Bonds owned or held by or for the account of the Bank shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for above, and the Bank shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the General Resolution.

DEFEASANCE

Discharge of General Resolution.

If 100% of the Bond Payments and Redemption Price due, or to become due, on all the Bonds and all rebate amounts payable to the United States pursuant to the General Resolution, have been paid, or provision shall have been made for the payment thereof in accordance with the next heading, and the fees and expenses due to the Trustee and all other amounts payable under the General Resolution have been paid or provision for such payment shall have been made in a manner satisfactory to the Trustee, then (a) the right, title and interest of the Trustee in and to the Trust Estate shall terminate and be discharged (referred to as the "discharge" of the General Resolution); (b) the Trustee shall transfer and convey to or upon the order of the Bank all property that was part of the Trust Estate, including but not limited to any moneys held in any Fund, Account or Subaccount under the General Resolution, except any escrow account created pursuant to the next heading (which escrow account shall continue to be held in accordance with the agreement governing the administration thereof); and (c) the Trustee shall execute any instrument requested by the Bank to evidence such discharge, transfer and conveyance.

Outstanding Bonds or Bond Payments or Redemption Price or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee shall, at the respective maturity or redemption dates thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph under this heading.

Defeasance of Bonds.

All or any portion of the Outstanding Bonds or Bond Payments shall be deemed to have been paid (referred to as "defeased") prior to their maturity or redemption if: (i) the defeased Bonds are to be redeemed prior to their maturity, an Authorized Bank Officer has irrevocably instructed the Trustee to give notice of redemption of such Bonds in accordance with the General Resolution and any applicable Series Resolution; (ii)

there has been deposited in trust in a Defeasance Escrow Account either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited into or held in the Defeasance Escrow Account, shall be sufficient to pay when due the Bond Payments or Redemption Price, as applicable, due and to become due on the defeased Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and (iii) a certified public accountant or other nationally recognized expert respecting verification of escrows has delivered a verification report verifying the deposit described in clause (ii) of this heading.

The Defeasance Securities and moneys deposited in a Defeasance Escrow Account and the principal and interest payments on such Defeasance Securities shall not be withdrawn or used for any purpose other than, and shall be held in trust solely for, the payment of the Bond Payments on and Redemption Price of the defeased Bonds; provided, however, that (i) any moneys received from principal and interest payments on such Defeasance Securities that are not required to pay the Bond Payments on or Redemption Price of the defeased Bonds on the date of receipt may, to the extent practicable, be reinvested in Defeasance Securities maturing at the times and in amounts sufficient to pay when due the Bond Payments on and Redemption Price to become due on the defeased Bonds on or prior to the redemption date or maturity date thereof, as the case may be; and (ii) any moneys or Defeasance Securities may be withdrawn from a Defeasance Escrow Account if (A) the moneys and Defeasance Securities that are on deposit in the Defeasance Escrow Account, including any moneys or Defeasance Securities that are substituted for the moneys or Defeasance Securities that are withdrawn from the Defeasance Escrow Account, satisfy the conditions set forth above, (B) a verification report is delivered that complies with the General Resolution and (C) an opinion of Bond Counsel is delivered to the effect that such withdrawal or substitution complies with the defeasance provisions of the General Resolution and will not of itself adversely affect the federal tax status of interest on either the related Refunding Bonds or the Tax-Exempt Bonds being refunded.

Any Bonds that are defeased as provided above shall no longer be secured by or entitled to any right, title or interest in or to the Trust Estate, and the Bond Payments on and Redemption Price thereof shall be paid solely from the Defeasance Securities and money held in the Defeasance Escrow Account.

Defeasance of Less than all Bonds of a Particular Series or Maturity.

If less than all the Bonds of any particular Series, any particular maturity of any Series or any particular interest rate within a maturity of a Series are defeased, the Trustee shall institute or cause to be instituted a system to preserve the identity of the individual Bonds or portions thereof that are defeased, regardless of changes in Bond numbers attributable to transfers and exchanges of Bonds.

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made and entered into as of October __, 2015 by and among Maine Municipal Bond Bank (the "Issuer"), the State of Maine (the "State") acting through the Treasurer of State of the State (the "Treasurer") and acting through the Maine Commissioner of the Department of Transportation ("MaineDOT") and U.S. Bank National Association, as disclosure agent (the "Disclosure Agent").

WHEREAS the Issuer has issued its \$54,680,000 principal amount Transportation Infrastructure Revenue Refunding Bonds (TransCap Program), Series 2015A (the "Bonds") pursuant to a General Bond Resolution adopted by the Issuer on September 24, 2008, as supplemented by a First Supplemental Resolution adopted on July 8, 2009 (as supplemented, the "Resolution"), and a Series Resolution adopted by the Issuer on September 30, 2015 (the "Series Resolution" and together with the Resolution, the "Resolutions") and a Certificate of Determination by an authorized officer of the Issuer; and

WHEREAS the Issuer, the State and the Disclosure Agent wish to provide for the disclosure of certain information concerning the Bonds and other matters on an ongoing basis as set forth herein for the benefit of the holders of the Bonds in accordance with the provisions of the Rule;

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Rule, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

ARTICLE I The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Underwriter in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) MaineDOT shall provide Annual Financial Information (except Audited Financial Statements) with respect to each state fiscal year: (i) with respect to the State fiscal year ending June 30, 2015, by December 30, 2015; and (ii) commencing with the State fiscal year ending June 30, 2016, within six months after the end of the respective State fiscal year, to the MSRB (with a copy to the Issuer).

(b) MaineDOT shall provide, in a timely manner, notice of any failure to provide the Annual Financial Information by the date specified in subsection 1.2 (a) above, to (i) the Issuer, (ii) the MSRB, (iii) the Treasurer, and (iv) the Disclosure Agent.

Section 1.3. Audited Financial Statements.

(a) (i) The Treasurer shall provide Audited Financial Statements with respect to each fiscal year of the State, commencing with the fiscal year ending June 30, 2015, within one year after the end of the respective fiscal year, or if not then available, when and if available, to the MSRB (with a copy to the Issuer).

(ii) The Treasurer shall provide, in a timely manner, notice of any failure to provide the Audited Financial Statements by the date specified in subsection 1.3 (a) (i) above, to (A) the Issuer, (B) the MSRB, (C) MaineDOT, and (D) the Disclosure Agent.

(b) (i) The Issuer shall provide Audited Financial Statements with respect to each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2015, within one year after the end of the respective fiscal year, or if not then available, when and if available, to the MSRB.

(ii) The Issuer shall provide, in a timely manner, notice of any failure to provide the Audited Financial Statements by the date specified in subsection 1.3 (b) (i) above, to (A) MaineDOT, (B) the MSRB, (C) the Treasurer, and (D) the Disclosure Agent.

Section 1.4. Notice Event Notice. (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of nine (9) Business Days after the occurrence of such Notice Event, notice of such Notice Event to the Disclosure Agent. The Disclosure Agent shall provide such notice from the Issuer (simultaneously with a copy to the Issuer) to the MSRB within one Business Day after receipt by the Disclosure Agent.

(b) Any notice of a defeasance of Bonds shall state whether funds sufficient for the payment of the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Disclosure Agent shall promptly advise the Issuer whenever, in the course of performing its duties as Disclosure Agent under the Resolutions, the Disclosure Agent has actual notice of an occurrence that, if material, would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Disclosure Agent so to advise the Issuer shall not constitute a breach by the Disclosure Agent of any of its duties and responsibilities under this Agreement or the Resolutions.

Section 1.5. Additional Disclosure Obligations. Each of the Treasurer, MaineDOT and the Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, additional disclosures or other action may be required to enable the Issuer to fully discharge all of its duties and obligations under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer, the Treasurer or MaineDOT from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of a Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer, the Treasurer or MaineDOT chooses to do so, none of the Issuer, the Treasurer or MaineDOT shall have any obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.7. No Previous Non-Compliance. The Issuer represents that, except as disclosed in the Official Statement, in the previous five years, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule. The Treasurer represents that, except as disclosed in the Official Statement, in the previous five years, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule. MaineDOT represents that, except as disclosed in the Official Statement, in the previous five years, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of either Section 1.2 or Section 1.3 hereof if the Treasurer, MaineDOT or the Issuer, as applicable, provides Annual Financial Information by specific reference to documents (1) available to the public on the MSRB Internet

Web site (currently, www.emma.msrb.org) or (2) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time. Each of the Treasurer, MaineDOT and the Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Treasurer, MaineDOT or the Issuer under this Agreement, and revoke or modify any such designation. As of the date of this Agreement, each of MaineDOT and the Issuer hereby designate the Disclosure Agent as their respective agents for filings of Annual Financial Information required under this Agreement (and notices of failure to provide the Annual Financial Information by the date specified under this Agreement and notice of change in State fiscal year) and the Disclosure Agent hereby accepts such appointments. MaineDOT and the Issuer agree to deliver such Annual Financial Information to the Disclosure Agent not less than ten business days prior to the due date set forth in Section 1.2(a) or 1.3(a), as applicable, of this Agreement. The Disclosure Agent shall provide notice in writing to MaineDOT and the Issuer that such Annual Financial Information is required to be provided by such date, at least five (5) business days, but not more than ten (10) business days in advance of the date set forth in the preceding sentence. The Disclosure Agent agrees to file (i) notices with such Annual Financial Information and notices of change in State fiscal year with the MSRB within five (5) business days of delivery by MaineDOT or the Issuer, as applicable, and (ii) notices of failure to deliver Annual Financial Information by the date specified in Section 1.2(a) or 1.3(a), as applicable, of this Agreement with the MSRB within two (2) business days of delivery by MaineDOT or the Issuer, as applicable.

Section 2.3. Notice Event Notices. Each notice of a Notice Event hereunder shall be captioned "Notice of Notice Event" and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org, and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The State's current fiscal year is July 1 – June 30, and the Treasurer shall notify the MSRB and the Disclosure Agent in writing within five (5) business days of each change in the State's fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment or Enforcement

Section 3.1. Effective Date, Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Treasurer's, MaineDOT's or the Issuer's and the Disclosure Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that (1) the Issuer delivers to the Disclosure Agent an opinion of Counsel, addressed to the Treasurer, MaineDOT or the Issuer and the Disclosure Agent, to the effect that those portions of the Rule that require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Disclosure

Agent delivers copies of such opinion to the MSRB. The Disclosure Agent shall so deliver such opinion within one Business Day after receipt by the Disclosure Agent.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules, regulations or other official pronouncements) or in interpretations thereof (including no-action positions), or a change in the identity, nature, operations or status of the Treasurer, MaineDOT or the Issuer, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Disclosure Agent an opinion of Counsel, addressed to the Treasurer, MaineDOT or the Issuer and the Disclosure Agent, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Disclosure Agent, an opinion of Counsel unaffiliated with the Treasurer, MaineDOT or the Issuer (such as bond counsel) and acceptable to the Treasurer, MaineDOT and the Issuer, addressed to the Treasurer, MaineDOT, the Issuer and the Disclosure Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to Section 9.02 of the Resolution as in effect on the date of this Agreement, and (5) the Disclosure Agent shall have delivered copies of such opinion(s) and amendment to the MSRB. The Disclosure Agent shall so deliver such opinion(s) and amendment within one Business Day after receipt of the Disclosure Agent.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement, which is applicable to this Agreement, (2) the Issuer shall have delivered to the Disclosure Agent an opinion of Counsel, addressed to the Treasurer, MaineDOT, the Issuer and the Disclosure Agent, to the effect that performance by the Treasurer, MaineDOT, the Issuer and the Disclosure Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Agent shall have delivered copies of such opinion and amendment to the MSRB. The Disclosure Agent shall so deliver such opinion and amendment within one Business Day after receipt by the Disclosure Agent.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the State in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in accounting principles on the presentation of the financial information.

(e) The Disclosure Agent shall not be required to accept or acknowledge any amendment of this Agreement if the amendment adversely affects its rights or immunities or increases its duties hereunder.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Bonds for purposes of Section 3.3(b) hereof. The provisions of this

Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Treasurer, MaineDOT and the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Disclosure Agent on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Disclosure Agent on behalf of the holders of Outstanding Bonds; provided, however, that the Disclosure Agent shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Disclosure Agent with security and indemnity reasonably satisfactory to it. The holders' and Disclosure Agent's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the obligations of the Treasurer, MaineDOT or the Issuer under this Agreement. Neither any holder of the Bonds nor the Disclosure Agent may institute any suit, action or proceeding at law or in equity involving the Treasurer, MaineDOT or the Issuer, as applicable (a "Proceeding"), as provided in this Section 3.3 unless such holder or the Disclosure Agent, as the case may be, shall have filed with the Treasurer and the Attorney General a written request to cure such breach, and the Treasurer, MaineDOT or the Issuer, as applicable, shall have refused or failed to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. Proceedings filed by the Disclosure Agent, holders or beneficial owners against the Treasurer or MaineDOT may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the Treasurer or MaineDOT or of any order of specific performance that may be granted against the Treasurer or MaineDOT.

(c) Any failure by the Treasurer, MaineDOT, the Issuer or the Disclosure Agent to perform in accordance with this Agreement shall not constitute a default or an event of default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an event of default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted only in a State court of competent jurisdiction located in the City of Augusta, Maine for the equal benefit of all beneficial owners of the Outstanding Bonds; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data listed in Exhibit B with respect to the relevant fiscal year and (ii) the information regarding amendments to this Agreement required pursuant to Section 3.2(c) and (d) of this Agreement. If any information described in Exhibit B can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the MaineDOT under Section 1.2 with respect thereto, provided however that the MaineDOT shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

(2) “Audited Financial Statements” means, (i) with respect to the State, the annual financial statements, if any, of the State, and (ii) with respect to the Issuer, the annual financial statements, if any, of the Issuer, each audited by such auditor(s) as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP. If Audited Financial Statements are not available, then “Audited Financial Statements” mean Unaudited Financial Statements.

(3) “Commissioner” means the Commissioner of the State of Maine Department of Transportation.

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

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement. Filing information relating to the MSRB is set forth in Exhibit A hereto.

(7) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Issuer, the State or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer or the State;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the State or the sale of all or substantially all of the assets of the Issuer or the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer or the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer or the State 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 or the State;

(8) "Official Statement" means the "final official statement," of the Issuer dated as of October 6, 2015 with respect to the Bonds, as otherwise defined in paragraph (f)(3) of the Rule.

(9) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement that are applicable to this Agreement.

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

(11) "Treasurer" means the Treasurer of State of the State of Maine.

(12) "Unaudited Financial Statements" have the same meaning as Audited Financial Statements, except that they shall not have been audited.

(13) "Underwriter" means Wells Fargo Bank, National Association and Merrill Lynch, Pierce Fenner and Smith Incorporated.

Section 4.2. Other Capitalized Terms. Any capitalized term used in this Agreement which is not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof.

ARTICLE V Miscellaneous

Section 5.1. Responsibilities of Disclosure Agent. This Agreement governs the Issuer's and the State's directions to the Disclosure Agent, with respect to information to be made public. In their respective actions under this Agreement, the Disclosure Agent is acting as the Issuer's or the State's agent, as applicable. The Issuer shall pay or reimburse the Disclosure Agent for its fees and expenses for the Disclosure Agent's services rendered in accordance with this Agreement, but only in accordance with the existing fee, expense and service arrangements between the Issuer and U.S. Bank National Association under the Resolution. In addition to any and all rights of the Disclosure Agent to reimbursement, indemnification and other rights pursuant to the Rule or under law or equity, the Issuer shall indemnify and hold harmless the Disclosure Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Disclosure Agent's performance under this Agreement; provided that the Issuer shall not be required to indemnify the Disclosure Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct, default or negligence of the Disclosure Agent in such disclosure of information hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Agent and payment of the Bonds. The Disclosure Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the State, the holders of the Bond or any other party. The Disclosure Agent, with the prior written consent of the Issuer and the State in each instance, may from time to time designate an agent to act on its behalf in providing or filing notices,

documents and information as required of the Issuer or the State under this Agreement, and revoke or modify any such designation.

Section 5.2. Means of Making Information Public.

(a) Information shall be deemed to be made public by the Issuer, the State or the Disclosure Agent under this Agreement if it is transmitted as provided in subsection (E)(2) of this Section 2 by the following means:

- (1) to the holders of the Bonds, by the method prescribed by the Rule;
- (2) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB (a description of such format and information as presently prescribed by the MSRB is included in Exhibit A hereto); and/or;
- (3) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer, the State or the Disclosure Agent is authorized to transmit information to the SEC by whatever means are mutually acceptable to the Disclosure Agent, the Issuer or the State, as applicable, and the SEC.

(b) Information shall be transmitted to the following:

- (1) information to be provided to the public in accordance with subsection (B) of this Section 2 shall be transmitted to the MSRB;
- (2) all information described in clause (a) shall be made available to any holders of the Bonds upon request, but need not be transmitted to the holders of the Bonds who do not so request; and
- (3) to the extent the State is obligated to file any Annual Financial Information with the MSRB pursuant to this Agreement, such Annual Financial Information may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

(c) With respect to requests for periodic or occurrence information from holders of the Bonds, the Disclosure Agent may require payment by requesting of holders a reasonable charge for duplication and transmission of the information and for the Disclosure Agent's administrative expenses incurred in providing the information.

(d) Nothing in this Agreement shall be construed to require the Disclosure Agent to interpret or provide an opinion concerning the information made public. If the Disclosure Agent receives a request for an interpretation or opinion, the Disclosure Agent may refer such request to the Issuer or the State, as applicable with respect to pertinence to such request for information, for response.

(e) The Disclosure Agent shall have no obligation to make disclosure about the Bonds except as expressly provided herein. The fact that the Disclosure Agent or any affiliate thereof may have any fiduciary or banking relationship with the Issuer or the State, apart from the relationship created by the Rule, shall not be construed to mean that the Disclosure Agent has actual knowledge of any event or condition except as may be provided by written notice from the Issuer, the Commissioner or the Treasurer.

Section 5.3. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: Maine Municipal Bond Bank
127 Community Drive
Augusta, Maine 04338-2268
Telephone: (207) 622-9386
Fax: (207) 623-5359
Attention: Executive Director

To the State: Treasurer of the State
39 State House Station
Burton M. Cross Office Building, 3rd Floor
111 Sewall Street
Augusta, Maine 04333-0039
Telephone: (207) 624-7477
Fax: (207) 287-2367
Attention: Treasurer of State

With a copy to: Maine Department of Transportation
16 State House Station
Augusta, Maine 04333-0016
Telephone: (207) 624-3202
Fax: (201) 624-3201
Attn: Director, Finance and Administration

To the Disclosure Agent: U.S. Bank National Association
Corporate Trust Services
One Federal Street
Boston, Massachusetts 02110
Telephone: (617) 603-6588
Fax: (617) 603-6670
Attention: Jesse Yuen

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 5.4. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

STATE OF MAINE, acting through its Treasurer
of State

By: _____
Teresea Hayes
Treasurer of State

STATE OF MAINE, acting through the Maine
Department of Transportation

By: _____
David B. Bernhardt, P.E.
Commissioner
Department of Transportation

MAINE MUNICIPAL BOND BANK

By: _____
Michael R. Goodwin
Executive Director

U.S. BANK NATIONAL ASSOCIATION
as Disclosure Agent

By: _____
An Authorized Representative

EXHIBIT A
to Continuing Disclosure Agreement

Filing information relating to the Municipal Securities Rulemaking Board:

Municipal Securities Rulemaking Board
<http://emma.msrb.org>

EXHIBIT B
to Continuing Disclosure Agreement

CONTENTS OF ANNUAL FINANCIAL INFORMATION

The Annual Financial Information shall contain the following with respect to the prior fiscal year:

1. Audited Financial Statements of the State.
2. Audited Financial Statements of the Issuer.
3. An update of the type of quantitative information included in the below-listed sections or tables in the Official Statement:
 - a. Historical Amounts Credited to the Highway Fund (p. 4);
 - b. "Sources of Funding for Current Highway System Capital Plan" (pp. 5-6);
 - c. "Summary of Revenue Dedicated to the TransCap Fund" (p. 7);
 - d. "Memorandum of Agreement" (p. 15)
 - e. "Motor Fuel Tax Revenue - *Gasoline Tax*" and "*Special Fuel Tax*" (pp. 17-18)
 - f. History of Gallonage and Revenue from Gasoline Tax (p. 19);
 - g. History of Gallonage and Revenue from Special Fuel Tax (p. 19);
 - h. "Registration Fees," including History of Vehicle Registrations and Revenue (pp. 21-22);
 - i. "Title Fees," including History of Title Fees and Revenue (pp. 22-23);
 - j. "Vanity Plate Fees," including History of Vanity Plate Registrations and Revenue (pp. 23-24); and
 - k. "Dedicated Highway Fund Amounts," including History of Funding of Bureau of State Police (pp. 24-25).

APPENDIX D

CONTINUING DISCLOSURE HISTORY

Except as set forth below, neither the State nor the Bank has ever failed to comply in all material respects with any previous continuing disclosure undertaking with respect to the Rule to provide annual financial information or notices of certain events.

Maine Municipal Bond Bank. The Bank has issued its Grant Anticipation Bonds (Maine Department of Transportation) (the “GARVEE Bonds”) Series 2004A, Series 2008A, Series 2010A, Series 2010B and Series 2014A and, in connection with the GARVEE Bonds, has entered into substantially similar continuing disclosure agreements with the trustee for the GARVEE Bonds and the State, acting by and through the Treasurer of State and the MaineDOT. On November 14, 2012, Moody’s downgraded the GARVEE Bonds and on November 15, 2012 the Bank filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notice of such downgrade but did not associate such filing with all of the CUSIP numbers to which such continuing disclosure agreements apply. On August 13, 2013, the Bank made a supplemental filing on EMMA to associate the November 15, 2012 notice with all of the CUSIP numbers to which such continuing disclosure agreements apply.

State of Maine. The State has provided continuing disclosure undertakings with respect to its general obligation bonds issued from time to time and with respect to certain bonds issued from time to time by the Maine Governmental Facilities Authority and agreed therein to provide audited financial statements and annual financial information and operating data within one year after the end of the State Fiscal Years. In order to fulfill such continuing disclosure undertakings, it has been the State’s practice to post its official statements with respect to its general obligation bonds on the MSRB’s Electronic Municipal Markets Access website (“EMMA”) and to associate such official statements with CUSIP numbers to which such continuing disclosure undertakings apply. On June 5, 2012, the State’s official statement dated May 31, 2012, which included annual financial information and operating data for the fiscal year ended June 30, 2011 (“FY2011 Annual Financial Information”), was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013, a corrective filing was made with respect to the FY2011 Annual Financial Information. In addition, the State has determined that while its annual financial information and audited financial statements were filed with EMMA in a timely manner each year, such filings were not specifically associated with the Maine Governmental Facilities Authority bonds CUSIP numbers to which its continuing disclosure undertakings apply. On August 19, 2013, the State made a corrective filing with respect to its annual financial information and audited financial statements for the years ended June 30, 2008 through 2012. On June 18, 2014, the State’s official statement dated June 12, 2014, which included annual financial information and operating data for the fiscal year ended June 30, 2013 (“FY2013 Annual Financial Information”), was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which the State’s continuing disclosure undertakings apply. On July 14, 2014, a corrective filing was posted on EMMA with respect to the FY2013 Annual Financial Information.

With respect to the GARVEE Bonds, in or about July, 2012, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure undertaking to post on EMMA within three months after the end of each federal fiscal year annual financial information and operating data with respect to federal highway apportionments, obligation authority and reimbursement receipts available for payments of the GARVEE Bonds. Such information for the federal fiscal years ended September 30, 2011 and 2012 was posted on EMMA on July 9, 2012 and January 8, 2013, respectively. Such information for the federal fiscal years ended September 30, 2013 and 2014 was posted on EMMA on January 9, 2015.

With respect to the Outstanding Bonds, the Bank has entered into substantially similar continuing disclosure agreements with the trustee for the Outstanding Bonds and the State, acting by and through the Treasurer of State and the MaineDOT. Before the issuance of the Series 2011A Bonds, it was determined that

MaineDOT had not complied in a timely fashion with its undertakings to file certain annual financial information pursuant to continuing disclosure agreements pertaining to the Series 2008A Bonds, the Series 2009A Bonds and the Series 2009B Bonds. On November 3, 2011, MaineDOT made filings that fulfilled all previously unmet continuing disclosure undertakings related to the Series 2008A Bonds, the Series 2009A Bonds and the Series 2009B Bonds and MaineDOT advised the Bank that it had implemented procedures that MaineDOT believed to be adequate to assure timely filing of information sufficient to comply with its continuing disclosure undertakings with respect to the Outstanding Bonds. With respect to the December 30, 2012 filing deadline, certain financial information was posted on EMMA April 1, 2013. Audited financial statements of the State required to be filed by June 30 of each State Fiscal Year for each State Fiscal Year ended the prior June 30 were posted on EMMA in a timely manner but certain filings were not specifically associated with CUSIP numbers assigned to the Outstanding Bonds to which such continuing disclosure undertakings apply. On August 16, 2013, the State made a corrective filing with respect to those financial statements for the State Fiscal Years 2009 through 2012. With respect to the December 30, 2013 filing deadline, certain financial information was posted on EMMA on January 13, 2014. With respect to the Outstanding Bonds, in or about September, 2015, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure undertaking to post on EMMA within six months after the end of each State Fiscal Year annual financial information and operating data with respect to the sources of funding for the current highway system capital plan, Memorandum of Agreement, and motor fuel tax revenue. Such information for the State Fiscal Years 2012, 2013 and 2014 was posted on EMMA on September 29, 2015. In addition, a Statement of Change to Annual Financial Information Reporting Method was posted on EMMA on October 5, 2015.

APPENDIX E

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2015A Bonds, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank, proposes to issue their approving opinion in substantially the following form:

[Closing Date]

Maine Municipal Bond Bank
Augusta, Maine

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$54,680,000 Transportation Infrastructure Revenue Refunding Bonds (TransCap Program), Series 2015A (the "Series 2015A Bonds") of the Maine Municipal Bond Bank (herein called the "Bank"), a public body corporate and politic, constituted as an instrumentality of the State of Maine (the "State"), organized and existing under and pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30 A of the Maine Revised Statutes, as amended (the "Bond Bank Act"). We have also examined certificates, opinions and other documents relative to the Bonds to be Refunded as defined in the Trust Agreement hereinafter referred to) of the Bank, including a certain Trust Agreement (Series 2015A), dated as of October 1, 2015 (the "Trust Agreement") between the Bank and U.S. Bank National Association, as Trustee (the "Trustee").

The Series 2015A Bonds are issued under and pursuant to the Bond Bank Act and the Public Laws of Maine 2007, Chapter 470, adopted by the Maine Legislature in the 1st Regular Session of the 123rd Legislature, as amended ("Chapter 470"), the Public Laws of Maine 2007, Chapter 647, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature, as amended ("Chapter 647"), the Public Laws of Maine 2007, Chapter 682, adopted by the Maine Legislature in the 1st Special Session of the 123rd Legislature, as amended ("Chapter 682"), and the Public Laws of Maine 2009, Chapter 413, adopted by the Maine Legislature in the 1st Regular Session of the 124th Legislature ("Chapter 413" and, together with Chapter 470, Chapter 647, Chapter 682 and the Bond Bank Act, the "Act") and under and pursuant to the general bond resolution of the Bank entitled: "General Bond Resolution Authorizing the Issuance of Transportation Infrastructure Revenue Bonds (TransCap Program)," adopted September 24, 2008, as amended by a First Supplemental Resolution adopted July 8, 2009 (collectively, the "General Bond Resolution"), the series resolution of the Bank entitled: "A Series Resolution Authorizing the Issuance of Transportation Infrastructure Revenue Refunding Bonds (TransCap Program), Series 2015A of the Maine Municipal Bond Bank," adopted September 30, 2015 (the "Series 2015A Resolution"), and a Certificate of Determination by an authorized officer of the Bank (the "Certificate of Determination"). The General Bond Resolution and the Series 2015A Resolution are herein sometimes collectively referred to as the "Resolutions."

Chapter 470 establishes a TransCap Trust Fund (the "TransCap Fund") within the custody of the Bank to provide transportation capital investment in accordance with the Act. The Bank, the Maine Department of Transportation ("MaineDOT"), the Treasurer of State of the State of Maine (the "Treasurer of State") and the Maine Department of Administrative and Financial Services, Office of the State Controller have entered into a Memorandum of Agreement, dated as of September 24, 2008, which provides, among other things, for transfers to be made by the State Controller of amounts required to be transferred to the TransCap Fund pursuant to Chapter 682, and by the Treasurer of State of amounts required to be deposited in the TransCap Fund pursuant to Chapter 647. Such transfers and deposits may be subject to annual allocation by the State.

The Series 2015A Bonds are dated, mature on the dates and in the principal amounts, bear interest and are payable, all as provided in the Resolutions and Certificate of Determination.

The Series 2015A Bonds are issuable in fully registered form without coupons in the denomination of \$5,000 each or any integral whole multiple thereof. The Series 2015A Bonds are lettered AR. The Series 2015A Bonds shall be numbered separately from one (1) upwards.

Pursuant to the General Bond Resolution, the Bank is authorized to issue additional series of bonds from time to time upon the terms and conditions therein set forth and, except as provided in the General Bond Resolution and the applicable Series Resolution, any such bonds will be on a parity as to security and payment from the Trust Estate with the Series 2015A Bonds and all other bonds issued and to be issued pursuant to the General Bond Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015A Bonds in order that interest on the Series 2015A Bonds be and remain excluded from gross income under Section 103 of the Code. Noncompliance with such requirements may cause interest on the Series 2015A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Bank and MaineDOT have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2015A Bonds from gross income under Section 103 of the Code.

In rendering the opinions set forth in numbered paragraph five (5) below, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Bank and MaineDOT in connection with the Series 2015A Bonds and the Bonds to be Refunded, and we have assumed compliance by the Bank and MaineDOT with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2015A Bonds from gross income under Section 103 of the Code.

We are of the opinion that:

1. The Bank has been duly created and validly exists as a public body corporate and politic, constituted as an instrumentality of the State, under and pursuant to the laws of the State (including the Act as amended to the date hereof), with good right and power to adopt the Resolutions, which have been duly and lawfully adopted by the Bank, are in full force and effect and are valid and binding upon the Bank and enforceable in accordance with their terms, and no other authorization for the Resolutions is required. The General Bond Resolution creates the valid pledge of and lien upon the Trust Estate (as defined in the General Bond Resolution), subject to the terms of the General Bond Resolution.

2. The Series 2015A Bonds are valid and binding special, limited obligations of the Bank payable solely from the Trust Estate and have been duly authorized and issued in accordance with the Act and the Resolutions.

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

4. The Series 2015A Bonds are not in any way a debt or liability of the State nor do they constitute a loan of the credit of the State or create any debt or liability on behalf of the State or a pledge of the faith and credit of the State. The Series 2015A Bonds are payable solely from the sources pledged for that purpose by the Bank and neither the faith and credit nor the taxing power of the State is pledged to the payment of the Series 2015A Bonds.

5. Under existing statutes and court decisions: (i) interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code; and (ii) interest on the Series 2015A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Under existing statutes, interest on the Series 2015A Bonds is exempt from the State of Maine income tax imposed on individuals.

6. The Bonds to be Refunded have been paid within the meaning and with the effect expressed in the Resolutions, and the covenants, agreements and other obligations of the Bank to the holders of the Bonds to be Refunded have been discharged and satisfied. In rendering the opinion set forth in this paragraph 6, we have relied upon the verification by American Municipal Tax-Exempt Compliance Corp., Avon, Connecticut, a tax compliance specialty firm, relating to the accuracy of the mathematical computations as to the adequacy of the maturing principal of and interest to be earned on the direct general obligations of the United States of America purchased with the proceeds of the Series 2015A Bonds, together with the moneys on deposit with such obligations, to provide for the payment when due of the principal or redemption price of and interest due and to become due on the Bonds to be Refunded to the maturity or first optional redemption date thereof, as the case may be.

The opinions expressed in numbered paragraphs one (1), two (2) and three (3) above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as stated in numbered paragraph five (5) above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Series 2015A Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves (if such opinion of other counsel shall have been given without consultation with us or after consultation with us and to which we shall not concur) on the exclusion from gross income for Federal income tax purposes of interest on the Series 2015A Bonds, or the exclusion of interest on the Series 2015A Bonds under the State of Maine income tax imposed on individuals.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2015A Bonds and express herein no opinion relating thereto.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. We are rendering this opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever.

We have examined an executed Series 2015A Bond numbered AR-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

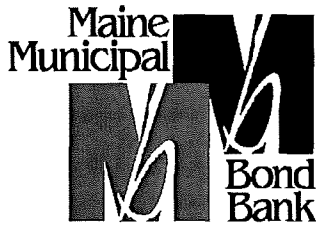
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MAINE MUNICIPAL BOND BANK **LIQUOR BOND SUMMARY**

In September of 2013 the Bond Bank sold \$220,660,000 in bonds on behalf of the State of Maine for the purpose of making payments to health care providers for services provided prior to December 1, 2012 under the MaineCare program established 22 MRSA subsection 3172. The outstanding balance of these bonds as of October 6, 2015 was \$201,000,000.

The Maine Liquor Operation Revenue Bond Program authorized up to \$183.5 million in net proceeds net of required reserves from the issuance of revenue bonds. Approximately \$183,481,860 was deposited directly into the Health Care Liability Retirement Fund. The use of proceeds were to retire the State's share of its Medicaid related liability to 39 hospitals statewide. This action triggered the release of \$306 million in additional Federal funds, fully retiring the State's liability to the hospitals.

The Memorandum of Agreement between the Bond Bank, State Department of Administration and Financial Services, and the Office of the State Controller governs transfer of liquor contract revenues for payment of debt service. It also governs the release of surplus contract revenues for additional State programs including Safe Drinking Water, Clean Water and Department of Transportation, General Fund, and Budget Stabilization Fund.

The bonds are secured by pledged revenues from the operating profits (net receipts) from the State liquor operations contract. Additional security is also from the State's moral obligation pledge. These pledged revenues are transferred by the State Controller monthly to the designed revenue account held by the Trustee. The pledged revenues are sequestered in the fund until annual debt service payment is made. No legislative authorization for additional bonds exist at this time.

MAINE LIQUOR OPERATION AGREEMENT

Relating to State Liquor Operation Revenue Bonds

This Maine Liquor Operation Agreement (the **"State Liquor Agreement"**) is entered into as of August 21, 2013 by and among the Maine Municipal Bond Bank (the **"Bank"**) and the State of Maine, acting by and through the Commissioner of the Maine Department of Administrative and Financial Services (**"AFS"**).

WHEREAS, the Bank has full power pursuant to Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended from time to time (the **"Bond Bank Act"**) to issue negotiable revenue bonds or other obligations payable solely out of the revenues described in the Bond Bank Act and other applicable law and solely for the purposes and subject to the limitations set forth in the Bond Bank Act and such other applicable law; and

WHEREAS, Title 28-A of the Maine Revised Statutes (the **"State Liquor Law"**) establishes a comprehensive program of State control and regulation of liquor wholesaling, distribution and retailing within the State; and

WHEREAS, pursuant to Public Laws of Maine 2013, Chapter 269, effective June 14, 2013 (the **"2013 Program Act"**), a new Subchapter 5 (**"Subchapter 5"**) is established within the Bond Bank Act and certain amendments were made to the State Liquor Law; and

WHEREAS, Subchapter 5 establishes in the custody of the Bank a special non-lapsing fund designated the Liquor Operation Revenue Fund (the **"Liquor Operation Revenue Fund"**) to pay amounts due with respect to bonds authorized by the 2013 Program Act that are issued by the Bank and any ancillary obligations related thereto, and to make certain other specified transfers; and

WHEREAS, amounts received pursuant to Section 90 of the State Liquor Law and certain other amounts made available for deposit in the Liquor Operation Revenue Fund pursuant to the 2013 Program Act are required to be deposited in the Liquor Operation Revenue Fund held by the Bank; and

WHEREAS, Section 90 of the State Liquor Law authorizes and directs the Commissioner of AFS to, among other things, enter into a contract (an **"Operating Contract"**) with an entity (a **"Contract Operator"**) for warehousing, distribution and spirits administration (the **"Administration Agreement"**) and a contract with an entity (also a **"Contract Operator"**) for spirits trade marketing (the **"Marketing Agreement"**) and, together with any other Operating Contract, the **"Operating Contracts"**); and

WHEREAS, spirits administration includes, among other things, management of billing, of accounts receivable and accounts payable; and

WHEREAS, the Contract Operator will be acting in the capacity of an agent of the State with respect to collection of and the payment of certain amounts when due; and

WHEREAS, amounts received pursuant to Section 90 of the State Liquor Law by the State from the Contract Operator include receivables collected by the Contract Operator as agent of the State, less amounts payable by the Contract Operator as agent of the State and less certain administrative expenses of the State (including fees paid by the Commissioner of AFS to the Contract Operator under an Operating Contract); and

WHEREAS, Subchapter 5 grants to the Bank express authority to issue bonds from time to time in amounts up to \$183,500,000 plus financing costs for the purpose of retiring amounts determined by the State Controller to be owed by the State to health care providers and secured by, among other things, amounts in the Liquor Operation Revenue Fund; and

WHEREAS, the 2013 Program Act authorizes the State, including any department, commission, agency or other instrumentality of the State, to enter into an agreement, contract or other arrangement with the Bank in connection with the issuance of Liquor Operation Revenue Bonds, and the State Liquor Agreement is authorized and entered into pursuant to such authority; and

WHEREAS, this State Liquor Agreement is being entered into pursuant to the 2013 Program Act in connection with the issuance of Bonds by the Bank that are authorized by the 2013 Program Act; and

WHEREAS, additional State laws may be enacted, from time to time ("**Additional Liquor Revenue Bond Acts**" and, together with the 2013 Program Act, the "**Liquor Operation Revenue Bond Acts**"), to authorize the Bank to issue additional bonds secured by revenues of the Liquor Operation Revenue Fund for the purpose of financing such projects as are set forth in such State laws ("**Liquor Operation Revenue Bonds**"); and

WHEREAS, on August 21, 2013 the Bank adopted a resolution entitled "General Bond Resolution Authorizing the Issuance of State Liquor Operation Revenue Bonds (as it may be amended or supplemented from time to time, the "**2013 General Resolution**") which authorizes the Bank to issue bonds ("**Bonds**") and to pledge revenues deposited in the Liquor Operation Revenue Fund as security for the Bonds; and

WHEREAS, the 2013 General Resolution pledges as security for the Bonds various revenues required by the 2013 Program Act to be deposited in the Liquor Operation Revenue Fund (the "**Pledged Revenues**") and other security included in the Trust Estate as so defined in the 2013 General Resolution (together with the Pledged Revenues, the "**Trust Estate**");

WHEREAS, on August 21, 2013 the Bank adopted a resolution entitled "Liquor Operation Revenue Bonds Series 2013A Series Resolution" (the "**Series 2013A Resolution**") authorizing the issuance of a series of bonds pursuant to the 2013 General Resolution, to be secured under the 2013 General Resolution and payable from the Pledged Revenues and the Trust Estate (the "**Series 2013A Bonds**"); and

WHEREAS, in order to facilitate transfers of amounts that will comprise the Pledged Revenues to the Bank for deposit in the Liquor Operation Revenue Fund, and to ensure that such Pledged Revenues are available to the Bank on a timely basis to be deposited in the Liquor

Operation Revenue Fund so that the Bank can make transfers to the Trustee in amounts and at times sufficient to make payments of principal of, interest on and sinking fund payments on the Bonds, when due, to make other payments required under the 2013 General Resolution, and to pay other program expenses, the parties hereto are entering into this State Liquor Agreement for the benefit from time to time of parties hereto, the Trustee, the holders of Bonds and other persons benefiting from the lien established by the 2013 General Resolution on the Trust Estate;

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. All capitalized terms contained herein shall have the meanings as ascribed to them in the 2013 General Resolution, provided that the following terms shall have the following meanings:

"Administration Agreement" means an Operating Contract for warehousing, distribution and spirits administration.

"AFS" means the State of Maine Department of Administrative and Financial Services.

"AFS Administrative Expenses" means costs incurred by AFS (without duplication of costs incurred by BABLO, which is within AFS) in administering the Operating Contracts.

"BABLO" means the State of Maine Bureau of Alcoholic Beverages and Lottery Operations within AFS.

"BABLO Administrative Expenses" means costs incurred by BABLO in administering the Operating Contracts, including costs of enforcement and providing administrative assistance to the Bank in implementing and maintaining the financing program established by the 2013 General Resolution and any Supplemental Resolution or Series Resolution. AFS Administrative Expenses are included in BABLO Administrative Expenses.

"Bank Administrative Expenses" means costs incurred by the Bank in administering the Liquor Operation Revenue Fund and the Bonds, including collecting the Revenues authorized or required to be deposited in the Liquor Operation Revenue Fund and implementing and maintaining the financing program established by the 2013 General Resolution and any Supplemental Resolution or Series Resolution, and including the fees and expenses of the Bank set forth in this State Liquor Agreement, the Program Act and the Bond Bank Act.

"Commissioner of AFS" means the Commissioner of AFS and his or her successors, assigns and designees.

"Contract Operator" means an entity that has entered into an Operating Contract with the Commissioner of AFS pursuant to Section 90 of the State Liquor Law.

"Fiscal Year" means the State's fiscal year, which is the period beginning on July 1 in any year and ending on June 30 in the following year.

"Gross Receipts" means all receipts derived by the Commissioner of AFS pursuant to 28-A MRSA Section 90, with no deduction or offset for Operating Contract Expenses, BABLO Administrative Expenses or AFS Administrative Expenses. Gross Receipts include Liquor Excise Taxes.

"Liquor Excise Taxes" means any excise or similar taxes imposed under State law with respect to the purchase or sale of alcoholic products within the State.

"Liquor Product and Marketing Expenses" means amounts paid or payable to distillers and other providers of alcohol products to the State, for advertising and other marketing costs of State Liquor Operations that are administered pursuant to an Operating Contract but are not paid for by a Contract Operator with corporate funds as part of its scope of services.

"Marketing Agreement" means an Operating Contract for spirits trade marketing.

"MRSA" means the Maine Revised Statutes Annotated.

"Net Receipts" means Gross Receipts derived by the State pursuant to 28-A MRSA Section 90, less BABLO Administrative Expenses, Operating Contract Expenses, Liquor Product and Marketing Expenses, and Liquor Excise Taxes.

"Net Receipts Clearing Account" means the clearing account established by the State for the deposit of Gross Receipts, payment of Operating Contract Expenses, payment of Liquor Product and Marketing Expenses, payment of BABLO Administrative Expenses and transfer of Liquor Excise Taxes.

"Operating Contract Expenses" means amounts payable or paid by AFS to a Contract Operator pursuant to an Operating Contract. Operating Contract Expenses do not include amounts that would otherwise be an obligation of BABLO that have been paid with funds of the Contract Operator and for which the Contract Operator is seeking reimbursement if such amounts have already been included in Liquor Product and Marketing Expenses.

"Operating Contract" means a contract entered into between the Commissioner of AFS pursuant to Section 90 of the State Liquor Law. There may be more than one Operating Contract.

"OSC" means the Office of the State Controller of the State of Maine.

"Spirits Administration" has the meaning set forth in Title 28-A MRSA §2, subsection 31-A.

"State Controller" means the State Controller of the State of Maine and his or her successors, assigns and designees.

"State Liquor Law" means Title 28-A of the Maine Revised Statutes, as the same may be amended from time to time.

"2013 General Resolution" means the General Bond Resolution Authorizing the Issuance of State Liquor Operation Revenue Bonds, adopted by the Bank on August 21, 2013, as such resolution may be amended and supplemented.

"Wholesale Administrator" means the entity entering into the Administration Agreement with AFS.

Section 1.2 Interpretation. BABLO is a bureau within AFS. Accordingly, all of the obligations of BABLO set forth in this State Liquor Agreement are also obligations of AFS.

ARTICLE II

OPERATING CONTRACTS

Section 2.1 Agreement to Enter Into Operating Contracts. AFS shall diligently proceed to enter into Operating Contracts procured pursuant to 28-A MRSA §90 with the winning bidder(s) meeting the award criteria set forth therein. The Operating Contracts for the operations and activities set forth in 28-A MRSA §90 shall be effective no later than July 1, 2014.

Section 2.2 Financing Related Requirements of Administration Agreement. The Administration Agreement will require that the Wholesale Administrator provide, among other things, Spirits Administration services. Such services include monitoring and reporting of spirits inventory, management of bailment records and billing, management of accounts receivable, accounts payable and tax collection and reporting. Receipts from these operations will generate Net Receipts that are required to be transferred for deposit to the Liquor Operation Revenue Fund and, upon such deposit, will be pledged as security for the Bonds. In order to enhance the security for the holders of the Bonds from time to time, and thereby provide lower costs of financing, the Administration Agreement shall expressly provide for the following:

1. All receivables from the warehousing, distribution and sale of spirits will be funds or property of the State. Payments will be deposited in the Net Receipts Clearing Account.
2. The Wholesale Administrator, in its accounts receivable/accounts payable capacity, shall be acting solely as agent of the State, and not in its individual capacity.
3. The Wholesale Administrator shall be prohibited from commingling accounts receivable and payments received as agent of the State pursuant to the Administration Agreement with any other accounts of the Wholesale Administrator in its individual or other capacity.
4. The Wholesale Administrator shall have no rights of offset or other pecuniary interest in the Net Receipts Clearing Account or the receipts collected for deposit therein.
5. Payments received in connection with liquor sales may be wired by the payor directly into the Net Receipts Clearing Account, and checks from payors for such sales delivered into the possession of the Wholesale Administrator will be deposited directly into the Net Receipts Clearing Account. Deposits into the Net Receipts Clearing Account shall be required to be made by the Wholesale Administrator within one business day following receipt.
6. The Wholesale Administrator, under the Administration Agreement, may have the right, acting as agent of the State, to direct the custodian of the Net Receipts Clearing Account to make payments to liquor distributors to whom payments are

due. The Wholesale Administrator shall not have access to funds in the Net Receipts Clearing Account for compensation to which it is entitled under the Administration Agreement, or for making direct payment of invoices payable from receipts of the liquor operations. The Wholesale Administrator may directly pay invoices payable from receipts of the liquor operations with its own funds, in which case it may submit an invoice to AFS for reimbursement from the Net Receipts Clearing Account.

7. The Wholesale Administrator, BABLO and AFS shall each be entitled to receive reports of all deposits to and payments from the Net Receipts Clearing Account.
8. AFS shall pay to the Wholesale Administrator the amounts to which the Wholesale Administrator is entitled to under the Administration Agreement (including reimbursement for payments made from the Wholesale Administrator's own funds), from the Net Receipts Clearing Account.
9. Each of AFS, BABLO, and the Bank will have the right to audit the Net Receipts Clearing Account.

Section 2.3. Enforcement of Rights and Remedies Under Operating Contracts. AFS acknowledges that the Operating Contracts are an essential element of the security for payment of amounts due with respect to holders of Bonds and other obligations secured under the 2013 General Resolution, but that neither the Bank nor the Trustee have direct rights of enforcement of the Operating Contracts. Consequently AFS agrees, for the benefit of the Bank, the Trustee and the holders of the Bonds to diligently enforce the Operating Contracts in accordance with their respective terms, and not waive material rights or remedies if, in the good faith judgment of the Bank or the Trustee, such waiver may have a material and adverse effect on the holders of the Bonds or other obligation secured under the 2013 General Resolution.

ARTICLE III

BABLO ADMINISTRATIVE AND OPERATING RESPONSIBILITIES

Section 3.1. Monthly and Annual Net Receipts Budget Projections. On or prior to May 1 in each year, commencing May 1, 2014, BABLO shall prepare and deliver to the Bank projections of Net Receipts, by month and for the full fiscal year, for the upcoming State fiscal year period from July 1 to the following June 30. Such projections shall indicate each of the following: (i) Gross Receipts, (ii) Operating Contract Expenses, (iii) Liquor Product and Marketing Expenses, (iv) BABLO Administrative Expenses, and (v) that portion of BABLO Administrative Expenses that is AFS Administrative Expenses.

Section 3.2. Monthly Performance. Within 30 days following the end of each month of operations (the end of such first month of operations being July 31, 2014), BABLO shall prepare and deliver to the Bank a report of actual performance for such month, and comparing actual performance to the projected performance.

Section 3.3. Transfers of Net Receipts to Liquor Operation Revenue Fund. Within 5 business days following the end of each month, commencing with the month ending July 31, 2014, BABLO shall transfer, or cause to be transferred, to the Bank for deposit in the Revenue Account of the Liquor Operation Revenue Fund the balance of Net Receipts held in the Net Receipts Clearing Account as of the last day of the applicable month.

Section 3.4. Transfers of Liquor Excise Taxes. Liquor Excise Taxes shall promptly be transferred by BABLO to the General Fund in accordance with applicable law. No amount comprising Liquor Excise Taxes shall be transferred to the Liquor Operation Revenue Fund.

Section 3.5 Debt Service Coverage Ratio.

(a) Definitions. The following definitions apply for this Section. For the purposes of this Section, Annual Debt Service excludes interest payable with respect to Liquor Operation Revenue Bonds that have been funded with proceeds of Liquor Operation Revenue Bonds.

1. "Consultant" means a consultant with nationally recognized expertise in liquor sales and operations approved by the Bank;
2. "Debt Service Coverage Ratio" means, with respect to any Fiscal Year, the amount of Net Receipts in such Fiscal Year divided by the Annual Debt Service for such Fiscal Year; and
3. "Minimum Debt Service Coverage Ratio" means that the amount of Net Receipts in any Fiscal Year shall be at least 1.35 times the Annual Debt Service which is to be paid in that Fiscal Year.

(b) Minimum Debt Service Coverage Ratio. BABLO agrees that at the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2015, the Debt Service Coverage Ratio for such Fiscal Year will be at least equal to the Minimum Debt Service Coverage Ratio. No later than thirty (30) days after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2015, BABLO shall provide the Trustee with a written statement setting forth its calculation of the Debt Service Coverage Ratio for that Fiscal Year.

(c) Retention of Consultant. If the Minimum Debt Service Coverage Ratio is not met in any Fiscal Year, BABLO shall retain a Consultant (the cost of which shall be a BABLO Administrative Expense) in a timely manner but in no event later than sixty (60) days after the completion of the Fiscal Year during which the Minimum Debt Service Coverage Ratio is not met, to review, analyze and make recommendations with respect to the revenues, expenses and operations of the Program, and to submit a written report to the Trustee, the Bank, and BABLO within sixty (60) days after the date of the Consultant's engagement, setting forth the Consultant's recommended actions and implementation schedule with respect to prices charged, costs incurred and operations that will produce at least an amount of Net Receipts for the then-current Fiscal Year sufficient to meet the Minimum Debt Service Coverage Ratio.

(d) Compliance with Consultant Recommendation. Unless BABLO and the Bank agree to implement an alternate plan pursuant to paragraph (e) below, BABLO shall take each action recommended by the Consultant in its report in accordance with the implementation schedule set forth in such report. BABLO will not be required to take any action that is not permitted under applicable law.

(e) Alternate Plans. As an alternate to taking the actions set forth in paragraph (d) above, BABLO may, with the approval of the Bank and within sixty (60) days after the end of the Fiscal Year in which the Minimum Debt Service Coverage Ratio was not achieved, create a plan to take such actions pursuant to an implementation schedule as BABLO may determine to increase the Debt Service Coverage Ratio for the then-current Fiscal Year, provided that the Consultant shall certify in writing that the alternate plan and implementation schedule, in its opinion, are likely to result in the achievement of the Minimum Debt Service Coverage Ratio for the then-current Fiscal Year.

(f) Compliance with Alternate Plan. If BABLO and the Bank agree to an alternate plan that is approved by the Consultant pursuant to paragraph (e) above, BABLO shall take such actions as have been set forth in the alternate plan in accordance with the implementation schedule set forth in such alternate plan.

ARTICLE IV
STATUTORILY MANDATED TRANSFERS

Section 4.1. Administration of Health Care Liability Retirement Fund. The State Controller shall, prior to or concurrently with the issuance of a Series of Bonds under the 2013 General Resolution for the purpose set forth in Title 30-A MRSA §6053, determine the amount then owed by the State to health care providers as provided by Title 22-A MRSA §216. When there is no longer any outstanding amount owed to health care providers eligible to be paid from the Health Care Liability Retirement Fund, in accordance with the Program Act, the State Controller, pursuant to Title 22-A MRSA §216, shall transfer all amounts in the Health Care Liability Retirement Fund to the Bank for deposit in the Revenue Account of the Liquor Operation Revenue Fund.

Section 4.2. Determination of Amounts Eligible for Transfer to the Safe Drinking Water Fund. On or prior to May 1 in each year, commencing in 2015, the State Controller shall determine and notify the Bank of the amount eligible to be transferred to the Safe Drinking Water Fund pursuant to Title 30-A MRSA §6054.

Section 4.3. Determination of Amounts Eligible for Transfer to the Clean Water Fund. On or prior to May 1 in each year, commencing in 2015, the State Controller shall determine and notify the Bank of the amount eligible to be transferred to the Clean Water Fund pursuant to Title 30-A MRSA §6054.

Section 4.4. Determination of Amounts Eligible for Transfer to the DOT Fund. On or prior to May 1 in each year, commencing in 2015, the State Controller shall determine and notify the Bank of the amount eligible to be transferred to the DOT Fund pursuant to Title 30-A MRSA §6054.

ARTICLE V

BANK RIGHTS AND RESPONSIBILITIES

Section 5.1. Issuance of Bonds. The Bank shall use reasonable efforts to issue Bonds from time to time upon receipt of a request from AFS to issue Bonds, specifying the principal amount of Bonds to be issued and the purpose to be financed from the proceeds of the Bonds. Issuance of Bonds shall be conditioned upon the availability of statutory authority for such issuance. The Bank's obligations under this Section shall be subject to satisfying the conditions to the issuance of Bonds set forth in the 2013 General Resolution, compliance with the 2013 Program Act, and such other conditions as the Bank, in its sole discretion, deems advisable. The parties hereto agree to provide such information, execute such certificates, make such representations and take such other actions as are reasonable or necessary, consistent with then-current municipal bond financing practices, to issue, sell and prepare disclosure documents for Bonds including continuing disclosure requirements subsequent to the issuance of Bonds.

Section 5.2. Application of Bond Proceeds. The Bank shall deposit that portion of the proceeds of Bonds issued by the Bank pursuant to the 2013 General Resolution and identified by the State Controller pursuant to Section 4.1 of this State Liquor Agreement in an account established under the 2013 General Resolution. Upon a requisition of the State Controller, the Bank shall transfer such amount or cause such amount to be transferred promptly to the Health Care Liability Retirement Fund.

Section 5.3. Fees and Expenses of the Bank. In consideration for the issuance of the Bonds by the Bank and for the Bank administering the financing during the period in which the Bonds remain Outstanding, the Bank shall have the right to reimburse itself: (i) from the proceeds of the Bonds the Bank's origination fee, (ii) from the proceeds of the Bonds, all costs of issuance incurred by the Bank in connection with the issuance of the Bonds, including underwriting fees, counsel fees, initial trustee fees, printing costs, costs of preparation, filing or recording of any legal instruments or documents, (iii) costs of the Bank associated with the administration of the Bonds and the Liquor Operation Revenue Fund, (iv) as and when the same become due, fees and expenses of the Bank payable to the Trustee and (v) as and when the same become due, other amounts required to be paid pursuant to the 2013 General Resolution. To the extent the foregoing amounts are not paid from the proceeds of Bonds, such amounts shall be payable from amounts in the Revenue Account of the Liquor Operation Revenue Fund or other amounts available for such purpose in the Trust Estate. The Bank may withdraw from the Liquor Operation Revenue Fund, from time to time, amounts sufficient to reimburse itself for costs set forth in this section, subject to such limitations as may apply under applicable law.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Amendments. The parties to this State Liquor Agreement shall enter into such amendments to this State Liquor Agreement as are agreed to by the parties from time to time to be reasonable or necessary to implement further provisions of law authorizing revenues to be deposited in or transfers to the Liquor Operation Revenue Fund, or projects eligible to be financed with revenues of the Liquor Operation Revenue Fund.

Section 6.2. Term. This State Liquor Agreement shall remain in full force and effect until such time as no Bonds remain Outstanding pursuant to the 2013 General Resolution.

Section 6.3. Trustee as Third-Party Beneficiary. The Trustee is hereby designated an intended third-party beneficiary of this State Liquor Agreement with a recognized and enforceable right to performance of its provisions, subject to such limitations on enforcement as may be set forth in the 2013 General Resolution.

Section 6.4. Failure of Parties to Perform. If any of the undersigned parties fail to perform or abide by their obligations established herein or in the 2013 General Resolution, the Trustee (subject to the limitations set forth in the 2013 General Resolution) may petition a court of competent jurisdiction to issue a mandamus order to such party failing to perform to compel specific performance thereof, or take such other actions as they deem reasonable and necessary to enforce their rights hereunder.

Section 6.5. Execution in Counterparts. This State Liquor Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which, taken together, shall constitute but one and the same instrument.

Section 6.6. Governing Law. This State Liquor Agreement shall be governed by the laws of the State.

Section 6.7. Amendments; Supplements; Termination; Non-Impairment. This State Liquor Agreement may not be amended, supplemented or terminated without the prior written consent of the parties hereto; provided, however, that, for so long as any Bonds remain Outstanding, this State Liquor Agreement shall not be amended (except for purposes permitted by Section 6.1 hereof) other than in accordance with the provisions that are applicable for amendments to the 2013 General Resolution (as if such amendment were an amendment to the 2013 General Resolution).

Section 6.8. Section Headings. Section headings contained herein are included for convenience of reference only and shall not constitute a part of this State Liquor Agreement for any other purpose.

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IN WITNESS WHEREOF, the parties hereto have executed this State Liquor Agreement by their duly authorized officers as of the date first written above.

MAINE MUNICIPAL BOND BANK

By: 

Name: Michael R. Goodwin

Title: Executive Director

**STATE OF MAINE, ACTING BY AND
THROUGH THE MAINE DEPARTMENT OF
ADMINISTRATIVE AND FINANCIAL
SERVICES**

By: _____

Name: H. Sawin Millett, Jr.

Title: Commissioner

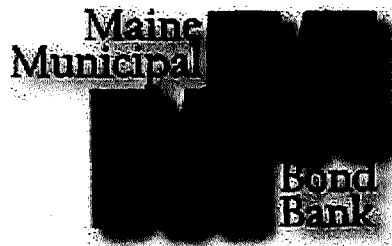
IN WITNESS WHEREOF, the parties hereto have executed this State Liquor Agreement by their duly authorized officers as of the date first written above.

MAINE MUNICIPAL BOND BANK

By: _____
Name: Michael R. Goodwin
Title: Executive Director

**STATE OF MAINE, ACTING BY AND
THROUGH THE MAINE DEPARTMENT OF
ADMINISTRATIVE AND FINANCIAL
SERVICES**

By: H. Sawin Millett Jr.
Name: H. Sawin Millett Jr.
Title: Commissioner



Rating Agency Presentation

Liquor Operation Revenue Bonds, Series 2013A (Federally Taxable)

August 2013

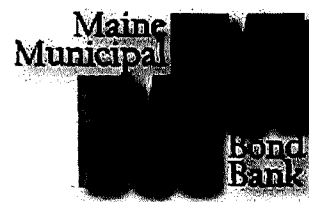
Maine Municipal Bond Bank

Table of Contents

Participants	Tab 1
Presentation Highlights	Tab 2
Maine Municipal Bond Bank Overview	Tab 3
Liquor Operation History	Tab 4
Liquor Operation Historical and Projected Financial Results	Tab 5
Liquor Operation Revenue Bond Program	Tab 6
Plan of Finance	Tab 7
Timetable	Tab 8
Summary	Tab 9
Questions	Tab 10

Participants

Tab 1



Participants

- **Maine Municipal Bond Bank**
 - Stephen R. Crockett, Chairman
 - Michael R. Goodwin, Executive Director
 - Toni Reed, Program Officer

- **Department of Administrative and Financial Services**
 - H. Sawin Millett, Commissioner

- **Bureau of Alcoholic Beverages & Lottery Operations (BABLO)**
 - Gerald Reid, Director

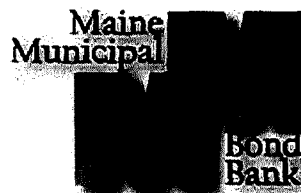
- **Office of the State Controller**
 - Terry Brann, CPA, State Controller

- **FirstSouthwest, Financial Advisor**
 - Maureen Gurghigian, Managing Director
 - Adam Krea, Vice President
 - Susan Kendall, Senior Vice President

- **Wells Fargo Securities, Senior Managing Underwriter**
 - Craig Hrinkevich, Managing Director
 - Jennifer Kirby, Associate
 - Christopher Beacham, Associate

Presentation Highlights

Tab 2

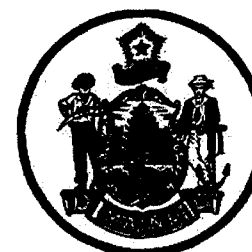
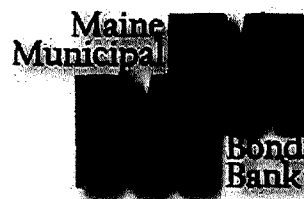


Presentation Highlights

- Pursuant to State Statute, Maine Municipal Bond Bank (the “Bank”) is authorized to issue revenue bonds to provide \$183.5 million in proceeds, net of financing costs
 - Governor’s initiative
 - Financing costs include Capital Reserve Fund, capitalized interest and costs of issuance
- Series 2013A bonds represents the initial issuance under the Liquor Operation Revenue Bond Program authorization
 - No additional issuance planned
- Credit strengths of the Liquor Operation Revenue Bonds include:
 - Memorandum of Agreement
 - Pledged revenues sequestered in Liquor Operation Revenue Fund until payment of debt service
 - ABT & Minimum debt service coverage covenant
 - Capital Reserve funded with proceeds at MADS
 - Maturity of bonds is coterminous with the Liquor Operations Contract
 - State’s Moral Obligation pledge to replenish Capital Reserve
 - *State Laws: 30-A MRSA Section 6006 Subsection 5*
- Pledged revenues have realized 4.34% average annual growth over the last 10 years
 - Minimal revenue volatility—positive growth in every year
 - Minimum annual growth 2.76%
- Pro forma debt service coverage ranges from 1.71 to 1.97 times at historical 4.34% annual growth rate
 - Coverage exceeds 1.6 times at 2% annual growth rate

Maine Municipal Bond Bank

Tab 3

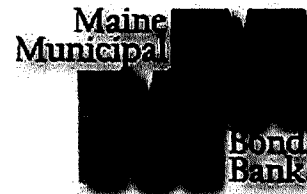


Overview of Maine Municipal Bond Bank

- The Maine Municipal Bond Bank was established in 1971 as a public body, corporate and politic, and an instrumentality of the State
- The Bank is under the direction of a Board of five Commissioners and is managed by an Executive Director:
 - Three Gubernatorial appointees
 - Two ex officio members:
 - State Treasurer
 - Superintendent of the Maine Bureau of Financial Institutions
 - Executive Director is a former Maine HHEFA Program Officer with 21 years of State Authority experience
- The Bank is empowered under State of Maine law to issue bonds and to provide the bond proceeds to various borrowers, including local governments and authorities through the General, Sewer and Water and Qualified School Construction Bond Resolutions; and MaineDOT through the GARVEE and TransCap Programs
 - Liquor Bond Resolution will be the sixth active resolution under Bond Bank management
- Debt Profile as of June 30, 2013
 - \$1.4 billion outstanding under 5 other bond resolutions

Liquor Operation History

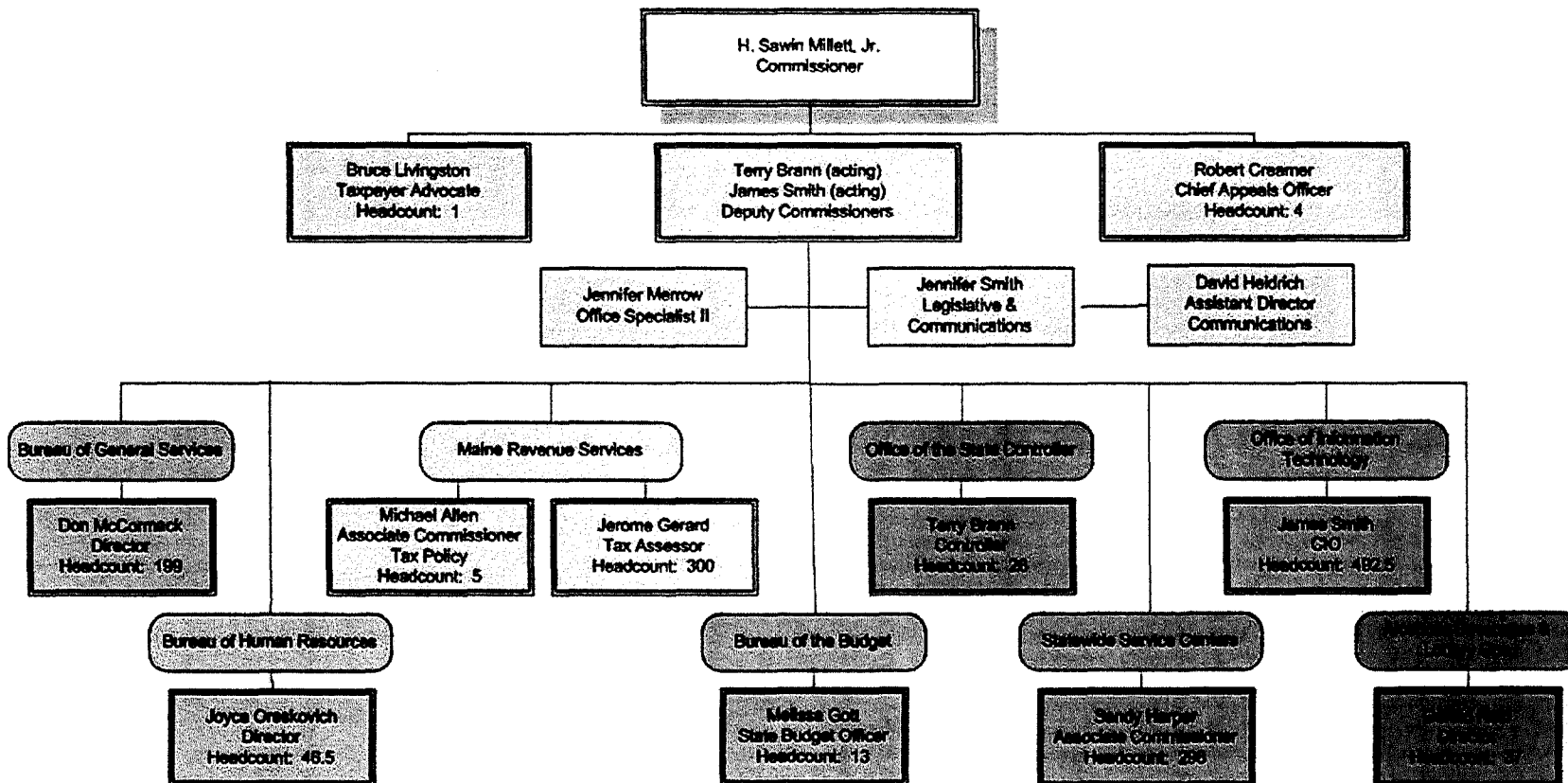
Tab 4



DAFS Organizational Chart

Department of Administrative and Financial Services

July 24, 2013



BABLO & Maine Liquor Sales Operations

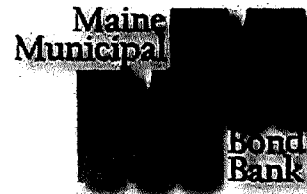
- Powers & Authorities of the State
 - Beverage alcohol is regulated in Maine
 - State is the only entity that may bring liquor into the State
 - Bureau of Alcoholic Beverages & Lottery Operations (BABLO) charged with regulation
- Public-Private Partnership Contract(s)
 - 10-year lease with Maine Beverage Company expires June 2014
 - New contract(s) will be awarded for July 2014 through June 2024
 - Competitive bid process underway
 - Final contract expected by 4th quarter of 2013
 - Contractor compensation changes to fees based on sales values
 - Additional provisions to protect bondholder from operator bankruptcy
 - Vendor(s) responsible for warehousing and delivery of alcohol to agency stores
- Pricing, Compensation & Revenues
 - BABLO determines pricing & profit margins

Liquor Operation History

- Maine is one of 17 states controlling the distribution and sale of spirits
- Basic services provided are warehousing, delivery to stores and transportation and trade marketing
- Through a competitive bidding process, the State awards two liquor operations contracts to private contractor(s)
 - Warehousing, Distribution & Spirits Administration Contract
 - Spirits Trade Marketing Contract
 - The State prefers one primary supplier to manage and supervise all services
- The State does not make a capital investment in warehouse or trucking assets
- The State's goals are:
 - Steady stream of revenue--\$500 million 10-year value
 - Lower and more fair consumer prices
 - Fair retail partner compensation and margins
 - Financial performance at or above the average of peers

Liquor Operation Historical and Projected Financial Results

Tab 5



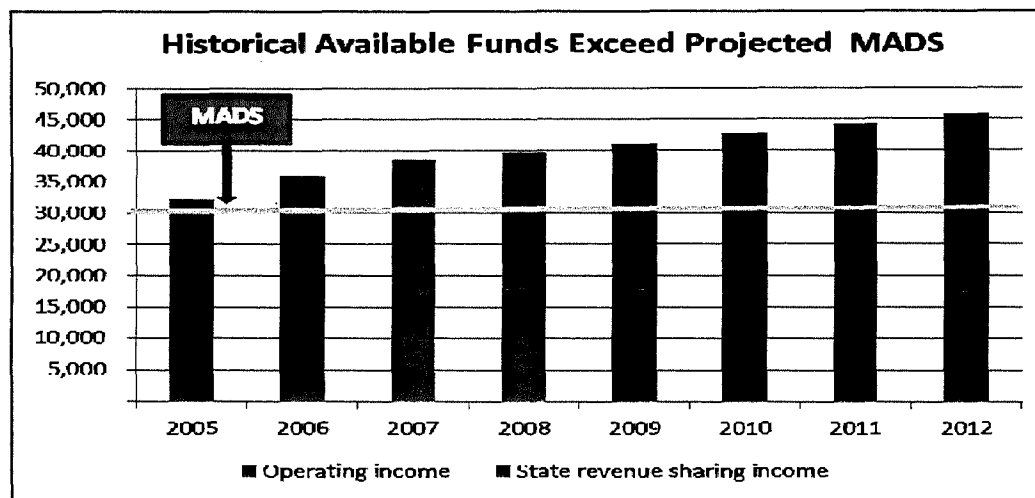
Liquor Operation Historical Financial Results

WHOLESALE INTERMEDIARY
STATEMENTS OF INCOME AND EXPENSE⁽¹⁾
For the Years Ended December 31, 2004 through 2012

	12/31/2004 ⁽²⁾	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sales	52,655,400	100,391,262	107,516,863	112,659,658	116,973,144	120,826,891	124,160,600	129,546,318	135,094,470
Cost of sales	34,466,291	63,037,740	66,065,269	68,474,493	70,978,863	73,196,308	74,974,801	78,362,743	82,023,207
Gross profit before state revenue sharing	18,189,109	37,353,522	41,451,594	44,185,165	45,994,281	47,630,583	49,185,799	51,183,575	53,071,263
State revenue sharing income (expense)	69,924	(2,604,315)	(4,412,264)	(5,534,346)	(6,190,531)	(6,756,583)	(7,278,311)	(8,017,479)	(8,697,709)
State revenue sharing income	(70)	2,604	4,412	5,534	6,191	6,757	7,278	8,017	8,698
Gross profit after state revenue sharing	18,259,033	34,749,207	37,039,330	38,650,819	39,803,750	40,874,000	41,907,488	43,166,096	44,373,554
Operating expenses:									
Contr. svcs. for warehousing, delivery and cust. svc.	1,596,281	2,945,607	2,976,684	3,128,237	3,281,316	3,410,909	3,530,439	3,786,170	3,976,774
Bottle redemption expenses, net of bottle deposits	261,844	475,290	460,835	446,682	489,337	510,508	573,033	606,785	599,176
Selling, general and administrative expenses	737,827	1,728,738	1,998,562	2,098,231	2,452,097	2,592,886	2,464,897	2,538,923	2,726,302
Total operating expenses	2,595,952	5,149,635	5,436,081	5,673,150	6,222,750	6,514,303	6,568,369	6,931,878	7,302,252
Operating income	15,663,081	29,599,572	31,603,249	32,977,669	33,581,000	34,359,697	35,339,119	36,234,218	37,071,302
	15,663	29,600	31,603	32,978	33,581	34,360	35,339	36,234	37,071

(1) Derived by the Bureau of Alcoholic Beverages and Lottery Operations from reports provided by the Wholesale Intermediary pursuant to the 2004 Agreement.

(2) The Wholesale Intermediary operated pursuant to the 2004 Agreement for a part of 2004 only.

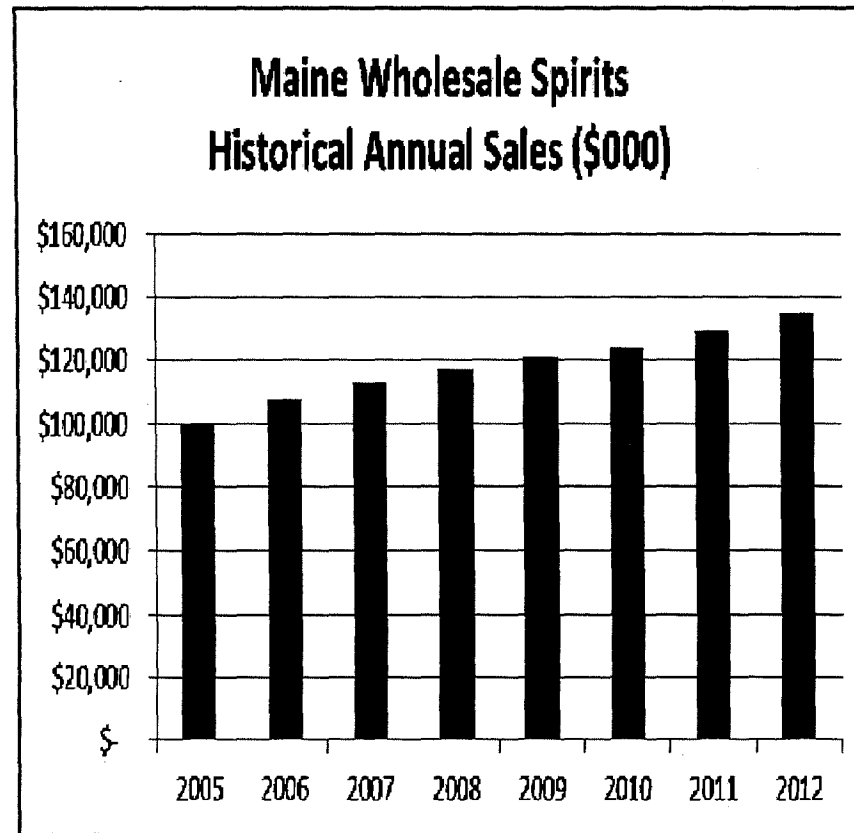


Liquor Operation Historical Sales

Historical Liquor Operation sales have realized average annual growth of 4.34% over the last 8 years

Maine Wholesale Spirits Historical Annual Sales (\$000)

2005	\$ 100,391
2006	\$ 107,517
2007	\$ 112,660
2008	\$ 116,973
2009	\$ 120,827
2010	\$ 124,161
2011	\$ 129,546
2012	\$ 135,095



Source: Derived by BABLO from Wholesale Intermediary Reports

Liquor Operation Business Model—Base Case Scenario Financial Results

State of Maine
Pro Forma Financial Forecast (\$000)
Wholesale Liquor Operation
Pursuant to the Program Act
For the Years Ending June 30, 2015-2024

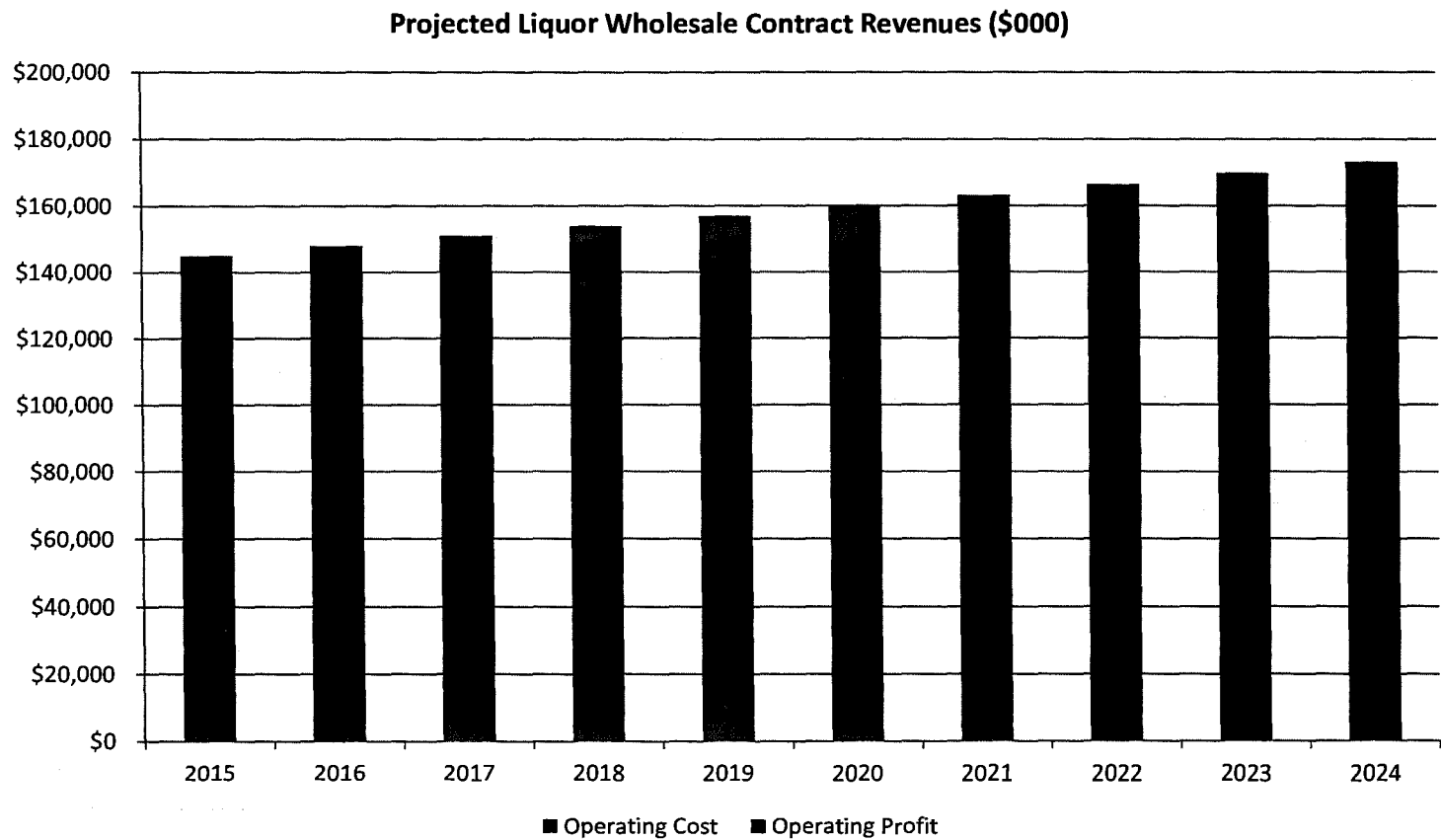
	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
Gross Sales (Projected - Prior to "Investments" - 2% annual growth) [a]	\$145,000.0	\$147,900.0	\$150,858.0	\$153,875.2	\$156,952.7	\$160,091.7	\$163,293.6	\$166,559.4	\$169,890.6	\$173,288.4
Price Reduction and Agent Discount [b]	(\$14,000.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)
Cases Recovered (in Thousands) [c]	70.0	150.0	200.0	202.5	205.0	207.5	210.0	212.5	215.0	217.5
Sales Recovered [d]	\$9,450.0	\$20,250.0	\$27,000.0	\$27,337.5	\$27,675.0	\$28,012.5	\$28,350.0	\$28,687.5	\$29,025.0	\$29,362.5
Gross Sales - Net of "Investments" (Projected) [e]	\$140,450.0	\$155,650.0	\$165,358.0	\$168,712.7	\$172,127.7	\$175,604.2	\$179,143.6	\$182,746.9	\$186,415.6	\$190,150.9
Costs of Goods Sold (61% of Original Gross Sales) [f]	(\$88,450.0)	(\$90,219.0)	(\$92,023.4)	(\$93,863.8)	(\$95,741.1)	(\$97,655.9)	(\$99,609.1)	(\$101,601.2)	(\$103,633.3)	(\$105,705.9)
Additional COGS with Recovered Cases (61% of Recovered Sales)	(\$5,764.5)	(\$12,352.5)	(\$16,470.0)	(\$16,675.9)	(\$16,881.8)	(\$17,087.6)	(\$17,293.5)	(\$17,499.4)	(\$17,705.3)	(\$17,911.1)
Costs of Goods Sold - After Recovery [h]	(\$94,214.5)	(\$102,571.5)	(\$108,493.4)	(\$110,539.7)	(\$112,622.9)	(\$114,743.6)	(\$116,902.6)	(\$119,100.6)	(\$121,338.5)	(\$123,617.1)
Gross Profit (GP)	\$46,235.5	\$53,078.5	\$56,864.6	\$58,172.9	\$59,504.8	\$60,860.6	\$62,241.0	\$63,646.3	\$65,077.1	\$66,533.9
Alcoholic Beverages Fund - Personal Services [i]	(\$210,462)	(\$211.5)	(\$212.5)	(\$213.6)	(\$214.6)	(\$215.6)	(\$216.6)	(\$217.7)	(\$218.7)	(\$219.7)
Alcoholic Beverages Fund - All Other [j]	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)
Other Operating Costs (Fixed % - Assumed to be 7.5%) [k]	(\$10,533.8)	(\$11,673.8)	(\$12,401.9)	(\$12,653.4)	(\$12,909.6)	(\$13,170.3)	(\$13,435.8)	(\$13,706.0)	(\$13,981.2)	(\$14,261.3)
Operating Profit	\$34,491.3	\$40,193.3	\$43,250.2	\$44,305.9	\$45,380.6	\$46,474.7	\$47,588.6	\$48,722.6	\$49,877.2	\$51,052.8
Debt Service	\$22,980	\$24,358	\$26,165	\$26,789	\$27,421	\$28,069	\$28,726	\$29,393	\$30,075	\$30,772
Debt Service Coverage	1.50x[l]	1.65x	1.65x	1.65x	1.65x	1.66x	1.66x	1.66x	1.66x	1.66x

Explanatory Notes:

- [a] Projected wholesale liquor sales revenue.
- [b] Projected liquor price reductions and increased agent discounts for the purpose of recovering sales lost to other states.
- [c] Estimate of recovery of sales lost to other states.
- [d] Prior line converted into wholesale revenue.
- [e] Net wholesale sales revenue after all the adjustments above.
- [f] Costs that the distillers charge for the spirits products including all freight and taxes.
- [g] Distiller costs for the newly recovered cases shown above.
- [h] The sum of the two lines immediately above. See Notes [f] and [g].
- [i] The cost of personnel directly associated with operating the spirits business for the State.
- [j] The projected costs to advertise and market the volume recovery plan described in the second line of this table. See Note [b].
- [k] The projected cost of amounts to be paid to the Wholesale Administrator and the Marketing Contractor.
- [l] Does not include capitalized interest; debt service coverage 1.65x including capitalized interest

Source: State of Maine

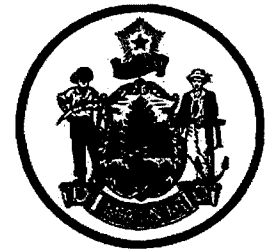
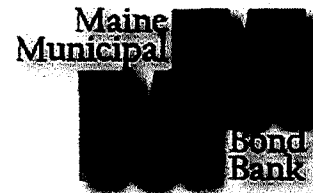
Liquor Operation—Revenue Trend Forecast



Source: State of Maine

Liquor Operation Revenue Bond Program

Tab 6



Liquor Operation Revenue Bond Program

- Governor's initiative introduced as Emergency Legislation in January 2013 and passed unanimously by the State Legislature and signed by Governor in June 2013
 - House 149-0; Senate 35-0

- Maine Legislature enacted Chapter 269 in June 2013
 - Establishes Maine Liquor Operation Revenue Bond Program
 - Authorizes up to \$183.5 million in net proceeds from the issuance of revenue bonds
 - Authorizes transfer of net proceeds to State's Health Care Liability Retirement Fund

- Use of Bond Proceeds
 - Retire State's share of its Medicaid-related liability to 39 hospitals statewide
 - State's payment triggers the release of \$306 million in additional Federal funds, fully retiring the State's liability to the hospitals

Liquor Operation Revenue Bond Program (continued)

- Overview of Memorandum of Agreement (MOA)
 - The Maine Municipal Bond Bank, State Department of Administration and Financial Services and the Office of the State Controller will enter into an MOA
 - MOA governs transfer of liquor contract revenues for payment of debt service
 - MOA governs release of surplus contract revenues for additional State programs, including Safe Drinking Water, Clean Water and Department of Transportation, General Fund and Budget Stabilization Fund
 - Additional transfers may be authorized to the State's General Fund and Budget Stabilization Fund

- Bond Security
 - Revenues pledged are operating profits (net receipts) from State liquor operations contract
 - Additional Security from State's Moral Obligation pledge

Liquor Operation Revenue Bond Program Authorization and Legal Provisions

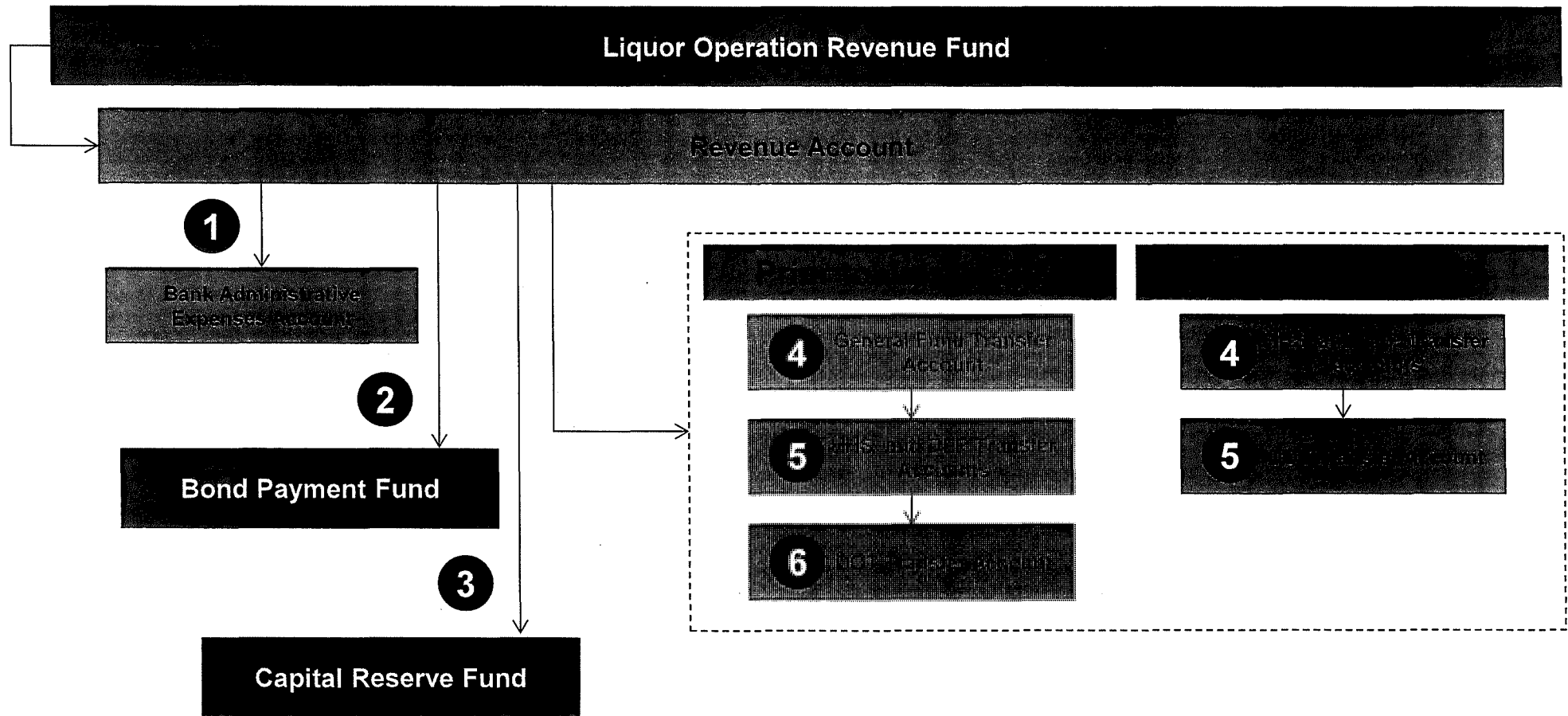
- **State/Vendor Relationship**

- Operating Vendor deposits all payments to the State's clearing account
- Custodian of clearing account makes monthly deposits of net receipts to MMBB Liquor Operation Revenue Fund for payment of debt service

- **Bond Covenants and Provisions**

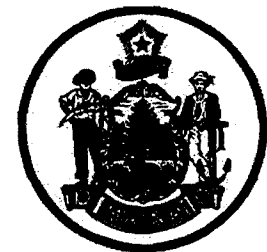
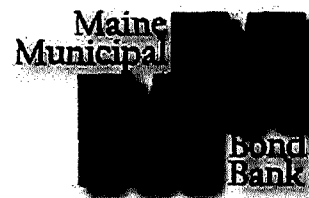
- Pledged revenues are transferred by State Controller to monthly to Revenue Account
 - Liquor Operation Revenue Bond Program Fund held by Trustee
 - Pledged revenues are sequestered in the Fund until annual debt service payment is made
- Minimum Debt Service Coverage Covenant 1.35 times
 - Projected Debt Service Coverage above 1.6 times
- Debt service payment has first priority
- Capital Reserve funded with bond proceeds at MADS
- Additional Bonds Test 1.5 times
 - No legislative authorization for additional bonds exist at this time

Liquor Operation Revenue Bonds—Flow of Funds



Plan of Finance

Tab 7

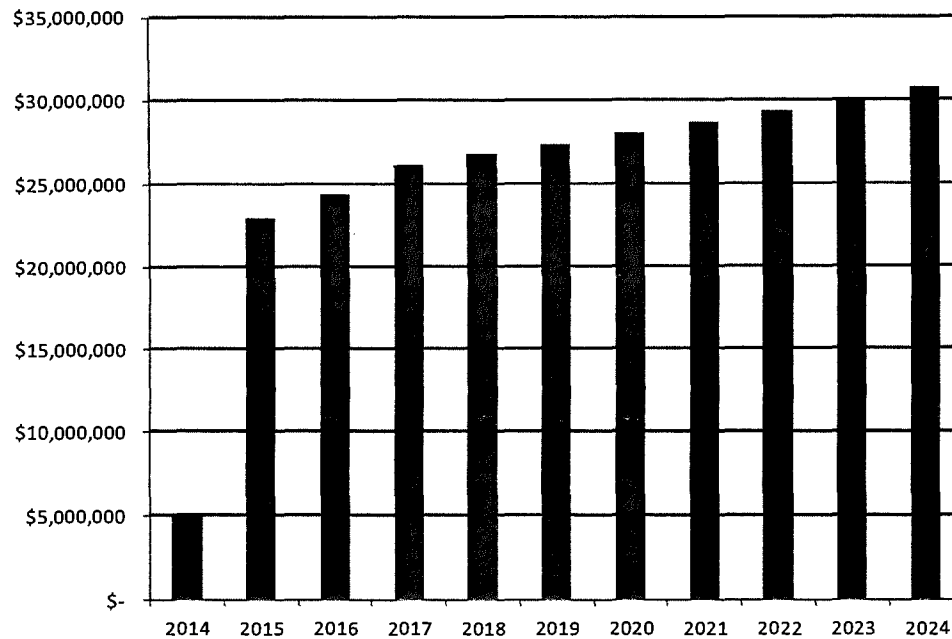


Series 2013A Bonds (Federally Taxable)

■ Issuance Summary

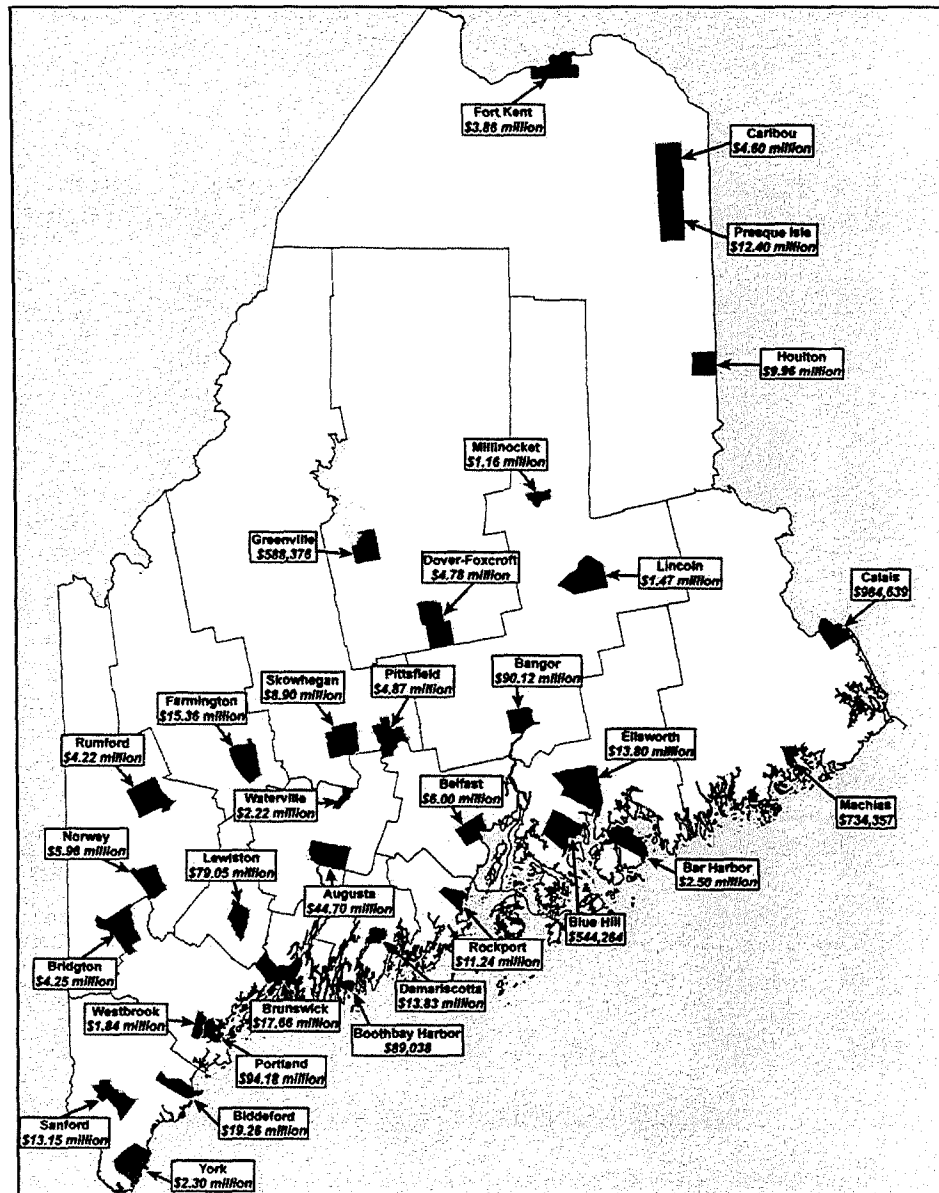
- Par Amount : \$223.5 million (estimated)
 - Includes capitalized interest to 12/1/2014
- Final Maturity: June 1, 2024
- Capital Reserve funded from bond proceeds
- Project Deposit of \$183.5 million net of:
 - \$30.7 million Capital Reserve
 - \$7.9 million Capitalized Interest through 12/15/2014
 - \$1.3 million costs of issuance and underwriter's discount

■ Projected maximum annual debt service is approximately \$30.7 million in 2024



Reimbursing Maine's Hospitals

- 39 Hospitals throughout the State are owed approximately \$489 million for MaineCare (Medicaid) services provided since 2009
- Maine's \$183.5 million payment, from bond proceeds, triggers an estimated \$305.5 million federal match
- Revenue bonds will be repaid over 11 years from revenues generated by the State's liquor operations contract



Source: Office of the Governor, "Paying it Back, Moving Maine Forward"

Additional Perspectives on Debt Service Coverage

Financial Projections--4.34% Historical Annual Growth Scenario (\$000)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Gross Sales (Proj. 4.34% annual growth)	\$145,000.0	\$151,293.0	\$157,859.1	\$164,710.2	\$171,858.6	\$179,317.3	\$187,099.7	\$195,219.8	\$203,692.3	\$212,532.6
Agent Discount	(\$4,000.0)	(\$4,173.6)	(\$4,354.7)	(\$4,543.7)	(\$4,740.9)	(\$4,946.7)	(\$5,161.4)	(\$5,385.4)	(\$5,619.1)	(\$5,863.0)
Costs of Goods Sold	(\$88,450.0)	(\$92,288.7)	(\$96,294.1)	(\$100,473.2)	(\$104,833.8)	(\$109,383.5)	(\$114,130.8)	(\$119,084.1)	(\$124,252.3)	(\$129,644.9)
Gross Profit	\$52,550.0	\$54,830.7	\$57,210.3	\$59,693.2	\$62,283.9	\$64,987.1	\$67,807.5	\$70,750.3	\$73,820.9	\$77,024.7
Operating Costs	(\$11,785.5)	(\$12,245.4)	(\$12,725.4)	(\$13,226.0)	(\$13,748.4)	(\$14,293.4)	(\$14,862.0)	(\$15,455.3)	(\$16,074.2)	(\$16,720.0)
Operating Profit	\$40,764.5	\$42,585.2	\$44,485.0	\$46,467.2	\$48,535.5	\$50,693.7	\$52,945.5	\$55,295.1	\$57,746.7	\$60,304.8
Debt Service	\$22,894.4	\$24,273.1	\$26,076.6	\$26,697.4	\$27,331.4	\$27,971.8	\$28,631.2	\$29,296.4	\$29,976.9	\$30,667.5
DSCR	1.78x	1.75x	1.71x	1.74x	1.78x	1.81x	1.85x	1.89x	1.93x	1.97x

Note: FY15 does not include capitalized interest as a revenue source

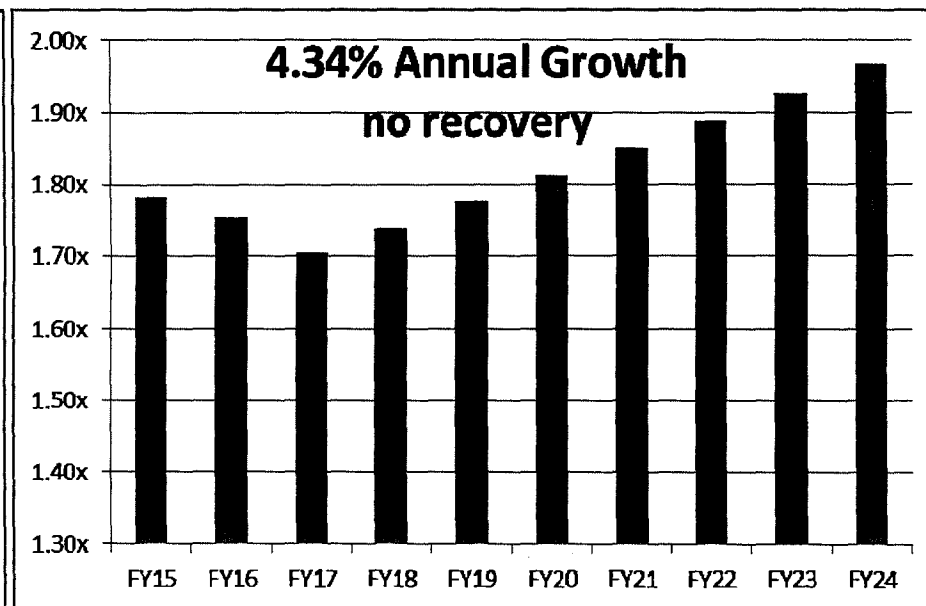
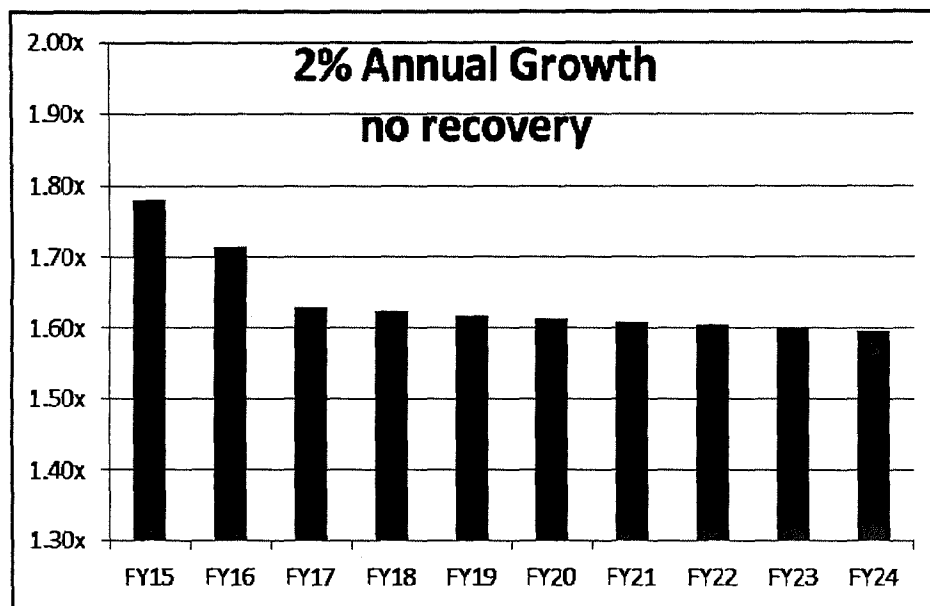
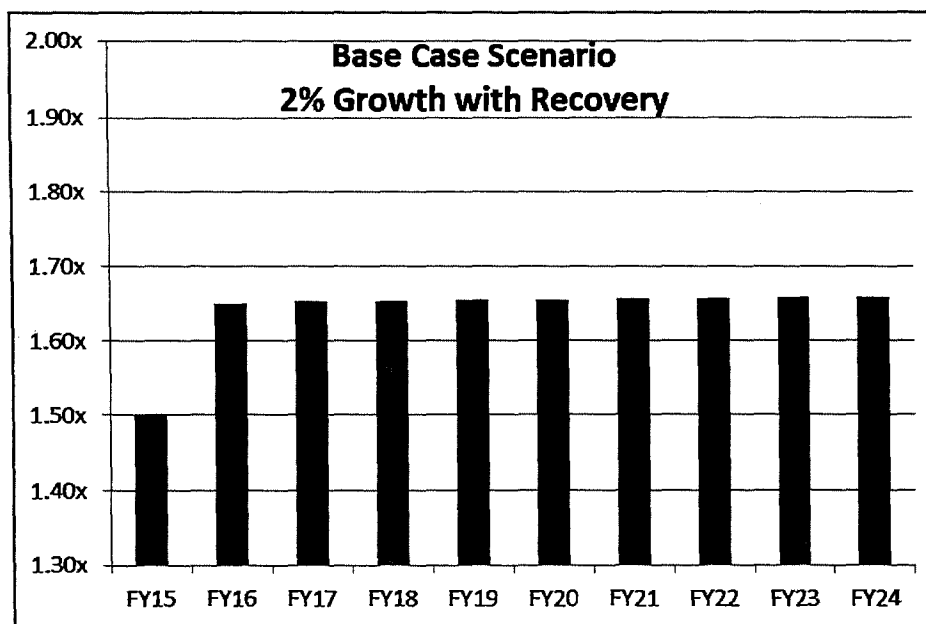
Financial Projections--Conservative 2% Annual Growth Scenario (\$000)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Gross Sales (Proj. - 2% annual growth)	\$145,000.0	\$147,900.0	\$150,858.0	\$153,875.2	\$156,952.7	\$160,091.7	\$163,293.6	\$166,559.4	\$169,890.6	\$173,288.4
Agent Discount	(\$4,000.0)	(\$4,080.0)	(\$4,161.6)	(\$4,244.8)	(\$4,329.7)	(\$4,416.3)	(\$4,504.6)	(\$4,594.7)	(\$4,686.6)	(\$4,780.4)
Gross Sales	\$141,000.0	\$143,820.0	\$146,696.4	\$149,630.3	\$152,622.9	\$155,675.4	\$158,788.9	\$161,964.7	\$165,204.0	\$168,508.1
Costs of Goods Sold	(\$88,450.0)	(\$90,219.0)	(\$92,023.4)	(\$93,863.8)	(\$95,741.1)	(\$97,655.9)	(\$99,609.1)	(\$101,601.2)	(\$103,633.3)	(\$105,705.9)
Gross Profit	\$52,550.0	\$53,601.0	\$54,673.0	\$55,766.5	\$56,881.8	\$58,019.4	\$59,179.8	\$60,363.4	\$61,570.7	\$62,802.1
Operating Costs	(\$11,785.5)	(\$11,998.0)	(\$12,214.8)	(\$12,435.8)	(\$12,661.3)	(\$12,891.3)	(\$13,125.8)	(\$13,365.0)	(\$13,609.0)	(\$13,857.8)
Operating Profit	\$40,764.5	\$41,603.0	\$42,458.3	\$43,330.7	\$44,220.5	\$45,128.2	\$46,054.0	\$46,998.4	\$47,961.7	\$48,944.3
Debt Service	\$22,894.4	\$24,273.1	\$26,076.6	\$26,697.4	\$27,331.4	\$27,971.8	\$28,631.2	\$29,296.4	\$29,976.9	\$30,667.5
DSCR	1.78x	1.71x	1.63x	1.62x	1.62x	1.61x	1.61x	1.60x	1.60x	1.60x

Note: FY15 does not include capitalized interest as a revenue source

Source: State of Maine

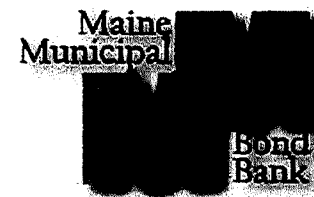
Debt Service Coverage Scenarios



Source: State of Maine

Timetable

Tab 8

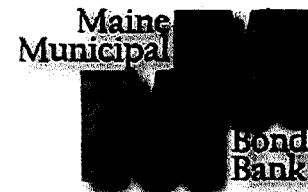


Financing Timetable

- Rating Agency Meetings Wednesday August 7
- Receive Ratings Wednesday August 14
- Mail POS Wednesday August 14
- Pricing Week of August 19
- Closing Week of September 5

Summary

Tab 9

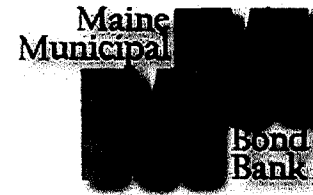


Summary

- Strong historical revenue trend
- Minimal revenue volatility
- Strong legal provisions, including ABT and minimum debt service coverage covenant
- Ample coverage of debt service
- Segregation of revenues and debt service payment by trustee
- Additional bondholder security provided by Capital Reserve Fund, to be funded from bond proceeds
- State Moral Obligation pledge

Questions?

Tab 10



Key Contact:

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Maine Municipal Bond Bank

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RatingsDirect®

Maine Municipal Bond Bank; Miscellaneous Tax

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Table Of Contents

Rationale

Outlook

Credit Structure

Related Criteria And Research

Maine Municipal Bond Bank; Miscellaneous Tax

Credit Profile

US\$220.37 mil liquor oper rev bnds (Federally Taxable) ser 2013 due 06/01/2024

Long Term Rating

A+/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'A+' rating to \$220.37 million Maine Municipal Bond Bank (bank) series 2013 liquor operation revenue bonds (taxable). The outlook on the issue is stable.

The assigned rating reflects our view of the state liquor enterprise's credit strength; its ability to generate net revenues after expenses sufficient to provide strong debt service coverage (DSC) to support the rating; our determination that the pledged revenue stream, although smaller than a few other higher rated programs than this issue, nevertheless exhibits strong growth over time and historically robust profits. In addition, bond covenants including a fully funded debt service reserve fund, a rate covenant, and an additional bonds test, together with other legal covenants and programmatic features of the liquor enterprise, provide sufficient measure to support the rating.

We understand the bonds are being issued pursuant to the state's Program Act (Public Laws of Maine 2013, Chapter 269, effective June 24, 2013, as an amendment to the state liquor law) authorizing the bank to finance \$183.5 million for making payments to health care providers for services provided prior to Dec. 1, 2012, under the MaineCare (Medicaid) program, to pay costs of issuance, fund capitalized interest, and fund a capital (debt service) reserve fund.

The bonds are secured by pledged revenues (net after operating expenses) defined largely as those revenues transferred to the bank for deposit into its liquor operation revenue fund by the Bureau of Alcoholic Beverages and Lottery Operations (BABLO) representing the net receipts of statewide spirits sales from its liquor enterprise or operation. BABLO is a bureau of the state's Department of Administrative and Financial Services (DAFS) and its commissioner oversees the BABLO bureau director.

In addition, the bonds are further secured by the moral obligation of the state as evidenced by a requirement in the Maine Municipal Bond Bank Act (Chapter 225 of title 30-A of the Maine Revised Statutes, as amended) requiring the chairman of the bank annually before Dec. 1 to deliver to the governor a certificate stating the sum, if any, required to restore the capital (debt service) reserve fund to an amount equal to the required minimum reserve defined as maximum annual debt service (MADS) and the amount will be appropriated annually and paid to the bank during the then-current fiscal year for deposit into the capital reserve fund. The capital reserve fund initially is being funded, as indicated above, from bond proceeds. Based on the current plan of finance, debt service is projected by the bank at about \$26.8 million annually.

The rating also reflects application of criteria, titled "Obligations With Multiple Revenue Streams" and "Special Tax Bonds," whereby the rating is based on our view of the stronger of the revenue streams available to support the debt, which, in this case, is the security of pledged revenues coming from liquor operations that we consider a notch

stronger than the rating that we could assign based on the state's moral obligation pledge (Maine State Review, published May 22, 2013, on RatingsDirect). When applying our moral obligation criteria, issues are rated one full rating category off of the state's general obligation rating.

Key credit factors supporting the rating include what we view as:

- Relatively consistent growth in year-over-year sales of wholesale liquor and operating profit, with the state by law controlling all liquor sales (state liquor law: Title 28-A of the Maine Revised Statutes) within its border and limiting the import of liquor by individuals to very limited quantities;
- A covenant to maintain liquor prices at a level sufficient to generate 1.35x coverage on annual debt service, which, in this case, is equivalent to MADS coverage as debt service amortization is level;
- Strong historic pro forma DSC of 1.7x based on fiscal 2012 adjusted (to include state revenue-sharing income) available operating income of \$45.77million and estimated MADS of \$26.77 million in 2019 and projected coverage ranging from approximately 1.5X to 1.7x over the first five years of the new contract(s); and
- An ABT for parity debt requiring 1.5x coverage of MADS based on historical pledged revenue, which should limit leverage.

Credit factors that constrain the rating include:

- Historic pro forma DSC that is below DSC associated with higher rated issues, although of sufficient strength as detailed above to support the assigned rating; and
- What we views as competition from a neighboring control state (New Hampshire) that pulls \$30 million of spirit sales from Maine residents (although, according to state officials, under Maine law, any import of spirits above a specified minor amount within a defined period is illegal), slightly more than half of whom are within an hour's drive of the New Hampshire border, although Maine hopes to recoup some of this lost business.

As authorized by statute (Section 90 of the state liquor law), the commissioner of DAFS is directed to, among other things, enter into an operating contract with an entity (contact operator) for the warehousing, distribution, and spirits administration and a contract with an entity (also a contract operator) for spirits trade marketing. Next month, BABLO, acting on behalf of DAFS, is putting out bids for new 10-year contracts for administration and marketing of the liquor operation for the period beginning July 1, 2014 through June 30, 2024. Officials indicate that pledged revenue from the new contracts, along with the capitalized interest, will cover debt service due during the 10-year term of the bond issue. The future contact operator or operators will be referred to subsequently in this analysis as the wholesale administrator(s). The inclusion of a separate marketing agreement is a new feature of the liquor operation mandated by the Program Act. This arrangement, consistent with past practice, enables the state to have no capital investment in the spirit business (i.e., it does not own product inventory except for a very limited period during transit from a wholesale warehouse to an off-premise licensee, at which time, the state requires the transporter's insurance to cover the risk, nor does it own warehouses, trucks, or retail sales locations.)

An existing administration agreement with a company acting as the present wholesale intermediary took effect on May 14, 2004, and is scheduled to expire on June 30, 2014. State officials have emphasized that the commissioner of DAFS is required by statute to have a contract in place by July 1, 2014, and if the contract is not awarded by the specified time due to appeals or litigation, the commissioner will take such action as to execute an interim contract for a period to be determined by one of the prospective bidders. Also, state officials indicate that the current contract obligates the

wholesale intermediary to make a good faith effort to provide transition business continuity and provides an economic incentive for it to do so.

Despite the aforementioned assurances from state officials regarding their expectation that new wholesale administrator(s) (the Program Act allows for both the administration and marketing contract agreement to be let to the same company), will be in place on July 1, 2014, we see this as a potential credit risk. In our view, any disruption affecting the liquor operation could affect the timeliness of net receipts of liquor sales. In addition, any change in the costs to retain the services of new wholesale administrator(s) could directly affect profitability and thus DSC levels. However, to lessen the risk of disruption, the series 2013 bond proceeds are funding approximately \$8.9 million of capitalized interest that essentially covers interest payments for five months past the period of the current contract expiration date.

We understand that the issuer does not expect to issue additional debt following this issue.

Outlook

The stable outlook reflects our view of Maine's liquor enterprise's consistent performance over time and our expectation of sufficient pledged revenue from net liquor profits providing strong DSC to support the rating. This view assumes that there will be no material disruption following the upcoming transfer of wholesale operations to a new contactor(s). We do not foresee changing the rating in the two-year outlook horizon based on strong historical pro forma and projected DSC, which insulates bondholders from volatility, in our view, and the expectation that there will be no dilution of bondholder security during this period from additional debt issuance. The pledged receipts are generated from a statewide consumption base that we believe lends some stability to the rating, despite having some limitations owing to slow population growth and demographics that include a large segment of the population concentrated in the southeastern portion of the state, where there has been limited competition from neighboring New Hampshire. A higher rating is precluded given the narrow nature of the pledged revenues.

Credit Structure

BABLO is responsible for operating the liquor enterprise and pursuant to the terms of a Maine Liquor Operation Agreement (MLOA) between DFAS, of which BABLO is obligated as it exists within and is supervised by DFAS, and the bank, BABLO is responsible for making monthly transfers of net receipts (gross receipts less administrative, operating and marketing expenses--essentially what can be thought of as operating profit after all expenses) it receives from a net receipts clearinghouse account to the bank for deposit into the bank's liquor operation revenue fund that, in turn, enables the bank to transfer monies to the trustee for deposit into the bond payment and capital reserve funds to fund debt service on the bonds and transfer other funds pursuant to the terms of the general bond resolution. BABLO is required to transfer the net receipts held in the net receipts clearinghouse account as of the last day of the applicable month to the liquor operation revenue fund within five business days following the end of each month, starting with the month ending July 31, 2014 (July 2014 being the first month of operation under the contract(s)). The series 2013 bonds mature on June 1 in each of the years in accordance with the debt service amortization schedule beginning in

2015 and ending in 2024. Interest payments on the bonds are due semiannually on June 1 and Dec. 1.

The wholesale administrator, acting as an agent for the state with all receivables from the warehousing, distribution, and sale of spirits deemed the property of the state pursuant to the terms of the administration agreement between DFAS and the wholesale administrator, is required to deposit any payments received in connection with liquor sales into the net receipts clearinghouse account within one day following receipt.

In addition, in accordance with the provisions of the general resolution, each fiscal year beginning June 30, 2015, 2016 and 2017, the bank will transfer prior to June 30 of the applicable fiscal year to certain defined state accounts amounts not to exceed, corresponding to the years just cited, \$16,714,844; \$16,639,000; and \$16,817,000. These transfers are only to be made after first determining that funds are sufficient for making the next scheduled debt service payment; the capital reserve fund is funded according to statute; and an authorized bank officer has delivered to the trustee a certificate to the effect that pledged revenues expected to be received in the coming year for deposit in the liquor operation revenue fund, together with any existing balance in the revenue account of the liquor operation revenue account, are expected to be sufficient to pay all debt service costs and bank administrative expenses expected to accrue for the next year. Subsequent to July 1, 2017, and through bond retirement subject to the same conditions and time constraints, the bank will transfer to certain defined state accounts an amount not to exceed \$7 million annually.

In addition, we view the following as significant from a credit standpoint:

- Maine, as one of 17 control states that limit the sale of liquor by state function, retains regulatory control of the liquor enterprise licensing (as of Feb. 28, 2013) 488 off-premise licensees--largely grocery stores and convenience stores--and 2,798 on-premise licensees--bars, restaurants, hotels, etc., with 201 of the 488 off-premise licensees also licensed as reselling licensees, enabling them to also sell to on-premise licensees;
- Maine sets all rates with the ability to adjust rates quarterly and annually and rates must be set so as to provide 1.35x DSC on outstanding debt (the state monitors all sales monthly);
- The operating expenses of the enterprise in fiscal 2012 represent only 16.5% of gross profits of the liquor enterprise (inclusive of state revenue sharing) and have been relatively consistent on an annual basis over time;
- Members of the commission are appointed by the governor and there are a total of five members (one vacancy currently), that serve for three-year terms and that meet at least once a month with the director of BABLO to review and approve listings, pricing, and promotions; and
- Additional debt is limited by the provisions of general bond resolution, which includes an ABT requiring that pledged revenues for any 12 consecutive calendar months out of the most recent 24 calendar months demonstrate DSC on existing and proposed debt equal to at least 150% of the MADS.

Pledged revenue

Maine as a control state regulates the sale of all alcoholic beverages through the BABLO, which operates the state liquor enterprise. It became a control state when Prohibition was repealed in 1933. As part of the control laws, the liquor enterprise is the sole source in Maine of the wholesale and retail sales of spirits--beverages containing more than one-half of 1% of alcohol by volume. The bonds are secured by pledged revenues. Pledged revenues essentially represent liquor profits, i.e., the gross profits, after cost of goods sold representing the product cost, from the sale of spirits, net of the costs and administrative expenses of BABLO and allowance for certain other operating costs, e.g., costs associated with marketing, excluding a \$1.25 per proof gallon premium (tax) required by the state's liquor law paid to the state treasurer for credit to the general revenue fund. A forecast provided by BABLO assumes for the base

case a conservative, in our view, 2% annual sales growth in comparison to an average growth rate over calendar years 2006-2012 of 4.34% and 6.6% for the first seven months of 2013 compared to the same period in the prior year.

Adjusted (to include state revenue-sharing income) net profits as a percent of gross liquor sales were approximately 34% in fiscal 2012 and this has been stable historically and projected (net) operating profit to gross sales is forecast to range from approximately 24% in 2015 to 28.7% in 2017 to 28.9% in 2019. Essentially profits are forecast to gradually ramp up as the planned economic incentives built into the new contract(s) take hold, after an anticipated slight decline during the initial implementation of the recovery strategy to recoup lost sales from New Hampshire, according to estimates provided by BABLO.

Liquor profits have increased at a relatively healthy annual pace over roughly the past decade despite recession-related economic decline in Maine. Net liquor profits (inclusive of the state revenue share) increased by 42% from fiscal years 2005-2012 with growth recorded every year. The BABLO's forecast anticipates continued growth in net liquor profits in each year through the end of the final bond maturity, which, in our view, should provide for continued adequate DSC. Price comparisons are done regularly and Maine acknowledges its price has been higher than in neighboring New Hampshire.

BABLO currently has 37 employees and 11 of these are dedicated to the liquor operation. Liquor is distributed through a large number of licensed outlets, as indicated above. These outlets are the sole source of retail sales of liquor in packages or containers. Internet sales of liquor are prohibited.

Related Criteria And Research

- USPF Criteria: Special Tax Bonds, June 13, 2007
- USPF Criteria: Moral Obligation Bonds, June 27, 2006
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011

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McGRAW-HILL

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns A1 initial rating to \$220M Liquor Operation Revenue Bonds issued by Maine Municipal Bond Bank; outlook stable

Global Credit Research - 16 Aug 2013

MAINE MUNICIPAL BOND BANK
State Governments (including Puerto Rico and US Territories)
N/A

Moody's Rating

ISSUE	RATING
Liquor Operation Revenue Bonds, Series 2013 (Federally Taxable)	A1
Sale Amount	\$220,370,000
Expected Sale Date	08/26/13
Rating Description	Revenue: Other

Moody's Outlook

Opinion

NEW YORK, August 16, 2013 —Moody's Investors Service has assigned an initial rating of A1, with a stable outlook, to the Maine Municipal Bond Bank's (Bond Bank) planned issuance of \$220.37 million Liquor Operations Revenue Bonds, Series 2013 (Federally Taxable). Approximately \$183 million of the proceeds will be used to pay 39 hospitals statewide for health services provided prior to December 1, 2012 under the MaineCare (Medicaid) program. A portion of the proceeds will also be used for capitalized interest payments through December 1, 2014 and to fund a capital reserve fund at maximum annual debt service. The bonds are expected to have a final maturity in 2024. The Bond Bank expects to sell the bonds the week of August 26.

SUMMARY RATING RATIONALE

The A1 rating incorporates the first-lien pledge of net receipts from the state's liquor operations contract that is scheduled to begin July 1, 2014, the limited nature of the revenue stream, the statewide base that generates the revenues, and a long history of steady growth in gross liquor sales under different wholesale operating models, even through recessions. Other credit factors include an additional bonds test of 1.5 times maximum annual debt service (MADS), a rate covenant of 1.35 times annual debt service, a capital reserve funded at MADS from bond proceeds, and monthly set-asides of pledged revenues in a trustee-held bond payment fund until amounts are sufficient for annual principal and interest payments. Coverage of MADS is expected to be at least 1.5 times in fiscal 2015, depending on the final bond structure and revenue performance. The repayment schedule is expected to be rapid with all principal retired by the end of fiscal 2024.

Additional rating considerations include timing risk that a new contractor may not be in place to provide warehousing and delivery services by July 1, 2014 following the expiration of the current contract on June 30, 2014; potential litigation risk over the bidding process or award; and the possibility that the next wholesale contractor could declare bankruptcy. In Moody's opinion, the state has various options and the flexibility to enter into temporary arrangements to ensure smooth operations and the flow of pledged revenues.

There is also a moral obligation pledge to refill the capital reserve fund. The rating assigned relies on the strength of the revenue pledge and the other considerations listed above, and does not factor in the moral obligation pledge. If the credit were to be materially weakened by sharp declines in coverage or other events, however, the moral obligation pledge could provide a floor for the rating.

STRENGTHS

-- Leverage constraint requiring 1.5 times MADS coverage

- Capital reserve funded at MADS from bond proceeds
- Requirement that revenues be set aside monthly in advance of principal and interest payment dates
- History of steady growth in liquor revenues pledged Liquor Enterprise net profits
- State non-impairment covenant and 1.35 times rate covenant

CHALLENGES

- Narrow nature of pledged revenue stream
- Contracts to provide warehousing, distribution, and administration as well as trade marketing are not in place yet; potential litigation over bidding process or contract award
- Bankruptcy risk due to involvement of private wholesale contractor
- Actual results may fall short of projections once new contract begins

DETAILED CREDIT DISCUSSION

STATE REGULATES STATEWIDE LIQUOR ENTERPRISE

Maine has controlled the importation, manufacture, sale, and possession of liquor since the end of prohibition in 1933. State-owned liquor stores were the only source of alcoholic beverages until the 1970s when the state began to license private retailers. In the 1990s, the state began to close some of its liquor stores as it licensed more private retail stores. During that time, the state stores served as both retail outlets for consumers as well as wholesale outlets for licensees.

Pursuant to a 2003 amendment to the state liquor law, the remaining state liquor stores were closed and the state's liquor wholesale function was leased to wholesale intermediary for ten years, until June 30, 2014. The company made an upfront one-time payment of \$125 million which was used to fill a projected gap in the state's 2004-2005 biennial budget, a deficit financing. The arrangement also included certain profit sharing payments to the state over the ten year term of the contract. The duties of the wholesale contractor include managing logistics, taking orders, implementing marketing techniques, warehousing and delivery of liquor to off-premise licensees.

NEW PUBLIC-PRIVATE PARTNERSHIP BEGINNING JULY 1, 2014

The program act which authorized the current transaction was unanimously approved by both houses of the state legislature and signed by the governor, who originally proposed the plan to use the proceeds of liquor operation revenue bonds to pay the state's portion of a longstanding liability to the state's hospitals. The state's payment is expected to trigger the release of approximately \$305 million in additional federal matching funds to fully retire the state's liability to the hospitals. This constitutes a deficit financing since the state is using one-time borrowed funds to repay a liability that it has not been able to fund from current operations. The state has been current on its Medicaid payments to hospitals since December 2012 and does not expect another large liability to accrue.

According to the act, the state's Commissioner of Administrative and Financial Services is required to enter into a contract for warehousing, distribution, and spirits administration (Administration Contract) as well as a contract for spirits trade marketing, each for ten years. While each contract must be awarded through a separate competitive bidding process, both contracts may be awarded to the same bidder.

The state expects to begin the competitive bidding process in the fourth quarter of 2013, well in advance of the effective date July 1, 2014. Compensation according to the Administrative Contract is expected to be a fee based on sales value generated. After the current contract expires on June 30, 2014, the liquor enterprise will operate largely as it did previously although the wholesale contract agreement will change and more liquor operating profits will flow to the state to support the bonds. The state will continue to operate and regulate its liquor enterprise through the Bureau of Alcoholic Beverages and Lottery Operations (BABLO) which has full responsibility for permitting, enforcement, licensing, and taxation. BABLO also determines pricing and profit margins. The state has no capital investment in the business and does not own warehouses, trucks or retail locations.

BONDHOLDER PROTECTIONS INCLUDE ADDITIONAL BONDS TEST, MONTHLY SET-ASIDE REQUIREMENT; AND CAPITAL RESERVE FUNDED AT MADS

Under the State Liquor Agreement and General Bond Resolution, bondholders have a first lien pledge on net liquor receipts. Gross receipts from sales will be transmitted monthly to BABLO and after deducting administrative, operating contract, and marketing expenses as well as liquor excise taxes, net receipts will be transferred to the Bond Bank for deposit in the Liquor Operating Revenue Fund and from there to a revenue fund. After Bond Bank administrative expenses, the net receipt remain in a trustee held bond payment fund until amounts are sufficient to pay upcoming principal and interest payments on the bonds. After that funds can be used to refill the capital reserve fund, as needed.

The program act provides for the establishment of a capital reserve fund pursuant to the provisions of the Bond Bank statute. The General Resolution defines the required minimum reserve as MADS, consistent with the Bond Bank statute which also provides details on the mechanics of the state's moral obligation to refill the capital reserve if drawn upon. The state has provided its moral obligation on a significant amount of debt (approximately \$5.2 billion outstanding) issued through various bond programs and has never been called upon to honor the moral obligation.

Additional parity debt can be issued if pledged revenues cover MADS, including the new issuance, by at least 1.5 times. This additional bonds test must be satisfied using actual pledged revenues in any 12 consecutive months of the prior 24 month period before the new borrowing. Legal provisions also include a rate covenant of 1.35 times annual debt service. If annual coverage falls below that ratio, BABLO will retain a consultant to determine the price increases or other actions needed to maintain coverage.

The program act includes a non-impairment clause and also provides for the distribution of excess net receipts before June 30 of each year in specified amounts. These will go to the General Fund, the Department of Health and Human Services, the Department of Environmental Protection, and the Department of Transportation. After the bonds are retired, a portion of excess net receipts will be transferred to the Maine budget stabilization fund. No additional bonds have been authorized.

SOLID HISTORY OF REVENUE GROWTH; SATISFACTORY PROJECTED DEBT SERVICE COVERAGE

The trend of increasing gross sales has been solid under the current wholesale contract, with an annual growth rate of 4.3% since 2005. The weakest annual increase was 2.8% in fiscal 2010, in the midst of a severe US recession. While liquor is a discretionary purchase, continued growth during the recession underscores the state liquor enterprise's resistance to economic downturns. Projections are based on the sales history since 2005 and conservatively assume 2% revenue growth which would result in MADS coverage of between 1.5x and 1.7x, depending on the final debt structure and revenue performance. Cost estimates are essentially based on the current contract. They could vary, resulting in lower net receipts. However, the state can change pricing and discounts to enhance margins.

While the state does not have a primary role in driving liquor sales, the state expects to facilitate activities that strengthen sales after the new contract is in place. These include recovering some purchases that Maine residents currently make in neighboring states. Actions may include more competitive retail pricing on high traffic brands, more category visibility to consumers, targeted consumer advertising, and better retailer margins to motivate category support activities.

POTENTIAL RISKS MITIGATED BY STATE'S ALTERNATIVES FOR INTERIM OPERATION

The issuance of the bonds before a new wholesale administrator contract is in place poses some timing risk that could affect the flow of revenues. The lead time for the competitive bidding process, at least six months before the current contract expires, mitigates that risk to some extent. The state expects to begin the process in the fourth quarter of 2013 and have a contract in place before the end of the calendar year. In the event that it does not or if there is litigation over the bidding process or award, the state has several alternatives that would provide additional time and maintain smooth operations. BABLO could coordinate the warehousing and distribution of liquor using a different delivery systems and/or independent transportation vendors. It could also arrange to have the off-premise licensees accumulate inventory, and could enter into one or more short-term agreements for delivery, warehousing and spirits administration. These alternatives could also be employed in the event of a bankruptcy declaration by the next wholesale administrator. In any case, the liquor revenues continue to belong to the state whose alternative options for liquor warehousing and distribution appear reasonable. Capitalized interest through December 1, 2014 provides some flexibility.

OUTLOOK

The outlook is stable based on Moody's opinion that the projections of pledged revenues appear reasonable and

debt service coverage should be satisfactory. In the event of a delay in awarding the new wholesale administrator contract, due to litigation or for other reasons, we expect the state, through BABLO, to take measures to ensure the warehousing and distribution of liquor to maintain the flow of revenues.

WHAT COULD MOVE THE RATING UP

- Stronger legal protections such as a higher additional bonds test
- Established trend of revenue performance and debt service coverage that is stronger than expected

WHAT COULD MOVE THE RATING DOWN

- Delay in the timing of the new contract award or related litigation that significantly affects revenues
- Deterioration of net liquor profits revenues pledged to bondholders
- Bankruptcy of future wholesale administrator leading to an interruption in the flow of revenues

RATING METHODOLOGY

The principal methodology used in this rating was US Public Finance Special Tax Methodology published in March 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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NEW ISSUE

Ratings: See "RATINGS" herein

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Bank, interest on the Offered Bonds (hereinafter defined) (i) is included in gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is exempt under the Bond Bank Act (as defined herein), from personal income taxes imposed by the State of Maine. See "TAX MATTERS" herein.

\$220,660,000**MAINE MUNICIPAL BOND BANK****Liquor Operation Revenue Bonds, Series 2013 (Federally Taxable)****Dated:** Date of Delivery**Due:** June 1, as shown on the inside cover

The Maine Municipal Bond Bank Liquor Operation Revenue Bonds, Series 2013 (Federally Taxable) (the "Offered Bonds") are being issued by the Maine Municipal Bond Bank (the "Bank") pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the "Bond Bank Act"), including without limitation subchapter 5 of the Bond Bank Act, which was enacted by Public Laws of Maine 2013, Chapter 269, effective June 14, 2013 (the "Program Act") and the Bank's General Bond Resolution Authorizing the Issuance of State Liquor Operation Revenue Bonds which was adopted August 21, 2013 (the "2013 General Resolution"), its Series 2013 Series Resolution which was adopted August 21, 2013 (the "2013 Series Resolution" and, with the 2013 General Resolution, the "Resolutions") and a certificate of determination of an authorized officer of the Bank. The Offered Bonds are being issued to finance the amount of \$183,500,000 for the purpose of making payments to health care providers for services provided prior to December 1, 2012 under the MaineCare program, to fund a Capital Reserve Fund, to provide for capitalized interest and to pay the costs of issuance of the Offered Bonds.

The Offered Bonds will be secured primarily by revenues received by the Bank from the State Bureau of Alcoholic Beverages and Lottery Operations (the "Bureau"), for deposit in the Liquor Operation Revenue Fund pursuant to 30-A MRSA §6054 and the Maine Liquor Operation Agreement among the Bank and the State of Maine (the "State"), acting by and through the Commissioner of the Department of Administrative and Financial Services ("AFS"). Each month the Bureau will be required to transfer to the Bank for deposit in the Revenue Account of the Liquor Operation Revenue Fund the net receipts (gross receipts less certain operating expenses) from the operation of the State's liquor program. Most of the everyday operating, administrative and trade marketing responsibility will be carried out pursuant to two contracts to be entered into with one or more private operators. For a description of the State's oversight of and management of the State's liquor operations, see "THE MAINE LIQUOR OPERATION" herein.

The Offered Bonds will only be issued as fully registered bonds under a book-entry-only system. The Offered Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Offered Bonds. Purchases of beneficial interests in the Offered Bonds will be made in book-entry-only form in denominations of \$5,000 or whole multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Offered Bonds purchased by them.

Interest on the Offered Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2013. So long as the Offered Bonds are registered in the name of DTC, or its nominee, payments of the principal of and interest on the Offered Bonds will be made directly by U.S. Bank National Association, as trustee pursuant to the 2013 General Resolution (the "Trustee"), to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the Offered Bonds, as described herein.

The maturities, interest rates and prices or yields of the Offered Bonds are shown on the inside cover hereof. The Offered Bonds are subject to redemption prior to their respective maturity dates as described herein.

The Offered Bonds are special, limited obligations of the Bank. The Offered Bonds, together with any additional liquor operation revenue bonds (the "Additional Bonds") that are subsequently issued on a parity therewith (collectively, the "Bonds"), are payable from, and secured solely by a pledge of, the Trust Estate (as defined herein) including amounts on deposit in the Capital Reserve Fund authorized under the Bond Bank Act, created under the 2013 General Resolution and held by the Trustee. The Offered Bonds and any amount payable pursuant thereto do not constitute a debt or liability of the State and neither the faith and credit nor the taxing power of the State is pledged to the payment of any amount due pursuant to the Offered Bonds. The Bank has no taxing power.

The Offered Bonds are offered when, as and if issued and accepted by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank. Certain legal matters will be passed upon for the Underwriters by their counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine. First Southwest Company, Lincoln, Rhode Island, has acted as financial advisor to the Bank with respect to the Offered Bonds. It is expected that the Offered Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York on or about September 5, 2013.

Wells Fargo Securities
J.P. Morgan**Morgan Stanley****BofA Merrill Lynch**
Raymond James

Dated: August 27, 2013

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

\$220,660,000

MAINE MUNICIPAL BOND BANK

Liquor Operation Revenue Bonds, Series 2013 (Federally Taxable)

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number[†]</u>
2015	\$19,660,000	1.068%	100%	56045TAA3
2016	19,870,000	1.708	100	56045TAB1
2017	20,210,000	2.404	100	56045TAC9
2018	20,695,000	2.904	100	56045TAD7
2019	21,295,000	3.368	100	56045TAE5
2020	22,015,000	3.668	100	56045TAF2
2021	22,820,000	3.852	100	56045TAG0
2022	23,700,000	4.102	100	56045TAH8
2023	24,675,000	4.252	100	56045TAJ4
2024	25,720,000	4.352	100	56045TAK1

[†] CUSIP numbers have been assigned by an independent company not affiliated with the Bank and are included solely for the convenience of the holders of the Offered Bonds. Neither the Bank nor the State of Maine is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Offered Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Offered Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Offered Bonds.

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

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

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the State of Maine and various state agencies and authorities, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Maine Municipal Bond Bank or the State of Maine. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "should," "intends," "expects," "believes," "anticipates," "estimates," "assumes" and others.

TABLE OF CONTENTS

INTRODUCTION	1	Action or Inaction of Other Holders of the	
THE PROGRAM ACT	2	Offered Bonds	36
PLAN OF FINANCE	2	Special, Limited Obligations	36
The Program Act Plan of Finance	2	Factors Affecting Remedies	36
Sources and Uses of Proceeds of the Offered		Offered Bonds Are Not Subject to Acceleration	37
Bonds	3	State Has No Obligation to Appropriate for the	
Additional Bonds	3	Capital Reserve Fund	37
THE MAINE LIQUOR OPERATION	3	The Administration Agreement	37
State's Powers and Authority Related to Liquor		SECONDARY MARKET DISCLOSURE	37
Sales	3	Continuing Disclosure Agreement	37
Administration	5	Continuing Disclosure History	38
AFS Leadership	6	OFFERED BONDS AS LEGAL INVESTMENTS	39
Bureau Key Administrative Personnel	6	SECURITY FOR PUBLIC DEPOSITS	40
Licensees	8	TAX MATTERS	40
Pricing Methodology	9	General Discussion	40
Operations	10	U.S. Holders — Interest Income	40
Enforcement	10	Bond Premium	40
The Current Wholesale Intermediary	11	U.S. Holders — Disposition	41
Program Act Contract Requirements	14	U.S. Holders — Defeasance	41
The Wholesale Administrator to be Engaged		U.S. Holders — Backup Withholding and	
Pursuant to the Program Act	14	Information Reporting	42
The Marketing Contractor to be Engaged Pursuant		Circular 230 Disclosure	42
to the Program Act	15	Miscellaneous	42
Business Development and Sales Recovery		FINANCIAL ADVISOR	42
Initiative	15	RATINGS	43
Pro Forma Forecasts	16	UNDERWRITING	43
THE OFFERED BONDS	21	LITIGATION	44
General Description	21	APPROVAL OF LEGALITY	45
Redemption	21	MISCELLANEOUS	45
SECURITY AND SOURCES OF PAYMENT FOR			
THE OFFERED BONDS	24	APPENDIX A —HEALTH CARE PROVIDERS	
Creation of Trust Estate	24	AND TOTAL PAYMENTS	A-1
Flow of Pledged Revenues	25		
Capital Reserve Fund	27	APPENDIX B — THE DEPOSITORY TRUST	
State Liquor Agreement	28	COMPANY	B-1
Operating Contracts	29		
Agreement of the State	30	APPENDIX C — PROPOSED FORM OF THE 2013	
Minimum Debt Service Coverage Ratio	30	GENERAL RESOLUTION	C-1
No Acceleration of Offered Bonds	31		
ANNUAL DEBT SERVICE REQUIREMENTS	31	APPENDIX D — PROPOSED FORM OF	
PROJECTED DEBT SERVICE COVERAGE		CONTINUING DISCLOSURE AGREEMENT	D-1
RATIOS	32		
THE MAINE MUNICIPAL BOND BANK	32	APPENDIX E — PROPOSED FORM OF STATE	
INVESTMENT CONSIDERATIONS	35	LIQUOR AGREEMENT	E-1
Secondary Market Considerations	35		
Suitable Investment Considerations	35	APPENDIX F — PROPOSED FORM OF	
General Economic Conditions	35	APPROVING OPINION OF BOND COUNSEL	F-1
Changes in Consumer Preferences or			
Discretionary Consumer Spending	35		
Federal or State Policies With Respect to, or			
Taxation of, Liquor	36		
Loss of Management Personnel	36		



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\$220,660,000
MAINE MUNICIPAL BOND BANK
Liquor Operation Revenue Bonds, Series 2013 (Federally Taxable)

INTRODUCTION

This Official Statement is provided for the purpose of setting forth information concerning the sale by the Maine Municipal Bond Bank (the "Bank") of its \$220,660,000 Liquor Operation Revenue Bonds, Series 2013 (Federally Taxable) (the "Offered Bonds"). The Offered Bonds are issued pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the "Bond Bank Act"), including without limitation subchapter 5 of the Bond Bank Act ("Subchapter 5") which, together with certain amendments of the State Liquor Law, was enacted by Public Laws of Maine 2013, Chapter 269, effective June 14, 2013 (the "Program Act" and, together with the Bond Bank Act and any other law that may be enacted in the future that amends the Program Act, authorizes the issuance of additional bonds secured as described herein or otherwise affects the pledged revenues or liquor operation described herein, the "Act").

The Offered Bonds are to be issued under the Bank's General Resolution Authorizing the Issuance of State Liquor Operation Revenue Bonds which was adopted August 21, 2013 (the "2013 General Resolution"), its Series 2013 Series Resolution which was adopted August 21, 2013 (the "2013 Series Resolution" and, with the 2013 General Resolution, the "Resolutions") and a certificate of determination of an authorized officer of the Bank dated the date hereof. The Offered Bonds are the first issue of Bonds pursuant to the 2013 General Resolution.

The Offered Bonds, and any additional liquor operation revenue bonds which may be issued pursuant to the 2013 General Resolution (referred to herein as the "Additional Bonds"), are referred to collectively herein as the "Bonds."

The Bank and the State of Maine (the "State"), acting by and through the Department of Administrative and Financial Services ("AFS") pursuant to the Program Act, have entered into the Maine Liquor Operation Agreement (the "State Liquor Agreement"), dated the date hereof. The right, title and interest of the Bank to the State Liquor Agreement has been assigned and pledged by the Bank pursuant to the 2013 General Resolution to secure the payment of amounts due with respect to all Bonds outstanding thereunder. See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS - State Liquor Agreement" and "Appendix E - Proposed Form of State Liquor Agreement."

The Offered Bonds are not in any way a debt or liability of the State and do not constitute a loan of the credit of the State or create any debt or debts or liability or liabilities on behalf of the State or constitute a pledge of the faith and credit of the State. The Offered Bonds, unless

funded or refunded by bonds of the Bank, are payable solely from revenues or funds pledged or available for their payment as authorized in Subchapter 5. Each of the Offered Bonds must contain on its face a statement to the effect that the Bank is obligated to pay the principal, interest and redemption premium, if any, solely from the revenues pledged for those purposes and that neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal, interest or redemption premium, if any, on the Offered Bonds.

Certain capitalized terms used but not defined herein should have the respective meanings set forth in “Appendix C - Proposed Form of the 2013 General Resolution” or in “Appendix E - Proposed Form of State Liquor Agreement.”

THE PROGRAM ACT

The Program Act authorizes the issuance of the Offered Bonds, a substantial portion of the proceeds of which will provide funding for payment of a State obligation to health care providers within the State, and authorizes and requires AFS to enter into contracts with the private sector for (i) administration of the State’s governmentally controlled liquor operation, warehousing and distribution of spirituous liquor within the State (the “Administration Agreement”) and (ii) spirits trade marketing (the “Marketing Agreement”). The Administration Agreement and the Marketing Agreement are collectively referred to as the “Operating Contracts.”

The Program Act established within the Bank a Liquor Operation Revenue Fund into which all net receipts from the State’s liquor operation are required to be deposited. The Liquor Operation Revenue Fund was established to provide a source of revenues to pay principal of and interest on the Offered Bonds and to fund certain other purposes set forth in the Program Act.

Pursuant to the Program Act, the State, including AFS, is authorized to enter into contracts to implement the obligations of AFS and the Bank set forth in the Program Act with respect to the State’s liquor operations and the issuance of and security for the Offered Bonds. For a discussion of the State Liquor Agreement to be entered into pursuant to the contract authorization set forth in the Program Act, see “SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS – State Liquor Agreement” herein and Appendix E – PROPOSED FORM OF STATE LIQUOR AGREEMENT.”

Particular elements of the Program Act are discussed throughout this Official Statement. For a discussion of the State’s “control” of the liquor operations within the State, see “THE MAINE LIQUOR OPERATION – State’s Powers and Authority Related to Liquor Sales” herein. For a discussion of the Program Act’s mandate that AFS enter into the Operating Contracts, see “THE MAINE LIQUOR OPERATION – Program Act Contract Requirements” herein. For an overview of the plan of finance to be implemented to effectuate the purposes of the Program Act, see “PLAN OF FINANCE – The Program Act Plan of Finance” herein.

PLAN OF FINANCE

The Program Act Plan of Finance

The Offered Bonds are being issued to carry out a statutory plan of finance specifically authorized by the Program Act. The Program Act authorizes the Bank to issue the Offered

Bonds to finance the amount of \$183,500,000 for the purpose of making payments to health care providers for services provided prior to December 1, 2012 under the MaineCare program established by 22 MRSA §3172 and following, to pay the costs of issuance of the Offered Bonds, to fund capitalized interest and to fund the Capital Reserve Fund. Upon the receipt of the proceeds from the sale of the Offered Bonds, the amount of \$183,481,860.04 will be deposited in accordance with the Program Act directly into the Health Care Liability Retirement Fund established in 22-A MRSA §216 and the balance thereof will be applied to pay capitalized interest through December 1, 2014, fund the Capital Reserve Fund and pay costs of issuance of the Offered Bonds. Payment of these amounts prior to September 30, 2013 will entitle the State to receive federal matching funds in an amount equal to approximately \$306,718,140. Amounts currently expected to be paid to such health care providers from proceeds of the Offered Bonds and from corresponding federal matching funds are set forth in Appendix A hereto.

Sources and Uses of Proceeds of the Offered Bonds

The sources and uses of the proceeds of the Offered Bonds are estimated to be as follows:

Sources:

Par Amount of Offered Bonds	\$220,660,000.00
Total Sources	

Uses:

Health Care Liability Retirement Fund	\$183,481,860.04
Capital Reserve Fund	26,843,515.40
Capitalized interest (through December 1, 2014)	8,895,991.82
Costs of issuance (including underwriters' discount)	<u>1,438,632.74</u>
Total Uses	\$220,660,000.00

Additional Bonds

The Program Act does not authorize the issuance of any bonds in addition to the Offered Bonds. Future laws of the State authorizing the Bank to issue additional liquor operation revenue bonds for various purposes may, however, be enacted. Additional liquor operation revenue bonds that are secured on a parity with the Offered Bonds are permitted to be issued pursuant to the 2013 General Resolution subject to certain conditions. See "APPENDIX C - PROPOSED FORM OF THE 2013 GENERAL RESOLUTION – Conditions to Issuance of Bonds."

THE MAINE LIQUOR OPERATION

State's Powers and Authority Related to Liquor Sales

Since the end in 1933 of the nationwide prohibition ("Prohibition") of the manufacture, sale, transportation, import and export of liquor, the State has controlled the importation, manufacture, sale and possession of liquor in Maine. Under the Twenty-First Amendment to the United States Constitution, the State's power and authority within its borders over liquor is virtually plenary. The Twenty-First Amendment, which repealed Prohibition, provides in part

that “the transportation or importation into any state ... for delivery or use therein of intoxicating liquors, in violation of the law thereof, is hereby prohibited.”

Maine liquor control laws apply to all forms of intoxicating beverages. The State Liquor Law defines “liquor” as “spirits, wine, malt liquor or hard cider, or any substance containing liquor, intended for human consumption, that contains more than 1/2 of 1% of alcohol by volume” and “spirits” as any liquor produced by distillation or, if produced by any other process, strengthened or fortified by the addition of distilled spirits of any kind and excludes low-alcohol spirits products and fortified wine.

In this Official Statement, the term “liquor” means only, and may be used interchangeably with, the term “spirits” and the term “alcoholic beverages” means all forms of intoxicating beverages.

The State’s role in the distribution and retail sale of spirits has been almost completely transformed since the 1970’s. After the repeal of Prohibition in 1933, the only way one could purchase spirits in the State was from a State-operated liquor store. In the 1970’s, private retailers were licensed as agents of the State for purposes of selling spirits to the citizens of Maine. The State sold spirits to these agents at a discount and established a uniform retail price at which the spirits would be sold throughout Maine.

Beginning in the mid 1990’s, the State began to close some of its liquor stores as more private retail stores were licensed. State stores had not only been serving as retail outlets but had also become wholesale outlets for licensees. Licensees, particularly smaller ones, used the State stores to order “split” cases because the minimum order and full-case requirements of the State’s contracted bailment warehouse were prohibitive in terms of cost and storage space. The State stores were also convenient for keeping an agent’s shelves stocked in between deliveries from the warehouse or for keeping one or two bottles of a specialty item on hand. By the end of 2002, more State liquor stores were closed in accordance with State law.

Through the operation of a liquor enterprise (the “Liquor Operation”) described below, and regulation, permitting, enforcement, licensing and taxation of other aspects of the alcoholic beverage business in the State, the State impacts virtually every aspect of the production, distribution, use and sale of alcoholic beverages in the State. The Liquor Operation is administered by the State, acting through the Bureau of Alcoholic Beverages and Lottery Operations (the “Bureau”). The core powers and authorities of the State with respect to spirits are vested in the Bureau and the State Liquor and Lottery Commission (the “Commission”) and consist of the following:

1. Approval of all spirit products for sale in Maine (called listings);
2. Approval of all spirit products to be removed from sale in the State (called delisting);
3. Approval of all spirits labels and consumer promotions (mail in rebates, sweepstakes, instant redeemable coupons) on spirits;
4. Determination and approval of retail selling prices, both everyday retail prices and monthly special retail prices;
5. Determination and approval of retail store gross profit margin, established through administrative rulemaking with a minimum gross profit margin set by State law;

6. Licensing of both off-premise (such as grocery stores and convenience stores) and on-premise (such as bars, restaurants, taverns, hotels and clubs); and
7. Enforcement of State laws relating to licensed establishments.

The Liquor Operation is the sole legal source in the State of wholesale sales of spirits. The Liquor Operation manages the wholesale distribution of spirits and retail sales to consumers in Maine pursuant to arrangements with private sector businesses, including off-premise and on-premise licensees. One advantage of the Liquor Operation is that the State has no capital investment in the spirits business. The State does not own product inventory, except during the period when product inventory is in transit from a wholesale warehouse to a facility of an Off-Premise Licensee (hereinafter defined), during which period the State requires provision of insurance against loss of such inventory by the transporter of such inventory. In addition, the State does not own warehouses, trucks or locations where retail sales occur. Also, because the State sets retail prices, it has substantial control of its own profit margin.

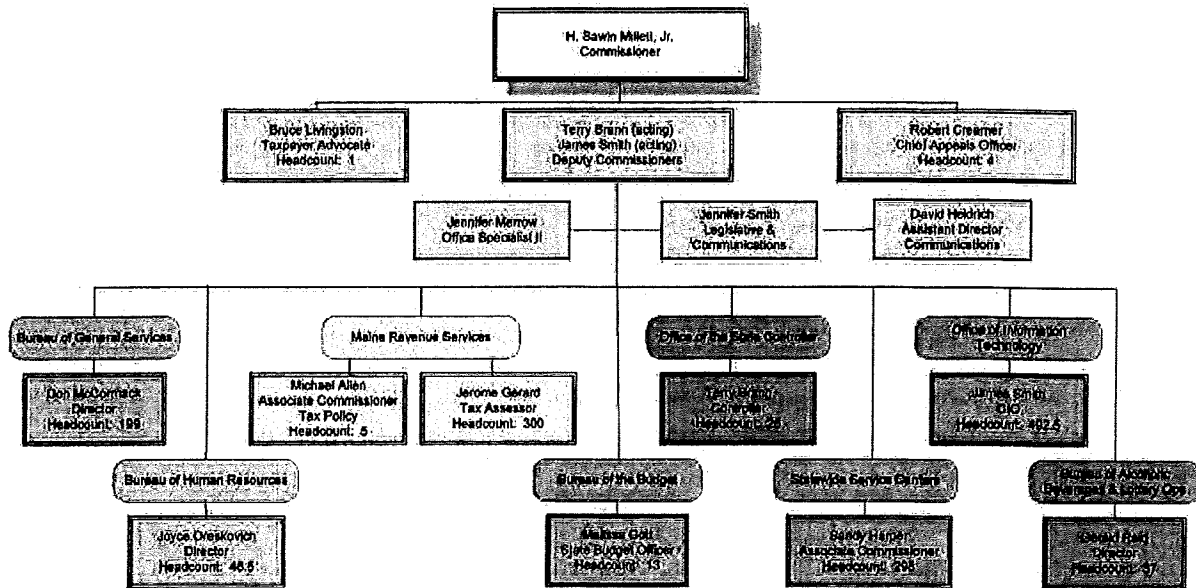
Maine has not been unique in its handling of liquor control by means of a state monopoly. It is one of the 17 so-called "Control States," which sell intoxicants as a state control function. Not all Control States have the same method of distribution as Maine, nor do they sell identical products. Twelve of the Control States are in both the retail package sale and the wholesale business. Five, including Maine, are in the wholesale business only. The Control States are:

Alabama	Montana	Utah
Idaho	New Hampshire	Vermont
Iowa	North Carolina	Virginia
Maine*	Ohio	West Virginia*
Michigan*	Oregon	Wyoming*
Mississippi*	Pennsylvania	

*Wholesale only

Administration

The Bureau Director, who reports to the Commissioner of AFS, is charged with the overall management of the Bureau, with individual functional units reporting to the Bureau Director for day to day operations. The Bureau's headquarters are located in Hallowell, Maine. The Bureau fits within AFS as follows:



AFS Leadership

Sawin Millett. Mr. Millett was appointed to the position of Commissioner of the Department of Administrative and Financial Services by Governor Paul LePage in January of 2011. Prior to becoming Commissioner, Mr. Millett served as the Co-Chair of Governor-Elect LePage's Transition Team assigned to prepare the state budget. Mr. Millett brings a wealth of legislative and executive experience to this Administration. He has served six terms in the Maine House of Representatives and has 18 years of prior executive branch service, including stints as Commissioner of the Departments of Education, Finance, and Administrative and Financial Services for four previous Maine Governors. From 2003 - 2010, Mr. Millett served on the Joint Standing Committee on Appropriations and Financial Affairs, including six years as a ranking member of that budget writing Committee. He also has been active in elective capacities in municipal government for more than 40 years. Mr. Millett received a Bachelor's of Science degree with a major in Mathematics from Bates College in Lewiston and a Master of Education degree in Educational Administration from the University of Maine.

Terry Brann, CPA. Mr. Brann was appointed as the State Controller by Commissioner Millett in March 2011. Mr. Brann was also appointed State Controller during the previous administration in August 2009. As State Controller, he is responsible for statewide accounting and payroll policy, internal audit and financial reporting, including the preparation of the State's Comprehensive Annual Financial Report. He has been a member of the Controller's Office since 1998, serving as the Deputy State Controller since 2002. Prior to working in the Controller's Office, he was an auditor with the Maine Department of Audit for eleven years. He is a graduate of the University of Maine at Augusta with a Bachelor's of Science Degree in Accounting.

Bureau Key Administrative Personnel

Gerald Reid. Mr. Reid was appointed Director of the Bureau in January 2012. As Director, he is responsible for the overall management of the Bureau. Mr. Reid has over 30 years of experience in brand strategy, marketing and new product development for various

companies including those in the food and beverage industry. Prior to this appointment he was Managing Director at Jose Cuervo International, and had worked at Diageo North America as Senior Vice President of the company's global tequila portfolio. He also held prior positions at Diageo as Vice President of Strategy and Vice President of Consumer Marketing. Throughout his career, he gained extensive experience in the food industry, working for Kraft Foods in new product development and as Vice President for confectionary products. He served in the U.S. Army reserve for six years. He graduated from the University of Wisconsin at Madison with a Master's Degree in Marketing, and earned a Bachelor's Degree in Marketing and Economics from the University's Whitewater campus.

Timothy Poulin. Mr. Poulin was appointed Deputy Director of the Bureau in February 2010. He directs the day to day operations of the Bureau, develops and recommends new and revised statutes, rules, policies and procedures to ensure that the establishment of the appropriate goals and the implementation methods are in place to achieve these goals. Prior to this appointment, he was the Director of the Division of Corporations, UCC and Commissions with the Office of the Secretary of State where he lead numerous successful projects to modernize the business processes of the Division. He has more than three years of experience with the lottery and liquor businesses and more than 26 years of experience in state government. Mr. Poulin has a Bachelor's of Arts Degree in History and Political Science from the University of Southern Maine.

Johnnie Meehl. Ms. Meehl is the Manager of Liquor Operations. She initially started working for the Bureau in November 2007 as the Lottery Field Supervisor before being promoted in August 2009. As Manager of Liquor Operations, she is responsible for the day to day communication and coordination between the Bureau, spirits suppliers and brokers and the wholesale services partner relative to listing, pricing and general management of all distilled spirits available for sale in the state. In the current environment, it is critical that pricing is managed carefully to ensure the gross profit to the State is met annually. Ongoing analysis of currently listed products and their sales trends, management of monthly special pricing and quarterly processing of price adjustments are the main functions in meeting this goal. She is an active member of the National Alcohol Beverage Control Association ("NABCA") Education Advisory Committee and the Maine Underage Drinking Enforcement Task Force, which is coordinated through Maine's Substance Abuse Mental Health Services ("DHHS"). This work helps to ensure that the Bureau's policies and procedures are kept in line with the core mission (to effectively regulate the beverage alcohol industry to ensure responsible business practices and create a favorable economic climate while prohibiting sales to minors). Ms. Meehl has more than 10 years of experience in state government and served in the U.S. Air Force Reserves and the Maine Air National Guard.

State Liquor and Lottery Commission. The Bureau is overseen by the Commission of which there are five members appointed by the Governor for a three-year term. The Commission is required by State law to meet at least once each month with the Director of the Bureau to review and approve Bureau listings, pricing and promotions actions. The current members of the Commission are:

Orland G. McPherson, Chair, term expires 06/06/2016;
Walter J. Simcock, term expires 03/14/2013;
Lawrence J. Davis, term expires 06/02/2014; and
Anne M. Vallee-LaChance, term expires 09/07/2015.

The fifth member of the Commission has resigned and a new member has not been appointed.

Licensees

Establishments licensed by the Bureau to sell spirits for consumption at locations other than such establishments (“Off-Premise Licensees”) include grocery stores and convenience stores. Establishments licensed by the Bureau to sell spirits for consumption at such establishments (“On-Premise Licensees”) include bars, restaurants, taverns, hotels and clubs. Off-Premise Licensees may be licensed by the Bureau to resell spirits to On-Premise Licensees (“Reselling Licensees” and, collectively with Off-Premise Licensees and On-Premise Licensees, the “Licensees”). As of February 28, 2013, there were 488 Off-Premise Licensees, 201 of which were Reselling Licensees, and 2,798 On-Premise Licensees in the State. The Off-Premise Licensees listed by County as of June 30, 2012 and their Fiscal Year 2012 sales are as set forth in the following table:

County	County Census 2010	FY 2012 Off- Premise Licensees	FY 2012 Sales	% of Total Sales	% of Total Population
Androscoggin	107,702	34	\$9,382,622.54	6.83%	8.11%
Aroostook	71,870	31	5,905,948.20	4.30%	5.41%
Cumberland	281,674	72	42,260,231.92	30.76%	21.20%
Franklin	30,768	14	3,158,480.84	2.30%	2.32%
Hancock	54,418	31	8,180,700.35	5.95%	4.10%
Kennebec	122,151	46	11,180,927.29	8.14%	9.20%
Knox	39,736	15	4,283,113.00	3.12%	2.99%
Lincoln	34,457	17	3,760,836.49	2.74%	2.59%
Oxford	57,833	33	3,811,200.74	2.77%	4.35%
Penobscot	153,923	60	15,256,833.88	11.10%	11.59%
Piscataquis	17,535	10	1,669,187.99	1.21%	1.32%
Sagadahoc	35,293	13	3,856,740.52	2.81%	2.66%
Somerset	52,228	28	4,056,768.36	2.95%	3.93%
Waldo	38,786	18	2,683,383.74	1.95%	2.92%
Washington	32,856	15	3,200,700.15	2.33%	2.47%
York	197,131	47	14,755,404.49	10.74%	14.84%
Totals:	1,328,361	484	\$137,403,081		

Source: The Bureau.

As the table above shows, spirits sales throughout the State correlate with population, except in York County. Sixty-one percent (61%) of total spirits sales occur, and fifty-seven percent (57%) of the population resides, in the four largest of the sixteen counties in the State. In descending order of importance, these counties are Cumberland (in southern Maine), Penobscot (in central Maine), York (in southern Maine) and Kennebec (in south central Maine). York is, however, the State’s southernmost county and is bordered on the south and west by the state of New Hampshire. Within approximately 13 miles south of the Maine (York County) – New Hampshire border, and directly accessible from Interstate 95, the principal motor vehicle connection between the two states, are two New Hampshire state liquor stores which are within approximately an hour by automobile of approximately 51% of Maine’s population. “Recovering” purchases by Maine residents in these two New Hampshire stores and others along the York County – New Hampshire border will be a principal objective of a sales recovery initiative described under the heading “THE MAINE LIQUOR OPERATION – Business Development and Sales Recovery Initiative” and “ – ProForma Forecasts.”

Pursuant to the State Liquor Law, Off-Premise Licensees may sell or deliver liquor from 6 a.m. on any day until 1 a.m. of the following day. Reselling Licensees may sell or deliver liquor to On-Premise Licensees from 4 a.m. on any day until 1 a.m. the following day. There are some additional restrictions on these hours on Sundays and holidays. All Licensees acquire the product upon delivery and must pay within three business days of delivery and receipt of a valid invoice.

Beginning July 1, 2014, Off-Premise Licensees will, pursuant to the State Liquor Law, receive a discount of at least 12% of the retail selling price set by the Bureau for each liquor product approved by the Bureau. The Bureau may, by administrative rulemaking and with the approval of the Commission, establish higher discount rates. The discount rate established in 2004 and in effect through June 30, 2014 averages approximately 10.5% of such retail selling price set by the Bureau. Each Licensee is solely responsible for its own overhead costs, including without limitation business structuring, equipment, insurance, utilities, payroll and the costs of product damage and theft.

The Bureau is authorized to license additional Licensees. Municipal officials, or in certain circumstances county commissioners, may hold a public hearing to consider an application of a prospective On-Premise Licensee for a new establishment, subject to later license confirmation by the Bureau or appeal to the Bureau by an aggrieved party. In issuing a license, factors considered are the applicant's character and the location of such new establishment. With certain exceptions, such new establishment may not be located within 300 feet of a school, school dormitory, church, chapel or parish house. After a license has been issued, the Licensee may lose the license by violating the terms thereof.

Pricing Methodology

Pricing of liquor by the Liquor Operation is a function of purchase costs from the distillers, statutory requirements, State and federal tax levels, and control and revenue production. The Bureau sets retail prices taking into consideration neighboring states' prices, its own gross profit targets and the brand strategies of the distillers. State rules permit price changes on a quarterly cycle. Current law requires that the wholesale and retail prices for the same product be the same throughout the State.

The Bureau fixes the retail prices at which the various classes, varieties, sizes and brands of liquor are sold. In fixing those selling prices the Bureau computes an anticipated profit at least sufficient to provide in each calendar year all costs and expenses of the Bureau (including all its functions, not just the Liquor Operation).

Pursuant to the State Liquor Law, the Bureau is required to sell spirits at a price that will produce, in addition to any other tax or charge imposed by law, a premium in the amount of \$1.25 per proof gallon (the "Premium"). The Premium with respect to spirits sold is periodically calculated by the Bureau and transferred from Gross Receipts to the State's General Fund.

In addition, pursuant to the State Liquor Law, the Bureau is required to sell spirits (and fortified wine) at a price that will produce an aggregate State liquor tax sufficient to pay all liquor-related expenses of the Bureau and to return to the State's General Fund an amount substantially equal to the State liquor tax collected in the previous Fiscal Year. The State liquor tax with respect to spirits (and fortified wine) sold is periodically calculated by the Bureau and transferred from Gross Receipts to the State's General Fund. The Premium and the tax referred

to in this paragraph are included in the term Liquor Excise Taxes as used in the State Liquor Agreement.

The collection and remittance to the State of sales tax on retail sales of spirits at establishments such as grocery stores, convenience stores, bars, taverns and restaurants is the responsibility of the Licensees.

The various elements of pricing are illustrated by the following breakdown of the \$19.99 cost to a purchaser (before sales tax) of a popular brand of liquor sold in a 1.75 liter bottle:

<u>Element</u>	<u>Amount</u>
Distiller price to Liquor Operation (“costs of goods sold”)	\$10.18
Liquor Operation “gross profit”	7.81
Subtotal (Liquor Operation “gross sales” price to Off-Premise Licensee)	\$17.99
Off-Premise Licensee discount or gross margin	2.00
Price paid by purchaser (individual or On-Premise Licensee; excludes sales tax)	\$19.99

The terms “gross sales,” “costs of goods sold” and “gross profit” are explained or calculated as set forth in the “Pro Forma Financial Forecast” table under the subheading “THE MAINE LIQUOR OPERATION – Pro Forma Forecasts” hereinabove.

The Liquor Operation participates in comparative price surveys through the Distilled Spirits Council of the United States and NABCA which is the trade association of the Control States. Price comparisons vary with the time and the product. In recent years prices in the State have generally been higher than in contiguous states. In general, prices are higher in Control States than in states which are not Control States. New Hampshire, the only state that is contiguous to the State, is a Control State.

Operations

The Bureau communicates monthly its distribution, pricing and promotion decisions to the Off-Premise Licensees and the Wholesale Intermediary (and expects to communicate such decisions to the Wholesale Administrator on and after July 1, 2014). The Bureau monitors business performance through monthly internal profit and loss statements, annual audit reports, and monthly syndicated sales and pricing reports from NABCA. Sales forecasting and warehouse inventory management is the responsibility of the distillers. With respect to Off-Premise Licensees, delivery, customer service and accounts receivable and payable are the responsibility of the Wholesale Intermediary (and are expected to be the responsibility of the Wholesale Administrator on and after July 1, 2014).

Enforcement

The production, distribution, use or sale of liquor contrary to State law is a crime. The “drinking age” for liquor in the State is 21 years. An individual may “import” into the State no more than four quarts of liquor in a 30-day period. Enforcement of State Liquor Law is provided by local police and by the Bureau.

The Current Wholesale Intermediary

Pursuant to an amendment of the State Liquor Law enacted in 2003, closure of the remaining State liquor stores and the lease or subcontracting of the State's spirits wholesale function was authorized. Following a competitive bid process, the State on May 14, 2004 entered into an agreement (the "2004 Agreement") with a company (the "Wholesale Intermediary") pursuant to which the Wholesale Intermediary made payments to the State totaling \$125,000,000 on or prior to July 1, 2004 and has provided and will provide over the term of the 2004 Agreement certain profit sharing payments to the State. The duties of the Wholesale Intermediary pursuant to the 2004 Agreement include managing logistics, taking orders, implementing marketing techniques and warehousing and delivery of spirits to Off-Premise Licensees. The termination date of the 2004 Agreement is June 30, 2014.

The first table which follows this paragraph sets forth certain financial information with respect to the Wholesale Intermediary's performance of the 2004 Agreement, including revenue, operating expense and net revenue information, for the partial year ended December 31, 2004 and the years ended December 31, 2005 through 2012. The second table which follows this paragraph sets forth certain historical gross sales and other information for the six months ended December 31, 2004 and the years ended December 31, 2005 through 2012.

For a discussion of the relationship between the following two tables and the "Pro Forma Financial Forecast Prepared by the State of Maine," see "THE MAINE LIQUOR OPERATION – Pro Forma Forecasts" hereafter.

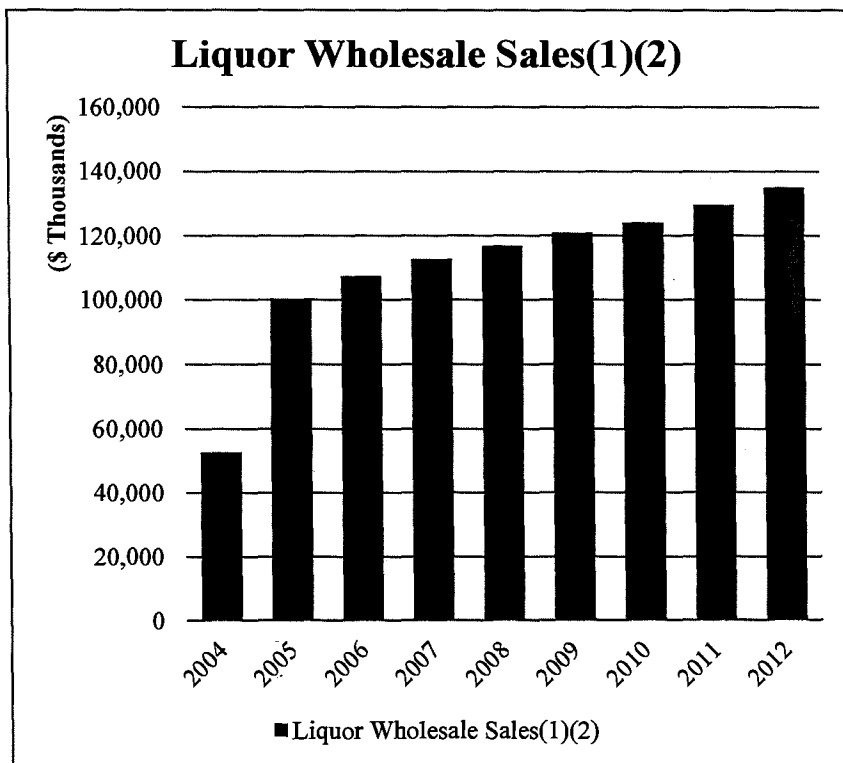
SUMMARY STATEMENTS OF INCOME AND EXPENSE⁽¹⁾
For the Years Ended December 31, 2004 through 2012

	12/31/2004 ⁽²⁾	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Sales	52,655,400	100,391,262	107,516,863	112,659,658	116,973,144	120,826,891	124,160,600	129,546,318	135,094,470
Cost of sales	34,466,291	63,037,740	66,065,269	68,474,493	70,978,863	73,196,308	74,974,801	78,362,743	82,023,207
Gross profit before state revenue sharing	18,189,109	37,353,522	41,451,594	44,185,165	45,994,281	47,630,583	49,185,799	51,183,575	53,071,263
State revenue sharing income (expense)	69,924	(2,604,315)	(4,412,264)	(5,534,346)	(6,190,531)	(6,756,583)	(7,278,311)	(8,017,479)	(8,697,709)
Gross profit after state revenue sharing	18,259,033	34,749,207	37,039,330	38,650,819	39,803,750	40,874,000	41,907,488	43,166,096	44,373,554
Operating expenses:									
Contracted services for warehousing, delivery and customer service	1,596,281	2,945,607	2,976,684	3,128,237	3,281,316	3,410,909	3,530,439	3,786,170	3,976,774
Bottle redemption expenses, net of bottle deposits	261,844	475,290	460,835	446,682	489,337	510,508	573,033	606,785	599,176
Selling, general and administrative expenses	737,827	1,728,738	1,998,562	2,098,231	2,452,097	2,592,886	2,464,897	2,538,923	2,726,302
Total operating expenses	2,595,952	5,149,635	5,436,081	5,673,150	6,222,750	6,514,303	6,568,369	6,931,878	7,302,252
Operating income	15,663,081	29,599,572	31,603,249	32,977,669	33,581,000	34,359,697	35,339,119	36,234,218	37,071,302

(1) Derived from reports provided to by the Bureau by the Wholesale Intermediary pursuant to the 2004 Agreement.

(2) The Wholesale Intermediary operated pursuant to the 2004 Agreement for a part of 2004 only.

**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
HISTORICAL GROSS LIQUOR WHOLESALE SALES**



CY	Liquor Wholesale Sales ⁽¹⁾⁽²⁾	YOY Change
12/31/2004	\$52,676,422	
12/31/2005	\$100,391,300	90.58%
12/31/2006	\$107,516,600	7.10%
12/31/2007	\$112,659,700	4.78%
12/31/2008	\$116,973,000	3.83%
12/31/2009	\$120,827,000	3.29%
12/31/2010	\$124,160,700	2.76%
12/31/2011	\$129,546,318	4.34%
12/31/2012	\$135,094,470	4.28%

Annual Statistics	
Minimum	\$52,676,422
Maximum	\$135,094,470
Average	\$111,093,946
Average Growth Rate (CY2006-CY2012)	4.34%

(1) Derived from reports provided to by the Bureau by the Wholesale Intermediary pursuant to the 2004 Agreement. The liquor sales amounts for calendar years ended December 31 include listing fees, premium tax and the profit sharing amount received by the State from the Wholesale Intermediary pursuant to the 2004 Agreement and are reported on a calendar year basis.

(2) Pursuant to the 2004 Agreement, sales made by the Wholesale Intermediary were for part of 2004 only.

Program Act Contract Requirements

Pursuant to the Program Act, the Commissioner of AFS is required to enter into a contract for warehousing, distribution and spirits administration (the "Administration Contract") and a contract for spirits trade marketing (the "Marketing Contract"), each for a term of 10 years. Each contract must be awarded pursuant to a separate competitive bid process in accordance with the Program Act. Pursuant to the Program Act, both contracts may be awarded to the same bidder. Pursuant to the Program Act, "spirits administration" includes, but is not limited to, financial and performance management; profitable and responsible growth management; management of contracts; management of agency liquor store matters and orders; personnel management; monitoring and reporting of spirits inventory; management of bailment records and billing; management of accounts receivable, accounts payable and tax collection and reporting; and sales and profit reporting and "spirits trade marketing" includes, but is not limited to, agency liquor store category management, analysis and recommendations; agency liquor store shelf reset recommendations; agency liquor store displays, advertising, point-of-sale material and event marketing recommendations; development, production and distribution of sales, marketing and informational publications; consultation and coordination with suppliers and brokers on matters affecting their brands; and development, production and distribution of any social responsibility initiatives and compliance related to those initiatives.

The Wholesale Administrator to be Engaged Pursuant to the Program Act

Pursuant to the Program Act, the State expects, in the last quarter of calendar year 2013, to initiate the competitive bidding process required by the Program Act and to select a successful bidder (the "Wholesale Administrator") in accordance with award criteria set forth in the Program Act and with which the State expects to enter into an Administration Agreement which will satisfy the Program Act requirements for the Administration Contract, be effective July 1, 2014 and terminate June 30, 2024. Many services to be provided to the State by the Wholesale Administrator pursuant to the Administration Agreement are expected to be substantially similar to those provided pursuant to the 2004 Agreement, including administration, warehousing, delivery and bottle redemption services. The compensation of the Wholesale Administrator pursuant to the Administration Agreement is expected to be determined differently from the way in which the compensation was determined for the Wholesale Intermediary pursuant to the 2004 Agreement and is expected to be a fee based upon sales value generated. In addition, the Bureau will cause the Administration Agreement to include such provisions as are required pursuant to the Program Act and the State Liquor Agreement. Pursuant to the Program Act, the Administration Agreement must prohibit the Wholesale Administrator from engaging in activities reserved for Off-Premise Licensees licensed as reselling agents to provide spirits to On-Premise Licensees. For a summary of the conditions set forth in the State Liquor Agreement, see "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS - State Liquor Agreement" and Appendix F - "Proposed Form of State Liquor Agreement."

The Bureau will be responsible for all aspects of the Liquor Operation and will be required under the State Liquor Agreement to cause the Liquor Operation to be operated in accordance with the State Liquor Agreement and the Program Act and will pay or cause to be paid all costs and expenses relating to the Liquor Operation as and when those costs and expenses are due and payable.

The Bureau believes that its current schedule for soliciting and evaluating bids from prospective Wholesale Administrators, selecting a Wholesale Administrator and entering into the Administration Agreement is reasonable and that such schedule includes a reasonable amount of time to dispose of any appeal of the selection. The Bureau currently expects that a request for proposals from prospective Wholesale Administrators will be distributed on or before September 30, 2013, proposals will be due on or before November 15, 2013 and a Wholesale Administrator will be selected and will enter into the Administration Agreement on or before December 31, 2013.

If it becomes foreseeable that the Administration Agreement will not be in effect on July 1, 2014, however, the Bureau believes that there are several alternatives that would provide additional time to finalize the Administration Agreement. The Bureau could coordinate warehousing and distribution of liquor with Off-Premise Licensees utilizing a combination of the delivery systems of certain higher volume Licensees, such as grocery chain stores, and independent transportation vendors. The Bureau could arrange to have the Off-Premise Licensees accumulate inventory estimated to provide for sales through July 31, 2014 or longer. The Bureau could enter into one or more short-term agreements for delivery, warehousing and spirits administration.

The Marketing Contractor to be Engaged Pursuant to the Program Act

Pursuant to the Program Act, the State expects, in the last quarter of calendar year 2013, to initiate the competitive bidding process required by the Program Act and to select a successful bidder (the "Marketing Contractor") in accordance with award criteria set forth in the Program Act and with which the State expects to enter into a Marketing Agreement which will satisfy the Program Act requirements for the Marketing Contract, be effective July 1, 2014 and terminate June 30, 2024.

The Bureau's current schedule for soliciting and evaluating bids from prospective Marketing Contractors, selecting a Marketing Contractor and entering into the Marketing Agreement with the selected Marketing Contractor is substantially similar to the schedule culminating in the signing of the Administration Agreement. See "THE MAINE LIQUOR OPERATION – The Wholesale Administrator to be Engaged Pursuant to the Program Act" above.

Business Development and Sales Recovery Initiative

It is an objective of the Program Act to maximize the growth in the State's wholesale spirits business. The State has not been progressive or active in marketing or managing its wholesale spirits business. To address the Program Act objective, the Bureau expects to collaborate with the Marketing Contractor to bring state-of-the-art merchandising and category management disciplines to Off-Premise Licensees and thereby to complement the promotional activities of the distillers who have a primary role in development of the business.

In the past ten or more years, it has been relatively easy for neighboring states to persuade Maine residents to purchase liquor there that is later consumed in Maine. New Hampshire, which borders Maine on the south and west, has been particularly successful in this regard because New Hampshire per bottle prices are approximately \$2-7 less than comparable bottles sold in Maine and because 51% of Maine's population lives within a one hour drive of

New Hampshire liquor stores. Out-of-state purchases by Maine residents are currently estimated to be over 200,000 cases annually with a sales revenue value of \$30 million.

To strengthen liquor sales in the State and to recover some of the out-of-state purchases by Maine residents, the Bureau will, with assistance provided pursuant to the Marketing Agreement, provide and require:

1. More competitive retail pricing on high-traffic brands;
2. More category visibility to consumers from better space and category management, retail displays, retailer ads and more distiller promotions;
3. Targeted Bureau consumer advertising (first-ever); and
4. Better retailer margins to motivate the category support activities above.

The Bureau expects to monitor the elements of the sales recovery initiative each month and adjust pricing as necessary monthly, with special prices for certain products, and quarterly for shelf prices. Any such price adjustment is effective immediately throughout the State.

Pro Forma Forecasts

The Program Act Forecast. The table on page 19 hereof is a pro forma financial forecast by the State acting through the Bureau of the Liquor Operation pursuant to the Program Act (the “Program Act Forecast”) and sets forth certain projected financial information, including projected gross sales and projected costs of goods, for the Fiscal Years ending June 30, 2015 through and including 2024.

The projected “gross sales” amount of \$145,000,000 for the Fiscal Year ended June 30, 2015 shown in the Program Act Forecast was derived from the \$135,094,470 “sales” amount for the year ended December 31, 2012 shown in the “Summary Statements of Income and Expense” table (the “Summary Table”) set forth under the heading “THE MAINE LIQUOR OPERATION – The Current Wholesale Intermediary.” To prepare the Program Act Forecast, the Bureau has assumed (i) an increase in the “sales” amount for the year ended December 31, 2013 to approximately \$140,000,000 (approximately 3.6%), (ii) an increase in the “sales” amount for the six months ended June 30, 2014 (when the 2004 Agreement will terminate) to approximately \$142,000,000 (approximately 1.4%) and (iii) an increase in the “gross sales” amount to \$145,000,000 (approximately 2.1%) for the Fiscal Year ended June 30, 2015 which is the first year during which the Administration Agreement is expected to be in effect. Thereafter “gross sales” are projected to increase at the annual rate of approximately 2%.

Lines b, c, d, g and h of the Program Act Forecast set forth the Bureau’s assumptions with respect to the principal elements of the business development measures, including the sales recovery initiative, which are described under the heading “THE MAINE LIQUOR OPERATION – Business Development and Sales Recovery Initiative.” After the Administration Agreement becomes effective, the State plans to devote savings expected from the new compensation arrangement with the Wholesale Administrator, which is expected to be a fee based on sales value generated, to reducing per bottle prices in order to stimulate more purchases in Maine and to increasing the discount allowed to Off Premise Licensees in order to encourage improvement in marketing and other selling efforts.

The assumption that the “costs of goods sold” will be “61% of gross sales” as set forth in the Program Act Forecast is based on information derived from the Summary Table. The “cost

of sales” set forth in the Summary Table and the “costs of goods sold” set forth in the Program Act Forecast are the “prices that the distillers charge for the spirits products including all freight and taxes.” The “cost of sales” divided by the “sales,” both as set forth in the Summary Table, are, for the years ended December 31, 2010, 2011 and 2012, respectively and approximately, 60.4%, 60.5% and 60.7%. Based on such calculations, in the opinion of the State acting through the Bureau, it is reasonable to assume for purposes of the Program Act Forecast that the “costs of goods sold” will be “61% of gross sales.”

The assumption that “other operating costs” will be “7.5% of gross sales” as set forth in the Program Act Forecast is based on information derived from the Summary Table. The “total operating expenses” set forth in the Summary Table and the “other operating costs” set forth in the Program Act Forecast both include expenses for warehousing, delivery and customer service, bottle redemption expenses and “selling, general and administrative.” The “total operating expenses” divided by the “sales,” both as set forth in the Summary Table, are, for the years ended December 31, 2010, 2011 and 2012, respectively and approximately, 5.3%, 5.4% and 5.4%. Based on such calculations, in the opinion of the State acting through the Bureau, it is reasonable to assume for purposes of the Program Act Forecast that the “other operating costs” will be “7.5% of gross sales.”

As shown in the “Historical Gross Liquor Wholesale Sales” table set forth under the heading “THE MAINE LIQUOR OPERATION – The Current Wholesale Intermediary,” the average growth rate for the seven years ended December 31, 2006 through December 31, 2012 has been approximately 4.34%. For this same period, the annual total of “operating income” of the Wholesale Intermediary and “State revenue sharing expense” has increased from approximately \$36,000,000 to approximately \$46,000,000. In the opinion of the State acting through the Bureau, such amounts are comparable to the annual “operating profit” of the State which is projected to increase from approximately \$34,500,000 to approximately \$51,000,000 for the years ended June 30, 2015 through June 30, 2024 as set forth in the Program Act Forecast.

Forecast Without Sales Recovery. The table on page 20 hereof is a pro forma financial forecast by the State acting through the Bureau of the Liquor Operation pursuant to the Program Act and sets forth certain projected financial information, including projected gross sales and projected costs of goods, for the Fiscal Years ending June 30, 2015 through and including 2024 except that it excludes the sales recovery initiative which is described under the heading “THE MAINE LIQUOR OPERATION – Business Development and Sales Recovery Initiative” (the “Forecast Without Sales Recovery” and, collectively with the Program Act Forecast, the “Forecasts”). The Forecast Without Sales Recovery shows the impact if the Bureau did not implement such sales recovery initiative.

The “operating profit” projected in the first two years in the Forecast Without Sales Recovery exceeds that in the Program Act Forecast but is less in the last eight years and for the ten years total. Both Forecasts project substantial and growing “operating profit”. In the opinion of the State acting through the Bureau, the sales recovery initiative is one reasonable way to address the Program Act objective of maximizing growth in the State’s wholesale spirits business.

The information set forth in the Forecasts has been prepared by the AFS and constitutes “forward-looking statements” for purposes of this Official Statement. Accordingly, the achievement of the results and other expectations projected in the Forecasts involves known and

unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from historical results, assumptions, projected results and other expectations of the State described or expressed in the Forecasts or implied by the information set forth in the Forecasts.

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Pro Forma Financial Forecast (\$000)
Prepared by the State of Maine
for the
Wholesale Liquor Operation
Pursuant to the Program Act
For the Years Ending June 30, 2015-2024
(Includes Business Development and Sales Recovery Initiative)

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
Gross Sales (Projected - Prior to "Investments" - 2% annual growth) [a]	\$145,000.0	\$147,900.0	\$150,858.0	\$153,875.2	\$156,952.7	\$160,091.7	\$163,293.6	\$166,559.4	\$169,890.6	\$173,288.4
Price Reduction and Agent Discount [b]	(\$14,000.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)	(\$12,500.0)
Cases Recovered (in Thousands) [c]	70.0	150.0	200.0	202.5	205.0	207.5	210.0	212.5	215.0	217.5
Sales Recovered [d]	\$9,450.0	\$20,250.0	\$27,000.0	\$27,337.5	\$27,675.0	\$28,012.5	\$28,350.0	\$28,687.5	\$29,025.0	\$29,362.5
Gross Sales - Net of "Investments" (Projected) [e]	\$140,450.0	\$155,650.0	\$165,358.0	\$168,712.7	\$172,127.7	\$175,604.2	\$179,143.6	\$182,746.9	\$186,415.6	\$190,150.9
Costs of Goods Sold (61% of Gross Sales) [f]	(\$88,450.0)	(\$90,219.0)	(\$92,023.4)	(\$93,863.8)	(\$95,741.1)	(\$97,655.9)	(\$99,609.1)	(\$101,601.2)	(\$103,633.3)	(\$105,705.9)
Additional COGS with Recovered Cases (61% of Recovered Sales) [g]	(\$5,764.5)	(\$12,352.5)	(\$16,470.0)	(\$16,675.9)	(\$16,881.8)	(\$17,087.6)	(\$17,293.5)	(\$17,499.4)	(\$17,705.3)	(\$17,911.1)
Costs of Goods Sold - After Recovery [h]	(\$94,214.5)	(\$102,571.5)	(\$108,493.4)	(\$110,539.7)	(\$112,622.9)	(\$114,743.6)	(\$116,902.6)	(\$119,100.6)	(\$121,338.5)	(\$123,617.1)
Gross Profit (GP)	\$46,235.5	\$53,078.5	\$56,864.6	\$58,172.9	\$59,504.8	\$60,860.6	\$62,241.0	\$63,646.3	\$65,077.1	\$66,533.9
Alcoholic Beverages Fund - Personal Services [i]	(\$210,462)	(\$211.5)	(\$212.5)	(\$213.6)	(\$214.6)	(\$215.6)	(\$216.6)	(\$217.7)	(\$218.7)	(\$219.7)
Alcoholic Beverages Fund - All Other [j]	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)
Other Operating Costs (Fixed % - Assumed to be 7.5% of Gross Sales) [k]	(\$10,533.8)	(\$11,673.8)	(\$12,401.9)	(\$12,653.4)	(\$12,909.6)	(\$13,170.3)	(\$13,435.8)	(\$13,706.0)	(\$13,981.2)	(\$14,261.3)
Operating Profit (OP)	\$34,491.3	\$40,193.3	\$43,250.2	\$44,305.9	\$45,380.6	\$46,474.7	\$47,588.6	\$48,722.6	\$49,877.2	\$51,052.8

Explanatory Notes:

- [a] Projected wholesale liquor sales revenue.
- [b] Projected liquor price reductions and increased agent discounts for the purpose of recovering sales lost to other states.
- [c] Estimate of recovery of sales lost to other states.
- [d] Prior line converted into wholesale revenue.
- [e] Net wholesale sales revenue after all the adjustments above.
- [f] Prices that the distillers charge for the spirits products including all freight and taxes.
- [g] Distiller costs for the newly recovered cases shown above.
- [h] The sum of the two lines immediately above. See Notes [f] and [g].
- [i] The cost of personnel directly associated with operating the spirits business for the State.
- [j] The projected costs to advertise and market the volume recovery plan described in the second line of this table. See Note [b].
- [k] The projected cost of amounts to be paid to the Wholesale Administrator and the Marketing Contractor.

Pro Forma Financial Forecast (\$000)
Prepared by the State of Maine
For the
Wholesale Liquor Operation
Pursuant to the Program Act
For the Years Ending June 30, 2015-2024
(Excludes Sales Recovery Initiative)

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
Gross Sales (Projected - Prior to "Investments" - 2% annual growth) [a]	\$145,000.0	\$147,900.0	\$150,858.0	\$153,875.2	\$156,952.7	\$160,091.7	\$163,293.6	\$166,559.4	\$169,890.6	\$173,288.4
Price Reduction and Agent Discount [b]	(\$4,000.0)	(\$4,080.0)	(\$4,161.6)	(\$4,244.8)	(\$4,329.7)	(\$4,416.3)	(\$4,504.6)	(\$4,594.7)	(\$4,686.6)	(\$4,780.4)
Cases Recovered (in Thousands) [c]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales Recovered [d]	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Sales - Net of "Investments" (Projected) [e]	\$141,000.0	\$143,820.0	\$146,696.4	\$149,630.3	\$152,622.9	\$155,675.4	\$158,788.9	\$161,964.7	\$165,204.0	\$168,508.1
Costs of Goods Sold (61% of Original Gross Sales) [f]	(\$88,450.0)	(\$90,219.0)	(\$92,023.4)	(\$93,863.8)	(\$95,741.1)	(\$97,655.9)	(\$99,609.1)	(\$101,601.2)	(\$103,633.3)	(\$105,705.9)
Additional COGS with Recovered Cases (61% of Recovered Sales) [g]	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Costs of Goods Sold - After Recovery [h]	(\$88,450.0)	(\$90,219.0)	(\$92,023.4)	(\$93,863.8)	(\$95,741.1)	(\$97,655.9)	(\$99,609.1)	(\$101,601.2)	(\$103,633.3)	(\$105,705.9)
Gross Profit (GP)	\$52,550.0	\$53,601.0	\$54,673.0	\$55,766.5	\$56,881.8	\$58,019.4	\$59,179.8	\$60,363.4	\$61,570.7	\$62,802.1
Alcoholic Beverages Fund - Personal Services [i]	(\$210.462)	(\$211.5)	(\$212.5)	(\$213.6)	(\$214.6)	(\$215.6)	(\$216.6)	(\$217.7)	(\$218.7)	(\$219.7)
Alcoholic Beverages Fund - All Other [j]	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)
Other Operating Costs (Fixed % - Assumed to be 7.5%) [k]	(\$10,575.0)	(\$10,786.5)	(\$11,002.2)	(\$11,222.3)	(\$11,446.7)	(\$11,675.7)	(\$11,909.2)	(\$12,147.4)	(\$12,390.3)	(\$12,638.1)
Operating Profit (OP)	\$40,764.5	\$41,603.0	\$42,458.3	\$43,330.7	\$44,220.5	\$45,128.2	\$46,054.0	\$46,998.4	\$47,961.7	\$48,944.3

Explanatory Notes:

- [a] Projected wholesale liquor sales revenue.
- [b] Projected liquor price reductions and increased agent discounts for the purpose of recovering sales lost to other states.
- [c] Estimate of recovery of sales lost to other states.
- [d] Prior line converted into wholesale revenue.
- [e] Net wholesale sales revenue after all the adjustments above.
- [f] Costs that the distillers charge for the spirits products including all freight and taxes.
- [g] Distiller costs for the newly recovered cases shown above.
- [h] The sum of the two lines immediately above. See Notes [f] and [g].
- [i] The cost of personnel directly associated with operating the spirits business for the State.
- [j] The projected costs to advertise and market the volume recovery plan described in the second line of this table. See Note [b].
- [k] The projected cost of amounts to be paid to the Wholesale Administrator and the Marketing Contractor.

THE OFFERED BONDS

General Description

The Offered Bonds will be issued in the principal amounts and with maturity dates shown on the inside cover page of this Official Statement. The Offered Bonds will be dated the date of their delivery and will bear interest from such date, payable on June 1 and December 1 of each year, commencing December 1, 2013. Interest will be calculated based on a year of 360 days and twelve 30 day months.

As described in "APPENDIX B – THE DEPOSITORY TRUST COMPANY," the Offered Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). So long as DTC, or its nominee Cede & Co., is the registered owner of all the Offered Bonds, all payments on the Offered Bonds will be made directly to DTC.

The principal, Sinking Fund Installments, if any, and Redemption Price of the Offered Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee. U.S. Bank National Association will initially serve as trustee, paying agent and registrar for the Offered Bonds. Payment of the interest on any Offered Bonds will be made to the person whose name appears on the registration books of the Trustee as the registered owner thereof (the "Holder") as of the close of business on the fifteenth day of the month preceding the month in which an interest payment date occurs (the "Record Date"). Interest will be paid by check or draft mailed to each Holder at the address shown on the registration books of the Trustee; provided, however, that interest on the Offered Bonds may be authorized to be paid, at the option of the registered owner of at least \$100,000 in principal amount of the Offered Bonds, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has not less than five (5) days prior to the Record Date for the Offered Bonds, directed the Trustee to wire such interest payment. As long as the DTC book-entry system is in effect, Cede & Co. is the Holder and will receive all payments made pursuant to the Offered Bonds.

Redemption

Optional Redemption. The Offered Bonds shall be subject to optional redemption prior to their maturity, at the option of the Bank, in whole or in part on any date, at a Redemption Price equal to the greater of (A) 100% of the principal amount of the Offered Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal of and interest on the Offered Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 40 basis points, plus in each case, accrued and unpaid interest on the Offered Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the Treasury Rate, the following definitions apply:

“Treasury Rate” means, with respect to any redemption date for a particular Offered Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Offered Bond, the U.S. Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Offered Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Offered Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Offered Bond, (1) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers designated by the Bank.

“Reference Treasury Dealer” means Wells Fargo Bank, National Association and its successors and three other firms, specified by the Bank from time to time, that are primary U.S. government securities dealers in the City of New York (each, a Primary Treasury Dealer); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Bank will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Offered Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

Selection of Offered Bonds To Be Redeemed. The Offered Bonds shall be redeemed only in the principal amount of \$5,000 or integral multiples thereof. If less than all of the Outstanding Offered Bonds of a particular maturity are to be redeemed and paid prior to maturity pursuant to the optional redemption provisions set forth above, the Offered Bonds of such maturity shall be selected for redemption on a Pro Rata Basis (as defined below) to each Holder in whose name such Offered Bonds are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date. As used in this paragraph, “Pro Rata Basis” means, with respect to the allocation of amounts to be redeemed from a particular maturity of the Offered Bonds, the application of a fraction the numerator of which is equal to the principal amount of the Offered Bonds of such maturity held by a particular Holder of such Offered Bonds, and the denominator of which is equal to the total principal amount of the Offered Bonds of such maturity then Outstanding.

In the case of a partial redemption of the Offered Bonds, then for all purposes in connection with such redemption, each \$5,000 of face value shall be treated as though it was a separate Offered Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any Offered Bond are selected for redemption, then the Holder of such Offered Bond or such Holder's attorney or legal representative shall forthwith present and surrender such Offered Bond to the Trustee for payment of the Redemption Price (including the redemption premium, if any, and interest to the redemption date) of the \$5,000 unit or units of face value called for redemption, and to the Trustee for exchange, without charge to the Holder thereof, for a new Offered Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Offered Bond. If the Holder of any such Offered Bond of a denomination greater than \$5,000 shall fail to present such Offered Bond to the Trustee for payment and exchange as aforesaid, such Offered Bond shall, nevertheless, become due and payable on the redemption date only to the extent of the principal amount thereof called for redemption.

Notice of Redemption. Notice of the call for any redemption shall be given by the Trustee, in the name of the Bank, by mailing a copy of the redemption notice, by first class mail, not less than 30 days prior to the date fixed for redemption to the registered owners of Offered Bonds or portions thereof to be redeemed at their last known addresses appearing on the registration books maintained by the Trustee; provided, however, that failure of any owner to receive such notice shall not affect the validity of any proceedings for the redemption of the Offered Bonds. The Trustee shall give notice, in the name of the Bank, of the redemption of such Offered Bonds, which notice shall specify: (i) the maturities and the interest rates of the Offered Bonds to be redeemed; (ii) the redemption date and Redemption Price; (iii) the numbers, any CUSIP number and other distinguishing marks of the Offered Bonds to be redeemed (except in the event that all of the Outstanding Offered Bonds are to be redeemed); (iv) that such Offered Bonds will be redeemed at the corporate trust office of the Trustee; (v) in the case of Offered Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed; and (vi) any conditions precedent to such redemption. Such notice shall further state that, assuming the satisfaction of all conditions precedent to such redemption, on such redemption date there shall become due and payable upon each Offered Bond to be redeemed the Redemption Price of the specified portions, together with interest accrued to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue and be payable. If, on the redemption date, moneys or Defeasance Securities for the redemption of all Offered Bonds or portions thereof of any like maturity and interest rate to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on such date, and if notice of redemption shall have been mailed as aforesaid, and all conditions precedent to such redemption, if any, shall have been satisfied, then, from and after the redemption date, interest on the Offered Bonds or portions thereof so called for redemption shall cease to accrue and such Offered Bonds shall no longer be considered to be Outstanding. If (i) such moneys or Defeasance Securities shall not be so available on the redemption date or (ii) any conditions precedent to such redemption shall not have been satisfied, such Offered Bonds or portion thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and, with respect to clause (ii) of this sentence, such redemption shall be deemed to be cancelled and shall have no effect.

SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS

Creation of Trust Estate

The 2013 General Resolution will constitute a contract among the Bank, the Trustee and the Holders from time to time of the Bonds, and the pledge, covenants and agreements of the Bank set forth in the 2013 General Resolution will be for the equal benefit, protection and security of the Holders of any and all of the Bonds and certain ancillary credit providers, if applicable, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other Bond, except as expressly provided in or permitted by the 2013 General Resolution. The Bank, in order to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds at any time Outstanding and to secure the performance and observance of all the covenants and conditions set forth in the Bonds and the Resolutions, has pledged to the Trustee pursuant to the 2013 General Resolution the following described property, including the investments thereof and the proceeds of such investments, if any (the "Trust Estate"):

(a) All Revenues, which include (i) those amounts required to be transferred to the Liquor Operation Revenue Fund pursuant to 30-A MRSA §6054 and the State Liquor Agreement, (ii) those remaining amounts in the Health Care Liability Retirement Fund required to be transferred by the State Controller to the Bank for deposit in the Liquor Operation Revenue Fund pursuant to 30-A MRSA §6054 and the State Liquor Agreement, (iii) earnings on amounts in the Pledged Liquor Operation Revenue Funds and Accounts and (iv) such other amounts as the Bank may designate as "Revenues" pursuant to a Supplemental Resolution (collectively, the "Pledged Revenues"). Revenues do not include proceeds of Bonds or revenues received by the Bank for deposit in the Liquor Operation Revenue Fund that are not expressly set forth in clauses (i) through (iv) of this paragraph (a);

(b) All right, title and interest of the Bank to receive the Pledged Revenues, and all right, title and interest of the Bank to the State Liquor Agreement and the right to receive funds thereunder;

(c) All Funds and Accounts established by the Bank within the Liquor Operation Revenue Fund and into which Pledged Revenues received by the Bank are deposited (the "Pledged Liquor Operation Revenue Funds and Accounts"), being initially the Revenue Account subject to the rights of the Bank to apply the amounts in the Pledged Liquor Operation Revenue Funds and Accounts as set forth in the 2013 General Resolution, and further subject to the rights of the Bank to use money held by the Bank in the Pledged Liquor Operation Revenue Funds and Accounts for any purpose permitted by applicable law to the extent permitted by the 2013 General Resolution (see APPENDIX C – "PROPOSED FORM OF THE 2013 GENERAL RESOLUTION");

(d) all money from time to time held by the Trustee under the 2013 General Resolution or any Series Resolution in the Bond Payment Fund, the Project Fund and the Capital Reserve Fund, but excluding money held in the Rebate Fund, any Defeasance Escrow Account and any fund or account created by a Series Resolution that is expressly excluded from the Trust Estate; and

(e) any and all other property, revenues or funds from time to time by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security under the Resolution, by the Bank, the State or anyone else, in favor of the Trustee.

Flow of Pledged Revenues

All Pledged Revenues received by the Bank shall be deposited in the Revenue Account or such other Fund, Account or Subaccount within the Liquor Operation Revenue Fund that the Bank so designates for deposit of the applicable Pledged Revenues, all in accordance with the terms of the 2013 General Resolution. Set forth below is a description of the flow of the Pledged Revenues under the Program Act and the 2013 General Resolution. For a complete description of the flow of Pledged Revenues, see APPENDIX C – “PROPOSED FORM OF THE 2013 GENERAL RESOLUTION.”

Receipt of Pledged Revenues and Deposit into Liquor Operation Revenue Fund. Amounts transferred to the Liquor Operation Revenue Fund by the Bureau pursuant to 30-A MRSA §6054 from Net Receipts (as defined in APPENDIX C – “PROPOSED FORM OF THE 2013 GENERAL RESOLUTION”) from the State liquor program pursuant to 28-A MRSA §90, and those amounts remaining in the Health Care Liability Retirement Fund after there are no longer any outstanding amounts owed to health care providers eligible to be paid from the Health Care Liability Retirement Fund, shall be deposited in the Revenue Account. The Liquor Operation Revenue Fund is held by the Bank. Any additional amounts to be deposited in the Liquor Operation Revenue Fund shall be so deposited as the Bank shall direct. Earnings or losses on funds in any fund, account or subaccount established in the Liquor Operation Revenue Fund shall be credited to such fund, account or subaccount.

Application of Pledged Revenues. Amounts received by the Bank as Pledged Revenues, and amounts on deposit within the Pledged Liquor Operation Revenue Funds and Accounts shall, subject to the transfers and uses of Revenue Account balances described below, be deposited and used only in the manner and order of priority set forth below:

(A) First, to the Bank Administrative Expenses Account, an amount equal to the Bank’s projected Bank Administrative Expenses (as defined in APPENDIX C – “PROPOSED FORM OF THE 2013 GENERAL RESOLUTION”), as set forth in a written instrument signed by an Authorized Bank Officer, through the end of the following calendar quarter;

(B) Second, to the Bond Payment Fund, until amounts in the Bond Payment Fund are sufficient to make all payments of principal of and interest on all Outstanding Bonds and on all Credit Facility Agreements, Qualified Swaps and other Ancillary Obligations on the next June 1 principal payment date (except that no such transfers shall be made between June 1 and the date on which transfers are required to be made to various state agencies pursuant to the 2013 General Resolution and the Program Act (no later than June 30 of each year), unless there is a deficiency in the Capital Reserve Fund or in amounts available to make any payment due with respect to Bonds, any Credit Facility, any Qualified Swap or any other Ancillary Obligation during such period);

(C) Third, to the Capital Reserve Fund, until amounts in the Capital Reserve Fund are equal to the Required Minimum Reserve; and

(D) Fourth, to the Bond Payment Fund to make any payments with respect to the redemption or discharge of Bonds, any Credit Facility, any Qualified Swap or any other Ancillary Obligation.

(E) Certain Revenue Account balances remaining at the end of the State fiscal year may be applied as described below.

Application of Revenue Account Balances Prior to July 1, 2017. For each of the State fiscal years ending on June 30, 2015, 2016 and 2017, during each State fiscal year, following the date in that State fiscal year on which amounts available in the Bond Payment Fund are at least equal to an amount that is sufficient to make all payments with respect to principal of and interest on all Bonds Outstanding, and all payments that will become due with respect to any Credit Facility Agreement, Qualified Swap and other Ancillary Obligation, in each case that will become due on or before June 1 of the applicable State fiscal year, and the redemption or discharge of any Bonds to be redeemed or discharged on or prior to June 1 of the applicable State fiscal year (including payment of redemption premium, if applicable), and provided that the Capital Reserve Fund is funded at a level at least equal to the Required Minimum Reserve, upon delivery to the Trustee of a certificate of an authorized Bank officer to the effect that Pledged Revenues expected to be received by the Bank for deposit in the Liquor Operation Revenue Fund, together with any existing balance in the Revenue Account of the Liquor Operation Revenue Fund not transferred pursuant to this paragraph, will be sufficient to make all payments required to be made from the Bond Payment Fund through the June 1 principal date of the following State fiscal year and all Bank Administrative Expenses expected to accrue or be incurred through such date, prior to June 30 of the applicable State fiscal year the Bank shall withdraw an amount not exceeding \$16,714,844 for the State fiscal year ending June 30, 2015, \$16,639,000 for the State fiscal year ending June 30, 2016 and \$16,817,000 for the State fiscal year ending June 30, 2017 to be transferred to various accounts for the benefit of various State agencies.

Application of Revenue Account Balances from July 1, 2017 until Bond Retirement. For each of the State fiscal years ending June 30, 2018 and thereafter until there are no Bonds Outstanding and no obligations under any Credit Facility Agreements, Qualified Swaps or other Ancillary Agreements, following the date in that State fiscal year on which amounts available in the Bond Payment Fund are at least equal to an amount that is sufficient to make all payments with respect to principal of and interest on all Bonds Outstanding, and all payments that will become due with respect to any Credit Facility, Qualified Swap and other Ancillary Obligation, in each case that will become due on or prior to June 1 of the applicable State fiscal year, and the redemption or discharge of any Bonds to be redeemed or discharged on or prior to June 1 of the applicable State fiscal year (including payment of redemption premium, if applicable), and provided that the Capital Reserve Fund is funded at a level at least equal to the Required Minimum Reserve, upon delivery to the Trustee of a certificate of an authorized Bank officer to the effect that Pledged Revenues expected to be received by the Bank for deposit in the Liquor Operation Revenue Fund, together with any remaining balance in the Revenue Account of the Liquor Operation Revenue Fund not transferred pursuant to this paragraph, will be sufficient to make all payments required to be made from the Bond Payment Fund through the June 1 principal payment date of the following State fiscal year and all Bank Administrative Expenses expected to accrue or be incurred through such date, prior to June 30 of the applicable State fiscal year, the Bank shall withdraw an amount not exceeding \$7,000,000 to be transferred to various accounts for the benefit of various State agencies.

Capital Reserve Fund

The Bank will establish a Capital Reserve Fund as security for the Offered Bonds. Initially the Capital Reserve Fund will be funded in an amount equal to the Required Minimum Reserve (defined below).

There shall be deposited in the Capital Reserve Fund (a) such portion of the moneys appropriated and made available by the State and paid to the Bank for the purpose of the Capital Reserve Fund; (b) all moneys paid to the Bank pursuant to subsection 5 of section 6006 of the Bond Bank Act for the purpose of restoring the Capital Reserve Fund to the amount of the Required Minimum Reserve; (c) such portion of the proceeds of the sale of Bonds, if any, as shall be provided by the Series Resolution authorizing the issuance of such Series; (d) any other moneys which may be made available to the Bank only for the purposes of the Capital Reserve Fund from any other source or sources; and (e) all moneys transferred by the Trustee from the Capital Reserve Fund pursuant to the Resolution.

The Capital Reserve Fund is required to be funded to the Required Minimum Reserve which is, pursuant to the 2013 Series Resolution and as of any date of computation, the greatest amount (such amount may take the form of cash, securities, a reserve fund insurance policy, to the extent otherwise permitted by the terms of the 2013 General Resolution, or a combination thereof) becoming due in any succeeding calendar year with respect to the payment of principal and Sinking Fund Installments, if any, of and interest on the Outstanding Bonds for the then current or any future State fiscal year. The 2013 General Resolution provides that in lieu of or in substitution for moneys, the Bank may deposit or cause to be deposited with the Trustee, a Capital Reserve Fund Credit Facility or Facilities meeting the requirements set forth in the 2013 General Resolution for the benefit of the Holders of the Offered Bonds for all or any part of the Required Minimum Reserve. Investments in the Capital Reserve Fund will be valued at cost (including accrued interest). A Capital Reserve Fund Credit Facility will be valued at par.

Moneys and securities held for the credit of the Capital Reserve Fund shall be transferred by the Trustee to the Bond Payment Fund at the times and in the amounts required to comply with the 2013 General Resolution; provided, however, that no payment under a Capital Reserve Fund Credit Facility shall be sought unless and until moneys and investment securities are not available in the Capital Reserve Fund and the amount required to be withdrawn from the Capital Reserve Fund pursuant to the 2013 General Resolution cannot be withdrawn therefrom without obtaining payment under such Capital Reserve Fund Credit Facility; provided, further, that, if more than one Reserve Fund Facility is held for the credit of the Capital Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Capital Reserve Fund Credit Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

The Bond Bank Act provides that in order to assure the maintenance of the Required Minimum Reserve in the Capital Reserve Fund, there shall be appropriated annually and paid to the Bank for deposit in the Capital Reserve Fund such sum as shall be certified by the Chairman of the Bank to the Governor as necessary to restore the Capital Reserve Fund to an amount equal to the Required Minimum Reserve. Under the Bond Bank Act and the 2013 General Resolution, the Chairman shall annually, on or before December 1, make and deliver to the Governor his certificate stating the sum, if any, required to restore the Capital Reserve Fund to the amount aforesaid, and the sum so certified shall be appropriated and paid to the Bank during the then current State fiscal year.

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

State Liquor Agreement

Overview. Pursuant to the State Liquor Agreement, AFS shall proceed to enter into the Administration Agreement and the Marketing Agreement pursuant to 28-A MRSA §90 (each an "Operating Contract"). The State Liquor Agreement sets forth, among other things, certain security-related features that AFS agrees will be included in the Administration Agreement. The State Controller is required to determine and notify the Bank of the amount owed by the State to health care providers and amounts eligible to be transferred to the Revenue Account, the Safe Water Drinking Fund, the Clean Water Fund, and the DOT Fund, all as defined and set forth in APPENDIX E - "PROPOSED FORM OF STATE LIQUOR AGREEMENT" attached hereto.

Financing Related Requirements of the Administration Agreement. The Administration Agreement will require that the Wholesale Administrator provide, among other things, "spirits administration" (as defined in 28-A MRSA §2) services. Such services include monitoring and reporting of spirits inventory, management of bailment records and billing, management of accounts receivable, accounts payable and tax collection and reporting. Receipts from these operations will generate Net Receipts that are required to be transferred for deposit to the Liquor Operation Revenue Fund and, upon such deposit, will become Pledged Revenues. In order to enhance the security for the Holders of the Offered Bonds from time to time, the Administration Agreement shall expressly provide for the following:

1. All receivables from the warehousing, distribution and sale of spirits will be funds or property of the State. They will be deposited in the Net Receipts Clearing Account.
2. The Wholesale Administrator, in its accounts receivable/accounts payable capacity, shall be acting solely as agent of the State, and not in its individual capacity.
3. The Wholesale Administrator shall be prohibited from commingling accounts receivable and payments received as agent of the State pursuant to the Administration Agreement with any other accounts of the Wholesale Administrator in its individual or other capacity.
4. The Wholesale Administrator shall have no rights of offset or other pecuniary interest in the Net Receipts Clearing Account or the receipts collected for deposit therein.
5. Payments received in connection with liquor sales may be wired by the payor directly into the Net Receipts Clearing Account, and checks from payors for such sales delivered into the possession of the Wholesale Administrator will be deposited directly into the Net Receipts Clearing Account. Deposits into the Net

Receipts Clearing Account shall be required to be made by the Wholesale Administrator within one business day following receipt.

6. The Wholesale Administrator may have the right, acting as agent of the State, to direct the custodian of the Net Receipts Clearing Account to make payments to liquor distributors to whom payments are due. The Wholesale Administrator shall not have access to funds in the Net Receipts Clearing Account for compensation to which it is entitled under the Administration Agreement, or for making direct payment of invoices payable from receipts of the liquor operations. The Wholesale Administrator may directly pay invoices payable from receipts of the liquor operations with its own funds, in which case it may submit an invoice to AFS for reimbursement from the Net Receipts Clearing Account.
7. The Wholesale Administrator, the Bureau and AFS shall each be entitled to receive reports of all deposits to and payments from the Net Receipts Clearing Account.
8. AFS shall pay to the Wholesale Administrator the amounts to which the Wholesale Administrator is entitled to under the Administration Agreement (including reimbursement for payments made from the Wholesale Administrator's own funds), from the Net Receipts Clearing Account.
9. Each of AFS, the Bureau and the Bank will have the right to audit the Net Receipts Clearing Account.

Monthly and Annual Net Receipts Budget Projections. On or prior to May 1 in each year, commencing May 1, 2014, the Bureau shall prepare and deliver to the Bank projections of Net Receipts, by month and for the full fiscal year, for the upcoming State fiscal year period from July 1 to the following June 30. Such projections shall indicate each of the following: (i) Gross Receipts, (ii) Operating Contract Expenses, (iii) Liquor Product and Marketing Expenses, (iv) BABLO Administrative Expenses, and (v) that portion of BABLO Administrative Expenses that is AFS Administrative Expenses (all as defined in APPENDIX E - "PROPOSED FORM OF STATE LIQUOR AGREEMENT").

Monthly Performance. Within 30 days following the end of each month of operations, commencing July 31, 2014, the Bureau shall prepare and deliver to the Bank a report of actual performance for such month, and comparing actual performance to the projected performance.

Transfers of Net Receipts to Liquor Operation Revenue Fund. Within 5 business days following the end of each month, commencing July 31, 2014, the Bureau shall transfer, or cause to be transferred, to the Bank for deposit in the Revenue Account of the Liquor Operation Revenue Fund the balance of Net Receipts held in the Net Receipts Clearing Account as of the last day of the applicable month.

Operating Contracts

For information regarding the Administration Agreement and the Marketing Agreement to be entered into by the State pursuant to the Program Act, see "THE MAINE LIQUOR OPERATION – Program Act Contract Requirements," – The Wholesale Administrator to be

Engaged Pursuant to the Program Act” and “– The Marketing Contractor to be Engaged Pursuant to the Program Act” hereinabove.

Agreement of the State

The Program Act authorizes the Bank to include, and the Bank will include, in the Offered Bonds the following statement: "The State hereby pledges to and agrees with the holders of any liquor operation revenue bonds issued pursuant to the Maine Revised Statutes, Title 30-A, chapter 225, subchapter 5 and with those parties who may enter into any ancillary obligation or contract with the Maine Municipal Bond Bank pursuant to that subchapter that the State will not limit, alter, restrict or impair the rights vested in the Maine Municipal Bond Bank and in any party to an ancillary obligation or contract until the liquor operation revenue bonds, together with interest, including interest on any unpaid installment of interest and all costs and expenses in connection with any actions or proceedings by or on behalf of the bondholders, are fully met and discharged and such contracts and ancillary obligations are fully performed on the part of the Maine Municipal Bond Bank."

Minimum Debt Service Coverage Ratio

In the State Liquor Agreement, the Bureau has agreed that at the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2015, the Debt Service Coverage Ratio (as defined in the next paragraph) for such Fiscal Year will be at least equal to the Minimum Debt Service Coverage Ratio (as defined in the next paragraph). No later than thirty (30) days after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2015, the Bureau must provide the Trustee with a written statement setting forth its calculation of the Debt Service Coverage Ratio for that Fiscal Year. If the Minimum Debt Service Coverage Ratio is not met in any Fiscal Year, the Bureau will retain a Consultant (as defined in the next paragraph), at the expense of the Liquor Operation, in a timely manner but in no event later than sixty (60) days after the completion of the Fiscal Year during which the Minimum Debt Service Coverage Ratio is not met, to review, analyze and make recommendations with respect to the revenues, expenses and operations of the Liquor Operation, and to submit a written report to the Trustee, the Bank, and the Bureau within sixty (60) days after the date of the Consultant's engagement, setting forth the Consultant's recommended actions and implementation schedule with respect to prices charged, costs incurred and operations that will produce at least an amount of Net Receipts for the then-current Fiscal Year sufficient to meet the Minimum Debt Service Coverage Ratio.

As used in this Official Statement, "Consultant" means a consultant with nationally recognized expertise in liquor sales and operations approved by the Bank, "Debt Service Coverage Ratio" means, with respect to any Fiscal Year, the amount of Net Receipts in such Fiscal Year divided by the Annual Debt Service for such Fiscal Year (excluding, solely for purposes of calculating the Minimum Debt Service Coverage Ratio, any interest on the Offered Bonds funded with proceeds of the Offered Bonds), and "Minimum Debt Service Coverage Ratio" means that the amount of Net Receipts in any Fiscal Year shall be at least 1.35 times the Annual Debt Service which is to be paid in that Fiscal Year.

Unless the Bureau and the Bank agree to implement an alternate plan as described below, the Bureau shall take each action recommended by the Consultant in its report in accordance with the implementation schedule set forth in such report. The Bureau will not be required to take any action that is not permitted under applicable law.

As an alternate to taking the actions set forth above, the Bureau may, with the approval of the Bank and within sixty (60) days after the end of the Fiscal Year in which the Minimum Debt Service Coverage Ratio was not achieved, create an alternate plan to take such actions pursuant to an implementation schedule as the Bureau may determine to increase the Debt Service Coverage Ratio for the then-current Fiscal Year, provided that a Consultant shall certify in writing that the alternate plan and implementation schedule, in its opinion, are likely to result in the achievement of the Minimum Debt Service Coverage Ratio for the then-current Fiscal Year.

If the Bureau and the Bank agree to an alternate plan that is approved by the Consultant as described above, the Bureau shall take such actions as have been set forth in the alternate plan in accordance with the implementation schedule set forth in such alternate plan.

No Acceleration of Offered Bonds

Notwithstanding the occurrence and continuance of an Event of Default under the 2013 General Resolution, the principal of the Bonds, including the Offered Bonds, cannot be accelerated.

ANNUAL DEBT SERVICE REQUIREMENTS

Set forth below are the principal, interest and total debt service requirements for the Offered Bonds.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>State Fiscal Year Total</u>
December 1, 2013		\$1,715,370.62	\$1,715,370.62	
June 1, 2014		3,590,310.60	3,590,310.60	\$5,305,681.22
December 1, 2014		3,590,310.60	3,590,310.60	
June 1, 2015	\$19,660,000	3,590,310.60	23,250,310.60	26,840,621.20
December 1, 2015		3,485,326.20	3,485,326.20	
June 1, 2016	19,870,000	3,485,326.20	23,355,326.20	26,840,652.40
December 1 2016		3,315,636.40	3,315,636.40	
June 1, 2017	20,210,000	3,315,636.40	23,525,636.40	26,841,272.80
December 1, 2017		3,072,712.20	3,072,712.20	
June 1, 2018	20,695,000	3,072,712.20	23,767,712.20	26,840,424.40
December 1, 2018		2,772,220.80	2,772,220.80	
June 1, 2019	21,295,000	2,772,220.80	24,067,220.80	26,839,441.60
December 1, 2019		2,413,613.00	2,413,613.00	
June 1, 2020	22,015,000	2,413,613.00	24,428,613.00	26,842,226.00
December 1, 2020		2,009,857.90	2,009,857.90	
June 1, 2021	22,820,000	2,009,857.90	24,829,857.90	26,839,715.80
December 1, 2021		1,570,344.70	1,570,344.70	
June 1, 2022	23,700,000	1,570,344.70	25,270,344.70	26,840,689.40
December 1, 2022		1,084,257.70	1,084,257.70	
June 1, 2023	24,675,000	1,084,257.70	25,759,257.70	26,843,515.40
December 1, 2023		559,667.20	559,667.20	
June 1, 2024	25,720,000	559,667.20	26,279,667.20	26,839,334.40
TOTAL	\$220,660,000	\$53,053,574.62	\$273,713,574.62	\$273,713,574.62

PROJECTED DEBT SERVICE COVERAGE RATIOS

Debt Service Coverage on Projected Revenues (In Thousands)

Fiscal Years Ended June 30	Pledged Revenues ⁽¹⁾	Debt Service for the Offered Bonds ⁽²⁾	Debt Service Coverage on Debt Service for the Offered Bonds
2015	\$34,491,300	\$23,250,311	148.348 %
2016	40,193,300	26,840,652	149.748
2017	43,250,200	26,841,273	161.133
2018	44,305,900	26,840,424	165.072
2019	45,380,600	26,839,442	169.082
2020	46,474,700	26,842,226	173.140
2021	47,588,600	26,839,716	177.307
2022	48,722,600	26,840,689	181.525
2023	49,877,200	26,843,515	185.807
2024	51,052,800	26,839,334	190.216

⁽¹⁾Pledged Revenues are estimated and include the "operating profit" set forth in the "Pro Forma Financial Forecast Prepared by the State of Maine for the Wholesale Liquor Operation Pursuant to the Program Act For the Years Ending June 30, 2015-2024 (Excludes Sales Recovery Initiative)" under the heading "THE MAINE LIQUOR OPERATION – Pro Forma Forecasts."

⁽²⁾ FY 2015 net of capitalized interest proceeds

THE MAINE MUNICIPAL BOND BANK

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

Pursuant to the Act, the Bank is authorized to issue bonds for the purpose, among other purposes, of providing funds to enable the Bank to lend money to counties, cities, towns, school administrative districts, community school districts and other quasi-municipal corporations within the State. Such loans are made through the direct purchase by the Bank from such governmental units of their bonds, notes or other evidences of debt payable from taxes or from rates, charges or assessments. It is the policy of the State, as declared in the Act, to foster and promote by all reasonable means the provision of adequate capital markets for the financing by governmental units of their respective public improvements and other municipal purposes from proceeds of their bonds and notes and to assist such governmental units in such financing by making funds available at reduced interest costs for orderly financing especially during periods of restricted credit or money supply, particularly for those governmental units not otherwise able to borrow for such purposes. In furtherance of this policy, the Bank is empowered to issue its bonds to make funds available at reduced rates and on more favorable terms for borrowing by such governmental units through the purchase by the Bank of their municipal bonds.

In addition, the Program Act authorizes the Bank to issue the Offered Bonds a portion of the proceeds of which will be used to make payments to health care providers for services provided prior to December 1, 2012 under the MaineCare program. See "THE PROGRAM ACT" herein.

In addition to the Offered Bonds authorized by the Program Act, the Bank is empowered under the Bond Bank Act to issue bonds for various other purposes (collectively, the "Other Bank Bonds"). Specifically, the Bank issues bonds under a general bond resolution adopted in

1973 to make loans to counties, cities, towns, school administrative districts, community school districts and other quasi-municipal corporations within the State to finance various public improvements and municipal purposes. Additionally, the Bank issues: sewer and water revenue bonds under a general resolution adopted in 1990 to assist municipalities by making loans to finance wastewater and drinking water treatment facilities; grant anticipation bonds under a general resolution adopted in 2004 to provide funding assistance to the Maine Department of Transportation ("MaineDOT") in anticipation of federal highway funding for construction and replacements of, improvements to, and rehabilitation or demolition of, bridges and highways; transportation infrastructure revenue bonds ("TransCap Program") under a general resolution adopted in 2008 for funding various capital improvements of bridges; qualified school construction bonds under a general resolution adopted in 2010 to finance costs of school construction projects; and other special obligation bonds issued from time to time to finance other authorized projects of local or regional governmental entities. The Other Bank Bonds are payable from certain revenues and funds which are not pledged to or available for payment of the Offered Bonds. The Trust Estate pledged to payment of the Offered Bonds is not pledged to or available for payment of the Other Bank Bonds. As of July 31, 2013, Other Bank Bonds were outstanding in the aggregate principal amount of \$1,453,761,142.

The Bank is under the direction of a board of five Commissioners, including the Treasurer of State and the Superintendent of Maine Bureau of Financial Institutions, both of whom serve as Commissioners ex officio. Three additional Commissioners are appointed by the Governor and are each required to be a resident of the State. Each holds office for a three-year term of appointment and until a successor is appointed and qualified. Commissioners are eligible for reappointment. Any vacancy in the office of a Commissioner occurring other than by expiration of term shall be filled in the same manner as the original appointment, but only for the remainder of the unexpired term. The Commissioners select a Chairman and a Vice Chairman from among the Commissioners. The Commissioners appoint an Executive Director, who also serves as both Secretary and Treasurer. The Executive Director serves at the pleasure of the Commissioners. Three Commissioners constitute a quorum for exercising the powers of the Bank. Action may be taken and motions and resolutions adopted by the Bank at any meeting thereof by the affirmative vote of at least three Commissioners of the Bank. No vacancy in the office of a Commissioner of the Bank impairs the right of a quorum of the Commissioners to exercise all the powers and perform all the duties of the Bank.

The Commissioners of the Bank and its officers are as follows:

STEPHEN R. CROCKETT, Chairman

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

HON. PHILIP E. HARRIMAN, Chartered Financial Consultant

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

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

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

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

His current term expires in August, 2014.

CHRISTOPHER J. LOGAN

Chris Logan is a resident of Durham, Maine with his wife and three children. Mr. Logan is currently employed by Androscoggin Savings Bank as the Chief Lending Officer, Senior Vice President.

He is a graduate of Siena College with a B.A. in Psychology. He furthered his educational attainment obtaining an M.B.A. with a concentration in finance from the University of Connecticut.

Mr. Logan's service includes serving as: the current President of the Lewiston Development Corporation, a member of the Lewiston/Auburn Economic Growth Council, an associate of Central Maine Medical Center, and a volunteer for Durham Fire and Rescue and Freeport Little League. His current term expires in August, 2015.

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

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

NERIA R. DOUGLASS, Treasurer of State

Neria Douglass of Auburn is Maine's 50th State Treasurer. She served for eight years as State Auditor and is an attorney-at-law and Certified Internal Auditor. She served in the Maine Senate from 1998 to 2004. She served on the Auburn City Council from 1994 to 1998 and was Chair of the Auburn School Committee from 1989 to 1994. Douglass earned her law degree from Vanderbilt University and her bachelor's degree from Wellesley College. She is admitted to practice law in the US Supreme Court, the US District Court for Maine, and the State of Maine, and has been a prosecutor and a private attorney. Her current term as Treasurer expires in January, 2015.

MICHAEL R. GOODWIN, Executive Director

Michael R. Goodwin was appointed the Executive Director of the Bank by the Commissioners and also serves as Secretary and Treasurer of the Bank. He also serves as Executive Director of the Maine Health and Higher Educational Facilities Authority, the Maine Governmental Facilities Authority and the Maine Public Utility Financing Bank. He previously served for twenty-two years as Program Officer of the Maine Health and Higher Educational Facilities Authority. He received his undergraduate degree from Husson University.

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

INVESTMENT CONSIDERATIONS

Secondary Market Considerations

There currently is no secondary market for the Offered Bonds. There is no assurance that any market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. The market value and future trading prices of the Offered Bonds will depend upon many factors, including among other things, prevailing interest rates, economic conditions, the State's financial condition, the financial condition of the Liquor Operation, and the market for similar securities.

Suitable Investment Considerations

The Offered Bonds may not be a suitable investment for all investors. An investment in the Offered Bonds should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the redemption, default and market risk, the tax consequences of the investment and the interaction of these factors.

General Economic Conditions

A downturn in the economy resulting in increasing unemployment either regionally or nationally may negatively impact the revenues of the Liquor Operation, potentially decreasing the amount of Net Receipts. Although the Liquor Operation has sustained and even grown its profits during prior economic downturns, there is no assurance that it will be able to do so during future economic downturns. Neither the Bank nor the State makes any representation as to the effect an economic downturn may have on the ability to pay principal of and interest on the Offered Bonds.

Changes in Consumer Preferences or Discretionary Consumer Spending

The sale of spirituous liquor depends, in part, upon continued consumer acceptance of and demand for spirituous liquor. Whether due to increased competition from alternatives to liquor, changes in law governing regulated or controlled substances or other influences, shifts in consumer preferences away from spirituous liquor could materially adversely affect future profitability. The Liquor Operation's success depends to a significant extent on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce sales of spirituous liquor, which could adversely affect the business, financial condition, operating results or cash flows of the Liquor Operation.

Federal or State Policies With Respect to, or Taxation of, Liquor

Certain federal and State laws and policies could be viewed as attempts to discourage consumption of alcoholic beverages, including spirituous liquor. Such laws include State regulation of liquor sales, the State's drinking age limit, so-called drunk driving laws based on alcohol measured in a person's blood, coupled with significant penalties, and educational programs. In addition, taxes have been enacted not only to increase governmental revenue but also to discourage use of a product, such as tobacco. Such governmental actions could reduce sales of spirituous liquor, which could adversely affect the business, financial condition, operating results or cash flows of the Liquor Operation.

Loss of Management Personnel

The success of the Liquor Operation depends in part upon its management personnel. The loss of services of key personnel could have a material adverse effect on the ability of the Liquor Operation to effectively manage its business. There can be no assurance that the State will be successful in attracting or retaining qualified executives and personnel. The failure by the State to perform its obligations, or to perform its obligations consistent with past performance, could have a material adverse impact on the Liquor Operation. The State may incur expenses greater than historical averages and the State may prove less effective in its administration of the Liquor Operation.

Action or Inaction of Other Holders of the Offered Bonds

Please see "APPENDIX C – PROPOSED FORM OF THE 2013 GENERAL RESOLUTION – Defaults and Remedies" for certain remedies which can be directed by the holders of at least twenty-five percent (25%) in aggregate principal amount of the Offered Bonds.

Special, Limited Obligations

The Offered Bonds are special, limited obligations of the Bank, payable solely from the Trust Estate. The Holders of the Offered Bonds may not look to any general or other fund of the Bank or the State for payment of principal of or interest on the Offered Bonds and the Offered Bonds will not be deemed or construed as creating an indebtedness of the State within the meaning of the State Constitution or laws of the State concerning or limiting the creation of indebtedness of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS" and APPENDIX C — PROPOSED FORM OF THE 2013 GENERAL RESOLUTION.

Factors Affecting Remedies

The remedies available to the Trustee and the Holders of the Offered Bonds upon an Event of Default (as defined in the 2013 General Resolution) are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. In addition, such remedies may not be readily available or may be limited. Accordingly, the legal opinions rendered in connection with the Offered Bonds will be qualified to the extent that enforceability of contractual obligations are affected by such limitations and, without limiting the generality of the foregoing, will include a statement to the effect that such enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights.

Offered Bonds Are Not Subject to Acceleration

Notwithstanding the occurrence and continuance of an Event of Default under the 2013 General Resolution, acceleration of principal of the Offered Bonds is not permitted under the 2013 General Resolution. Without limiting the foregoing, in the event of nonpayment of any debt service on the Offered Bonds, a Holder would only be able to demand payment of the amount past due.

State Has No Obligation to Appropriate for the Capital Reserve Fund

The Offered Bonds and certain provisions of the Bond Bank Act do not constitute a legally enforceable obligation of the State, and do not create a debt on behalf of the State, to maintain an amount equal to the Required Minimum Reserve in the Capital Reserve Fund. Accordingly, there can be no assurance that there will be appropriated or paid over to the Capital Reserve Fund such sum as shall have been certified by the Chairman of the Bank to the Governor as necessary to restore the Capital Reserve Fund to an amount equal to the Required Minimum Reserve.

The Administration Agreement

As discussed under the heading “THE MAINE LIQUOR OPERATION – The Wholesale Administrator to be Engaged Pursuant to the Program Act,” the Administration Agreement may not be in effect on or before July 1, 2014. In addition, the Administration Agreement could be terminated prior to June 30, 2024 for cause or because of bankruptcy of the Wholesale Contractor. While the Bureau believes that, in any of such circumstances, arrangements could be made to avoid any material disruption of Gross Receipts until the new or a successor Administration Agreement becomes effective, there can be no guarantee of such outcome.

SECONDARY MARKET DISCLOSURE

Continuing Disclosure Agreement

The Bank has authorized a Continuing Disclosure Agreement with respect to the Offered Bonds (the “Continuing Disclosure Agreement”), by and among the Bank, the State and the Trustee, in order to assist the Underwriters (hereafter defined) in complying with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The Continuing Disclosure Agreement will be for the benefit of the holders of the Offered Bonds and beneficial owners will be third-party beneficiaries thereof. In the Continuing Disclosure Agreement, the form of which is attached hereto as Appendix D, for the benefit of the Holders and beneficial owners of the Offered Bonds, the State agrees to provide, among other information, its audited financial statements and certain financial information relating to the State (the “State Annual Financial Information”) and the Bank agrees to provide its audited financial statements, both by not later than one year following the end of the State’s fiscal year, commencing with the fiscal year ended June 30, 2014, and the Bank agrees to provide notices of certain enumerated material events. The State will cause the State Annual Financial Information and the Bank will cause its audited financial statements and such notices to be provided to, and in the manner prescribed by, the Municipal Securities Rulemaking Board. The information to be contained in the State Annual Financial Information and the events requiring notice are set forth in APPENDIX D — “PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto.

Continuing Disclosure History

Maine Municipal Bond Bank. Except as described below, in the previous five years, the Bank has complied with its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

The Bank has issued its Grant Anticipation Bonds (Maine Department of Transportation) (the “GARVEE Bonds”) Series 2004A, Series 2008A, Series 2010A and Series 2010B and, in connection with such bonds, has entered into substantially similar continuing disclosure agreements with the trustee for such bonds and the State, acting by and through the Treasurer of State of the State and MaineDOT. On November 14, 2012, Moody’s downgraded the GARVEE Bonds and on November 15, 2012 the Bank filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notice of such downgrade but did not associate such filing with all of the CUSIP numbers to which such continuing disclosure agreements apply. On August 13, 2013, the Bank made a supplemental filing on EMMA to associate the November 15, 2012 notice with all of the CUSIP numbers to which such continuing disclosure agreements apply.

State of Maine. Except as described below, in the previous five years, the State has complied with its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

In 2006, the State issued its general obligation bonds, certain maturities of which were insured by Financial Security Assurance Inc. (“FSA”), and provided a continuing disclosure undertaking with respect to such bonds. FSA was downgraded by Moody’s from Aaa to Aa3 on November 21, 2008 on which date the State was rated Aa3 by Moody’s. FSA was downgraded by Fitch on May 11, 2009 from AAA to AA+ on which date the State was rated AA. On May 19, 2009, the State notified each nationally recognized municipal securities information repository of both the Moody’s November 21, 2008 downgrade and the Fitch May 11, 2009 downgrade. FSA was further downgraded by Fitch on October 12, 2009 from AA+ to AA on which date the State was rated AA. In April, 2010, Fitch recalibrated its U.S. public finance ratings for states and certain other entities and in connection with that recalibration changed the State’s rating from AA to AA+. The State filed notice of this change with EMMA on April 13, 2010. On January 22, 2013, Fitch lowered the State’s general obligation bond rating from AA+ to AA and notice of this change was filed with EMMA on January 28, 2013.

The State has provided continuing disclosure undertakings with respect to its general obligation bonds issued from time to time and with respect to certain bonds issued from time to time by the Maine Governmental Facilities Authority (“MGFA”) and agreed therein to provide audited financial statements and annual financial information and operating data within one year after the June 30 end of each of its fiscal years. In order to fulfill such continuing disclosure undertakings, it has been the State’s practice to post its official statements with respect to such bonds on EMMA and to associate such official statements with CUSIP numbers to which such continuing disclosure undertakings apply. On June 5, 2012, the State’s official statement dated May 31, 2012, which included annual financial information and operating data for the fiscal year ended June 30, 2011, was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013 a corrective filing was made with respect to the annual financial information and operating data for the fiscal year ended June 30, 2011. In addition, the State has determined

that while its annual financial information and audited financial statements were filed with EMMA in a timely manner each year, such filings did not specifically associate such filings with MGFA Bonds CUSIP numbers to which its continuing disclosure undertakings apply. On August 19, 2013, the State made a corrective filing with respect to its annual financial information and audited financial statements for the years ended June 30, 2008 through 2012.

As described above, the Bank has issued its GARVEE Bonds and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and the State, acting by and through the Treasurer of State and MaineDOT. In or about July, 2012, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure undertaking to post on EMMA within three months after the end of each federal fiscal year annual financial information and operating data with respect to federal highway apportionments, obligation authority and reimbursement receipts available for GARVEE Bond payments. Such information for the federal fiscal years ended September 30, 2011 and 2012 was filed on EMMA on July 9, 2012 and January 8, 2013, respectively.

The Bank has issued its Transportation Infrastructure Revenue Bonds (the "TransCap Bonds"), Series 2008A, Series 2009A, Series 2009B and Series 2011A and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and MaineDOT. Before the issuance of the TransCap Bonds, Series 2011A, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure agreements pertaining to the TransCap Bonds with respect to certain annual financial information. On November 3, 2011, Maine DOT made filings that fulfilled all previously unmet continuing disclosure undertakings related to such TransCap Bonds and Maine DOT advised the Bank that it had implemented procedures that MaineDOT believed to be adequate to assure timely filing of information sufficient to comply with its continuing disclosure undertakings with respect to the TransCap Bonds. With respect to the December 30, 2012 filing deadline, certain financial information was filed on EMMA April 1, 2013. Audited financial statements of the State required to be filed by June 30 of each fiscal year for each fiscal year ended the prior June 30, were filed with EMMA in a timely manner; however, certain filings did not specifically associate such filings with TransCap Bonds CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013, the State made a corrective filing with respect to those financial statements for the years ended June 30, 2009 through 2012.

The State is also undertaking a review of all filings of its audited financial statements to determine if the filings have been associated with all applicable CUSIP numbers and intends to make any additional corrective filings as may be necessary.

OFFERED BONDS AS LEGAL INVESTMENTS

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

SECURITY FOR PUBLIC DEPOSITS

The Offered Bonds are authorized security for any and all public deposits in the State of Maine.

TAX MATTERS

General Discussion

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Offered Bonds by original purchasers of the Offered Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Offered Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Offered Bonds as a position in a “hedge” or “straddle” for United States Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Offered Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Offered Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Offered Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

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

U.S. Holders — Interest Income

Interest on the Offered Bonds is not excludable from gross income for United States Federal income tax purposes.

Bond Premium

In general, if a U.S. Holder acquires an Offered Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Offered Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Offered Bond (a “Taxable Premium Bond”). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant

yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such holder's basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service's consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder's regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 17(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

U.S. Holders — Disposition

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of an Offered Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Offered Bond. A U.S. Holder's adjusted tax basis in an Offered Bond generally will equal such U.S. Holder's initial investment in the Offered Bond, decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Offered Bond. Such gain or loss generally will be long-term capital gain or loss if the Offered Bond was held for more than one year.

U.S. Holders — Defeasance

U.S. Holders of the Offered Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Offered Bonds to be deemed to be no longer outstanding under the 2013 General Resolution (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Offered Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Offered Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

U.S. Holders — Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest and the proceeds of the sale of an Offered Bond before maturity within the United States. Backup withholding at a rate of 31% for the year 2011 and thereafter, will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

Circular 230 Disclosure

The advice under this heading concerning certain income tax consequences of the acquisition, ownership and disposition of the Offered Bonds, was written to support the marketing of the Offered Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Offered Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the market price or marketability of the Offered Bonds.

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

FINANCIAL ADVISOR

The Bank has retained First Southwest Company (the "Financial Advisor") to serve as its financial advisor in connection with the Offered Bonds. The Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Financial Advisor's fee for services rendered with respect to the sale of the Offered Bonds is contingent upon the issuance and delivery of the Offered Bonds, and receipt by the Bank of payment therefor.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Bank and, as applicable, to investors

under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Moody's Investors Services have assigned their municipal bond ratings of "A+" and "A1", respectively, to the Offered Bonds. The Bank has furnished such rating agencies with certain information and materials concerning the Offered Bonds and the State, some of which information and materials are not included in this Official Statement. Generally, each such rating agency bases its ratings on such information and materials and also on such investigations, studies and assumptions as each may undertake or establish independently. An explanation of the significance of any rating may be obtained from the rating agency furnishing the same.

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

UNDERWRITING

The Offered Bonds are being purchased by Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner and Smith, Incorporated, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and Raymond James & Associates, Inc. (the "Underwriters") for whom Wells Fargo Bank, National Association is acting as representative. The Underwriters have agreed to purchase the Offered Bonds at a price of \$219,761,950.00, plus accrued interest, if any, that reflects an aggregate Underwriters' discount from the public offering price thereof in the amount of \$898,050.00. The purchase contract between the Bank and the Underwriters relating to the Offered Bonds provides that the Underwriters will purchase all of the Offered Bonds, if any of the Offered Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, subject to the approval of certain legal matters by Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, counsel to the Underwriters. The initial public offering prices of the Offered Bonds may be changed, from time to time, by the Underwriters. The Bank has been advised by the Underwriters that (i) they presently intend to make a market in the Offered Bonds, (ii) they are not, however, obligated to do so, (iii) any market making may be discontinued at any time, and (iv) there can be no assurance that an active public market for the Offered Bonds will develop. The Underwriters may offer and sell the Offered Bonds to certain dealers (including dealers depositing the Offered Bonds into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices lower than the respective public offering prices stated on the inside front cover page hereof.

Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Offered Bonds with WFA.

WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Offered Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., one of the Underwriters of the Offered Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Offered Bonds.

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

The Underwriters have provided the following four sentences for inclusion in this Official Statement. Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Such Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Bank. In the ordinary course of their various business activities, such Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of entities that receive banking services from such Underwriters and their respective affiliates.

LITIGATION

There is no controversy or litigation of any nature now pending, or to the knowledge of the Bank, threatened, restraining or enjoining the issuance, sale, execution or delivery of the

Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the Bank taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Offered Bonds, or the existence or powers of the Bank.

The Attorney General of the State will provide an opinion in connection with the issuance of the Offered Bonds that there is no pending or threatened litigation against the State or the Bank contesting the validity of the Bond Bank Act or the Program Act, or seeking to enjoin the issuance of the Offered Bonds by the Bank.

APPROVAL OF LEGALITY

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

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Act, the 2013 General Resolution, the Continuing Disclosure Agreement and the State Liquor Agreement contained herein do not purport to be complete and reference is made to the Act, the 2013 General Resolution, the Continuing Disclosure Agreement and the State Liquor Agreement for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Act and the 2013 General Resolution may be obtained upon request directed to the Bank.

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

The information set forth herein has been provided by the Bank and by other sources that are believed by the Bank to be reliable. The information, estimates, forecasts, projections, assumptions and expressions of opinion contained herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or that the information, estimates, assumptions and expressions of opinion contained herein are correct as of any date subsequent to the date hereof.

Except for any information provided by the Trustee concerning the Trustee, the Trustee has no responsibility for any information in this Official Statement. Further, the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Offered Bonds.

Since the Offered Bonds are special and limited obligations of the Bank, payable solely from the Trust Estate pledged under the 2013 General Resolution, the overall financial status of the Bank does not indicate and does not necessarily affect whether Revenues and other amounts will be available under the 2013 General Resolution to pay the principal of and interest on the

Offered Bonds. The Bank is not obligated to pay any amount in respect of principal of or interest on the Offered Bonds from any moneys legally available to the Bank for its general purposes other than those expressly pledged under the 2013 General Resolution.

All estimates, forecasts, projections and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates, forecasts, projections and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

References to web site addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the Bank and the purchasers or owners of any Offered Bonds.

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

MAINE MUNICIPAL BOND BANK

By: /s/Michael R. Goodwin
Michael R. Goodwin
Executive Director

August 27, 2013

APPENDIX A

HEALTH CARE PROVIDERS AND TOTAL PAYMENTS*

<u>Health Care Provider</u>	<u>Offered Bonds Proceeds</u>	<u>Federal Match</u>	<u>Total Payment</u>
ACADIA HOSPITAL	2,781,312	4,649,390	7,430,702
AROOSTOOK MEDICAL CENTER	4,490,649	7,506,810	11,997,459
BLUE HILL MEMORIAL (CAH)	278,431	465,440	743,870
BRIDGTON HOSPITAL	692,456	1,157,547	1,850,004
C. A. DEAN MEMORIAL HOSP (CAH)	478,438	799,783	1,278,222
CALAIS REGIONAL HOSPITAL (CAH)	370,231	618,898	989,129
CARY MEDICAL CENTER	1,470,415	2,458,025	3,928,440
CENTRAL MAINE MEDICAL CENTER	14,294,021	23,894,653	38,188,674
DOWNEAST COMMUNITY HOSPITAL	248,703	415,746	664,449
EASTERN MAINE MEDICAL CENTER	27,963,378	46,745,085	74,708,463
FRANKLIN MEMORIAL HOSPITAL	6,229,944	10,414,310	16,644,254
HENRIETTA D. GOODALL HOSPITAL	5,155,499	8,618,209	13,773,708
HOULTON REGIONAL HOSPITAL	242,453	405,297	647,750
INLAND HOSPITAL	3,541,063	5,919,431	9,460,493
MAINE COAST MEMORIAL HOSPITAL	4,632,383	7,743,740	12,376,123
MAINE MEDICAL CENTER	30,648,637	51,233,909	81,882,547
MAINEGENERAL MEDICAL CENTER	17,826,502	29,799,738	47,626,240
MAYO REGIONAL HOSPITAL	1,732,144	2,895,546	4,627,690
MERCY HOSPITAL	8,869,073	14,826,020	23,695,093
MID COAST HOSPITAL	6,108,259	10,210,895	16,319,154
MILES MEMORIAL HOSPITAL	1,644,982	2,749,840	4,394,822
MILLINOCKET REG.HOSP(CAH)	397,468	664,429	1,061,897
MOUNT DESERT ISLAND HOSP-(CAH)	1,071,966	1,791,955	2,863,921
NEW ENGLAND REHAB HOSPITAL	532,092	889,474	1,421,566
NORTHERN MAINE MEDICAL CENTER	1,635,916	2,734,686	4,370,602
PARKVIEW ADVENTIST MEDICAL CENTER	1,359,713	2,272,970	3,632,684
PENOBSCOT BAY MEDICAL CENTER	5,440,564	9,094,739	14,535,303
PENOBSCOT VALLEY HOSPITAL-CAH	287,795	481,093	768,887
REDINGTON-FAIRVIEW GEN. HOSPITAL	3,405,516	5,692,843	9,098,359
RUMFORD HOSPITAL	1,289,463	2,155,535	3,444,998
SEBASTICOOK VALLEY HOSPITAL	393,396	657,622	1,051,019
SOUTHERN MAINE MEDICAL CENTER	8,663,709	14,482,721	23,146,430
SPRING HARBOR	280,560	468,998	749,558
ST. ANDREWS HOSPITAL (CAH)	14,326	23,949	38,275
ST. JOSEPH HOSPITAL	3,738,061	6,248,743	9,986,804
ST. MARY'S REGIONAL MEDICAL CENTER	8,861,514	14,813,383	23,674,897
STEPHENS MEMORIAL	3,255,138	5,441,464	8,696,602
WALDO COUNTY GENERAL HOSPITAL	1,725,035	2,883,661	4,608,697
YORK HOSPITAL	1,430,655	2,391,561	3,822,216
TOTAL	<u>183,481,860</u>	<u>306,718,140</u>	<u>490,200,000</u>

* Prepared by Maine Department of Health and Human Services as of August 23, 2013 using federal fiscal year 2013 match criteria.

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APPENDIX B

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Offered Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by 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 the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered 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 Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as securities depository with respect to the Offered Bonds at any time by giving reasonable notice to the Bank or the Trustee. Under such

circumstances, in the event that a successor securities depository is not obtained, bond certificates for the Offered Bonds are required to be printed and delivered.

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

The preceding information in this Appendix B has been extracted from a schedule prepared by DTC as sample offering document language describing book-entry-only issuance. No representation is made by the Bank or the Underwriters as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

Neither the Bank nor the Trustee shall have any responsibility or obligation to any DTC Participant, any Beneficial Owner or other persons claiming a beneficial ownership interest in the Offered Bonds under or through DTC or any DTC Participant, with respect to: (i) the accuracy of any records maintained by DTC or any DTC Participant with respect to the beneficial ownership interest in the Offered Bonds; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, and premium, if any, or interest on the Offered Bonds to any Beneficial Owner or other person for the Offered Bonds; or (iii) the delivery to any Beneficial Owner of the Offered Bonds, or any other person, of any notice which is permitted or required to be given to owners under the 2013 General Resolution. Neither the Bank nor the Trustee shall have any responsibility with respect to obtaining consents from anyone other than the registered owners.

No assurance can be given by the Bank or the Trustee that DTC will distribute to the Participants or the Participants will distribute to the Beneficial Owners: (i) payment of debt service on the Offered Bonds paid to DTC or its nominee, as the registered owner; or (ii) any redemption or other notices, or that DTC or the DTC Participants will serve or act on a timely basis or in a manner described in this Official Statement.

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

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APPENDIX C

PROPOSED FORM OF THE 2013 GENERAL RESOLUTION

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MAINE MUNICIPAL BOND BANK

General Bond Resolution
Authorizing the Issuance of
State Liquor Operation Revenue Bonds

Adopted August 21, 2013

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TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

Section 1.01. Definitions.....	3
--------------------------------	---

ARTICLE II

SECURITY FOR BONDS

Section 2.01. Pledge Effected by the 2013 General Resolution	14
Section 2.02. Effect of Pledge.....	15
Section 2.03. Discharge of Resolution.....	15
Section 2.04. Bonds Secured on a Parity Unless Otherwise Provided	15
Section 2.05. Special, Limited Obligations	15
Section 2.06. Resolution Constitutes a Contract; Obligation of Resolution and Bonds.....	16
Section 2.07. No Liens Equal or Senior to the Lien of this 2013 General Resolution	16

ARTICLE III

AUTHORIZATION, ISSUANCE AND DELIVERY OF BONDS

Section 3.01. Authorization, Purpose, Name and Compliance with this Article.....	17
Section 3.02. Conditions to Issuance of Bonds.....	17
Section 3.03. Execution and Authentication of Bonds	21
Section 3.04. Delivery of Bonds and Application of Proceeds.....	21
Section 3.05. Tax-Exempt and Taxable Bonds.....	21

ARTICLE IV

TERMS OF BONDS

Section 4.01. Applicability of this Article	22
Section 4.02. Registered Form, Denominations and Numbering of Bonds.....	22
Section 4.03. Negotiability	22
Section 4.04. Registration of Bonds; Persons Treated as Owners; Transfer and Exchange of Bonds.....	22
Section 4.05. Mutilated, Lost, Stolen or Destroyed Bonds.....	23
Section 4.06. Payment of Bond Payments and Redemption Price.	23
Section 4.07. Book-Entry Registration	24
Section 4.08. Notice of Redemption.....	24
Section 4.09. Optional Redemption Payments.	25
Section 4.10. Selection of Bonds to be Redeemed	25

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 4.11. Delivery of New Bonds Upon Partial Redemption of Bonds.....	25
Section 4.12. Nonpresentment of Bonds.....	26
Section 4.13. Cancellation of Bonds.....	26
Section 4.14. Agreement of the State.....	26

ARTICLE V

FUNDS AND ACCOUNTS

Section 5.01. Administration of Liquor Operation Revenue Fund.....	27
Section 5.02. Bond Payment Fund.....	31
Section 5.03. Project Fund.....	32
Section 5.04. Capital Reserve Fund.....	33
Section 5.05. Rebate Fund.....	35
Section 5.06. Moneys to be Held in Trust	35
Section 5.07. Investment of Moneys.....	36
Section 5.08. Application of Residual Revenue Account Balances	37
Section 5.09. Retention of Records.....	37

ARTICLE VI

COVENANTS OF THE BANK

Section 6.01. Representations, Covenants and Warranties.....	37
Section 6.02. Payment of Bond Payments and Program Costs.....	38
Section 6.03. Deposit of Pledged Revenues in the Liquor Operation Revenue Fund.	39
Section 6.04. Operation of Liquor Operation Revenue Fund.....	40
Section 6.05. Rebate Payments by the Bank.....	40
Section 6.06. Credit Facilities and Qualified Swaps.....	40
Section 6.07. Tax Covenant.....	41
Section 6.08. Defense of Trust Estate.....	41
Section 6.09. Capital Reserve Fund.....	41

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default	42
Section 7.02. Remedies Following an Event of Default.....	42
Section 7.03. Use of Moneys Received from Exercise of Remedies.....	44
Section 7.04. Owners of Majority in Aggregate Principal Amount of Bonds May Control Proceedings	45
Section 7.05. Limitations on Rights of Owners Acting Individually	45
Section 7.06. Trustee May Enforce Rights Without Bonds.....	45
Section 7.07. Trustee to File Proofs of Claim in Receivership, Etc	45

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 7.08. Delay or Omission No Waiver.....	45
Section 7.09. Discontinuance of Proceedings on Event of Default; Position of Parties Restored	46
Section 7.10. Waivers of Events of Default.....	46

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 8.01. Appointment and Acceptance of Duties of Trustee.....	46
Section 8.02. Appointment and Acceptance of Duties of Paying Agent	46
Section 8.03. Representations, Covenants and Warranties of Trustee	47
Section 8.04. Duties of the Trustee	47
Section 8.05. Compensation of Trustee	49
Section 8.06. Resignation, Removal or Replacement of Trustee or Paying Agent.	49
Section 8.07. Conversion, Consolidation or Merger of Trustee or Paying Agent.....	50
Section 8.08. Intervention by Trustee	50

ARTICLE IX

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

Section 9.01. Supplemental Resolutions or Series Resolutions Not Requiring Consent of Owners	50
Section 9.02. Supplemental Resolutions or Amendments to Series Resolutions Requiring Consent of Owners.....	52
Section 9.03. Modifications by Unanimous Consent.....	54
Section 9.04. Exclusion of Bonds	54
Section 9.05. Notation on Bonds	54
Section 9.06. Special Provisions for Credit Facility Providers and Qualified Swap Providers	54

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Resolution.....	55
Section 10.02. Defeasance of Bonds.....	55
Section 10.03. Defeasance of Less than all Bonds of a Particular Series or Maturity.....	56

ARTICLE XI

MISCELLANEOUS

Section 11.01. Authority	56
--------------------------------	----

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 11.02. Table of Contents, Titles and Headings	56
Section 11.03. Interpretation and Construction	57
Section 11.04. Further Assurances and Corrective Instruments	57
Section 11.05. Evidence of Signature of Owners and Ownership of Bonds.	57
Section 11.06. Authorization of Officers and Employees	58
Section 11.07. Parties Interested Herein	58
Section 11.08. The Bank and Trustee Representatives	58
Section 11.09. Manner of Giving Notices	58
Section 11.10. Notices to Rating Agencies.....	59
Section 11.11. No Individual Liability	59
Section 11.12. Events Occurring on Days that are not Business Days.....	59
Section 11.13. Severability	59
Section 11.14. Applicable Law	59
Section 11.15. Effective Date	59

**GENERAL BOND RESOLUTION
AUTHORIZING THE ISSUANCE OF
STATE LIQUOR OPERATION REVENUE BONDS**

RECITALS

WHEREAS, the Maine Municipal Bond Bank (the "Bank") has full power pursuant to Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended from time to time (the "Bond Bank Act") to issue negotiable revenue bonds or other obligations payable solely out of the revenues described in the Bond Bank Act and other applicable law and solely for the purposes and subject to the limitations set forth in the Bond Bank Act and such other applicable law; and

WHEREAS, Title 28-A of the Maine Revised Statutes (the "State Liquor Law") establishes a comprehensive program of State control and regulation of liquor wholesaling, distribution and retailing within the State; and

WHEREAS, pursuant to Public Laws of Maine 2013, Chapter 269, effective June 14, 2013 (the "2013 Program Act"), a new Subchapter 5 ("Subchapter 5") is established within the Bond Bank Act and certain amendments were made to the State Liquor Law; and

WHEREAS, Subchapter 5 establishes in the custody of the Bank a special non-lapsing fund designated the Liquor Operation Revenue Fund (the "Liquor Operation Revenue Fund") to pay amounts due with respect to bonds authorized by the 2013 Program Act that are issued by the Bank and any Credit Facility Agreements, Qualified Swaps or other Ancillary Obligations related thereto, and to make certain other specified transfers; and

WHEREAS, amounts received pursuant to Section 90 of the State Liquor Law and certain other amounts made available for deposit in the Liquor Operation Revenue Fund are required to be deposited in the Liquor Operation Revenue Fund held by the Bank; and

WHEREAS, Section 90 of the State Liquor Law authorizes and directs the Commissioner of the Maine Department of Administrative and Financial Services (the "Commissioner of AFS") to enter into one or more contracts (each an "Operating Contract") with one or more entities (each a "Contract Operator") for the operation of spirits trade marketing and warehousing, distribution and spirits administration; and

WHEREAS, spirits administration includes, among other things, management of billing, of accounts receivable and accounts payable; and

WHEREAS, the Contract Operator will be acting in the capacity of an agent of the State with respect to collection of the payment of certain amounts due; and

WHEREAS, amounts received pursuant to Section 90 of the State Liquor Law by the State from the Contract Operator include receivables collected by the Contract Operator as agent of the State, less amounts payable by the Contract Operator as agent of the State and less certain

administrative expenses of the State (including fees paid by the Commissioner of AFS to the Contract Operator under the Operating Contract); and

WHEREAS, Subchapter 5 grants to the Bank express authority to issue bonds from time to time in amounts up to \$183,500,000 plus financing costs for the purpose of retiring amounts determined by the State Controller to be owed by the State to health care providers and secured by, among other things, amounts in the Liquor Operation Revenue Fund; and

WHEREAS, this 2013 General Resolution has been in all respects duly and validly adopted by the Board of Commissioners of the Bank;

NOW, THEREFORE, be it resolved by the Board of Commissioners of the Bank as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context shall otherwise require, the terms defined in the recitals shall have such meanings throughout this 2013 General Resolution and the following terms shall have the following meanings in this 2013 General Resolution:

“Account” means any account within a Fund established under this 2013 General Resolution.

“Accreted Value” means any amount defined as such in a Series Resolution for purposes of determining the Redemption Price of, certain rights of the Owner of or certain other matters with respect to a Capital Appreciation Bond or a Capital Appreciation and Current Interest Bond.

“Accretion Date” means any date defined as such in a Series Resolution for purposes of determining the Accreted Value or Maturity Value of a Capital Appreciation Bond or a Capital Appreciation and Current Interest Bond.

“Additional Bonds” means Bonds authenticated and delivered pursuant to this 2013 General Resolution other than the initial Series of Bonds.

“Additional Bonds Test” means the conditions for the issuance of a Series of Additional Bonds set forth in Section 3.02(A)(6).

“Ancillary Obligation” means an obligation of the Bank in connection with Bonds issued under this 2013 General Resolution, comprising:

- (a) a credit enhancement or liquidity agreement, including without limitation an obligation in the form of bond insurance, a surety bond, a letter of credit, a standby bond purchase agreement, a reimbursement agreement, a liquidity facility or other similar arrangement;

- (b) a remarketing agreement, auction agent agreement, broker-dealer agreement or other agreement relating to the marketing of liquor operation revenue bonds, an interest rate swap or another type of swap or hedging contract; or

- (c) an investment agreement, forward purchase agreement or similarly structured investment contract,

and designated by the Bank as being secured by the pledge of this 2013 General Resolution. Ancillary Obligations include Credit Facility Agreements and Qualified Swaps.

“Ancillary Obligation Provider” means the issuer of or party other than the Bank to any Ancillary Obligation.

“Annual Debt Service” means, with respect to the Bonds, as of any date of calculation, for any State Fiscal Year (or other designated consecutive twelve-month period) the amount of principal (including sinking fund redemption payments) of and interest scheduled to become due and payable on all Outstanding Bonds, in such State Fiscal Year (or other designated consecutive twelve-month period); provided, that for the purposes of computing Annual Debt Service:

(a) the interest rate on Bonds bearing interest at a variable rate shall be determined for purposes of this definition as set forth in the Series Resolution authorizing such Series of Bonds;

(b) notwithstanding clause (a), if a Qualified Swap is in effect pursuant to which the Bank is obligated to pay a fixed rate with respect to any variable rate Bonds, the interest rate on such variable rate Bonds during the period such Qualified Swap is scheduled to be in effect shall be assumed to be the fixed rate specified in such Qualified Swap;

(c) if a Qualified Swap is in effect with respect to any fixed rate Bonds pursuant to which the Bank receives a fixed rate in exchange for paying a variable rate, the interest rate on such Bonds during the period such Qualified Swap is scheduled to be in effect shall be assumed to be the sum of (i) the variable rate payable by the Bank with respect to the Qualified Swap determined for purposes of this definition as set forth in the Series Resolution authorizing such Series of Bonds and Qualified Swap, plus (ii) the positive difference, if any, between the fixed rate of interest borne by such Bonds minus the fixed rate the Bank receives pursuant to such Qualified Swap; and

(d) the principal and interest payments on Bonds shall be excluded to the extent such payments are to be made from amounts on deposit, as of the date of calculation, with the Trustee in an escrow or other account dedicated therefor, including interest payments that are to be paid from the proceeds of Bonds held by the Trustee.

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

“Authorized Denomination” means the denomination or denominations defined as such in a Series Resolution for purposes of determining the denominations of a Series of Bonds.

“Bank” means the Maine Municipal Bond Bank, a public body corporate and politic constituted as an instrumentality of the State of Maine exercising public and essential governmental functions and created by the Bond Bank Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Bank.

“Bank Administrative Expenses” means costs incurred by the Bank in administering the Liquor Operation Revenue Fund, including collecting the Net Receipts authorized or required to be deposited in the Liquor Operation Revenue Fund and implementing and maintaining the financing program established by this 2013 General Resolution and any Supplemental Resolution or Series Resolution, and including the fees and expenses of the Bank set forth in the

Maine Liquor Operation Agreement, the Program Act and the Bond Bank Act, and the fees and expenses of any fiduciary, including the Trustee, any paying agent, any depository, any rating agency or any other third party performing services relating to the Bonds, any ancillary obligation or the financing.

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

“Bond Counsel”, means (a) as of the date of issuance of the first Series of Bonds, Hawkins Delafield & Wood LLP and (b) as of any other date, Hawkins Delafield & Wood LLP or other attorneys selected by the Bank who have nationally recognized expertise in the issuance of municipal securities.

“Bond Payment Date” means each date on which Bond Payments are due and includes, but is not limited to, the maturity date of any Bond; each Interest Payment Date on each Current Interest Bond; and the mandatory sinking fund redemption dates of term Bonds that are subject to mandatory sinking fund redemption in accordance with a mandatory sinking fund redemption schedule set forth in a Series Resolution.

“Bond Payment Fund” means the special fund created by Section 5.02 hereof.

“Bond Payments” means, as of any date, the principal of, interest on and sinking fund installment payments due on all Bonds Outstanding.

“Bondholder” means any Person who shall be the registered owner of any Bonds.

“Bonds” means the bonds or notes authorized pursuant to Article III of this 2013 General Resolution.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks in New York, New York, Portland, Maine or any city identified in a Series Resolution are authorized by law to remain closed.

“Capital Appreciation and Current Interest Bond” means a Bond as to which a portion of the interest is paid as a Current Interest Bond and a portion of the interest is paid as a Capital Appreciation Bond.

“Capital Appreciation Bond” means a Bond on which no payments are due until maturity or redemption prior to maturity.

“Capital Reserve Fund” means the special fund created by Section 5.04 hereof.

“Capital Reserve Fund Credit Facility” means a Credit Facility provided to the Trustee by a Credit Facility Provider which provides for payment when due, in accordance with the terms thereof, of the principal or Redemption Price of and interest on one or more Series of Bonds or portions thereof.

“Commissioner of AFS” means the Commissioner of the State of Maine Department of Administrative and Financial Services and his or her successors, assigns and designees.

“Contract Operator” means an entity that has entered into an Operating Contract with the Commissioner of AFS pursuant to Section 90 of the State Liquor Law.

“Credit Facility” means any letter of credit, policy of insurance, stand-by credit or liquidity agreement or other forms of credit ensuring timely payment of any Bonds, including the Bond Payments on or the Redemption Price or purchase price of such Bond; (a) that is entered into in accordance with Section 6.06 hereof; and (b) which has been designated by the Bank, in the Series Resolution authorizing the Series of Bonds to which such Credit Facility relates, as a Credit Facility. References to *“Credit Facility”* with respect to any Series of Bonds shall be ineffective when such Bonds are not supported by a Credit Facility.

“Credit Facility Agreement” means an agreement between the Bank and a Credit Facility Provider relating to reimbursement by the Bank from the Trust Estate of the Credit Facility Provider for payments made by the Credit Facility Provider with respect to Bonds pursuant to a Credit Facility.

“Credit Facility Provider” means the financial institution or insurance company that is providing a Credit Facility.

“Current Interest Bond” means a Bond on which interest is payable at least annually to the Owners thereof commencing within 18 months from the date of issuance thereof.

“Defeasance Escrow Account” means any trust account into which money and/or Defeasance Securities are deposited for the purpose of defeasing any Bonds in accordance with Section 10.02 hereof.

“Defeasance Securities” means money and the following to the extent included in Permitted Investments:

- (a) non-callable (at the option of the obligor) direct obligations of the United States of America, non-callable (at the option of the obligor) and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable (at the option of the obligor) direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank, and shall exclude investments in mutual funds and unit investment trusts;

- (b) non-callable (at the option of the obligor) obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof); and

- (c) bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the

date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (a) or (b) which fund may be applied only to the payment when due of such bonds or other obligations.

"DEP" means the State of Maine Department of Environmental Protection.

"DOT" means the State of Maine Department of Transportation.

"Event of Default" means an event described in Section 7.01 hereof.

"Fiscal Year" means the State's fiscal year, which begins on each July 1 and ends on the following June 30.

"Fitch" means Fitch Ratings and its successors.

"Fund" means any fund established under this 2013 General Resolution.

"Gross Receipts" means all receipts derived by the Commissioner of AFS pursuant to 28-A MRSA Section 90, with no deduction or offset for amounts payable by the Commissioner of AFS to the Contract Operator, other amounts to which a Contract Operator may be entitled pursuant to an Operating Contract, administrative expenses of the Commissioner of AFS or of BABLO, or administrative expenses of the Bank. Gross Receipts include Liquor Excise Taxes.

"HHS" means the State of Maine Department of Health and Human Services.

"Interest Payment Date" means any date defined as such in a Series Resolution for purposes of paying the interest on a Series of Bonds.

"Letter of Representations" means the Blanket Letter of Representations from the Bank to The Depository Trust Company, New York, New York, dated October 13, 1995, or any successor depository with respect to the book-entry registration system for the Bonds, or any other similar writing or writings.

"Liquor Excise Taxes" means excise or similar taxes imposed under State law with respect to the purchase or sale of liquor within the State.

"Maturity Value" means any amount defined as such in a Series Resolution for purposes of determining the amount payable to the Owner of a Capital Appreciation Bond or a Capital Appreciation and Current Interest Bond at the maturity of such Bond.

"Maine Liquor Operation Agreement" means the Maine Liquor Operation Agreement among the Bank and the State of Maine, acting by and through the Commissioner of AFS.

"Moody's" means Moody's Investors Service and its successors.

"National Rating Agencies" means Fitch, Moody's or S&P, or any other nationally recognized securities credit rating agency identified and approved by the Bank.

"Net Receipts" has the meaning set forth in the Maine Liquor Operation Agreement.

“Operating Contract” means a contract entered into between the Commissioner of AFS pursuant to Section 90 of the State Liquor Law. There may be more than one Operating Contract.

“Original Principal Amount” means any amount defined as such in a Series Resolution for purposes of determining certain rights of the Owner of, or certain other matters with respect to, a Capital Appreciation Bond.

“Original Purchaser” means the Person defined as such in a Series Resolution for purposes of purchasing a Series of Bonds from the Bank.

“OSC” means the Office of the State Controller of the State of Maine.

“Outstanding” means all Bonds that have been executed and delivered, except:

(a) any Bond on which all Bond Payments due or to become due have been paid at maturity;

(b) any Bond on which the Redemption Price due or to become due has been paid in accordance with the redemption provisions applicable to such Bond;

(c) Bonds in lieu of which other Bonds have been executed and delivered pursuant to the provisions of this 2013 General Resolution or any Series Resolution relating to the transfer and exchange of Bonds or the replacement of mutilated, lost, stolen or destroyed Bonds;

(d) Bonds that have been canceled by the Trustee or that have been surrendered to the Trustee for cancellation;

(e) Bonds on which all Bond Payments or the Redemption Price is due and for which the Trustee holds moneys sufficient to pay the Bond Payments or Redemption Price for the benefit of the Owner thereof pursuant to Section 4.09 hereof; and

(f) Bonds that have been defeased pursuant to Article X hereof.

“Owner” of a Bond means the registered owner of such Bond as shown in the registration records of the Trustee.

“Paying Agent” means U.S. Bank National Association, acting in its capacity as paying agent hereunder, and any successor thereto appointed hereunder.

“Permitted Investments” means any investment that is permitted for investment of funds belonging to the State or held in the State Treasury.

“Person” means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

"Pledged Liquor Operation Revenue Funds and Accounts" means those Funds and Accounts within the Liquor Operation Revenue Fund into which Pledged Revenues received by the Bank are deposited. Initially the only Pledged Liquor Operation Revenue Funds and Accounts is the Revenue Account.

"Pledged Revenues" means those Revenues pledged by the Bank pursuant to Section 2.01 hereof and such additional Revenues as the Bank may, pursuant to a Supplemental Resolution, include as Pledged Revenues subject to the pledge of this 2013 General Resolution. Pledged Revenues shall not include Special Pledged Revenues.

"Pledged Rights" means all right, title and interest of the Bank to receive the Pledged Revenues, and all right, title and interest of the Bank to the Maine Liquor Operation Agreement and the right to receive funds thereunder.

"Principal Amount" means (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond; (b) with respect to any Outstanding Capital Appreciation Bond or Capital Appreciation and Current Interest Bond, the Accreted Value of such Bond as of the date on which the Principal Amount is being determined; and (c) with respect to all the Outstanding Bonds together, the sum of the amounts determined pursuant to clauses (a) and (b).

"Program" means the liquor operation revenue program established under Section 90 of the State Liquor Law and the 2013 Program Act .

"Program Costs" means all costs and expenses paid or incurred or to be paid or incurred (including the reimbursement of BABLO for any of such costs and expenses originally paid or incurred by BABLO in connection with:

- (a) payment of interest on the Bonds;
- (b) costs and expenses relating to any Credit Facility entered into in accordance with Section 6.06 hereof, including the reimbursement of any Credit Facility Provider as provided in Section 6.06 hereof;
- (c) costs and expenses relating to any Qualified Swap entered into in accordance with Section 6.06 hereof; and
- (d) amounts required to be deposited into the Rebate Fund pursuant to Section 5.05 and 6.05 hereof and the Tax Certificates.

"Project" means the legislative purpose to which proceeds of Bonds are permitted to be paid.

"Project Cost" means:

- (a) the cost of a project authorized to be paid by the 2013 Program Act or any amendment or supplement thereto; and

(b) financing costs, including, but not limited to, issuance fees established from time to time by the Bank, costs and expenses that the Bank deems necessary or advantageous in connection with the sale of the Bonds, including, but not limited to, costs and expenses relating to the engagement of consultants, financial advisors, underwriters, Credit Facility Providers, Qualified Swap Providers, providers of other Ancillary Obligations, rating agencies, attorneys, trustees, paying agents, registrars, other agents and other Persons in connection with the issuance of the Bonds.

“Project Fund” means the special fund created by Section 5.03 hereof.

“Qualified Swap” means any financial instrument that: (a) is entered into by the Bank with a party that is a Qualified Swap Provider at the time the instrument is entered into; (b) is entered into with respect to all or a portion of a Series of Bonds; (c) is for a term not extending beyond the final maturity of the Series of Bonds or portion thereof to which it relates; (d) provides that the Bank shall pay to such Qualified Swap Provider an amount accruing at either a fixed rate or a variable rate, as the case may be, on a notional amount equal to or less than the principal amount of the Series of Bonds or portion thereof to which it relates, and that such Qualified Swap Provider shall pay to the Bank an amount accruing at either a variable rate or a fixed rate, as appropriate, on such notional amount; (e) provides that one party shall pay to the other party any net amounts due under such instrument; and (f) which has been designated by the Bank in the Series Resolution authorizing the Series of Bonds to which such Qualified Swap relates as a Qualified Swap with respect to such Series of Bonds.

“Qualified Swap Payments” means the regularly scheduled net amounts required to be paid by the Bank to the Qualified Swap Provider pursuant to a Qualified Swap, and expressly excludes any termination payments or collateral maintenance requirements.

“Qualified Swap Provider” means a party other than the Bank which is the party to a Qualified Swap and, at the time of execution and delivery of the Qualified Swap (a)(i) whose senior unsecured debt obligations are or claims-paying ability is rated in one of the three highest rating categories of each of at least two National Rating Agencies (without regard to any gradations within a rating category) or (ii) whose obligations under the Qualified Swap are guaranteed for the entire term of the Qualified Swap by a Person whose senior debt obligations are or claims-paying ability is rated in one of the three highest rating categories of each of at least two National Rating Agencies (without regard to any gradations within a rating category) and (b) which is otherwise qualified to act as the party to a Qualified Swap with the Bank under applicable law.

“Rating Agency” means, with respect to any Series of Bonds, each National Rating Agency that has, at the request of the Bank, a rating then in effect for such Series of Bonds.

“Rating Confirmation” means, with respect to the Bonds, written evidence from a Rating Agency that no underlying Bond rating (without regard to ratings based on the credit quality of a Credit Facility Provider) then in effect from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken hereunder.

“Rebate Fund” means the special fund created by Section 5.05 hereof.

“Record Date” means (a) with respect to any Interest Payment Date that is the first day of a month, the fifteenth day of the month (whether or not a Business Day) preceding the month in which the Interest Payment Date occurs; (b) with respect to any Interest Payment Date that is the fifteenth day of a month, the first day of such month (whether or not a Business Day); and (c) with respect to any other Interest Payment Date, the date designated as the Record Date for such Interest Payment Date in a Series Resolution.

“Redemption Date” means the date upon which Bonds are to be called for redemption pursuant to this 2013 General Resolution or any Series Resolution.

“Redemption Price” means the amount due on a Bond on the date on which it is redeemed prior to maturity pursuant to the redemption provisions applicable to such Bond. Such term does not include the principal and interest or Accreted Value due on term Bonds on the dates such Bonds are to be redeemed in accordance with a mandatory sinking fund redemption schedule set forth in a Series Resolution.

“Refunding Bonds” means Bonds issued for the purpose of refunding, and proceeds of which are used to refund any Bonds.

“Required Minimum Reserve” means as of any date of calculation and computed in accordance with Section 5.07(I), with respect to all Outstanding Bonds, and subject to the further limitation set forth in the following sentence, an amount equal to the greatest amount of Annual Debt Service with respect to such Outstanding Bonds for the then current or any future State Fiscal Year. For purposes of this definition the term “Bonds” shall not include any Series of Bonds that is not secured by amounts in the Capital Reserve Fund if so provided in the Series Resolution authorizing the issuance of such Series of Bonds as permitted by Section 5.04(A).

“Residual Revenue Account Balance” means, as of any date, those amounts that are in the Revenue Account in the Liquor Operation Revenue Fund immediately after all transfers permitted to be made pursuant to Section 5.01 (E) and (F) have been made, less any balance then remaining in the Revenue Account that was relied upon by the Bank in making the determination set forth in Section 5.01 (E) and (F) in making such transfers.

“Resolution” means this General Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions and Series Resolutions in accordance with the terms and provisions hereof, and any amendments hereto.

“Revenue Account” means the Account so designated within the Liquor Operation Revenue Fund established pursuant to Section 5.01(B) hereof.

“Revenues” means revenues received by the Bank for deposit in the Liquor Operation Revenue Fund comprising (i) those amounts required to be transferred to the Liquor Operation Revenue Fund pursuant to 30-A MRSA §6054 and the Maine Liquor Operation Agreement, (ii) those remaining amounts in the Health Care Liability Retirement Fund required to be transferred by the State Controller to the Bank for deposit in the Liquor Operation Revenue Fund pursuant to 30-A MRSA §6054 and the Maine Liquor Operation Agreement, (iii) earnings on amounts in the Pledged Liquor Operation Revenue Funds and Accounts and (iv) such other amounts as the Bank may designate as “Revenues” pursuant to a Supplemental Resolution. Revenues shall not

include proceeds of Bonds or revenues received by the Bank for deposit in the Liquor Operation Revenue Fund that are not expressly set forth in clauses (i) through (iv) of this definition.

“*S&P*” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors.

“*Series*” means the Bonds designated as a separate series in a Series Resolution and any Bonds authenticated and delivered in lieu of or in substitution for such Bonds pursuant to this 2013 General Resolution or any Series Resolution.

“*Series Resolution*” means any resolution supplementing or amending this 2013 General Resolution that is adopted for purposes of authorizing the issuance of a Series of Bonds.

“*Special Pledged Revenues*” means Revenues pledged by the Bank, pursuant to this 2013 General Resolution or a Series Resolution, to secure payment of principal of, interest on and redemption price of one or more Series of Bonds, but not all Series of Bonds.

“*Special Record Date*” means a special date fixed to determine the names and addresses of Owners of Bonds for purposes of paying defaulted interest on Current Interest Bonds in accordance with Section 4.06 hereof.

“*State Liquor Law*” means Title 28-A of the Maine Revised Statutes, as the same may be amended from time to time.

“*Subaccount*” means any subaccount within an Account established under this 2013 General Resolution.

“*Subchapter 5*” has the meaning set forth in the recitals hereto.

“*State*” means the State of Maine.

“*State Controller*” means the State Controller of the State of Maine and his or her successors, assigns and designees.

“*State Fiscal Year*” means the fiscal year of the State, which commences on July 1 and ends on the following June 30, or such other fiscal year as the State may adopt.

“*Supplemental Resolution*” means any resolution supplementing or amending this 2013 General Resolution that is adopted for purposes other than authorizing the issuance of a Series of Bonds. A Supplemental Resolution may be combined with a Series Resolution.

“*Tax Certificate*” means, with respect to each Series of Tax-Exempt Bonds, (a) the arbitrage and use of proceeds certificate or other instrument that sets forth the Bank’s expectations regarding the investment and use of proceeds of such Tax-Exempt Bonds and other matters relating to Bond Counsel’s opinion regarding the federal income tax treatment of interest on such Tax-Exempt Bonds, including any instructions delivered by Bond Counsel in connection with such certificate, instrument or opinion; and (b) any amendment or modification of any such certificate, instrument or instructions that is accompanied by an opinion of Bond Counsel stating

that the amendment or modification will not adversely affect the exclusion of interest on such Tax-Exempt Bonds from gross income for federal income tax purposes.

"Taxable Bonds" means any Bonds that are not Tax-Exempt Bonds.

"Tax-Exempt Bonds" means Bonds the interest on which is intended to be excluded from gross income for federal income tax purposes.

"Treasurer" means the Treasurer of the State.

"Trust Estate" means the Trust Estate pledged as security for the Bonds pursuant to Section 2.01 of this 2013 General Resolution.

"Trustee" means U.S. Bank National Association, acting in its capacity as trustee hereunder, and any successor thereto appointed hereunder.

"Trustee Representative" means any officer in the corporate trust department of the Trustee and any other person authorized by a writing signed by an officer of the Trustee to act as a Trustee Representative under this 2013 General Resolution or any Series Resolution.

"Trust Estate" means the property granted to the Trustee pursuant to Section 2.01 hereof.

"2013 Program Act" means Public Laws of Maine 2013, Chapter 269, effective June 14, 2013 and any act amending or supplementing the foregoing (or the applicable provisions as codified in the Maine Revised Statutes Annotated) or affecting revenues available to be deposited in the Liquor Operation Revenue Fund, purposes to which proceeds of Bonds may be applied, purposes to which proceeds in the Liquor Operation Revenue Fund may be applied, or bonds authorized to be issued and secured by revenues to be deposited in the Liquor Operation Revenue Fund.

ARTICLE II

SECURITY FOR BONDS

Section 2.01. Pledge Effected by the 2013 General Resolution. The Bank, in consideration of the premises, the purchase of the Bonds by the Owners, the providing of a Credit Facility by any Credit Facility Provider, the entering into of a Qualified Swap by any Qualified Swap Provider, the providing or entering into of any other Ancillary Obligation by any Ancillary Obligation Provider, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of amounts due with respect to all Bonds at any time Outstanding hereunder, to secure payment of amounts due with respect to any Credit Facility or Credit Facility Agreement, to secure Qualified Swap Payments due with respect to any Qualified Swap, to secure payments due with respect to any Ancillary Obligation, to secure the performance and observance of all the covenants and conditions set forth in the Bonds, this 2013 General Resolution and any Series Resolution, and to declare the terms and conditions upon and subject to which the Bonds are issued and secured, has adopted this 2013 General Resolution and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm unto the Trustee and to its successors and assigns forever, all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents (referred to herein as the "Trust Estate"):

- (a) all Revenues;
- (b) all Pledged Rights;
- (c) all Pledged Liquor Operation Revenue Funds and Accounts, subject to the rights of the Bank to apply the amounts in the Pledged Liquor Operation Revenue Funds and Accounts as set forth in this 2013 General Resolution and further subject to the rights of the Bank to use money held by the Bank in the Pledged Liquor Operation Revenue Funds and Accounts for any purpose permitted by applicable law to the extent permitted by Sections 5.01(E) and (F);
- (d) all money from time to time held by the Trustee under this 2013 General Resolution or any Series Resolution in the Bond Payment Fund, the Project Fund and the Capital Reserve Fund, but excluding money held in the Rebate Fund, any Defeasance Escrow Account and any fund or account created by a Series Resolution that is expressly excluded from the Trust Estate (the funds and accounts described in this clause (d) being the "Pledged Funds and Accounts"); and
- (e) any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security hereunder, by the Bank, the State or anyone else, in favor of the

Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

Section 2.02. Effect of Pledge. The Bond Bank Act provides that:

(a) the pledge of the Trust Estate is valid and binding when the pledge is made, and the revenues or money so pledged and thereafter received by the Bank is immediately subject to the lien of the pledge without any physical delivery of the revenues or other money;

(b) the lien of such pledge is valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the Bank, regardless of whether those parties have notice of the pledge; and

(c) the instrument by which the pledge is created need not be filed or recorded, except in the records of the Bank.

Section 2.03. Discharge of Resolution. If this 2013 General Resolution is discharged in accordance with Section 10.01 hereof, the right, title and interest of the Trustee and the Owners of Bonds in and to the Trust Estate shall terminate and be discharged; otherwise this 2013 General Resolution is to be and remain in full force and effect.

Section 2.04. Bonds Secured on a Parity Unless Otherwise Provided. The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Bonds, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in this 2013 General Resolution or any Series Resolution. The Bond Bank may establish one or more Series of Bonds that are secured by, in addition to the Trust Estate, Special Pledged Revenues, and the pledge of such Special Pledged Revenues may be limited as set forth in the Series Resolution relating to those Series of Bonds secured by such Special Pledged Revenues.

Section 2.05. Special, Limited Obligations. The Bonds, Credit Facilities, Qualified Swaps and other Ancillary Obligations secured by the pledge of the 2013 General Resolution shall be special, limited obligations of the Bank payable by the Bank solely out of the Trust Estate. The State shall not be liable on the Bonds and the Bonds shall not be a debt or liability or constitute a pledge or loan of the faith and credit of the State. The Bonds shall contain on the face thereof a statement to the effect that:

(1) the Bonds are issued and executed pursuant to Subchapter 5 of the Bond Bank Act;

(2) the Bonds are special, limited obligations of the Bank and the Bank is obligated to pay the principal, interest, redemption premium, if any, and other amounts payable on the Bonds solely from the revenues and other sources pledged for that purpose by the Bank and that neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal, interest, redemption premium, charge, fee or other amount due on the Bonds. The provisions of this Section are hereby expressly incorporated into each Series Resolution.

All Credit Facilities, Qualified Swaps and other Ancillary Obligations shall contain a similar statement on the face thereof.

Section 2.06. Resolution Constitutes a Contract; Obligation of Resolution and Bonds. In consideration of the purchase and acceptance of any and all of the Bonds authorized from time to time to be issued under this 2013 General Resolution, as amended or supplemented, by those who shall hold the same from time to time, the providing of a Credit Facility by any Credit Facility Provider, the entering into of a Qualified Swap by any Qualified Swap Provider, and the entering into of any other Ancillary Obligation by an Ancillary Obligation Provider, this 2013 General Resolution shall be deemed to be and shall constitute a contract among the Bank, the Trustee, the Owners from time to time of the Bonds, any Credit Facility Provider, any Qualified Swap Provider and any other Ancillary Obligation Provider, and the pledge of the Trust Estate made in this 2013 General Resolution and the covenants and agreements set forth in this 2013 General Resolution to be performed by and on behalf of the Bank, shall be for the equal and ratable benefit, protection and security of the Owners of any and all of the Bonds, Credit Facility Providers, Qualified Swap Providers and other Ancillary Obligation Providers (subject to the provisions of Section 2.04) all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such Bonds, of any Credit Facility, of any Qualified Swap and of any other Ancillary Obligation Provider over any other thereof, except as expressly provided in or permitted by this 2013 General Resolution; and the Bonds, any Credit Facility, any Qualified Swap and any other Ancillary Obligation shall be special, limited obligations of the Bank payable solely from the Trust Estate as provided herein.

Section 2.07. No Liens Equal or Senior to the Lien of this 2013 General Resolution. Until all Bond Payments are paid in full and while any Bonds are Outstanding, no bonds, notes, debentures or other obligations shall be issued or incurred by the Bank having a lien on the Trust Estate equal to, or prior and superior to the lien thereon of the Bonds. Nothing in this 2013 General Resolution shall preclude a junior lien on Pledged Revenues or amounts in Liquor Operation Revenue Fund or the Funds and Accounts pledged under this 2013 General Resolution, provided that the availability of funds under such junior lien is restricted to Residual Revenue Account Balances or funds released from the lien of the Trust Estate.

ARTICLE III

AUTHORIZATION, ISSUANCE AND DELIVERY OF BONDS

Section 3.01. Authorization, Purpose, Name and Compliance with this Article. The Bank hereby authorizes the issuance of Bonds pursuant to the Bond Bank Act and the Program Act for the purpose of retiring amounts determined by the State Controller to be owed by the State to health care providers, refunding Bonds that were issued to retire amounts determined by the State Controller to be owed by the State to health care providers or paying Program Costs. The Bonds may be issued in one or more separate Series pursuant to one or more Series Resolutions and shall be named "Maine Municipal Bond Bank State Liquor Operation Revenue Bonds." The Bonds of each Series may also include the name of, or other information identifying, the Series of which they are a part, together with such further or different designations as may be deemed appropriate, as provided by the Series Resolution. The aggregate principal amount of Bonds which may be issued shall not be limited except as provided herein or as may be limited by law, provided that the aggregate principal amount of Bonds of each Series shall not exceed the amount specified in the Series Resolution authorizing each such Series of Bonds. The principal amount of all Series of Bonds in the aggregate may not exceed the amount authorized by the Bond Bank Act or the Program Act. Bonds may only be issued in accordance with this Article, the Bond Bank Act and the Program Act.

Section 3.02. Conditions to Issuance of Bonds. The issuance of each Series of Bonds shall be authorized by a Series Resolution or Series Resolutions of the Bank adopted concurrently herewith or subsequent hereto and the Bonds may be issued in one or more Series. Bonds of a Series shall be titled as set forth in Section 3.01 and may contain such further appropriate particular designations added to such title to further identify such Series, provided that each Series shall have a separate Series designation as the Bank may determine in the Series Resolution.

(A) General Conditions to the Issuance of Bonds. Each Series of Bonds shall be authenticated by the Trustee from time to time in such amounts as are directed by the Bank and by it delivered to, or upon the order of, the Bank upon receipt of the consideration therefore and upon delivery to the Trustee of:

(1) A Series Resolution authorizing the issuance of the Series of Bonds is adopted by the Board of Commissioners of the Bank, which Series Resolution specifies the following (or which delegates any of such matters below to be subsequently determined by certificate of determination of an Authorized Bank Officer, which executed certificate of determination within any parameters therefor established in the Series Resolution shall be deemed conclusive as to the approval by the Board of Commissioners of the Bank of the matters set forth in such executed certificate of determination):

(a) The Series designation, the name, the aggregate principal amount, the Authorized Denominations, the dated date, the maturity date

or dates, whether the Bonds shall be designated bonds or notes and, if the Bonds are Capital Appreciation Bonds or Capital Appreciation and Current Interest Bonds, the aggregate Original Principal Amount of each Series and of each Authorized Denomination of such Series.

(b) If the Bonds are Current Interest Bonds, the interest rate or rates, if any, or the method for determining the interest rate or rates on the Bonds, which rates may be fixed, adjustable or variable or any combination thereof, and, if any such rate is adjustable or variable, the standard, index, method or formula to be used to determine the interest rate and the maximum interest rate applicable to the Bonds; and the Interest Payment Date or Dates for the payment of such interest.

(c) If the Bonds are Capital Appreciation Bonds or Capital Appreciation and Current Interest Bonds, the Maturity Value, Accreted Value and Accretion Dates, or the manner of determining the same, for the Bonds and, if applicable, the interest rate or rates and interest Payment Date or Dates.

(d) The redemption provisions, if any, for the Bonds.

(e) The amount, or the method for determining the amount, and due date of, each sinking fund installment, if any, for the Bonds.

(f) The optional or mandatory tender rights of Bondholders, or rights of the Bank to call optional or mandatory tenders, including provisions for the time, place and manner of sale (and sources of payment of the purchase price) or exchange, if any, for the Bonds.

(g) To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap, other Ancillary Obligation or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder.

(h) The form of the Bonds.

(i) The Record Date or Record Dates of Bonds of such Series, if other than as specified in the definition of Record Date in this 2013 General Resolution.

(j) The manner in which the proceeds of the Bonds are to be applied.

(k) Any variations from the terms set forth in this 2013 General Resolution with respect to the Bonds.

(l) Any other provisions deemed by an Authorized Bank Officer to be advisable or desirable to be included in such Series

Resolution that do not violate and are not in conflict with this 2013 General Resolution or any previous Series Resolution.

(2) A certificate of an Authorized Bank Officer stating that upon the delivery of the Bonds of such Series, the Bank will not be in default in the performance of any of the terms, provisions or covenants of the 2013 General Resolution or of any of the Bonds.

(3) A certificate of each party to the Maine Liquor Operation Agreement to the effect that the Maine Liquor Operation Agreement is in full force and effect and that to their respective knowledge there is no default thereunder.

(4) A certificate of an Authorized Bank Officer to the effect that, upon the issuance of the bonds of such Series, the amount in the Capital Reserve Fund shall be equal to the Required Capital Reserve and that all accumulations required to be made into the Bond Payment Fund, or other similar account for Outstanding Bonds, are current.

(5) A certificate of an Authorized Bank Officer to the effect that the issuance of all Bonds issued through and including the date thereof and application of the proceeds thereof in accordance with the terms of the 2013 General Resolution, taking into account the actual application of proceeds through the date thereof, will not violate any limitation set forth in the Program Act.

(6) With respect to Additional Bonds only, but excluding any Refunding Bonds if permitted by Subsection (B)(1) of this Section 3.02, a certificate of an Authorized Bank Officer dated the date of issuance, setting forth:

(a) the amount of Pledged Revenues received by the Bank for each month during the most recent twenty-four month period for which reliable data is available preceding the month of the authentication and delivery of the Series of additional Bonds then proposed to be issued;

(b) the maximum Annual Debt Service for the Outstanding Bonds in the current and each future State Fiscal Year including the Series of Additional Bonds proposed to be issued, but in the case of a Series of Refunding Bonds, excluding the Bond Payments on the Bonds to be refunded; and

(c) showing the amount of Pledged Revenues for any twelve consecutive months during the twenty-four month period described in (a) is not less than 150% of the maximum Annual Debt Service for each State Fiscal Year set forth in (b).

For purposes of this clause (6), the term Pledged Revenues shall exclude any Revenues derived from sources that, through the final maturity date of (i) all Bonds Outstanding and (ii) the proposed Series of Bonds to be issued, are not of a recurring nature absent further legislative action (other than approval of a biennial budget and allocation, if required).

(7) An opinion of Bond Counsel to the effect (which may be subject to customary assumptions and limitations) that (i) the Bonds are valid and binding special, limited obligations of the Bank, payable from the sources provided in this 2013 General Resolution and the applicable Series Resolution; (ii) this 2013 General Resolution creates a valid pledge of and lien upon the Trust Estate, subject to the terms hereof; and (iii) if the Bonds are intended to be Tax-Exempt Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code (or any successor provision).

Notwithstanding Article IX, the requirements of Subsection (A)(6) of this Section 3.02 may be revised or deleted in their entirety, without the consent of the Owners of the Bonds, upon the Bank's receipt of Rating Confirmation from each Rating Agency.

A written certification or opinion by an Authorized Bank Officer that the requirements of this Section have been satisfied shall be conclusively presumed to be accurate in determining the right to authorize, issue, sell and deliver the Series of Bonds proposed to be issued.

(B) *Conditions to the Issuance of Refunding Bonds.* Before any Series of Additional Bonds constituting Refunding Bonds are issued, all of the following additional conditions shall be satisfied:

(1) Either (a) (i) the requirements of Subsection (A)(6) of this Section 3.02 shall have been met, or (ii) a certificate of an Authorized Bank Officer shall have been delivered stating that following the issuance of the Refunding Bonds the aggregate amount of Annual Debt Service (including Annual Debt Service with respect to the Refunding Bonds, but excluding Annual Debt Service with respect to the refunded Bonds) due in any State Fiscal Year in which the coverage requirements set forth in Subsection (A)(6) are not satisfied through and including the latest maturity of any Bonds then Outstanding, shall not exceed by more than 10% in any State Fiscal Year the aggregate amount of Annual Debt Service due in such State Fiscal Year immediately prior to the issuance of such Refunding Bonds or (b) the Bank shall have delivered a Rating Confirmation from each Rating Agency;

(2) If any of the Bonds to be refunded are to be redeemed prior to their scheduled maturity date, an Authorized Bank Officer has directed the Trustee to deliver redemption notices and to redeem the Bonds to be refunded in accordance with the provisions of this 2013 General Resolution and any applicable provisions of any Series Resolution; and

(3) Either or both of (i) monies in an amount sufficient to effect payment of the principal at the maturity date therefor or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which monies shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of Section 10.02 hereof, which Defeasance Securities and monies shall be held in trust and used only as provided in said Section 10.02.

Section 3.03. Execution and Authentication of Bonds. The Bonds shall be signed on behalf of the Bank by an Authorized Bank Officer, whose signature may be a facsimile signature imprinted, engraved, stamped or otherwise placed on the Bonds. The Bonds shall also contain the authenticating signature of an authorized signatory of the Trustee. Any Bond shall be valid and sufficient for all purposes notwithstanding the fact that an Authorized Bank Officer whose signature appears on such Bond ceases to hold such office before such Bond has been authenticated by an authorized signatory of the Trustee and has been delivered by the Trustee and notwithstanding the fact that any authorized signatory of the Trustee whose authenticating signature appears on such Bond shall cease to be an authorized signatory of the Trustee before the Bond has been delivered by the Trustee.

Section 3.04. Delivery of Bonds and Application of Proceeds. Upon the delivery to the Trustee of a copy of the 2013 General Resolution duly certified by an Authorized Bank Officer or by the Secretary of the Bank prior to the issuance of the first Series of Bonds and the delivery to the Trustee of a copy of the Series Resolution relating to such Series of Bonds, duly certified by an Authorized Bank Officer or by the Secretary of the Bank, the Trustee shall deliver the Bonds of the Series authorized by such Series Resolution to the Original Purchaser in exchange for the purchase price thereof and the purchase price shall be applied as provided in the Series Resolution relating to such Series of Bonds.

Section 3.05. Tax-Exempt and Taxable Bonds. The Bank may issue Bonds that are either Tax-Exempt Bonds or Taxable Bonds under this 2013 General Resolution.

ARTICLE IV

TERMS OF BONDS

Section 4.01. Applicability of this Article. The terms set forth in this Article shall apply to all Bonds unless, and except to the extent, provided otherwise by the Series Resolution.

Section 4.02. Registered Form, Denominations and Numbering of Bonds. The Bonds shall be issuable only as fully registered Bonds in Authorized Denominations (provided that no Bond may be in a denomination which exceeds the principal or Maturity Value coming due on any maturity date of the Series of which it is a part and no individual Bond may be issued for more than one maturity) and shall be numbered in such manner as shall be determined by the Trustee. Any Bonds of the same Series and maturity may bear interest at different interest rates in varying principal amounts, and a separate Bond or Bonds shall be issued for each different maturity and interest rate.

Section 4.03. Negotiability. Pursuant to the Bond Bank Act, the Bonds are negotiable instruments within the meaning of and for all the purposes of the Maine Uniform Commercial Code, subject only to the provisions of the Bonds for registration.

Section 4.04. Registration of Bonds; Persons Treated as Owners; Transfer and Exchange of Bonds.

(A) *Appointment of Registrar; Transfer of Bonds.* Records for the registration and transfer of Bonds shall be kept by the Trustee which is hereby appointed the registrar for the Bonds. The Bond Payments on and Redemption Price of any Bond shall be payable only to or upon the order of the Owner or his legal representative (except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Bond at the corporate trust office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of a like Series, maturity, aggregate principal amount and interest rate or Maturity Value, bearing a number or numbers not previously assigned.

(B) *Exchanges of Bonds.* Fully registered Bonds may be exchanged at the corporate trust office of the Trustee for an equal aggregate principal amount or Maturity Value of Bonds of the same Series, maturity and interest rate but of other Authorized Denominations. The Trustee shall authenticate and deliver Bonds which the Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(C) *Charges.* The Trustee may require the payment by the Owner of any Bond requesting exchange or transfer of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(D) **Limitations on Transfer or Exchange Rights.** The Trustee shall not be required to transfer or exchange (i) all or any portion of any Bond of a Series during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling any of the Bonds of such Series for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of a Bond after the mailing of notice calling such Bond or any portion thereof for prior redemption.

(E) **Registered Owner.** Except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest, the Person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the Bond Payments on or Redemption Price of any Bond shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge such Bond to the extent of the sum or sums paid.

Section 4.05. Mutilated, Lost, Stolen or Destroyed Bonds. In the event that any Bond is mutilated, lost, stolen or destroyed, a new Bond of like Series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed Bond shall be executed, authenticated and delivered to the Owner of such Bond upon receipt by the Trustee of such evidence, information or indemnity from the Owner of the Bond as the Trustee may reasonably require and, in case of any mutilated Bond, upon the surrender of the mutilated Bond to the Trustee. If any such Bond shall have matured, instead of issuing a duplicate Bond, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Bond with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Bond.

Section 4.06. Payment of Bond Payments and Redemption Price.

(A) **Payment of Principal, Maturity Value and Redemption Price.** The principal, Maturity Value and Redemption Price of any Bond shall be payable to the Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the corporate trust office of the Trustee.

(B) **Payment of Interest.** Payment of interest on the Bonds (other than interest paid as part of the Redemption Price of a Bond) shall be made by check or draft of the Trustee mailed, on or before each Interest Payment Date, to the Owner thereof at his address as it last appears on the registration records of the Trustee at the close of business on the Record Date. Any such interest not so timely paid shall cease to be payable to the Person who is the Owner thereof at the close of business on the Record Date and shall be payable to the Person who is the Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Owners of the Bonds, not less than 10 days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee's registration records on a

date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of any Bond and the Trustee.

Section 4.07. Book-Entry Registration. Except as otherwise provided by Series Resolution, and notwithstanding any other provision hereof, the Bonds shall be delivered only in book-entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, acting as securities depository of the Bonds and the Bond Payments on and Redemption Price of the Bonds shall be paid by wire transfer to DTC; provided, however, if at any time the Bank determines, and notifies the Trustee of its determination, that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Bonds, the Bank may, at its discretion, either (a) designate a substitute securities depository for DTC and re-register the Bonds as directed by such substitute securities depository or (b) terminate the book-entry registration system and reregister the Bonds in the names of the beneficial Owners thereof provided to it by DTC. Neither the Bank nor the Trustee shall have any liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Bonds are re-registered at the direction of any substitute securities depository, any beneficial owner of the Bonds or any other Person for (i) any determination made by the Trustee pursuant to the proviso at the end of the immediately preceding sentence or (ii) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Bonds are reregistered. DTC is solely responsible for disbursement of Bond Payments and transmission of notices to its participants, and DTC participants are solely responsible for making those payments and transmitting any notices to beneficial Owners.

Section 4.08. Notice of Redemption.

(A) **Notice Requirements.** When Bonds (or portions thereof) are to be redeemed at the option of the Bank, the Bank shall give or shall cause to be given notice of redemption of Bonds to the Trustee no later than 45 days prior to the Redemption Date or such shorter time as may be acceptable to the Trustee. Notice of the call for any redemption, identifying the Bonds or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States certified or registered first-class mail, at least 30 days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed at the address shown on the registration books. Such notice shall specify: (i) the Bonds to be redeemed (including the Series, date of issue, interest rate and maturity date), (ii) the Redemption Date and Redemption Price; (iii) the numbers, any CUSIP number and other distinguishing marks of such Bonds to be redeemed (except in the event that all of the Outstanding Bonds of such Series are to be redeemed), and (iv) that such Bonds will be redeemed at the office of the Trustee. Such notice shall further state that on the Redemption Date there shall become due and payable upon each Bond of such Series to be redeemed the Redemption Price thereof, together with interest accrued to the Redemption Date, and that from and after the Redemption Date, payment having been made or provided for, interest thereon shall cease to accrue.

(B) *Failure to Give Notice or Defect in Notice.* Failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Bonds as to which no such failure has occurred. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

(C) *Availability of Funds for Redemption.* If at the time of notice of optional redemption, the Bank shall not have deposited with the Trustee monies sufficient to redeem all the Bonds called for any optional redemption, such notice shall state that such optional redemption is conditional, in that it is subject to the sufficient deposit of monies with the Trustee not later than the date fixed for redemption. Such notice shall be of no effect and no optional redemption shall occur unless such monies are so deposited.

Section 4.09. Optional Redemption Payments.

(A) *Deposits to Bond Payment Fund.* On or prior to the Business Day immediately preceding the date fixed for redemption of any Bonds at the option of the Bank, the Bank shall pay or cause to be paid either (i) to the Trustee for deposit into the Bond Payment Fund created for such purpose, moneys which, together with other moneys then on deposit in the Bond Payment Fund that are not required to pay Bond Payments due in such State Fiscal Year on Bonds that are not being redeemed, are sufficient to pay the Redemption Price of the Bonds to be redeemed on the date fixed for redemption or (ii) to an escrow agent for deposit into an escrow fund (including a Defeasance Escrow Account) created for such purpose, moneys which are sufficient, together with other moneys then available, to pay the Redemption Price of the Bonds to be redeemed on the date fixed for redemption. The Bank may make such payment from any legally available moneys. The Trustee shall use the moneys paid to it for such purpose and such other available moneys in the Bond Payment Fund to pay the Redemption Price due on the Bonds to be redeemed on the date fixed for redemption. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to this 2013 General Resolution or an escrow deposit agreement, interest and Accreted Value on the Bonds or portions thereof thus called for redemption shall no longer accrue or accrete after the date fixed for redemption.

(B) *Payments to Owners.* The Trustee or escrow agent, as applicable, shall pay to the Owners of Bonds so redeemed, the amounts due on their respective Bonds, at the corporate trust office of the Trustee upon presentation and surrender of the Bonds.

Section 4.10. Selection of Bonds to be Redeemed. In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall select the Bonds to be redeemed by lot, using such method of selection as it shall deem proper in its discretion.

Section 4.11. Delivery of New Bonds Upon Partial Redemption of Bonds. Upon surrender and cancellation of a Bond for redemption in part only, a new Bond or Bonds of the same Series, maturity and interest rate and in an Authorized Denomination equal to the unredeemed portion thereof, shall be executed by the Bank and authenticated and delivered by the Trustee.

Section 4.12. Nonpresentment of Bonds. If any Bond is not presented for payment when due, whether at maturity or on redemption prior to maturity, and if the Trustee holds moneys sufficient to pay the Bond Payments or Redemption Price due on such Bond for the benefit of the Owner thereof, the Trustee shall hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall be restricted exclusively to such moneys for any claim of whatever nature on his part under this 2013 General Resolution or on or with respect to such Bond. Moneys so held but unclaimed by an Owner shall be transferred to the Bank after the expiration of three years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be released to the Bank on such earlier date, on any earlier date designated by an Authorized Bank Officer.

Section 4.13. Cancellation of Bonds. Whenever any Outstanding Bonds have been paid or redeemed or are otherwise delivered to the Trustee for cancellation, upon payment or redemption thereof certified by an Authorized Bank Officer or by the Secretary of the Bank for or after replacement, the Bonds shall be promptly canceled by the Trustee.

Section 4.14. Agreement of the State. The Program Act authorizes the Bank to include, and the Bank, by Series Resolution may agree to include, on any Bonds or Ancillary Obligations issued or entered into and secured by the pledge of this 2013 General Resolution, the following statement:

"The State hereby pledges to and agrees with the holders of any liquor operation revenue bonds issued pursuant to the Maine Revised Statutes, Title 30-A, chapter 225, subchapter 5 and with those parties who may enter into any ancillary obligation or contract with the Maine Municipal Bond Bank pursuant to that subchapter that the State will not limit, alter, restrict or impair the rights vested in the Maine Municipal Bond Bank and in any party to an ancillary obligation or contract until the liquor operation revenue bonds, together with interest, including interest on any unpaid installment of interest and all costs and expenses in connection with any actions or proceedings by or on behalf of the bondholders, are fully met and discharged and such contracts and ancillary obligations are fully performed on the part of the Maine Municipal Bond Bank."

ARTICLE V

FUNDS AND ACCOUNTS

Section 5.01. Administration of Liquor Operation Revenue Fund.

(A) *Establishment of Liquor Operation Revenue Fund.* Pursuant to the Program Act, there has been established within the custody of the Bank the Liquor Operation Revenue Fund. The Liquor Operation Revenue Fund shall be held by, administered by and under the custody of the Bank.

(B) *Establishment of Funds, Accounts and Subaccounts within Liquor Operation Revenue Fund.* The Bank may establish, from time to time, within the Liquor Operation Revenue Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. Within the Liquor Operation Revenue Fund the Bank hereby creates the following Accounts:

- (1) Revenue Account;
- (2) General Fund Transfer Account;
- (3) HHS Transfer Account;
- (4) DEP Transfer Account;
- (5) DOT Transfer Account; and
- (6) Bank Administrative Expenses Account.

The Bank may establish additional Funds, Accounts or Subaccounts within the Liquor Operation Revenue Fund in its sole discretion. Except for the Funds established pursuant to Sections 5.02, 5.03, 5.04 and 5.05, the Bank may change the designations or purposes of any Funds, Accounts or Subaccounts within the Liquor Operation Revenue Fund or, subject to the last sentence of subsection 5.01(C), eliminate any Funds, Accounts or Subaccounts within the Liquor Operation Revenue Fund, in its sole discretion.

(C) *Deposits into the Liquor Operation Revenue Fund.* There shall be deposited into the Liquor Operation Revenue Fund:

- (1) into the Revenue Account: (a) those revenues transferred to the Bank for deposit in the Liquor Operation Revenue Fund by BABLO pursuant to 30-A MRSA Section 6054 from Net Receipts from the State liquor program pursuant to 28-A MRSA Section 90, (b) those amounts remaining in the Health Care Liability Retirement Fund that, pursuant to 22-A MRSA Section 216, are transferred to the Bank for deposit in the Liquor Operation Revenue Fund by the State Controller and (c) such additional amounts as the Bank shall designate;

(2) into the General Fund Transfer Account, the amounts required to be transferred pursuant to Section 5.01(E);

(3) into the HHS Transfer Account, the amounts required to be transferred pursuant to Section 5.01(E) or (F), as applicable;

(4) into the DEP Transfer Account, the amounts required to be transferred pursuant to Section 5.01(E) or (F), as applicable;

(5) into the DOT Transfer Account, the amounts required to be transferred pursuant to Section 5.01(E) or (F), as applicable;

(6) into the Bank Administrative Expenses Account, the amounts required to be transferred pursuant to Section 5.01(D)(1); and

(7) into such Funds, Accounts or Subaccounts as shall be designated by the Bank such additional amounts as may be directed by the Bank to be deposited in the Liquor Operation Revenue Fund.

Earnings or losses on funds in any Fund, Account or Subaccount established pursuant to this Section shall be credited to such Fund, Account or Subaccount. The Bank may change the respective Funds, Accounts or Subaccounts into which Pledged Revenues are deposited in its sole discretion, provided that any such Fund, Account or Subaccount into which Pledged Revenues are deposited shall be a Fund, Account or Subaccount within the meaning of the definition of Pledged Liquor Operation Revenue Funds and Accounts and if a Fund, Account or Subaccount included within the definition of Pledged Liquor Operation Revenue Funds and Accounts is eliminated by the Bank from the Liquor Operation Revenue Fund, amounts transferred from such Fund, Account or Subaccount shall be deposited in another Fund, Account or Subaccount that is included within the definition of Pledged Liquor Operation Revenue Funds and Accounts.

(D) Uses of Money in the Revenue Account of the Liquor Operation Revenue Fund. Except as provided in Sections 5.01 (E) and (F), all amounts in the Revenue Account of the Liquor Operation Revenue Fund, shall be transferred in the order of priority as follows:

(1) First, to the Bank Administrative Expenses Account, an amount equal to the Bank's projected Bank Administrative Expenses, as set forth in a written instrument signed by an Authorized Bank Officer, through the end of the following calendar quarter;

(2) Second, to the Bond Payment Fund, until amounts in the Bond Payment Fund are sufficient to make all payments of principal of and interest on all Bonds Outstanding and on all Credit Facility Agreements, Qualified Swaps and other Ancillary Obligations on the next June 1 principal payment date (except that no such transfers shall be made between June 1 and the day after transfers are to be made pursuant to Sections 5.01 (E) or (F), unless there is a deficiency in the Capital Reserve Fund or in amounts available to make any

payment due with respect to Bonds, any Credit Facility, any Qualified Swap or any other Ancillary Obligation during such period);

(3) Third, to the Capital Reserve Fund, until amounts in the Capital Reserve Fund are equal to the Required Minimum Reserve; and

(4) Fourth, to the Bond Payment Fund to make any payments with respect to the redemption or discharge of Bonds, any Credit Facility, any Qualified Swap or any other Ancillary Obligation.

(E) *Application of Revenue Account Balances Prior to July 1, 2017.* For each of the Fiscal Years ending on June 30, 2015, 2016 and 2017, during each Fiscal Year, following the date in that Fiscal Year on which (1) amounts available in the Bond Payment Fund are at least equal to an amount that is sufficient to make all payments required to be made from the Bond Payment Fund pursuant to Section 5.02(C) hereof that will become due on or before June 1 of the applicable Fiscal Year (including payment of redemption premium, if applicable), and (2) the Capital Reserve Fund is funded at a level at least equal to the Required Minimum Reserve; and (3) an Authorized Bank Officer has delivered to the Trustee of a certificate to the effect that Pledged Revenues expected to be received by the Bank for deposit in the Liquor Operation Revenue Fund, together with any existing balance in the Revenue Account of the Liquor Operation Revenue Fund not transferred pursuant to this subsection, will be sufficient to make: (a) all payments required to be made from the Bond Payment Fund through the June 1 principal date of the following Fiscal Year and (b) all Bank Administrative Expenses expected to accrue or be incurred through such date, the Bank shall, prior to June 30 of the applicable Fiscal Year, withdraw an amount not exceeding \$16,714,844 for the Fiscal Year ending June 30, 2015, \$16,639,000 for the Fiscal Year ending June 30, 2016 and \$16,817,000 for the Fiscal Year ending June 30, 2017 to be transferred to the following accounts in the order of priority as follows:

(1) First, to the General Fund Transfer Account up to \$9,714,884 for the Fiscal Year ending June 30, 2015, \$9,639,000 for the Fiscal Year ending June 30, 2016 and \$9,817,000 for the Fiscal Year ending June 30, 2017;

(2) Second, to the DEP Transfer Account and the HHS Transfer Account, the remainder, if any, in each Fiscal Year in the amounts certified to the Bank by the State Controller, pursuant to the State Liquor Agreement, that DEP and HHS respectively is permitted to receive pursuant to paragraph 3 of 30-A MRSA Chapter 225 Subchapter 5 Section 6054, up to \$3,500,000 per account; and

(3) Third, the remainder, if any, to the DOT Account.

(F) *Application of Revenue Account Balances from July 1, 2017 until Bond Retirement.* For each of the Fiscal Years ending June 30, 2018 and thereafter until there are no Bonds Outstanding and no obligations under any Credit Facility Agreements, Qualified Swaps or other Ancillary Agreements, following the date in that Fiscal Year on

which (1) amounts available in the Bond Payment Fund are at least equal to an amount that is sufficient to make all payments required to be made from the Bond Payment Fund pursuant to Section 5.02(C) hereof that will become due on or before June 1 of the applicable Fiscal Year (including payment of redemption premium, if applicable); (2) the Capital Reserve Fund is funded at a level at least equal to the Required Minimum Reserve; and (3) an Authorized Bank Officer has delivered to the Trustee a certificate to the effect that Pledged Revenues expected to be received by the Bank for deposit in the Liquor Operation Revenue Fund, together with any existing balance in the Revenue Account of the Liquor Operation Revenue Fund not transferred pursuant to this subsection, will be sufficient to make: (a) all payments required to be made from the Bond Payment Fund through the June 1 principal date of the following Fiscal Year and (b) all Bank Administrative Expenses expected to accrue or be incurred through such date, the Bank shall, prior to June 30 of the applicable Fiscal Year, withdraw an amount not exceeding \$7,000,000 to be transferred to the following accounts in the order of priority as follows:

(1) First, to the DEP Transfer Account and the HHS Transfer Account, the remainder, if any, in each Fiscal Year in the amounts certified to the Bank by the State Controller, pursuant to the State Liquor Agreement, that DEP and HHS respectively is permitted to receive pursuant to paragraph 4 of 30-A MRSA Chapter 225 Subchapter 5 Section 6054, up to \$3,500,000 per account; and

(2) Second, the remainder, if any, to the DOT Transfer Account.

(G) *Application of Amounts In General Fund Transfer Account.* Prior to June 30 in each Fiscal Year, beginning in 2015, all amounts in the General Fund Transfer Account during June of the applicable year shall be transferred to an account as directed by the State Controller, for deposit in the State's General Fund in accordance with 30-A MRSA Chapter 225 Subchapter 5 Section 6054.

(H) *Application of Amounts In HHS Transfer Account.* Prior to June 30 in each year, beginning in 2015, all amounts in the HHS Transfer Account as of June of the applicable year shall be transferred to an account as directed by the State Controller, for deposit in an account within HHS in accordance with 30-A MRSA Chapter 225 Subchapter 5 Section 6054.

(I) *Application of Amounts In DEP Transfer Account.* Prior to June 30 in each year, beginning in 2015, all amounts in the DEP Transfer Account as of June of the applicable year shall be transferred to an account as directed by the State Controller, for deposit in an account within DEP in accordance with 30-A MRSA Chapter 225 Subchapter 5 Section 6054.

(J) *Application of Amounts In DOT Transfer Account.* Prior to June 30 in each year, beginning in 2015, all amounts in the DOT Transfer Account as of June of the applicable year shall be transferred to an account as directed by the State Controller, for deposit in an account within DOT in accordance with 30-A MRSA Chapter 225 Subchapter 5 Section 6054.

(K) *Application of Amounts In Bank Administrative Expenses Account.* From time to time amounts in the Bank Administrative Expenses Account may be withdrawn at the discretion and direction of an Authorized Bank Officer for purposes of payment of Bank Administrative Expenses.

Section 5.02. Bond Payment Fund.

(A) *Creation of Bond Payment Fund.* A special fund is hereby created with the Trustee to be designated the Maine Municipal Bond Bank Liquor Operation Revenue Bonds Bond Payment Fund (the "Bond Payment Fund"), which shall be used to pay the Bond Payments on and Redemption Price of the Bonds. The Bank may establish, from time to time, within the Bond Payment Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Bond Payment Fund to account for the receipt of moneys to pay, and the payment of, the Bond Payments on and Redemption Price of each Series of Bonds, but such separate accounts shall not affect the rights of the Owners of the Bonds with respect to moneys in the Bond Payment Fund.

(B) *Deposits into Bond Payment Fund.* There shall be deposited into the Bond Payment Fund: (i) all accrued interest received at the time of the issuance of any Series of Bonds; (ii) any capitalized interest to be paid from the proceeds of a Series of Bonds (unless such amounts are deposited in the Project Fund) as set forth in the applicable Series Resolution; (iii) amounts transferred by the Bank to the Trustee pursuant to Section 6.03 hereof from Pledged Revenues or other amounts available in the Pledged Liquor Operation Revenue Funds and Accounts; (iv) any moneys paid by the Bank with respect to the Redemption Price of Bonds pursuant to Section 4.09 hereof; (v) any moneys transferred to the Bond Payment Fund from the Project Fund pursuant to Section 5.03(C) hereof; (vi) moneys transferred from the Capital Reserve Fund pursuant to Section 5.04(C), (vii) moneys deposited into the Bond Payment Fund pursuant to Section 7.02 hereof following an Event of Default; and (viii) all other moneys received by the Trustee accompanied by directions from an Authorized Bank Officer that such moneys are to be deposited into the Bond Payment Fund.

(C) *Use of Moneys in Bond Payment Fund.* Moneys in the Bond Payment Fund shall be used solely for the payment of the Bond Payments on and Redemption Price of the Bonds and, solely to the extent such payments have been determined to be on a parity with Bond Payments in accordance with Section 6.06 hereof, to make payments to the providers of Credit Facilities, to pay Qualified Swap Payments and to pay other Ancillary Obligations; provided that (i) moneys representing accrued interest received at the time of the issuance of any Series of Bonds shall be used to pay the first interest payment due on such Bonds; (ii) moneys paid by the Bank with respect to the Redemption Price of Bonds pursuant to Section 4.09 hereof shall be used to pay the Redemption Price of the Bonds to be redeemed; and (iii) moneys held in the Bond Payment Fund following an Event of Default shall be used as provided in Section 7.03 hereof. With respect to any Series of Bonds, if there shall be no Bonds of such Series Outstanding, amounts in the Bond Payment Fund determined by the Bank to have been deposited in the Bond Payment Fund or otherwise allocated to make Bond Payments with

respect to Bonds of such Series, may be transferred to any Fund, Account or Subaccount that is a Pledged Liquor Operation Revenue Fund and Account, provided that following such transfer there is no deficiency in the Bond Payment Fund with respect to any other Series of Bonds Outstanding and the balance in the Capital Reserve Fund is at least equal to the Required Capital Reserve.

Section 5.03. Project Fund.

(A) *Creation of Project Fund.* A special fund is hereby created with the Trustee to be designated the Maine Municipal Bond Bank Liquor Operation Revenue Bonds Project Fund (the "Project Fund"). The Project Fund shall be held by the Trustee subject to the terms of this 2013 General Resolution. The Bank may establish, from time to time, within the Project Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Project Fund to account for the receipt and disbursement of proceeds of each Series of Bonds.

(B) *Deposits into Project Fund.* There shall be deposited into the appropriate account of the Project Fund, such portion of the proceeds of each Series of Bonds as is provided in the applicable Series Resolution.

(C) *Use of Moneys in Project Fund.* Amounts on deposit in the Project Fund shall be applied as set forth in the applicable Series Resolution. Upon the written direction of an Authorized Bank Officer, any amounts on deposit in the Project Fund shall be transferred to or upon the order of the Bank for the payment of, or reimbursement for, costs of issuance relating to any Bonds. So long as no Event of Default described in Section 7.01(a) then exists, moneys held in the Project Fund shall be disbursed to pay Project Costs, or reimburse such costs, upon receipt of a requisition signed by an Authorized Bank Officer stating with respect to each payment to be made: (i) the applicable account of the Project Fund and applicable Project to which such requisition shall relate, (ii) the name of the Person to whom the payment is to be made, (iii) the amount to be paid, and (iv) that such payments have been approved and requested by the applicable State department. Upon receipt of such requisition the Trustee shall pay each such item directly to the Person or party entitled thereto as named in such requisition or shall deliver to the Bank or at the Bank's direction checks for the payment thereof, or shall make arrangements for the transfer or deposit of the amount for such payment, as an Authorized Bank Officer shall request. If a Series Resolution authorizes proceeds of the Series of Bonds authorized thereby to be deposited in the Project Fund to pay capitalized interest on such Bonds, the amounts so allocated and deposited in the Project Fund shall be transferred to the Bond Payment Fund in the amounts and at the times specified in the Series Resolution. Moneys held in the Project Fund following an Event of Default may be transferred to the Bond Payment Fund in accordance with Section 7.02 hereof. In the event of a transfer pursuant to the preceding sentence followed by the availability of sufficient amounts to the Trustee from Pledged Revenues or other sources in excess of any amount necessary to make any Bond Payments then due, such excess amount up to the amount transferred from the Project Fund to the Bond Payment Fund may be transferred back to the Project Fund. Upon expenditure of all proceeds in

the Project Fund authorized by a Series Resolution (including Project costs, costs of issuance of the Bonds, and Capitalized Interest, to the extent authorized by a Series Resolution) and, if the Bonds are Tax-Exempt Bonds all required amounts relating thereto have been deposited into the Rebate Fund, the remaining moneys in the Project Fund allocable to that Project may be transferred to the Bond Payment Fund.

Section 5.04. Capital Reserve Fund.

(A) ***Creation of Capital Reserve Fund.*** There is hereby created and established the "Capital Reserve Fund." There shall be deposited in the Capital Reserve Fund (a) such portion of the moneys appropriated and made available by the State and paid to the Bank for the purpose of the Capital Reserve Fund; (b) all moneys paid to the Bank pursuant to subsection 5 of Section 6006 of the Act for the purpose of restoring the Capital Reserve Fund to the amount of the Required Minimum Reserve; (c) such portion of the proceeds of the sale of Bonds, if any, as shall be provided by the Series Resolution authorizing the issuance of such Series; (d) any other moneys which may be made available to the Bank only for the purposes of the Capital Reserve Fund from any other source or sources; and (e) all moneys transferred by the Trustee from the Revenue Account of the Liquor Operation Revenue Fund pursuant to the provisions of Section 5.01(D) hereof.

(B) ***Capital Reserve Fund Credit Facility.*** In lieu of or in substitution for moneys, the Bank may deposit or cause to be deposited with the Trustee, a Capital Reserve Fund Credit Facility or Facilities for the benefit of the Holders of the Bonds for all or any part of the Required Minimum Reserve; *provided, however*, that any such Capital Reserve Fund Credit Facility or Facilities shall (a) be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Capital Reserve Fund and such withdrawal cannot be made in whole from moneys and investment securities held in the Capital Reserve Fund without obtaining payment under such Capital Reserve Fund Credit Facility, and (b) be issued by an insurance company or association duly authorized to do business in the State and either (i) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (ii) obligations insured by a Capital Reserve Fund Credit Facility issued by such company or association are rated at the time such Capital Reserve Fund Credit Facility is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category by Moody's, Fitch and S&P or, if Outstanding Bonds are not rated by Moody's, S&P and Fitch, by whichever of said rating services that then rates Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Capital Reserve Fund Credit Facility shall be deposited in full or partial satisfaction of the Required Minimum Reserve unless the Trustee and the Bank shall have received prior to such deposit an opinion of counsel acceptable to the Trustee and the Bank to the effect that such Capital Reserve Fund Credit Facility has been duly authorized, executed and delivered by the Capital Reserve Fund Credit Facility Provider thereof and is valid, binding and enforceable in accordance with its terms.

Notwithstanding the foregoing, if at any time after a Capital Reserve Fund Credit Facility has been deposited with the Trustee the ratings on any Outstanding Bonds are less than Aa by Moody's, or AA by S&P and Fitch and the unsecured or uncollateralized long term debt of the Capital Reserve Fund Credit Facility Provider, or the long term debt obligations secured or supported by a surety bond or insurance policy of such Capital Reserve Fund Credit Facility Provider, is reduced below A by Moody's, S&P or Fitch, the Bank shall either (i) replace or cause to be replaced said Capital Reserve Fund Credit Facility with another Capital Reserve Fund Credit Facility which satisfies the requirements of this Section 5.04 or (ii) deposit or cause to be deposited in the Capital Reserve Fund an amount of money equal to the value of such Capital Reserve Fund Credit Facility.

For the purposes of this Section, in computing the amount on deposit in the Capital Reserve Fund, a Capital Reserve Fund Credit Facility shall be valued at par consisting of the face value of the amount available to be paid thereunder on the date of computation.

(C) *Application of Amounts in Capital Reserve Fund.* If on the Business Day immediately preceding any interest payment date, principal payment date or sinking fund installment payment date on any Bonds, there is a deficiency in the Bond Payment Fund such that there are insufficient moneys and securities available to make the interest payment, principal payment or sinking fund payment then coming due, monies and securities held for the credit of the Capital Reserve Fund shall be transferred on such Business Day by the Trustee to the Bond Payment Fund in the amounts required to make payments of principal of, interest on and sinking fund payments of Bonds; *provided, however,* that no payment under a Capital Reserve Fund Credit Facility shall be sought unless and until moneys and investment securities are not available in the Capital Reserve Fund and the amount required to be withdrawn from the Capital Reserve Fund pursuant to this subdivision cannot be withdrawn therefrom without obtaining payment under such Capital Reserve Fund Credit Facility; *provided, further,* that, if more than one Capital Reserve Fund Credit Facility is held for the credit of the Capital Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Capital Reserve Fund Credit Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

Notwithstanding anything to the contrary contained in this Section 5.04, if, pursuant to a Series Resolution authorizing a Series of Bonds, amounts corresponding to the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on such Series of Bonds are payable with respect to a related Credit Facility or Qualified Swap on a parity with such Bonds as permitted by this 2013 General Resolution, then amounts in the Capital Reserve Fund may be applied to such payments in accordance with such Series Resolution.

(D) *Application of Earnings on Capital Reserve Fund.* The income or interest earned on investments held in the Capital Reserve Fund, shall be transferred by the Trustee promptly to the Bond Payment Fund or such other account as an Authorized Bank Officer shall direct the Trustee in writing but only to the extent that any such

transfer will not reduce the amount in the Capital Reserve Fund below the Required Minimum Reserve.

(E) *Application of Surpluses Upon Payment of Principal Upon Maturity or Redemption.* Notwithstanding the provisions hereof, if, upon a Bond having been deemed to have been paid in accordance with Section 10.02 hereof or upon redemption of Bonds prior to maturity, the moneys and securities held for the credit of the Capital Reserve Fund (other than a Capital Reserve Fund Credit Facility) will exceed the Required Minimum Reserve, and the use or transfer of such excess is not otherwise provided for in the 2013 General Resolution, the Trustee shall, upon written request of an Authorized Officer of the Bank, transfer all or any portion of such excess from the Capital Reserve Fund and deposit the same in the Bond Payment Fund to be applied toward the payment of principal of Bonds.

Section 5.05. Rebate Fund.

(A) *Creation of Rebate Fund.* A special fund is hereby created with the Trustee to be designated Maine Municipal Bond Bank Liquor Operation Bonds Rebate Fund (the "Rebate Fund"). The Rebate Fund shall be available and used only in connection with an issuance of Tax-Exempt Bonds. The Bank may establish, from time to time, within the Rebate Fund, such Funds, Accounts and Subaccounts as the Bank determines in its sole discretion. The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Rebate Fund to account for rebate payments due on each Series of Tax-Exempt Bonds.

(B) *Deposits into Rebate Fund.* There shall be deposited into the appropriate account of the Rebate Fund moneys paid to the Trustee by the Bank in accordance with a the applicable Tax Certificate.

(C) *Use of Moneys in Rebate Fund.* The Trustee at the direction of and on behalf of an Authorized Bank Officer shall use moneys in the Rebate Fund to make rebate payments to the United States in accordance with the Tax Certificates. If the amount on deposit in the Rebate Fund at any time is greater than the amount required under the Tax Certificates, the excess may be transferred as directed by an Authorized Bank Officer, unless an Event of Default has occurred and is continuing, in which case the excess shall be transferred to the Bond Payment Fund.

(D) *Administration of Rebate Fund.* The Trustee at the direction of an Authorized Bank Officer shall invest the Rebate Fund in accordance with the Tax Certificates and shall deposit earnings from the investment of moneys in the Rebate Fund into the Rebate Fund immediately upon receipt thereof.

Section 5.06. Moneys to be Held in Trust. The Bond Payment Fund, the Project Fund, the Capital Reserve Fund and, except for the Rebate Fund, the General Fund and any Defeasance Escrow Account, any other fund or account created hereunder that is not expressly excluded from the Trust Estate shall be held by the Trustee, for the benefit of the Owners as specified in this 2013 General Resolution, and amounts therein may be applied for the purposes set forth in

this 2013 General Resolution, subject to the terms of this 2013 General Resolution and any Series Resolution. The Rebate Fund shall be held by the Trustee for the purpose of making payments to the United States pursuant to Section 5.05 hereof. Any Defeasance Escrow Account shall be held for the benefit of the Owners of the Bonds to be paid therefrom as provided in the agreement governing such Defeasance Escrow Account.

Section 5.07. Investment of Moneys.

(A) All moneys held by the Trustee as part of any Fund, Account or Subaccount created hereunder shall be deposited or invested and reinvested by the Trustee, at the written direction of an Authorized Bank Officer, in any Permitted Investments. The Trustee shall be entitled to rely conclusively on all such written investment instructions provided hereunder, and shall have no duty to monitor the compliance thereof with the restrictions set forth herein. The Trustee shall have no responsibility or liability for any depreciation in the value of any investment or for any loss, direct or indirect, resulting from any investment made in accordance with the written instructions of an Authorized Bank Officer. The Trustee shall have no liability to the Bank or any other person in the event that any investment made in accordance with the written instructions of an Authorized Bank Officer or in any Permitted Investment shall cause any or all of the Tax-Exempt Bonds to be or become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or shall cause any person to incur any liability or rebates or other monies payable pursuant to the Internal Revenue Code. In the event that the Trustee has not received written investment instructions, moneys held hereunder by the Trustee as to which no investment instructions have been received, shall be invested in a money market account most recently authorized by the Bank, or if no such authorization has been received, shall be held uninvested.

(B) Earnings and losses from the investment of moneys held in the Project Fund or any Account or Subaccount thereof shall be deposited into or charged against the Project Fund or applicable Account or Subaccount therein in which the earnings or losses are realized, unless, and except to the extent, an Authorized Bank Officer directs the Trustee to deposit any such earnings into the Rebate Fund or the Bond Payment Fund.

(C) Earnings and losses from the investment of moneys held in the Bond Payment Fund or any Account or Subaccount thereof shall, except as otherwise provided by Series Resolution, be deposited into or charged against the Bond Payment Fund or applicable Account or Subaccount therein in which the earnings or losses are realized.

(D) Earnings and losses from the investment of moneys held in any Account or Subaccount in the Capital Reserve Fund shall be deposited into or charged against such Account or Subaccount. To the extent a transfer of earnings will not cause the amount in the Capital Reserve Fund to be lower than the Required Capital Reserve, an Authorized Bank Officer may direct the Trustee to transfer any such earnings in the Capital Reserve Fund into the Bond Payment Fund.

(E) Earnings and losses from the investment of moneys held in the Rebate Fund or any Account or Subaccount thereof shall, except as otherwise provided in the Tax

Certificates, be deposited into or shall be charged against the Rebate Fund or the applicable Account or Subaccount in which the earnings or losses are realized.

(F) Earnings and losses from the investment of moneys held in any Defeasance Escrow Account shall be deposited or charged as provided in the escrow agreement governing such account.

(G) Earnings and losses from the investment of moneys held in the Revenue Account of the Liquor Operation Revenue Fund or any other Fund or Account within the Liquor Operation Revenue Fund not otherwise specified in this Section into which Revenues are deposited shall, except as otherwise provided in a Series Resolution or a Tax Certificate, be deposited into or charged against said Fund or Account, unless directed otherwise by an Authorized Bank Officer.

(H) With respect to Funds, Accounts or Subaccounts held by the Trustee, the Trustee shall, when and as directed by an Authorized Bank Officer, sell and reduce to cash a sufficient amount of the investments held in any Fund, Account or Subaccount whenever the cash balance therein is insufficient to make any payment to be made therefrom.

(I) In computing the amount in any Fund, Account or Subaccount (other than the Capital Reserve Fund) for any purpose hereunder, investments shall be valued at cost (exclusive of accrued interest) or par, whichever is less. In computing the amount in the Capital Reserve Fund, investments shall be valued at cost plus accrued interest. A Capital Reserve Fund Credit Facility shall be valued at par.

Section 5.08. Application of Residual Revenue Account Balances. The Bank may, immediately following the making of the transfers permitted and required by Section 5.01 (E) and (F), transfer any Residual Revenue Account Balance to any other account within the Liquor Operation Revenue Fund. Immediately upon such transfer, the amount comprising the Residual Revenue Account Balance so transferred shall cease to be subject to the pledge and lien of this 2013 General Resolution for all purposes, and shall no longer be Pledged Revenues or part of the Trust Estate.

Section 5.09. Retention of Records. Records with respect to the deposits to, payments from and administration of the Bond Payment Fund, Project Fund, Capital Reserve Fund and Rebate Fund shall be retained by the Bank and the Trustee until six years after the final retirement of the Tax-Exempt Bonds or such longer period as may be required to ensure the availability of such records during any period in which the Tax-Exempt Bonds may be subject to audit by the Internal Revenue Service.

ARTICLE VI

COVENANTS OF THE BANK

Section 6.01. Representations, Covenants and Warranties. The Bank represents, covenants and warrants that:

(A) The execution, delivery and performance of this 2013 General Resolution by the Bank are authorized by the Bond Bank Act and the Program Act and, upon adoption of this 2013 General Resolution by the Board of Commissioners of the Bank, this 2013 General Resolution will be enforceable against the Bank in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(B) The execution, delivery and performance of its obligations under this 2013 General Resolution by the Bank do not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Bank is now a party or by which the Bank is bound, or constitute a default under any of the foregoing, or, except as specifically provided in this 2013 General Resolution, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Bank.

(C) There is no litigation or proceeding pending or threatened against the Bank or any other Person affecting the right of the Bank to adopt or perform its obligations under this 2013 General Resolution.

(D) The amount of funds borrowed pursuant to each Series Resolution will not exceed the cost of the Project.

(E) The amount of Bonds issued pursuant to each Series Resolution will not exceed the amount of Bonds authorized to be issued pursuant to the Bond Bank Act and the Program Act.

(F) The adoption of this 2013 General Resolution, the fulfillment of or compliance with the terms and conditions in this 2013 General Resolution and the consummation of the transactions contemplated herein do not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which either the Bank is a party or by which the Bank is bound or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Bank or its properties are subject or constitute a default under any of the foregoing.

(G) So long as Bonds are Outstanding, the pledge by the Bank of the Pledged Revenues and the Trust Estate shall be irrevocable until all Bond Payments and Program Costs have been paid in full.

Section 6.02. Payment of Bond Payments and Program Costs.

(A) *Payment of Bond Payments.* The Bank covenants to pay, when due, solely from Pledged Revenues paid to the Bank, amounts available in the Pledged Liquor Operation Revenue Funds and Accounts, or other funds available in the Trust Estate, the Bond Payments. The Bank shall transfer Pledged Revenues and amounts in the Pledged

Liquor Operation Revenue Funds and Accounts to the Bond Payment Fund in such amounts and at such times as it determines in its sole discretion, provided that not less than five (5) Business Days prior to each Bond Payment Date there shall be on deposit in the Bond Payment Fund an amount sufficient to make the Bond Payments due on such Bond Payment Date. Nothing in this 2013 General Resolution shall be construed as obligating the Bank to pay Bond Payments from any general or other funds of the Bank, the State other than Pledged Revenues paid to the Bank or amounts available in the Pledged Liquor Operation Revenue Funds and Accounts or other Funds and Accounts in the Trust Estate. Nothing contained in this 2013 General Resolution, however, shall be constituted as prohibiting the Bank in its sole and absolute discretion, from making such payments from any other sources, to the extent legally available for that purpose.

(B) *Payment of Program Costs.* The Bank shall promptly pay, when due, solely from Pledged Revenues paid to the Bank, amounts available in the Pledged Liquor Operation Revenue Funds and Accounts, or the proceeds of Bonds, any Program Costs not otherwise paid from other sources. Any such costs payable to the Trustee and the Paying Agent shall be paid by the Bank to the Trustee on or prior to the due dates thereof. Nothing in this 2013 General Resolution shall be construed as obligating the Bank to pay such costs from any general or other fund of the Bank, the State, other than Pledged Revenues paid to the Bank or amounts available in the Pledged Liquor Operation Revenue Funds and Accounts, or the proceeds of Bonds permitted to be used therefor. Nothing contained in this 2013 General Resolution, however, shall be construed as prohibiting the Bank in its sole and absolute discretion, from making such payments from other sources, to the extent legally available for that purpose.

Section 6.03. Deposit of Pledged Revenues in the Liquor Operation Revenue Fund.

(A) *Deposit of Pledged Revenues.* The Bank shall promptly deposit Pledged Revenues, when received, in the Fund, Account or Subaccount of the Liquor Operation Revenue Fund established by the Bank for the deposit of such Pledged Revenues.

(B) *Transfers to Bond Fund.* The Bank shall promptly transfer to the Trustee for deposit in the Bond Payment Fund and the Capital Reserve Fund on or prior to the applicable due dates set forth in this 2013 General Resolution and any Series Resolution, all amounts required to be transferred thereto from the Pledged Revenues or Pledged Liquor Operation Revenue Funds or Accounts

(C) *Compliance With Maine Liquor Operation Agreement.* The Bank shall (i) comply with its obligations under the Maine Liquor Operation Agreement, and shall use its best efforts to cause each other party to the Maine Liquor Operation Agreement to comply with their respective obligations thereunder, including such actions as are necessary to cause Pledged Revenues to be allocated for such purposes by the State and deposited in the Revenue Account of the Liquor Operation Revenue Fund; and (ii) use its best efforts to take all actions reasonably necessary in its judgment to protect its rights under the Maine Liquor Operation Agreement. The Bank shall not consent to or participate in any amendment, alteration, modification or other change with respect to the Maine Liquor Operation Agreement, if the alteration, modification or other change, as of

the date thereof, would be expected by the Bank to materially and adversely impair the ability of the Bank to receive Pledged Revenues on a timely basis to make required transfers to the Bond Payment Fund and the Capital Reserve Fund or the security provided for the Bonds under this 2013 General Resolution. Nothing in this paragraph shall limit the ability of the Bank to amend the terms of the Maine Liquor Operation Agreement to conform to provisions of State law respecting the sources and amounts of funds comprising Pledged Revenues, the process for appropriations or allocations, or the organization of the government of the State.

Section 6.04. Operation of Liquor Operation Revenue Fund. The Bank shall administer the Liquor Operation Revenue Fund in accordance with applicable law, and maintain the Liquor Operation Revenue Fund separate and apart from any other funds or money of the Bank.

Section 6.05. Rebate Payments by the Bank. The Bank shall pay to the Trustee, to the extent permitted by law, from moneys in the Trust Estate or from moneys requisitioned from the Project Fund pursuant to Section 5.03 hereof, or from any other fund or account hereunder, at the times and in the amounts required to make rebate payments due to the United States in accordance with Section 5.05 hereof and the Tax Certificates. The Bank may, in its sole discretion, make periodic transfers from moneys in the Trust Estate to the Rebate Fund in amounts reasonably estimated by the Bank to be sufficient to build up balances in the Rebate Fund sufficient to make rebate benefits when such payments will become due. The Bank, and not the Trustee, shall be responsible for the calculation of rebate amounts.

Section 6.06. Credit Facilities and Qualified Swaps. Notwithstanding any other provision of this 2013 General Resolution:

(a) The Bank may purchase or arrange for a Credit Facility with respect to any Bonds and may agree to reimburse the provider of such Credit Facility for moneys paid by the provider that are used to make Bond Payments on such Bonds, which reimbursement may be made from any moneys in the Trust Estate that are available for the payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(b) To the extent permitted by law, the Bank may purchase or arrange for a Qualified Swap with respect to any Bonds and may agree to make payments to the provider of such Qualified Swap, which may be made from any moneys in the Trust Estate that are available for payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(c) To the extent permitted by law, the Bank may purchase or arrange for any other Ancillary Obligation with respect to any Bonds and may agree to make payments to the provider of such Ancillary Obligations, which may be made from any moneys in the Trust Estate that are available for payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(d) All or any portion of the agreement between the Bank and any Credit Facility Provider, Qualified Swap Provider or provider of any other Ancillary Obligation, or provisions to put into effect such an arrangement, may be included in any Series Resolution or in a separate agreement between or among the Bank, the Credit Facility Provider, the Qualified Swap Provider, any other Ancillary Obligation Provider, and/or the Trustee, and the Trustee is hereby directed to agree to the provisions regarding such Credit Facility, Qualified Swap or other Ancillary Obligation contained in any Series Resolution or separate agreement agreed to by the Bank and the Credit Facility Provider, the Qualified Swap Provider or the provider of any other Ancillary Obligation.

Section 6.07. Tax Covenant. The Bank shall not take any action or omit to take any action with respect to Tax-Exempt Bonds, the proceeds of Tax-Exempt Bonds, the Trust Estate, the Projects or any other funds or property of the Bank and, to the extent within its reasonable control, it will not permit any other Person to take any action or omit to take any action with respect to Tax-Exempt Bonds, the Trust Estate, the Projects or any other funds or property of the Bank or if such action or omission would cause interest on any of the Tax-Exempt Bonds to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted net book earnings" for the purpose of computing the alternative minimum tax imposed on such corporations). In furtherance of this covenant, the Bank agrees to comply with the procedures set forth in the Tax Certificates for each Series of Tax-Exempt Bonds. The covenants set forth in this Section shall remain in full force and effect notwithstanding the payment in full or defeasance of Tax-Exempt Bonds until the date on which all of Bank obligations in fulfilling such covenants have been met. The covenants set forth in this Section shall not apply to any Taxable Bonds.

Section 6.08. Defense of Trust Estate. The Bank shall at all times, to the extent permitted by law, defend, preserve and protect title to the Trust Estate, the grant of the Trust Estate to the Trustee under this 2013 General Resolution and all the rights of the Owners under this 2013 General Resolution against all claims and demands of all Persons whomsoever.

Section 6.09. Capital Reserve Fund. The Bank shall take all action on its part required to be taken to cause the Capital Reserve Fund to be replenished to the Required Minimum Reserve by the State in accordance with the provisions of Section 6006 of the Act, including to cause to be made by its Chairman and delivered to the Governor of the State annually, on or before December 1, a certificate as provided for by the Act, stating the amount, if any, required to restore the Capital Reserve Fund to the amount of the Minimum Required Reserve. All moneys received by the Bank from the State in accordance with the provisions of Section 6006 of the Act, shall be deposited in the Capital Reserve Fund in accordance with the provisions of subdivision (A) of Section 5.04 hereof.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Any of the following shall constitute an “Event of Default” under this 2013 General Resolution:

(a) Default in the payment of any portion of the Bond Payments on, or Redemption Price of, any Bond when due, and such default continues for a period of 30 days.

(b) Failure by the Bank to observe and perform any covenant, condition or agreement on its part to be observed or performed under this 2013 General Resolution, other than as referred to in paragraph (a), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the Bank by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Owners of Bonds but cannot be cured within the applicable 60-day period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Bank or within the applicable period and diligently pursued until the failure is corrected; and provided, further, that if by reason of force majeure the Bank is unable to carry out the agreements on its part herein contained, the Bank shall not be deemed in default under this paragraph (b) during the continuance of such inability (but force majeure shall not excuse any other Event of Default).

Section 7.02. Remedies Following an Event of Default.

(A) *Transfers From Project Fund.* Upon the occurrence of any Event of Default described in paragraph (a) of Section 7.01 hereof, the Trustee shall transfer all or any moneys held in the Project Fund to the Bond Payment Fund.

(B) *Remedies.* Upon the happening and continuance of any Event of Default specified in paragraph (a) of Section 7.01 the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (b) of Section 7.01, the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five per centum (25%) in aggregate principal amount of all Bonds then Outstanding, the Trustee shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and to require the Bank to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, require the Bank to account as if it were the trustee of any express trust for the Owners of the Bonds; or

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

(C) *Enforcement of Rights.* The Trustee may, and upon the written request of the Owners of not less than twenty-five per centum 25% in aggregate principal amount of all Bonds then Outstanding in the Trustee's or the Bank's own name, the Trustee shall, by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders hereunder and under the Maine Liquor Operation Agreement and to require the Bank to carry out any other agreements with the Owners of Bonds and to perform its duties under the Act, as long as the Bonds are limited revenue obligations.

(D) *Appointment of Trustee.* Upon the happening and continuance of any Event of Default specified in paragraph (a) of Section 7.01, whether at maturity or upon call for redemption or otherwise, and such default continues for a period of 30 days, or if the Bank fails or refuses to comply with this subchapter or defaults in an agreement made with the holders of an issue of Bonds, the holders of 25% in aggregate principal amount of Bonds then outstanding, by instrument or instruments filed in the office of the clerk of courts of Kennebec County, Maine and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the Bondholders. The trustee, in the trustee's own name, by mandamus or other suit, action or proceeding at law or in equity, shall enforce all rights of the Bondholders or holders of the Credit Facility Agreements, Qualified Swaps or other Ancillary Obligations or other agreements and require the Bank to carry out any other agreements with the Bondholders or holders of such Credit Facility Agreements, Qualified Swaps or other Ancillary Obligations or other agreements and to perform the Bank's duties required under this 2013 General Resolution, as long as the Bonds are limited revenue obligations. An obligation to make debt service payments does not constitute a debt or liability of the State or any political subdivision of the State within the meaning of any constitutional or statutory limitation, or a loan of the credit of the State, or a pledge of the faith and credit of the State or any political subdivision of the State, and the State has no legal obligation to appropriate money for those payments or other such obligations. Payments of the principal of, redemption premium, if any, and interest on the Bonds must be made solely from amounts derived from the Liquor Operation Revenue Fund or as otherwise authorized by this 2013 General Resolution. Neither the faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal of, redemption premium for, if any, or interest on the Bonds.

(E) *Deposit of Moneys to Bond Payment Fund.* Upon the occurrence of any Event of Default, the Trustee may take whatever action at law or in equity as may appear necessary or desirable to enforce the rights of the Owners and shall deposit any moneys received as a result of such action in the Bond Payment Fund.

(F) *No Remedy Exclusive.* No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative

and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute; provided, however, that neither the Trustee nor any Owners of Bonds shall have the right to declare all Bond Payments to be immediately due and payable.

(G) ***Recourse Limited to Trust Estate.*** A judgment requiring a payment of money entered against the Bank in connection with the Bonds and other obligations hereunder may be satisfied only from the Trust Estate.

(H) ***Indemnification.*** The Trustee shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Trust Estate, including those under the Maine Liquor Operation Agreement or otherwise, whether on its own motion or the request of any other person, including the Bondholders' directions as provided for herein, unless from time to time the Trustee is provided with indemnity to its satisfaction. None of the provisions of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 7.03. Use of Moneys Received from Exercise of Remedies. Moneys received by the Trustee resulting from the exercise of remedies following an Event of Default shall be deposited in the Bond Payment Fund and shall, together with other moneys in the Bond Payment Fund and other moneys available for such purpose, be applied in the following order of priority:

(a) *First*, to the payment of the reasonable and proper fees and expenses of the Trustee determined in accordance with Section 8.05 hereof.

(b) *Second*, to the payment of interest due on the Bonds, interest due under any Credit Facility Agreement, and Qualified Swap Payments including, to the extent permitted by law, interest on past due interest on any of the foregoing at the interest rate set forth in the applicable instrument, compounded on each applicable interest payment date. If more than one installment of interest is due on the Bonds, such installments shall be paid in the order in which they were due, with the first installment being paid first. If the amount available is insufficient to pay all of any particular installment of interest due on the obligations (including interest on the past due interest, to the extent permitted by law), the amount available shall be paid ratably, based on the ratio of the amount due on each such Bond to the amount due on all such Bonds.

(c) *Third*, to the payment of principal due on the Bonds (or, if such principal has been paid with a Credit Facility, a like amount as reimbursement of principal to the Credit Institution). If principal is due that was to have been paid on more than one date, the amount due on the earliest dates shall be paid first. If the amount available is insufficient to pay all the principal due on any particular date, the amount available shall be paid ratably, based on the ratio of the amount due on each such Bond to the amount due on all such Bonds.

Any excess funds remaining after moneys have been applied as set forth above such that there are no amounts past due and payable shall be deposited in the Bond Payment

Fund and (i) if an Event of Default is continuing, shall be retained therein for application in accordance with this Section and (ii) if no Event of Default is continuing, may be applied as permitted in Section 5.01.

Section 7.04. Owners of Majority in Aggregate Principal Amount of Bonds May Control Proceedings. Notwithstanding any other provision hereof, the Owners of a majority in aggregate principal amount of Bonds shall always have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in pursuit of remedies following an Event of Default or otherwise in connection with the enforcement of the terms of this 2013 General Resolution.

Section 7.05. Limitations on Rights of Owners Acting Individually. No Owner shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any remedy hereunder or for the enforcement of the terms of this 2013 General Resolution, unless an Event of Default under this 2013 General Resolution has occurred and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have made a written request to the Trustee, have offered the Trustee indemnity satisfactory to it against its costs, expenses and liabilities reasonably anticipated to be incurred, and have given the Trustee a reasonable opportunity, to take such action in its capacity as Trustee. The purpose of the preceding sentence is to assure that no Owner or Owners shall have the right to affect, disturb or prejudice the lien of this 2013 General Resolution by his, her, its or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the equal benefit of the Owners of all Outstanding Bonds. Nothing contained herein shall, however, affect or impair the right of any Owner to enforce the payment of the Bond Payments on or Redemption Price of any Bond at and after the date such payment is due.

Section 7.06. Trustee May Enforce Rights Without Bonds. All rights of action and claims under this 2013 General Resolution or any of the Outstanding Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants, any Owners; and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions hereof.

Section 7.07. Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Trust Estate, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due on the Bonds under this 2013 General Resolution, at the date of the institution of such proceedings and for any additional amounts which may become due by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Section 7.08. Delay or Omission No Waiver. No delay or omission of the Trustee or of any Owner to exercise any remedy, right or power accruing upon any Event of Default or

otherwise shall exhaust or impair any such remedy, right or power or be construed to be a waiver of any such Event of Default, or acquiescence therein; and every remedy, right and power given by this 2013 General Resolution may be exercised from time to time and as often as may be deemed expedient.

Section 7.09. Discontinuance of Proceedings on Event of Default; Position of Parties Restored. In case the Trustee or any Owner shall have proceeded to enforce any right under this 2013 General Resolution and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or such Owner, then and in every such case the Bank, the Trustee and the Owners shall be restored to their former positions and rights, and all rights, remedies and powers of the Trustee and the Owner shall continue as if no such proceedings had been taken.

Section 7.10. Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences hereunder and, notwithstanding anything else to the contrary contained in this 2013 General Resolution, shall do so upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Owners of 100% of the Bonds any Event of Default in the payment of the Bond Payments and Redemption Price when due, unless, prior to such waiver, all such amounts (with interest on amounts past due on any Bond at the interest rate on such Bond to the extent permitted by law and all expenses of the Trustee in connection with such Event of Default) have been paid or provided for. In case of any such waiver, then and in every such case the Bank, the Trustee and the Owners shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 8.01. Appointment and Acceptance of Duties of Trustee. U.S. Bank National Association is hereby appointed as Trustee. U.S. Bank National Association shall signify its acceptance of the duties and obligations imposed upon it by this 2013 General Resolution by executing the certificate of authentication endorsed upon the Bonds, and, by executing such certificate upon any Bond, U.S. Bank National Association shall be deemed to have accepted such duties and obligations not only with respect to the bond so authenticated, but with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in this 2013 General Resolution.

Section 8.02. Appointment and Acceptance of Duties of Paying Agent. The Bank shall appoint one or more Paying Agents for the Bonds of any Series in the Series Resolution authorizing such Bonds or shall appoint such Paying Agent or Paying Agents by resolution of the Bank adopted prior to the authentication and delivery of such Bonds, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in Section 8.06 for the appointment of a successor Paying Agent. The Trustee may be appointed to act as Paying Agent notwithstanding that it may then be acting in the capacity of Trustee.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this 2013 General Resolution by written instrument of acceptance deposited with the Bank and the Trustee.

Section 8.03. Representations, Covenants and Warranties of Trustee. By accepting the duties of Trustee hereunder, the Trustee represents, covenants and warrants that:

(a) The Trustee (i) is a state or national banking association or trust company and is duly qualified to do business in the State and (ii) is authorized, under its articles of association, action of its board of directors and applicable law, to own and manage its properties, to conduct its affairs in the State, to accept the grant of the Trust Estate from the Bank hereunder and to execute, deliver and perform its obligations under this 2013 General Resolution.

(b) The acceptance of the duties of Trustee under this 2013 General Resolution by the Trustee has been duly authorized by the Trustee.

(c) This 2013 General Resolution is enforceable against the Trustee in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(d) The acceptance of the duties of Trustee under and the performance of the terms of this 2013 General Resolution by the Trustee does not and will not conflict with or result in a violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Trustee is now a party or by which the Trustee is bound, or constitute a default under any of the foregoing or, except as specifically provided in this 2013 General Resolution, result in the creation or imposition of a lien or encumbrance whatsoever upon the Trust Estate or any of the property or assets of the Trustee.

(e) There is no litigation or proceeding pending or threatened against the Trustee affecting the right of the Trustee to accept or perform its obligations under this 2013 General Resolution.

Section 8.04. Duties of the Trustee. The Trustee accepts the trusts imposed upon it by this 2013 General Resolution and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this 2013 General Resolution. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this 2013 General Resolution, and use the same degree of care and skill in their exercise as a reasonable and

prudent man would exercise or use under the circumstances in the conduct of the affairs of another.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to rely and act upon a written opinion of Bond Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds, for the validity of the adoption by the Bank of this 2013 General Resolution, any Series Resolution or any instruments of further assurance, for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of the Trust Estate. The Trustee shall have no obligation to perform any of the duties of the Bank under this 2013 General Resolution or the Maine Liquor Operation Agreement; and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it pursuant to instructions from an Authorized Bank Officer in accordance with Section 5.07 hereof.

(d) The Trustee shall not be accountable for the use of any Bonds delivered to the Original Purchaser pursuant to this 2013 General Resolution or any Series Resolution. The Trustee may become the Owner of Bonds with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to this 2013 General Resolution upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Owner of any Bond shall be conclusive and binding upon any Bonds issued in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Bank by an Authorized Bank Officer or such other Person as may be designated for such purpose by the Bank, as sufficient evidence of the facts therein contained.

(g) The permissive right of the Trustee to do things enumerated in this 2013 General Resolution shall not be construed as a duty and the Trustee shall not be answerable for other than its willful misconduct, negligence or bad faith.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure to pay Bond Payments or failure by the Bank to make or cause to be made any of the payments to the Trustee required to

be made pursuant to Section 6.02 or 6.03 hereof, unless the Trustee shall be specifically notified in writing of such Event of Default by the Bank or by the Owner of a Bond.

(i) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received and shall be segregated from all other funds held by the Trustee.

(j) The Trustee shall not be required to take any discretionary remedial action under this 2013 General Resolution or any Series Resolution unless indemnity reasonably satisfactory to it is furnished for any expense or liability to be incurred in undertaking such discretionary action.

Section 8.05. Compensation of Trustee. The Bank shall pay to the Trustee and to each Paying Agent from time to time reasonable compensation for services rendered under this 2013 General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this 2013 General Resolution. The Bank further agrees, to the extent permitted by law, to indemnify and save the Trustee and each Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its willful misconduct, negligence or bad faith.

Section 8.06. Resignation, Removal or Replacement of Trustee or Paying Agent.

(a) The present or any future Trustee or Paying Agent may resign by giving written notice to the Bank not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (c) of this Section. If no successor is appointed within 60 days following the date designated in the notice for the Trustee's or Paying Agent's resignation to take effect, the resigning Trustee or Paying Agent may petition a court of competent jurisdiction for the appointment of a successor. The present or any future Trustee or Paying Agent may be removed at any time (i) by the Bank, provided that the Trustee or Paying Agent may not be removed during the continuance of an Event of Default without the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; or (ii) by an instrument in writing executed by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, for cause. Such removal shall take effect only upon the appointment of a successor qualified as provided in subsection (c) of this Section.

(b) In case the present or any future Trustee or Paying Agent shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Bank. Upon making any such appointment, the Bank shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee or Paying Agent and shall include a description of the right of the Owners to object to the appointment of a successor Trustee.

(c) Every successor Trustee or Paying Agent shall be a bank or trust company in good standing, duly authorized to exercise trust powers and subject to examination by

federal or state authority, qualified to act hereunder, having a capital and surplus of not less than \$50,000,000. Any successor Trustee or Paying Agent appointed hereunder shall execute, acknowledge and deliver to the Bank an instrument accepting such appointment hereunder, and thereupon such successor shall, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust hereunder with like effect as if originally named as Trustee or Paying Agent, as applicable, herein; but the Trustee or Paying Agent retiring shall, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the predecessor, which shall duly assign, transfer and deliver to the successor all properties and moneys held by it under this 2013 General Resolution. Should any instrument in writing from the Bank be required by any successor for more fully and certainly vesting in and confirming to it, such instrument in writing shall, at the reasonable discretion of the Bank, be made, executed, acknowledged and delivered by an Authorized Bank Officer upon request of such successor.

Section 8.07. Conversion, Consolidation or Merger of Trustee or Paying Agent.

Any bank or trust company into which the Trustee or Paying Agent or their respective successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business as a whole shall be the successor of the Trustee or Paying Agent, as applicable, under this 2013 General Resolution with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto or thereto, anything herein or therein to the contrary notwithstanding. In case any of the Bonds shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Bonds shall not have been executed, any successor Trustee may execute such Bonds in the name of such successor Trustee.

Section 8.08. Intervention by Trustee. In any judicial proceeding to which the Bank is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of the Owners and shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of the Bonds and offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred.

ARTICLE IX

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

Section 9.01. Supplemental Resolutions or Series Resolutions Not Requiring Consent of Owners. The Bank may, without the consent of, or notice to, the Owners, enter into a Supplemental Resolution or Series Resolution to amend any provision of the 2013 General Resolution or any Series Resolution for any one or more or all of the following purposes:

- (a) to add additional covenants to the covenants and agreements of the Bank set forth herein or to add to the limitations and restrictions herein other limitations and

restriction to be observed by the Bank which are not contrary to or inconsistent with this 2013 General Resolution as theretofore in effect;

- (b) to add additional revenues, properties or collateral to the Trust Estate;
- (c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained herein;
- (d) to amend any existing provision hereof or to add additional provisions which, in the opinion of Bond Counsel, are necessary or advisable (i) to qualify, or to preserve the qualification of, the interest on any Tax-Exempt Bonds for exclusion from gross income for federal income tax purposes or for exclusion from federal alternative minimum tax; (ii) to qualify any Bonds for exemption from taxation and assessment in the State; (iii) to qualify, or to preserve the qualification of, this 2013 General Resolution or any Series Resolution under the federal Trust Indenture Act of 1939, as amended; or (iv) to qualify, or preserve the qualification of, any Bonds for an exemption from registration or other limitations under the laws of any state or territory of the United States;
- (e) to amend any provision hereof relating to the Rebate Fund if, in the opinion of Bond Counsel, such amendment does not adversely affect the exclusion of interest on any Tax-Exempt Bonds from gross income for federal income tax purposes;
- (f) to provide for or eliminate book-entry registration of any of the Bonds;
- (g) to obtain or maintain a rating of the Bonds by a nationally recognized securities rating agency;
- (h) to authorize the issuance of any Series of Bonds in accordance with Article III hereto;
- (i) to facilitate the provision of a Credit Facility or a Qualified Swap in accordance with Section 6.06 hereof;
- (j) to establish additional funds, accounts or subaccounts necessary or useful in connection with any Series Resolution authorized by any other provision of this Section or to amend any provision relating to a Fund, Account or Subaccount that is not included in the Trust Estate;
- (k) to make any amendment with a Rating Confirmation from each Rating Agency then maintaining an underlying rating (without taking into account the effect of any Credit Facility) on the Bonds, that such amendment will not, in itself, result in such underlying rating (without taking into account the effect of any Credit Facility) on the Bonds following such amendment being withdrawn or lower than such rating on the Bonds immediately prior to such amendment;
- (l) to modify any of the provisions in any other respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds

of each Series Outstanding at the date of the adoption of such Series Resolution shall cease to be Outstanding and (ii) such Series Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Series Resolution and of Bonds issued in exchange therefor or in place thereof; or

(m) for any other purpose which, in the judgment of the Trustee, does not materially adversely affect the rights of the Owners of any Bonds then Outstanding. The Trustee shall be entitled to rely on a counsel's opinion in exercising such judgment.

Section 9.02. Supplemental Resolutions or Amendments to Series Resolutions Requiring Consent of Owners. Except as expressly provided in Section 9.01 hereof, the Bank and the Trustee may not enter into a Supplemental Resolution or an amendment to a Series Resolution without the written consent of the Owners as set forth in Sections 9.02 and 9.03. Any modification or amendment of the 2013 General Resolution or any Series Resolution and of the rights and obligations of the Bank and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in Section 9.02, (a) by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding at the time such consent is given and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the 2013 General Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Bank may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the 2013 General Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Bank shall, prior to making any such determination, receive a counsel's opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof.

(a) **Consent of Bondholders.** The Bank may at any time adopt a Supplemental Resolution making a modification or amendment permitted by this Section to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to the Bondholders for their consent thereto, shall be mailed by the Bank to such Bondholders

(but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Bank (i) the written consents of the Holders of the percentages of Outstanding Bonds specified in this Section, and (ii) a counsel's opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Bank in accordance with the provisions of the 2013 General Resolution, is authorized or permitted by the 2013 General Resolution, and is valid and binding upon the Bank and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.05. A certificate or certificates of a trust officer of the Trustee filed with the Bank that the Trustee has examined such proof and that such proof is sufficient in accordance with Section 11.05 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such trust officer of the Trustee. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in Section 11.05 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee and the Bank prior to the time when the written statement of the Bank hereinafter in this Section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of a trust officer of the Trustee filed with the Bank to the effect that no revocation thereof is on file. Notwithstanding anything in this Section or the 2013 General Resolution to the contrary, the consent of the Owners of any Series of Additional Bonds to be issued hereunder shall be deemed irrevocably given if the Original Purchaser thereof, whether or not for resale, consents in writing to any modification or amendment and, if such Series of Additional Bonds is expected to be resold, such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of Additional Bonds is sold. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Bank shall make and file with its records relating to the Bonds and with the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Bank on a stated date, a copy of which is on file with the Bank) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to such Bondholders by the Bank by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). A transcript consisting of the papers required or permitted by this Section to be filed with the Bank records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Bank, the Trustee, or the Holders of all Bonds

upon filing with the Bank records of proof of mailing of such, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within a forty (40) day period; provided, however, that the Trustee and the Bank during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

Section 9.03. Modifications by Unanimous Consent. The terms and provisions of the 2013 General Resolution or any Series Resolution and the rights and obligations of the Bank and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Bank of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 9.02 except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Bank of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

Section 9.04. Exclusion of Bonds. Bonds owned or held by or for the account of the Bank shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article IX, and the Bank shall not be entitled with respect to such Bonds to give any consent or take any other action provided for herein. At the time of any consent or other action taken under this Article, the Bank shall file with its records relating to the Bonds a certificate of an Authorized Bank Officer describing all Bonds so to be excluded.

Section 9.05. Notation on Bonds. Bonds delivered after the effective date of any action taken as in this Article IX provided may, and, if the Bank so determines, shall, bear a notation by endorsement or otherwise in form approved by the Bank as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Bank of its Bond for such purpose, suitable notation shall be made on such Bond by the Bank as to any such action. If the Bank shall so determine, new Bonds so modified as, in the opinion of the Bank, conform to such action, shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

Section 9.06. Special Provisions for Credit Facility Providers and Qualified Swap Providers. The Bank may provide, in any Series Resolution authorizing the issuance of a Series of Bonds, additional rights of consent for any Credit Facility Provider or Qualified Swap Provider, and may provide that, with respect to amendments to the 2013 General Resolution, any Series Resolution requiring the consent of at least a majority in aggregate principal amount of Bonds then Outstanding, the provider of the Credit Facility may, for purposes of voting, be treated as the Owner of the Bonds secured by the Credit Facility, and if the Bank so provides, the provisions of the applicable Series Resolution shall govern.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Resolution. If 100% of the Bond Payments and Redemption Price due, or to become due, on all the Bonds and all amounts payable to the United States pursuant to Section 5.05 hereof, have been paid, or provision shall have been made for the payment thereof in accordance with Section 10.02 hereof and the fees and expenses due to the Trustee and all other amounts payable hereunder have been paid or provision for such payment shall have been made in a manner satisfactory to the Trustee, then (a) the right, title and interest of the Trustee in and to the Trust Estate shall terminate and be discharged (referred to herein as the “discharge” of this 2013 General Resolution); (b) the Trustee shall transfer and convey to or upon the order of the Bank all property that was part of the Trust Estate, including but not limited to any moneys held in any Fund, Account or Subaccount hereunder, except any escrow account created pursuant to Section 10.02 hereof (which escrow account shall continue to be held in accordance with the escrow agreement governing the administration thereof); and (c) the Trustee shall execute any instrument requested by the Bank to evidence such discharge, transfer and conveyance.

Outstanding Bonds or Bond Payments or Redemption Price or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee shall, at the respective maturity or redemption dates thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section.

Section 10.02. Defeasance of Bonds.

(A) **Conditions to Defeasance.** All or any portion of the Outstanding Bonds or Bond Payments shall be deemed to have been paid (referred to herein as “defeased”) prior to their maturity or redemption if:

(1) the defeased Bonds are to be redeemed prior to their maturity, an Authorized Bank Officer has irrevocably instructed the Trustee to give notice of redemption of such Bonds in accordance with this 2013 General Resolution and any applicable Series Resolution;

(2) there has been deposited in trust in a Defeasance Escrow Account either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited into or held in the Defeasance Escrow Account, shall be sufficient to pay when due the Bond Payments or Redemption Price, as applicable, due and to become due on the defeased Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and

(3) a certified public accountant or other nationally recognized expert respecting verification of escrows has delivered a verification report verifying the deposit described in clause (2) of this subsection.

(B) Application of Defeasance Securities. The Defeasance Securities and moneys deposited in a Defeasance Escrow Account pursuant to this Section and the principal and interest payments on such Defeasance Securities shall not be withdrawn or used for any purpose other than, and shall be held in trust solely for, the payment of the Bond Payments on and Redemption Price of the defeased Bonds; provided, however, that (i) any moneys received from principal and interest payments on such Defeasance Securities that are not required to pay the Bond Payments on or Redemption Price of the defeased Bonds on the date of receipt may, to the extent practicable, be reinvested in Defeasance Securities maturing at the times and in amounts sufficient to pay when due the Bond Payments on and Redemption Price to become due on the defeased Bonds on or prior to the redemption date or maturity date thereof, as the case may be and (ii) any moneys or Defeasance Securities may be withdrawn from a Defeasance Escrow Account if (a) the moneys and Defeasance Securities that are on deposit in the Defeasance Escrow Account, including any moneys or Defeasance Securities that are substituted for the moneys or Defeasance Securities that are withdrawn from the Defeasance Escrow Account, satisfy the conditions stated in subsection (A)(2) of this Section, (b) a verification report is delivered that complies with subsection (A)(3) of this Section and (c) an opinion of Bond Counsel is delivered to the effect that such withdrawal or substitution complies with this Section and will not of itself adversely affect the federal tax status of interest on either the related Tax-Exempt Refunding Bonds or the Tax-Exempt Bonds being refunded.

(C) Termination of Lien. Any Bonds that are defeased as provided in this Section shall no longer be secured by or entitled to any right, title or interest in or to the Trust Estate, and the Bond Payments on and Redemption Price thereof shall be paid solely from the Defeasance Securities and money held in the Defeasance Escrow Account.

Section 10.03. Defeasance of Less than all Bonds of a Particular Series or Maturity. If less than all the Bonds of any particular Series, any particular maturity of any Series or any particular interest rate within a maturity of a Series are defeased, the Trustee shall institute or cause to be instituted a system to preserve the identity of the individual Bonds or portions thereof that are defeased, regardless of changes in Bond numbers attributable to transfers and exchanges of Bonds.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Authority. This 2013 General Resolution and the Bonds are authorized by the Bond Bank Act and the Program Act.

Section 11.02. Table of Contents, Titles and Headings. The table of contents, titles and headings of the Articles and Sections of this 2013 General Resolution have been inserted for convenience of reference only, are not to be considered a part hereof, shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given

any effect in construing this 2013 General Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 11.03. Interpretation and Construction. This 2013 General Resolution and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this 2013 General Resolution. For purposes of this 2013 General Resolution, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this 2013 General Resolution to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this 2013 General Resolution. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this 2013 General Resolution as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in Article I hereof have the meanings assigned to them in that Article.

(c) Words of one gender shall be deemed and construed to include correlative words of any other gender. Except where the context otherwise requires, words importing the singular number shall include the plural number and *vice versa*.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(e) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(f) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 11.04. Further Assurances and Corrective Instruments. The Bank and the Trustee agree that so long as this 2013 General Resolution is in full force and effect, the Bank and the Trustee shall have full power to carry out the acts and agreements provided herein and they will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may be required for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of this 2013 General Resolution.

Section 11.05. Evidence of Signature of Owners and Ownership of Bonds.

Any request, consent or other instrument which this 2013 General Resolution may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing, and proof of the execution of any such instrument or of an instrument

appointing any such attorney, or the ownership of Bonds, shall be sufficient (except as otherwise herein expressly provided) if made in the following manner; but the Trustee may, nevertheless, in its discretion require further or different proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Owner or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public; and

(b) The fact of the ownership by any Person of Bonds and the amounts, numbers and date of ownership of such Bonds may be proved by the registration records of the Trustee.

(c) Any request or consent of the Owner of any Bond shall bind all transferees of such Bond in respect of anything done or suffered to be done by the Bank or the Trustee in accordance therewith.

Section 11.06. Authorization of Officers and Employees. The officers and employees of the Bank are hereby authorized and directed to take all actions that are necessary, convenient and in conformity with the Bond Bank Act and the Program Act, the Constitution and other laws of the State, federal law and this 2013 General Resolution, to carry out the provisions of this 2013 General Resolution.

Section 11.07. Parties Interested Herein. This 2013 General Resolution shall be for the sole and exclusive benefit of the Bank, the Trustee, the Owners and their respective successors and assigns. Nothing in this 2013 General Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any Person other than the Bank, the Trustee and the Owners, any right, remedy or claim under or by reason of this 2013 General Resolution or any terms hereof.

Section 11.08. The Bank and Trustee Representatives. Whenever under the provisions of this 2013 General Resolution or of any Series Resolution the approval of the Bank or the Trustee is required, or the Bank or the Trustee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Bank by an Authorized Bank Officer and for the Trustee by a Trustee Representative, and the Bank and the Trustee shall be authorized to act on any such approval or request.

Section 11.09. Manner of Giving Notices. All notices, certificates or other communications of this 2013 General Resolution or under any Series Resolution shall be in writing and shall be deemed sufficiently given when mailed by certified or registered mail, postage prepaid, or by any other independent delivery service providing written evidence of receipt, addressed as follows: if to the Bank, to Maine Municipal Bond Bank, 127 Community Drive, Augusta, Maine 04330, Attention: Executive Director; and if to the Trustee, to U.S. Bank National Association, One Federal Street, Boston, Massachusetts 02111, Attention: Corporate Trust Services. The entities listed above may, by written notice, designate any further or

different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.10. Notices to Rating Agencies. If additional property, revenues or funds are granted, assigned or pledged as and for additional security hereunder pursuant to clause (e) of Section 2.01 hereof, the Trustee shall notify each Rating Agency in writing, of such grant, assignment or pledge and the nature of such additional security.

Section 11.11. No Individual Liability. None of the commissioners of the Bank or any person executing Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. All covenants, stipulations, promises, agreements and obligations of the Bank or the Trustee, as the case may be, contained herein, in any Series Resolution or in the Bonds shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Bank or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Bank or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Bank or the Trustee or any natural person executing the Bonds or any related document or instrument.

Section 11.12. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this 2013 General Resolution, any Series Resolution or the Bonds is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in such instrument.

Section 11.13. Severability. In the event that any provision of this 2013 General Resolution, other than the grant of the Trust Estate to the Trustee, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.14. Applicable Law. The laws of the State shall be applied in the interpretation, execution and enforcement of this 2013 General Resolution.

Section 11.15. Effective Date. This 2013 General Resolution shall take effect immediately upon its adoption.

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APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of September 5, 2013 by and among Maine Municipal Bond Bank (the "Issuer"), the State of Maine (the "State"), acting by and through the Treasurer of State of the State (the "Treasurer") and the Department of Administrative and Financial Services ("AFS"), and U.S. Bank National Association, as Trustee (the "Trustee") under a General Resolution Authorizing the Issuance of State Liquor Operation Revenue Bonds adopted by the Issuer on August 21, 2013 (the "2013 Resolution") and a Series Resolution adopted by the Issuer on August 21, 2013 (the "2013 Series Resolution" and together with the 2013 Resolution, the "Resolutions") is executed and delivered in connection with the issuance of the Issuer's \$220,660,000 principal amount Liquor Program Revenue Bonds Series 2013 (Federally Taxable) (the "Bonds"). Capitalized terms used in this Agreement that are not otherwise defined in the 2013 Resolution or the State Liquor Agreement shall have the respective meanings specified above or in Article IV hereof. Pursuant to Section 2.13 of the 2013 Series Resolution, the parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) AFS shall provide to the Issuer, the Treasurer and the Trustee Annual Financial Information (except Audited Financial Statements) with respect to each state fiscal year: (i) with respect to the State fiscal year ending June 30, 2013, by December 30, 2013; and (ii) commencing with the State fiscal year ending June 30, 2014, within six months after the end of the respective State fiscal year.

(b) The Treasurer shall provide Annual Financial Information (except Audited Financial Statements) with respect to each state fiscal year within seven months after the end of the respective State fiscal year, or if not then available, when and if available, to the MSRB.

(c) The Treasurer shall provide, in a timely manner, notice of any failure to provide (i) the Annual Financial Information (except Audited Financial Statements) by the date specified in subsection 1.2 (a) above to (A) the Issuer, (B) AFS, and (C) the Trustee and (ii) the Annual Financial Information (except Audited Financial Statements) by the date specified in subsection 1.2 (b) above to (A) the Issuer, (B) the MSRB, (C) AFS, and (D) the Trustee.

Section 1.3. Audited Financial Statements.

(a) (i) The Treasurer shall provide Audited Financial Statements (A) with respect to each State fiscal year with respect to the State fiscal year ending June 30, 2013, by June 30, 2014; and (B) commencing with the State fiscal year ending June 30, 2014, within one year

after the end of the respective fiscal year, or if not then available, when and if available, to the MSRB (with a copy to the Issuer).

(ii) The Treasurer shall provide, in a timely manner, notice of any failure to provide the Audited Financial Statements by the date specified in subsection 1.3 (a) (i) above, to (A) the Issuer, (B) the MSRB, (C) AFS, and (D) the Trustee.

(b) (i) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2014, within one year after the end of the respective fiscal year, or if not then available, when and if available, to the MSRB.

(ii) The Issuer shall provide, in a timely manner, notice of any failure to provide Annual Financial Information by the date specified in subsection 1.3 (b) (i) above, to (A) AFS, (B) the MSRB, (C) the Treasurer, and (D) the Trustee.

Section 1.4. Notice Event Notice. (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of nine (9) Business Days after the occurrence of such Notice Event, notice of such Notice Event to the Trustee. The Trustee shall provide such notice from the Issuer (simultaneously with a copy to the Issuer) to the MSRB within one Business Day after receipt by the Trustee.

(b) Any notice of a defeasance of Bonds shall state whether funds sufficient for the payment of the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Resolutions, the Trustee has actual notice of an occurrence that, if material, would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolutions.

Section 1.5. Additional Disclosure Obligations. Each of the Treasurer, AFS and the Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, additional disclosures or other action may be required to enable the Issuer to fully discharge all of its duties and obligations under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer, the Treasurer or AFS from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of a Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer, the Treasurer or AFS chooses to do so, none of the Issuer, the Treasurer or AFS shall have any

obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.7. No Previous Non-Compliance. The Issuer represents that, except as provided in Exhibit A hereto, in the previous five years, the Issuer has complied with its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule. The Treasurer represents that, except as provided in Exhibit A hereto, in the previous five years, the State has complied with its previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of either Section 1.2 or Section 1.3 hereof if the Treasurer, AFS or the Issuer, as applicable, provides Annual Financial Information by specific reference to documents (1) available to the public on the MSRB Internet Web site (currently www.emma.msrb.org) or (2) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time. Each of the Treasurer, AFS and the Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Treasurer, AFS or the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.3. Notice Event Notices. Each notice of a Notice Event hereunder shall be captioned "Notice of Notice Event" and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org, and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The State's current fiscal year is July 1 – June 30, and the Treasurer shall notify the MSRB and the Trustee in writing within five (5) business days of each change in the State's fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III
Effective Date, Termination, Amendment or Enforcement

Section 3.1. Effective Date, Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Treasurer's, AFS's or the Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that (1) the Issuer delivers to the Trustee an opinion of Counsel, addressed to the Treasurer, AFS or the Issuer and the Trustee, to the effect that those portions of the Rule that require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Trustee delivers copies of such opinion to the MSRB. The Trustee shall so deliver such opinion within one Business Day after receipt by the Trustee.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules, regulations or other official pronouncements) or in interpretations thereof (including no-action positions), or a change in the identity, nature, operations or status of the Treasurer, AFS or the Issuer, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Treasurer, AFS or the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee, an opinion of Counsel unaffiliated with the Treasurer, AFS or the Issuer (such as bond counsel) and acceptable to the Treasurer, AFS and the Issuer, addressed to the Treasurer, AFS, the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to Section 9.02 of the Resolution as in effect on the date of this Agreement, and (5) the Trustee shall have delivered copies of such opinion(s) and amendment to the MSRB. The Trustee shall so deliver such opinion(s) and amendment within one Business Day after receipt of the Trustee.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement, which is applicable to this Agreement, (2) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Treasurer, AFS, the Issuer and the Trustee, to the effect that

performance by the Treasurer, AFS, the Issuer and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Trustee shall have delivered copies of such opinion and amendment to the MSRB. The Trustee shall so deliver such opinion and amendment within one Business Day after receipt by the Trustee.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operation data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the State in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in accounting principles on the presentation of the financial information.

(e) The Trustee shall not be required to accept or acknowledge any amendment of this Agreement if the amendment adversely affects its rights or immunities or increases its duties hereunder.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Treasurer, AFS and the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with security and indemnity reasonably satisfactory to it. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the obligations of the Treasurer, AFS or the Issuer under this Agreement. Neither any holder of the Bonds nor the Trustee may institute any suit, action or proceeding at law or in equity involving the Treasurer, AFS or the Issuer, as applicable (a "Proceeding"), as provided in this Section 3.3 unless such holder or the Trustee, as the case may be, shall have filed with the Treasurer and the Attorney General a written request to cure

such breach, and the Treasurer, AFS or the Issuer, as applicable, shall have refused or failed to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. Proceedings filed by the Trustee, holders or beneficial owners against the Treasurer or may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the Treasurer or AFS or of any order of specific performance that may be granted against the Treasurer or AFS.

(c) Any failure by the Treasurer, AFS, the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an event of default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an event of default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted only in a State court of competent jurisdiction located in the City of Augusta, Maine for the equal benefit of all beneficial owners of the Outstanding Bonds; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data listed in Exhibit B hereto with respect to the relevant fiscal year and (ii) the information regarding amendments to this Agreement required pursuant to Section 3.2(c) and (d) of this Agreement. If any information described in Exhibit B hereto can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the AFS under Section 1.2 with respect thereto, provided however that the AFS shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

(2) "Audited Financial Statements" means, (i) with respect to the State, the annual financial statements, if any, of the State, and (ii) with respect to the Issuer, the annual financial statements, if any, of the Issuer, each audited by such auditor(s) as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP. If Audited Financial Statements are not available, then "Audited Financial Statements" means Unaudited Financial Statements.

(3) "Commissioner" means the Commissioner of the State of Maine Department of Administrative and Financial Services.

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

(5) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

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

(7) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the Issuer, the State or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer or the State;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the State or the sale of all or substantially all of the assets of the Issuer or the State, other than in the ordinary course of business, the

entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer or the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer or the State 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 or the State;

(8) "Official Statement" means the "final official statement," of the Issuer dated as of August 27, 2013 with respect to the Bonds, as otherwise defined in paragraph (f)(3) of the Rule.

(9) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement that are applicable to this Agreement.

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

(11) "State Liquor Agreement" means the Maine Liquor Operation Agreement between the Bank and the State acting through AFS dated August 27, 2013.

(12) "Treasurer" means the Treasurer of State of the State of Maine.

(13) "Unaudited Financial Statements" have the same meaning as Audited Financial Statements, except that they shall not have been audited.

(14) "Underwriters" means Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner and Smith, Incorporated, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and Raymond James & Associates, Inc.

ARTICLE V

Miscellaneous

Section 5.1. Responsibilities of Trustee. Article VIII of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

STATE OF MAINE

By: _____
Neria R. Douglass
Treasurer of State

By: _____
H. Sawin Millett, Jr.
Commissioner
Department of Administrative and Financial
Services

MAINE MUNICIPAL BOND BANK

By: _____
Michael R. Goodwin
Executive Director

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____
Name:
Title:

EXHIBIT A
to Continuing Disclosure Agreement

CONTINUING DISCLOSURE HISTORY

Maine Municipal Bond Bank.

The Bank has issued its Grant Anticipation Bonds (Maine Department of Transportation) (the “GARVEE Bonds”) Series 2004A, Series 2008A, Series 2010A and Series 2010B and, in connection with such bonds, has entered into substantially similar continuing disclosure agreements with the trustee for such bonds and the State, acting by and through the Treasurer of State of the State and MaineDOT. On November 14, 2012, Moody’s downgraded the GARVEE Bonds and on November 15, 2012 the Bank filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notice of such downgrade but did not associate such filing with all of the CUSIP numbers to which such continuing disclosure agreements apply. On August 13, 2013, the Bank made a supplemental filing on EMMA to associate the November 15, 2012 notice with all of the CUSIP numbers to which such continuing disclosure agreements apply.

State of Maine.

In 2006, the State issued its general obligation bonds, certain maturities of which were insured by Financial Security Assurance Inc. (“FSA”), and provided a continuing disclosure undertaking with respect to such bonds. FSA was downgraded by Moody’s from Aaa to Aa3 on November 21, 2008 on which date the State was rated Aa3 by Moody’s. FSA was downgraded by Fitch on May 11, 2009 from AAA to AA+ on which date the State was rated AA. On May 19, 2009, the State notified each nationally recognized municipal securities information repository of both the Moody’s November 21, 2008 downgrade and the Fitch May 11, 2009 downgrade. FSA was further downgraded by Fitch on October 12, 2009 from AA+ to AA on which date the State was rated AA. In April, 2010, Fitch recalibrated its U.S. public finance ratings for states and certain other entities and in connection with that recalibration changed the State’s rating from AA to AA+. The State filed notice of this change with EMMA on April 13, 2010. On January 22, 2013, Fitch lowered the State’s general obligation bond rating from AA+ to AA and notice of this change was filed with EMMA on January 28, 2013.

The State has provided continuing disclosure undertakings with respect to its general obligation bonds issued from time to time and with respect to certain bonds issued from time to time by the Maine Governmental Facilities Authority (“MGFA”) and agreed therein to provide audited financial statements and annual financial information and operating data within one year after the June 30 end of each of its fiscal years. In order to fulfill such continuing disclosure undertakings, it has been the State’s practice to post its official statements with respect to such bonds on EMMA and to associate such official statements with CUSIP numbers to which such continuing disclosure undertakings apply. On June 5, 2012, the State’s official statement dated May 31, 2012, which included annual financial information and operating data for the fiscal year ended June 30, 2011, was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013 a corrective filing was made with respect to the annual financial information and operating data for the fiscal year ended June 30, 2011. In addition, the State has determined that while its annual financial information and audited financial statements were filed with

EMMA in a timely manner each year, such filings did not specifically associate such filings with MGFA Bonds CUSIP numbers to which its continuing disclosure undertakings apply. On August 19, 2013, the State made a corrective filing with respect to its annual financial information and audited financial statements for the years ended June 30, 2008 through 2012.

As described above, the Bank has issued its GARVEE Bonds and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and the State, acting by and through the Treasurer of State and MaineDOT. In or about July, 2012, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure undertaking to post on EMMA within three months after the end of each federal fiscal year annual financial information and operating data with respect to federal highway apportionments, obligation authority and reimbursement receipts available for GARVEE Bond payments. Such information for the federal fiscal years ended September 30, 2011 and 2012 was filed on EMMA on July 9, 2012 and January 8, 2013, respectively.

The Bank has issued its Transportation Infrastructure Revenue Bonds (the "TransCap Bonds"), Series 2008A, Series 2009A, Series 2009B and Series 2011A and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and MaineDOT. Before the issuance of the TransCap Bonds, Series 2011A, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure agreements pertaining to the TransCap Bonds with respect to certain annual financial information. On November 3, 2011, Maine DOT made filings that fulfilled all previously unmet continuing disclosure undertakings related to such TransCap Bonds and Maine DOT advised the Bank that it had implemented procedures that MaineDOT believed to be adequate to assure timely filing of information sufficient to comply with its continuing disclosure undertakings with respect to the TransCap Bonds. With respect to the December 30, 2012 filing deadline, certain financial information was filed on EMMA April 1, 2013. Audited financial statements of the State required to be filed by June 30 of each fiscal year for each fiscal year ended the prior June 30, were filed with EMMA in a timely manner; however, certain filings did not specifically associate such filings with TransCap Bonds CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013, the State made a corrective filing with respect to those financial statements for the years ended June 30, 2009 through 2012.

The State is also undertaking a review of all filings of its audited financial statements to determine if the filings have been associated with all applicable CUSIP numbers and intends to make any additional corrective filings as may be necessary.

EXHIBIT B
to Continuing Disclosure Agreement

MUNICIPAL SECURITIES RULEMAKING BOARD FILING INFORMATION

<http://emma.msrb.org>

CONTENTS OF ANNUAL FINANCIAL INFORMATION

The Annual Financial Information shall contain the following with respect to the prior fiscal year:

1. Audited Financial Statements of the State.
2. Audited Financial Statements of the Issuer.
3. Financial and Operating Information:
 - a. An annual unaudited update prepared by AFS of the type of quantitative information included in the table under the caption "THE MAINE LIQUOR OPERATION - Licensees" in the Official Statement.
 - b. If not included in the Audited Financial Statements of the State for Fiscal Years ending June 30, 2015 and after, an unaudited table prepared by AFS setting forth as of the end of the Fiscal Year Gross Receipts, "costs of goods sold," "gross profits," the amount transferred to the State's Alcoholic Beverages Fund, "other operating costs" and Net Receipts.
 - c. For Fiscal Years ending June 30, 2015 and after, the written statement setting forth the State's calculation of the Debt Service Coverage Ratio for the Fiscal Year.

APPENDIX E

PROPOSED FORM OF STATE LIQUOR AGREEMENT

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APPENDIX E

PROPOSED FORM OF STATE LIQUOR AGREEMENT

MAINE LIQUOR OPERATION AGREEMENT

Relating to State Liquor Operation Revenue Bonds

This Maine Liquor Operation Agreement (the “**State Liquor Agreement**”) is entered into as of August 21, 2013 by and among the Maine Municipal Bond Bank (the “**Bank**”) and the State of Maine, acting by and through the Commissioner of the Maine Department of Administrative and Financial Services (“**AFS**”).

WHEREAS, the Bank has full power pursuant to Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended from time to time (the “**Bond Bank Act**”) to issue negotiable revenue bonds or other obligations payable solely out of the revenues described in the Bond Bank Act and other applicable law and solely for the purposes and subject to the limitations set forth in the Bond Bank Act and such other applicable law; and

WHEREAS, Title 28-A of the Maine Revised Statutes (the “**State Liquor Law**”) establishes a comprehensive program of State control and regulation of liquor wholesaling, distribution and retailing within the State; and

WHEREAS, pursuant to Public Laws of Maine 2013, Chapter 269, effective June 14, 2013 (the “**2013 Program Act**”), a new Subchapter 5 (“**Subchapter 5**”) is established within the Bond Bank Act and certain amendments were made to the State Liquor Law; and

WHEREAS, Subchapter 5 establishes in the custody of the Bank a special non-lapsing fund designated the Liquor Operation Revenue Fund (the “**Liquor Operation Revenue Fund**”) to pay amounts due with respect to bonds authorized by the 2013 Program Act that are issued by the Bank and any ancillary obligations related thereto, and to make certain other specified transfers; and

WHEREAS, amounts received pursuant to Section 90 of the State Liquor Law and certain other amounts made available for deposit in the Liquor Operation Revenue Fund pursuant to the 2013 Program Act are required to be deposited in the Liquor Operation Revenue Fund held by the Bank; and

WHEREAS, Section 90 of the State Liquor Law authorizes and directs the Commissioner of AFS to, among other things, enter into a contract (an “**Operating Contract**”) with an entity (a “**Contract Operator**”) for warehousing, distribution and spirits administration (the “**Administration Agreement**”) and a contract with an entity (also a “**Contract Operator**”) for spirits trade marketing (the “**Marketing Agreement**”) and, together with any other Operating Contract, the “**Operating Contracts**”); and

WHEREAS, spirits administration includes, among other things, management of billing, of accounts receivable and accounts payable; and

WHEREAS, the Contract Operator will be acting in the capacity of an agent of the State with respect to collection of and the payment of certain amounts when due; and

WHEREAS, amounts received pursuant to Section 90 of the State Liquor Law by the State from the Contract Operator include receivables collected by the Contract Operator as agent of the State, less amounts payable by the Contract Operator as agent of the State and less certain administrative expenses of the State (including fees paid by the Commissioner of AFS to the Contract Operator under an Operating Contract); and

WHEREAS, Subchapter 5 grants to the Bank express authority to issue bonds from time to time in amounts up to \$183,500,000 plus financing costs for the purpose of retiring amounts determined by the State Controller to be owed by the State to health care providers and secured by, among other things, amounts in the Liquor Operation Revenue Fund; and

WHEREAS, the 2013 Program Act authorizes the State, including any department, commission, agency or other instrumentality of the State, to enter into an agreement, contract or other arrangement with the Bank in connection with the issuance of Liquor Operation Revenue Bonds, and the State Liquor Agreement is authorized and entered into pursuant to such authority; and

WHEREAS, this State Liquor Agreement is being entered into pursuant to the 2013 Program Act in connection with the issuance of Bonds by the Bank that are authorized by the 2013 Program Act; and

WHEREAS, additional State laws may be enacted, from time to time (“**Additional Liquor Revenue Bond Acts**” and, together with the 2013 Program Act, the “**Liquor Operation Revenue Bond Acts**”), to authorize the Bank to issue additional bonds secured by revenues of the Liquor Operation Revenue Fund for the purpose of financing such projects as are set forth in such State laws (“**Liquor Operation Revenue Bonds**”); and

WHEREAS, on August 21, 2013 the Bank adopted a resolution entitled “General Bond Resolution Authorizing the Issuance of State Liquor Operation Revenue Bonds (as it may be amended or supplemented from time to time, the “**2013 General Resolution**”) which authorizes the Bank to issue bonds (“**Bonds**”) and to pledge revenues deposited in the Liquor Operation Revenue Fund as security for the Bonds; and

WHEREAS, the 2013 General Resolution pledges as security for the Bonds various revenues required by the 2013 Program Act to be deposited in the Liquor Operation Revenue Fund (the “**Pledged Revenues**”) and other security included in the Trust Estate as so defined in the 2013 General Resolution (together with the Pledged Revenues, the “**Trust Estate**”);

WHEREAS, on August 21, 2013 the Bank adopted a resolution entitled “Liquor Operation Revenue Bonds Series 2013A Series Resolution” (the “**Series 2013A Resolution**”) authorizing the issuance of a series of bonds pursuant to the 2013 General Resolution, to be secured under the 2013 General Resolution and payable from the Pledged Revenues and the Trust Estate (the “**Series 2013A Bonds**”); and

WHEREAS, in order to facilitate transfers of amounts that will comprise the Pledged Revenues to the Bank for deposit in the Liquor Operation Revenue Fund, and to ensure that such Pledged Revenues are available to the Bank on a timely basis to be deposited in the Liquor

Operation Revenue Fund so that the Bank can make transfers to the Trustee in amounts and at times sufficient to make payments of principal of, interest on and sinking fund payments on the Bonds, when due, to make other payments required under the 2013 General Resolution, and to pay other program expenses, the parties hereto are entering into this State Liquor Agreement for the benefit from time to time of parties hereto, the Trustee, the holders of Bonds and other persons benefiting from the lien established by the 2013 General Resolution on the Trust Estate;

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. All capitalized terms contained herein shall have the meanings as ascribed to them in the 2013 General Resolution, provided that the following terms shall have the following meanings:

“Administration Agreement” means an Operating Contract for warehousing, distribution and spirits administration.

“AFS” means the State of Maine Department of Administrative and Financial Services.

“AFS Administrative Expenses” means costs incurred by AFS (without duplication of costs incurred by BABLO, which is within AFS) in administering the Operating Contracts.

“BABLO” means the State of Maine Bureau of Alcoholic Beverages and Lottery Operations within AFS.

“BABLO Administrative Expenses” means costs incurred by BABLO in administering the Operating Contracts, including costs of enforcement and providing administrative assistance to the Bank in implementing and maintaining the financing program established by the 2013 General Resolution and any Supplemental Resolution or Series Resolution. AFS Administrative Expenses are included in BABLO Administrative Expenses.

“Bank Administrative Expenses” means costs incurred by the Bank in administering the Liquor Operation Revenue Fund and the Bonds, including collecting the Revenues authorized or required to be deposited in the Liquor Operation Revenue Fund and implementing and maintaining the financing program established by the 2013 General Resolution and any Supplemental Resolution or Series Resolution, and including the fees and expenses of the Bank set forth in this State Liquor Agreement, the Program Act and the Bond Bank Act.

“Commissioner of AFS” means the Commissioner of AFS and his or her successors, assigns and designees.

“Contract Operator” means an entity that has entered into an Operating Contract with the Commissioner of AFS pursuant to Section 90 of the State Liquor Law.

“Fiscal Year” means the State’s fiscal year, which is the period beginning on July 1 in any year and ending on June 30 in the following year.

“Gross Receipts” means all receipts derived by the Commissioner of AFS pursuant to 28-A MRSA Section 90, with no deduction or offset for Operating Contract Expenses, BABLO Administrative Expenses or AFS Administrative Expenses. Gross Receipts include Liquor Excise Taxes.

“Liquor Excise Taxes” means any excise or similar taxes imposed under State law with respect to the purchase or sale of alcoholic products within the State.

“Liquor Product and Marketing Expenses” means amounts paid or payable to distillers and other providers of alcohol products to the State, for advertising and other marketing costs of State Liquor Operations that are administered pursuant to an Operating Contract but are not paid for by a Contract Operator with corporate funds as part of its scope of services.

“Marketing Agreement” means an Operating Contract for spirits trade marketing.

“MRSA” means the Maine Revised Statutes Annotated.

“Net Receipts” means Gross Receipts derived by the State pursuant to 28-A MRSA Section 90, less BABLO Administrative Expenses, Operating Contract Expenses, Liquor Product and Marketing Expenses, and Liquor Excise Taxes.

“Net Receipts Clearing Account” means the clearing account established by the State for the deposit of Gross Receipts, payment of Operating Contract Expenses, payment of Liquor Product and Marketing Expenses, payment of BABLO Administrative Expenses and transfer of Liquor Excise Taxes.

“Operating Contract Expenses” means amounts payable or paid by AFS to a Contract Operator pursuant to an Operating Contract. Operating Contract Expenses do not include amounts that would otherwise be an obligation of BABLO that have been paid with funds of the Contract Operator and for which the Contract Operator is seeking reimbursement if such amounts have already been included in Liquor Product and Marketing Expenses.

“Operating Contract” means a contract entered into between the Commissioner of AFS pursuant to Section 90 of the State Liquor Law. There may be more than one Operating Contract.

“OSC” means the Office of the State Controller of the State of Maine.

“Spirits Administration” has the meaning set forth in Title 28-A MRSA §2, subsection 31-A.

“State Controller” means the State Controller of the State of Maine and his or her successors, assigns and designees.

“State Liquor Law” means Title 28-A of the Maine Revised Statutes, as the same may be amended from time to time.

“2013 General Resolution” means the General Bond Resolution Authorizing the Issuance of State Liquor Operation Revenue Bonds, adopted by the Bank on August 21, 2013, as such resolution may be amended and supplemented.

“Wholesale Administrator” means the entity entering into the Administration Agreement with AFS.

Section 1.2 Interpretation. BABLO is a bureau within AFS. Accordingly, all of the obligations of BABLO set forth in this State Liquor Agreement are also obligations of AFS.

ARTICLE II

OPERATING CONTRACTS

Section 2.1 Agreement to Enter Into Operating Contracts. AFS shall diligently proceed to enter into Operating Contracts procured pursuant to 28-A MRSA §90 with the winning bidder(s) meeting the award criteria set forth therein. The Operating Contracts for the operations and activities set forth in 28-A MRSA §90 shall be effective no later than July 1, 2014.

Section 2.2 Financing Related Requirements of Administration Agreement. The Administration Agreement will require that the Wholesale Administrator provide, among other things, Spirits Administration services. Such services include monitoring and reporting of spirits inventory, management of bailment records and billing, management of accounts receivable, accounts payable and tax collection and reporting. Receipts from these operations will generate Net Receipts that are required to be transferred for deposit to the Liquor Operation Revenue Fund and, upon such deposit, will be pledged as security for the Bonds. In order to enhance the security for the holders of the Bonds from time to time, and thereby provide lower costs of financing, the Administration Agreement shall expressly provide for the following:

1. All receivables from the warehousing, distribution and sale of spirits will be funds or property of the State. Payments will be deposited in the Net Receipts Clearing Account.
2. The Wholesale Administrator, in its accounts receivable/accounts payable capacity, shall be acting solely as agent of the State, and not in its individual capacity.
3. The Wholesale Administrator shall be prohibited from commingling accounts receivable and payments received as agent of the State pursuant to the Administration Agreement with any other accounts of the Wholesale Administrator in its individual or other capacity.
4. The Wholesale Administrator shall have no rights of offset or other pecuniary interest in the Net Receipts Clearing Account or the receipts collected for deposit therein.
5. Payments received in connection with liquor sales may be wired by the payor directly into the Net Receipts Clearing Account, and checks from payors for such sales delivered into the possession of the Wholesale Administrator will be deposited directly into the Net Receipts Clearing Account. Deposits into the Net Receipts Clearing Account shall be required to be made by the Wholesale Administrator within one business day following receipt.
6. The Wholesale Administrator, under the Administration Agreement, may have the right, acting as agent of the State, to direct the custodian of the Net Receipts Clearing Account to make payments to liquor distributors to whom payments are

due. The Wholesale Administrator shall not have access to funds in the Net Receipts Clearing Account for compensation to which it is entitled under the Administration Agreement, or for making direct payment of invoices payable from receipts of the liquor operations. The Wholesale Administrator may directly pay invoices payable from receipts of the liquor operations with its own funds, in which case it may submit an invoice to AFS for reimbursement from the Net Receipts Clearing Account.

7. The Wholesale Administrator, BABLO and AFS shall each be entitled to receive reports of all deposits to and payments from the Net Receipts Clearing Account.
8. AFS shall pay to the Wholesale Administrator the amounts to which the Wholesale Administrator is entitled to under the Administration Agreement (including reimbursement for payments made from the Wholesale Administrator's own funds), from the Net Receipts Clearing Account.
9. Each of AFS, BABLO, and the Bank will have the right to audit the Net Receipts Clearing Account.

Section 2.3. Enforcement of Rights and Remedies Under Operating Contracts. AFS acknowledges that the Operating Contracts are an essential element of the security for payment of amounts due with respect to holders of Bonds and other obligations secured under the 2013 General Resolution, but that neither the Bank nor the Trustee have direct rights of enforcement of the Operating Contracts. Consequently AFS agrees, for the benefit of the Bank, the Trustee and the holders of the Bonds to diligently enforce the Operating Contracts in accordance with their respective terms, and not waive material rights or remedies if, in the good faith judgment of the Bank or the Trustee, such waiver may have a material and adverse effect on the holders of the Bonds or other obligation secured under the 2013 General Resolution.

ARTICLE III

BABLO ADMINISTRATIVE AND OPERATING RESPONSIBILITIES

Section 3.1. Monthly and Annual Net Receipts Budget Projections. On or prior to May 1 in each year, commencing May 1, 2014, BABLO shall prepare and deliver to the Bank projections of Net Receipts, by month and for the full fiscal year, for the upcoming State fiscal year period from July 1 to the following June 30. Such projections shall indicate each of the following: (i) Gross Receipts, (ii) Operating Contract Expenses, (iii) Liquor Product and Marketing Expenses, (iv) BABLO Administrative Expenses, and (v) that portion of BABLO Administrative Expenses that is AFS Administrative Expenses.

Section 3.2. Monthly Performance. Within 30 days following the end of each month of operations (the end of such first month of operations being July 31, 2014), BABLO shall prepare and deliver to the Bank a report of actual performance for such month, and comparing actual performance to the projected performance.

Section 3.3. Transfers of Net Receipts to Liquor Operation Revenue Fund. Within 5 business days following the end of each month, commencing with the month ending July 31, 2014, BABLO shall transfer, or cause to be transferred, to the Bank for deposit in the Revenue Account of the Liquor Operation Revenue Fund the balance of Net Receipts held in the Net Receipts Clearing Account as of the last day of the applicable month.

Section 3.4. Transfers of Liquor Excise Taxes. Liquor Excise Taxes shall promptly be transferred by BABLO to the General Fund in accordance with applicable law. No amount comprising Liquor Excise Taxes shall be transferred to the Liquor Operation Revenue Fund.

Section 3.5 Debt Service Coverage Ratio.

(a) Definitions. The following definitions apply for this Section. For the purposes of this Section, Annual Debt Service excludes interest payable with respect to Liquor Operation Revenue Bonds that have been funded with proceeds of Liquor Operation Revenue Bonds.

1. "Consultant" means a consultant with nationally recognized expertise in liquor sales and operations approved by the Bank;
2. "Debt Service Coverage Ratio" means, with respect to any Fiscal Year, the amount of Net Receipts in such Fiscal Year divided by the Annual Debt Service for such Fiscal Year; and
3. "Minimum Debt Service Coverage Ratio" means that the amount of Net Receipts in any Fiscal Year shall be at least 1.35 times the Annual Debt Service which is to be paid in that Fiscal Year.

(b) Minimum Debt Service Coverage Ratio. BABLO agrees that at the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2015, the Debt Service Coverage Ratio for such Fiscal Year will be at least equal to the Minimum Debt Service Coverage Ratio. No later than thirty (30) days after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2015, BABLO shall provide the Trustee with a written statement setting forth its calculation of the Debt Service Coverage Ratio for that Fiscal Year.

(c) Retention of Consultant. If the Minimum Debt Service Coverage Ratio is not met in any Fiscal Year, BABLO shall retain a Consultant (the cost of which shall be a BABLO Administrative Expense) in a timely manner but in no event later than sixty (60) days after the completion of the Fiscal Year during which the Minimum Debt Service Coverage Ratio is not met, to review, analyze and make recommendations with respect to the revenues, expenses and operations of the Program, and to submit a written report to the Trustee, the Bank, and BABLO within sixty (60) days after the date of the Consultant's engagement, setting forth the Consultant's recommended actions and implementation schedule with respect to prices charged, costs incurred and operations that will produce at least an amount of Net Receipts for the then-current Fiscal Year sufficient to meet the Minimum Debt Service Coverage Ratio.

(d) Compliance with Consultant Recommendation. Unless BABLO and the Bank agree to implement an alternate plan pursuant to paragraph (e) below, BABLO shall take each action recommended by the Consultant in its report. BABLO will not be required to take any action that is not permitted under applicable law.

(e) Alternate Plans. As an alternate to taking the actions set forth in paragraph (d) above, BABLO may, with the approval of the Bank and within sixty (60) days after the end of the Fiscal Year in which the Minimum Debt Service Coverage Ratio was not achieved, create a plan to take such actions pursuant to an implementation schedule as BABLO may determine to increase the Debt Service Coverage Ratio for the then-current Fiscal Year, provided that the Consultant shall certify in writing that the alternate plan and implementation schedule, in its opinion, are likely to result in the achievement of the Minimum Debt Service Coverage Ratio for the then-current Fiscal Year.

(f) Compliance with Alternate Plan. If BABLO and the Bank agree to an alternate plan that is approved by the Consultant pursuant to paragraph (e) above, BABLO shall take such actions as have been set forth in the alternate plan.

ARTICLE IV

STATUTORILY MANDATED TRANSFERS

Section 4.1. Administration of Health Care Liability Retirement Fund. The State Controller shall, prior to or concurrently with the issuance of a Series of Bonds under the 2013 General Resolution for the purpose set forth in Title 30-A MRSA §6053, determine the amount then owed by the State to health care providers as provided by Title 22-A MRSA §216. When there is no longer any outstanding amount owed to health care providers eligible to be paid from the Health Care Liability Retirement Fund, in accordance with the Program Act, the State Controller, pursuant to Title 22-A MRSA §216, shall transfer all amounts in the Health Care Liability Retirement Fund to the Bank for deposit in the Revenue Account of the Liquor Operation Revenue Fund.

Section 4.2. Determination of Amounts Eligible for Transfer to the Safe Drinking Water Fund. On or prior to May 1 in each year, commencing in 2015, the State Controller shall determine and notify the Bank of the amount eligible to be transferred to the Safe Drinking Water Fund pursuant to Title 30-A MRSA §6054.

Section 4.3. Determination of Amounts Eligible for Transfer to the Clean Water Fund. On or prior to May 1 in each year, commencing in 2015, the State Controller shall determine and notify the Bank of the amount eligible to be transferred to the Clean Water Fund pursuant to Title 30-A MRSA §6054.

Section 4.4. Determination of Amounts Eligible for Transfer to the DOT Fund. On or prior to May 1 in each year, commencing in 2015, the State Controller shall determine and notify the Bank of the amount eligible to be transferred to the DOT Fund pursuant to Title 30-A MRSA §6054.

ARTICLE V

BANK RIGHTS AND RESPONSIBILITIES

Section 5.1. Issuance of Bonds. The Bank shall use reasonable efforts to issue Bonds from time to time upon receipt of a request from AFS to issue Bonds, specifying the principal amount of Bonds to be issued and the purpose to be financed from the proceeds of the Bonds. Issuance of Bonds shall be conditioned upon the availability of statutory authority for such issuance. The Bank's obligations under this Section shall be subject to satisfying the conditions to the issuance of Bonds set forth in the 2013 General Resolution, compliance with the 2013 Program Act, and such other conditions as the Bank, in its sole discretion, deems advisable. The parties hereto agree to provide such information, execute such certificates, make such representations and take such other actions as are reasonable or necessary, consistent with then-current municipal bond financing practices, to issue, sell and prepare disclosure documents for Bonds including continuing disclosure requirements subsequent to the issuance of Bonds.

Section 5.2. Application of Bond Proceeds. The Bank shall deposit that portion of the proceeds of Bonds issued by the Bank pursuant to the 2013 General Resolution and identified by the State Controller pursuant to Section 4.1 of this State Liquor Agreement in an account established under the 2013 General Resolution. Upon a requisition of the State Controller, the Bank shall transfer such amount or cause such amount to be transferred promptly to the Health Care Liability Retirement Fund.

Section 5.3. Fees and Expenses of the Bank. In consideration for the issuance of the Bonds by the Bank and for the Bank administering the financing during the period in which the Bonds remain Outstanding, the Bank shall have the right to reimburse itself: (i) from the proceeds of the Bonds the Bank's origination fee, (ii) from the proceeds of the Bonds, all costs of issuance incurred by the Bank in connection with the issuance of the Bonds, including underwriting fees, counsel fees, initial trustee fees, printing costs, costs of preparation, filing or recording of any legal instruments or documents, (iii) costs of the Bank associated with the administration of the Bonds and the Liquor Operation Revenue Fund, (iv) as and when the same become due, fees and expenses of the Bank payable to the Trustee and (v) as and when the same become due, other amounts required to be paid pursuant to the 2013 General Resolution. To the extent the foregoing amounts are not paid from the proceeds of Bonds, such amounts shall be payable from amounts in the Revenue Account of the Liquor Operation Revenue Fund or other amounts available for such purpose in the Trust Estate. The Bank may withdraw from the Liquor Operation Revenue Fund, from time to time, amounts sufficient to reimburse itself for costs set forth in this section, subject to such limitations as may apply under applicable law.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Amendments. The parties to this State Liquor Agreement shall enter into such amendments to this State Liquor Agreement as are agreed to by the parties from time to time to be reasonable or necessary to implement further provisions of law authorizing revenues to be deposited in or transfers to the Liquor Operation Revenue Fund, or projects eligible to be financed with revenues of the Liquor Operation Revenue Fund.

Section 6.2. Term. This State Liquor Agreement shall remain in full force and effect until such time as no Bonds remain Outstanding pursuant to the 2013 General Resolution.

Section 6.3. Trustee as Third-Party Beneficiary. The Trustee is hereby designated an intended third-party beneficiary of this State Liquor Agreement with a recognized and enforceable right to performance of its provisions, subject to such limitations on enforcement as may be set forth in the 2013 General Resolution.

Section 6.4. Failure of Parties to Perform. If any of the undersigned parties fail to perform or abide by their obligations established herein or in the 2013 General Resolution, the Trustee (subject to the limitations set forth in the 2013 General Resolution) may petition a court of competent jurisdiction to issue a mandamus order to such party failing to perform to compel specific performance thereof, or take such other actions as they deem reasonable and necessary to enforce their rights hereunder.

Section 6.5. Execution in Counterparts. This State Liquor Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which, taken together, shall constitute but one and the same instrument.

Section 6.6. Governing Law. This State Liquor Agreement shall be governed by the laws of the State.

Section 6.7. Amendments; Supplements; Termination; Non-Impairment. This State Liquor Agreement may not be amended, supplemented or terminated without the prior written consent of the parties hereto; provided, however, that, for so long as any Bonds remain Outstanding, this State Liquor Agreement shall not be amended (except for purposes permitted by Section 6.1 hereof) other than in accordance with the provisions that are applicable for amendments to the 2013 General Resolution (as if such amendment were an amendment to the 2013 General Resolution).

Section 6.8. Section Headings. Section headings contained herein are included for convenience of reference only and shall not constitute a part of this State Liquor Agreement for any other purpose.

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IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Agreement by their duly authorized officers as of the date first written above.

MAINE MUNICIPAL BOND BANK

By: _____

Name: Michael R. Goodwin

Title: Executive Director

**STATE OF MAINE, ACTING BY AND
THROUGH THE MAINE DEPARTMENT OF
ADMINISTRATIVE AND FINANCIAL
SERVICES**

By: _____

Name:

Title: Commissioner

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APPENDIX F

Upon delivery of the Offered Bonds, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Bank, proposes to issue their approving opinion in substantially the following form:

Hawkins Delafield & Wood LLP

67 WALL STREET
NEW YORK, NY 10005
WWW.HDW.COM

[Closing Date]

Maine Municipal Bond Bank
Augusta, Maine

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$220,660,000 Liquor Program Revenue Bonds, Series 2013 (Federally Taxable) (the "Series 2013 Bonds") of the Maine Municipal Bond Bank (herein called the "Bank"), a public body corporate and politic, constituted as an instrumentality of the State of Maine (the "State"), organized and existing under and pursuant to the Maine Municipal Bond Bank Act, being Chapter 225 of Title 30-A of the Maine Revised Statutes, as amended (the "Bond Bank Act").

The Series 2013 Bonds are issued under and pursuant to the Bond Bank Act and Public Laws of Maine 2013, Chapter 269, effective June 14, 2013 (the "2013 Program Act" and, together with the Bond Bank Act, the "Act") and under and pursuant to the bond resolution of the Bank entitled: "General Bond Resolution Authorizing the Issuance of State Liquor Program Revenue Bonds", adopted August 21, 2013 (the "2013 General Resolution"), a series resolution of the Bank entitled: "A Series Resolution Authorizing the Issuance of up to \$245,000,000 Liquor Program Revenue Bond), Series 2013 (Federally Taxable) of the Maine Municipal Bond Bank", adopted August 21, 2013 (the "Series 2013 Resolution") and a certificate of determination of an authorized officer of the Bank. The 2013 General Resolution and the Series 2013 Resolution are herein sometimes collectively referred to as the "Resolutions."

The 2013 Program Act established a new Subchapter 5 ("Subchapter 5") within the Bond Bank Act. Subchapter 5 establishes a Liquor Operation Revenue Fund (the "Liquor Operation Revenue Fund") within the custody of the Bank to provide for the payment of, among other things, amounts due with respect to bonds authorized by the 2013 Program Act in accordance with the Act. The Bank and the State of Maine, acting by and through the Commissioner of the Maine Department of Administrative and Financial Services ("AFS") have entered into a Maine Liquor Operation Agreement, dated as of August 27, 2013, which provides, among other things, for transfers to be made by the State of Maine Bureau of Alcoholic Beverages and Lottery

Operations of amounts required to be transferred to the Liquor Operation Revenue Fund pursuant to the 2013 Program Act, and by the State Controller of amounts required to be deposited in the Liquor Operation Revenue Fund pursuant to the 2013 Program Act.

The Series 2013 Bonds are dated, mature on the dates and in the principal amounts, bear interest and are payable, and are subject to redemption, all as provided in the Resolutions.

The Series 2013 Bonds are issuable in fully registered form without coupons in the denomination of \$5,000 each or any integral whole multiple thereof. The Series 2013 Bonds are lettered AR and shall be numbered separately from one (1) upwards.

Pursuant to the 2013 General Resolution, the Bank is authorized to issue additional series of bonds from time to time upon the terms and conditions therein set forth and, except as provided in the 2013 General Resolution and the applicable Series Resolution, any such bonds will be on a parity as to security and payment from the Trust Estate (as defined in the 2013 General Resolution) with the Series 2013 Bonds and all other bonds issued and to be issued pursuant to the 2013 General Resolution.

We are of the opinion that:

(1) The Bank has been duly created and validly exists as a public body corporate and politic, constituted as an instrumentality of the State, under and pursuant to the laws of the State (including the Act as amended to the date hereof), with good right and power to adopt the Resolutions, which have been duly and lawfully adopted by the Bank, are in full force and effect and are valid and binding upon the Bank and enforceable in accordance with their terms, and no other authorization for the Resolutions is required. The 2013 General Resolution creates the valid pledge of and lien upon the Trust Estate (as defined in the 2013 General Resolution), subject to the terms of the 2013 General Resolution.

(2) The Series 2013 Bonds are valid and binding special, limited obligations of the Bank payable solely from the Trust Estate and have been duly authorized and issued in accordance with the Act and the Resolutions.

(3) The Series 2013 Bonds are not in any way a debt or liability of the State nor do they constitute a loan of the credit of the State or create any debt or liability on behalf of the State or a pledge of the faith and credit of the State. The Series 2013 Bonds are payable solely from the sources pledged for that purpose by the Bank and neither the faith and credit nor the taxing power of the State is pledged to the payment of the Series 2013 Bonds.

(4) The Bank is authorized and under the 2013 General Resolution has covenanted and is obligated to cause to be made by its Chairman and delivered to the Governor of the State annually, on or before December 1, a certificate as provided for by the Act, stating the amount, if any, required to restore the Capital Reserve Fund to the amount of the Minimum Required Reserve established under the Act and the Resolutions.

(5) Section 6006 of the Act (i) does not bind or obligate the State to appropriate and pay to the Bank in any future year the amount duly certified to the Governor by the Chairman of the Bank as necessary to restore the Capital Reserve Fund to the Minimum Required Reserve, the language of such Section being permissive only, but there is no

constitutional bar to future Legislatures making such appropriations for such purposes if they elect to do so, and (ii) does not constitute a loan of credit of the State or create an indebtedness on the part of the State, in violation of the provisions of Article IX, Section 14, of the Constitution of the State.

(6) Under existing statutes, interest on the Series 2013 Bonds is exempt from the State of Maine income tax imposed on individuals.

The opinions expressed in numbered paragraphs (1) and (2) above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as stated in numbered paragraph (6) above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Series 2013 Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves (if such opinion of other counsel shall have been given without consultation with us or after consultation with us and to which we shall not concur) on the exclusion of interest on the Series 2013 Bonds under the State of Maine income tax imposed on individuals.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2013 Bonds.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. We are rendering this opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever.

We have examined an executed Series 2013 Bond numbered AR-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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PROGRAM SUMMARY

CLEAN WATER REVOLVING LOAN FUND PROGRAM (CWSRF)

The Clean Water Revolving Loan Fund Program is a loan program that provides low-cost financing to municipalities and districts for wastewater treatment projects. The program was established in 1989 and is jointly administered by the Maine Department of Environmental Protection and the Maine Municipal Bond Bank. Financing from the CWSRF is provided at interest rates that are 2% below the equivalent tax-exempt rate for similarly structured borrowings. (*Approximately 3.0%*) Each of the loans issued is funded from a combination of federal grants, state match appropriations, and tax-exempt bond proceeds. Program staff establish funding priorities in an annual Intended Use Plan (IUP), which is subject to public review and requires the approval of the Environmental Protection Agency.

The performance criteria used to measure the CWSRF program's success are set by the requirements of the federal statute that establishes the fund. CWSRF staff demonstrate compliance with that criteria in an Annual Report that is submitted to the Environmental Protection Agency at the close of each fiscal year. The EPA then prepares a Program Evaluation Report (PER) based on the annual report and on an on-site review of the program.

A joint administrative staff supports all of the programs of the Bank. The SRF Program Officer is the primary contact for the CWSRF program.

Compliance with all federal and state health and safety laws, affirmative action requirements, etc., is required as a condition of receipt of each year's federal capitalization grant.

A financial review of the CWSRF is prepared annually and included in the Bank's audited statements. A separate single audit of the program is also prepared in compliance with Circular A-133, which applies to federally funded programs.

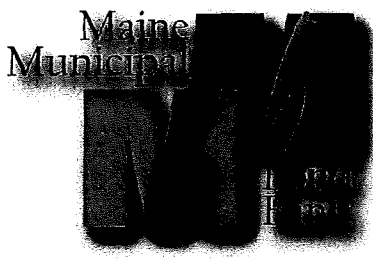
There are no regulatory or other rules that apply to the Bank with respect to this program.

The CWSRF staff have developed a number of initiatives with other state agencies that allow for alternative financing from the program. The coordinated efforts undertaken to date include a program for funding the repair and replacement of private septic systems, administered by the Maine State Housing Authority; a program to fund the construction of manure storage pits, administered by the Finance Authority of Maine; and a program to fund "green" forestry practices, administered by the Maine Forest Service. All of the coordinated efforts undertaken have been reviewed and approved by the Environmental Protection Agency prior to their implementation.

The constituents of the CWSRF program include all public wastewater systems throughout the state. Alternative delivery systems are not applicable to the CWSRF program at this time.

The growing recognition of non-point source pollution has been an emerging issue in the program in the last few years. The coordinated efforts discussed above play an important role in the efforts to address that issue in Maine.

The state law governing the CWSRF program mirrors the federal law that establishes the program.



CLEAN WATER SRF AT-A-GLANCE

Program Description	Created in 1987 by the Water Quality Act, the Environmental Protection Agency (EPA) provided all 50 states seed money to capitalize state loan funds. The states then in turn help sewer systems by financing high priority water-quality activities.
Project & Financial Manager	The Bond Bank and DEP jointly administer the CWSRF. The Bond Bank serves as the financial administrator and financial manager and DEP serves as the environmental and project manager for the program.
Eligible Borrowers	All publicly owned wastewater treatment facilities.
Eligible Projects	<ul style="list-style-type: none"> ● Secondary & advanced treatment facilities ● Infiltration & inflow correction ● Interceptors ● Pumping stations ● Force mains ● Combined sewer overflow abatement ● Certain sewer extensions in designated areas and areas of failing septic systems <p>All projects that receive financing from the CWSRF program must first go through the DEP approval process and be placed on the State's Intended Use Plan. Once a project has been deemed eligible for the CWSRF program, an application may be submitted to the Bond Bank.</p>
Application Deadline	Applications are accepted continuously during the year.
Rates	The interest rate on CWSRF loans is 2% below the Bond Bank's cost of funds. The Sewer & Water Resolutions are rated Aaa by Moody's and AAA by S&P.
Minimum/Maximum Loan Amount	There is no minimum loan amount. The DEP will determine the maximum loan amount based on availability of funds and project eligibility.
Issuance Costs & Fees	<ul style="list-style-type: none"> ● Pro rata share of the issuance cost associated with a bond issue ● DEP administrative fee - 3.5% of annual debt service ● Annual Bond Bank servicing fees - 1.5% of the annual debt service <p>As costs associated with the SRF program change periodically, please visit our website or contact the Bond Bank for a current fee schedule.</p>
Term	Between 1 and 20 years. In all cases, the maximum loan term may not exceed the useful life of the financed asset. Short-term, interim loans are available to applicants.
Repayment Schedule	Payments are due twice a year, usually in April and October. The first payment is due within one year from project completion.
Loan Proceeds	Both interim and long term financing options require that the funds be drawn-down through requisitions, as the SRF is a reimbursement program.
Contact Information	Rob Nadeau, SRF Program Officer rpn@mmbb.com, (207) 622-9386, 1-800-821-1113

1st 1st

MEMORANDUM OF UNDERSTANDING

Between

MAINE STATE HOUSING AUTHORITY

and

MAINE MUNICIPAL BOND BANK

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") administers a revolving loan fund funded with monies from the State of Maine Department of Environmental Protection and the United States Environmental Protection Agency (the "Fund"); and

WHEREAS, an eligible use of monies in the Fund is the rehabilitation and replacement of septic systems in connection with owner-occupied, single-family residences; and

WHEREAS, the Maine State Housing Authority (the "Authority") administers various loan programs for the rehabilitation of owner-occupied, single-family residences; and

WHEREAS, the Bond Bank and the Authority desire to utilize a portion of the State monies in the Fund to finance rehabilitation of septic systems in connection with owner-occupied, single-family residences through the Authority's loan programs.

NOW, THEREFORE, the Authority and the Bond Bank enter into this Memorandum of Understanding as follows.

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$1,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The funds shall be available to be drawn down by the Authority for a period of 24 months from the effective date hereof.

May 1, 1997

SECTION 2. ELIGIBLE IMPROVEMENTS.

- A. Funds advanced hereunder may only be used to finance the costs of rehabilitation or replacement of septic systems, including replacement of "straight pipe" systems.
- B. Funds advanced hereunder may only be used in connection with owner-occupied, single-family residences located in the State of Maine which are used by the owner as their principal residence.

average loan
\$4,327

118 loans - 10/30/96
completed
\$519,537 - 10/30/96
funds
spent

- C. Replacement septic systems, or repairs to existing systems, financed hereunder must be designed by licensed engineers or licensed site evaluators.
- D. The design, location and installation of replacement systems, and repairs to existing systems, financed hereunder must comply with all applicable State and local codes and regulations.

SECTION 3. TERMS OF LOANS.

Loans financed with monies from the Fund shall comply with the following:

- A. The interest rate shall be 1%.
- B. The maximum term shall be 20 years.
- C. Loans shall be evidenced by a promissory note which may be secured or unsecured by a mortgage or other security. Any such mortgage may be subordinate to other mortgage liens on the property constituting the residence.
- D. Loans may be made alone or in conjunction with other rehabilitation financing provided under Authority programs.
- E. Loans shall be for new repair and rehabilitation only and shall not be made to refinance prior loans.

SECTION 4. SERVICING/RISK OF LOSS.

The loans financed hereunder will be serviced by the Authority, or its servicer, in the same manner as similar loans of the Authority. The Bond Bank accepts the risk of loss from nonpayment or other default which, after reasonable collection efforts, results in recovery of less than the full amount due. If default occurs on a loan financed with monies from the Fund made in conjunction with other rehabilitation financing provided by the Authority, any amounts recovered shall be applied pro rata to the outstanding loans.

SECTION 5. ADMINISTRATION OF PROGRAM.

- A. Funds, up to the maximum amount set forth in Section 1, shall be transferred on a monthly basis by the Bond Bank to the Authority upon receipt of a requisition in form attached hereto as Appendix A.
- B. The Authority shall remit to the Bond Bank on a monthly basis such repayments received during the prior month together with a reconciliation report indicating for

each loan the total principal and interest received or the amount of any delinquency.

- C. Interest earned on repayments held by the Authority prior to remittance to the Bond Bank shall be retained by the Authority.

SECTION 6. EFFECTIVE DATE/TERM.

This Memorandum of Understanding is effective May 1, 1995 and shall terminate when there are no loans financed hereunder still outstanding.

SECTION 7. AMENDMENTS.

This Memorandum of Understanding may be amended at any time but only in writing executed by the Authority and the Bond Bank which expresses the clear intention to amend this Memorandum of Understanding.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

AGREED TO BY:

MAINE STATE HOUSING AUTHORITY

By: 

David Lakari
Its Director

Date: 5/31/95

Date: 6/1/95

MBB-MOU

Memorandum of Understanding
Page 3 of 3 (042195)

MAINE STATE HOUSING AUTHORITY/MAINE MUNICIPAL BOND BANK

SEPTIC REHABILITATION PROGRAM

REQUISITION OF FUNDS

Borrower Name

Loan Number

Principal Amount

TOTAL FUNDS REQUESTED: \$

The Maine State Housing Authority certifies that none of the loans referenced above for which funds are hereby requested has been the subject of a previous requisition and that amounts equal to the principal amounts set forth above have been expended on qualified rehabilitation or replacement of septic systems in connection with owner-occupied, single-family residences.

MAINE STATE HOUSING AUTHORITY

Date: _____

By: _____
Authorized Representative

MBB-EX-A



MAINE MUNICIPAL BOND BANK

45 University Drive • P.O. Box 2268 • Augusta, Maine 04338-2268 • Telephone (207) 622-9386
Robert O. Lenna, Executive Director

no
RECEIVED

DEC 24 1996

MAINE STATE
HOUSING AUTHORITY

December 23, 1996

Peter Wintle, Director
Energy and Housing Services
Maine State Housing Authority
353 Water Street
Augusta, Maine 04330-4633

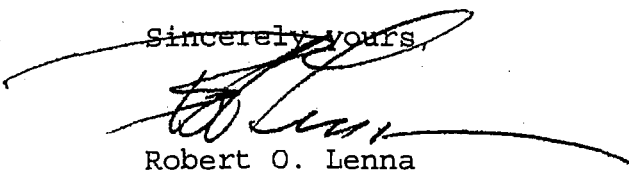
Dear Peter,

I am pleased to inform you that the Commissioners of the Maine Municipal Bond Bank have voted to extend its agreement with the Maine State Housing Authority for the provision of money to it from the State Revolving Loan Fund for Wastewater Treatment Facilities for the purpose of funding replacement septic systems as part of the Authority's home improvement loan program.

The extension of the Bank's commitment is for a period of two years or until December of 1998. The extension is for a total dollar amount not to exceed \$1,000,000 including those loans already made under the program. If, prior December 1998, the Authority finds that it is approaching this dollar limit with demand remaining in the home improvement loan program, please let me know and the Bank will consider an increase in the Bank's dollar limitation. I assume that we will simply continue to use the same processing and documentation currently in place from the first round of the program. Please consider this letter a formal amendment to those agreements extending the term for the availability of the Bank's funds.

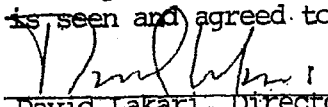
On behalf of the Commissioners please accept the Bond Bank's congratulations on the success of the home improvement loan program. The Bank is pleased to have been able to participate with the Authority in a program that has brought assistance to so many Maine people.

Sincerely yours,


Robert O. Lenna
Executive Director

cc: David Lakari, MSHA

This Amendment to the Memorandum of Understanding by and between the Maine Municipal Bond Bank and the Maine State Housing Authority dated May 1, 1995 is seen and agreed to by:


David Lakari, Director
Maine State Housing Authority

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

Bid...

This Amendment to Memorandum of Understanding is made this 2nd day of December, 1997 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and amended by letter dated December 23, 1997;

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to a) increase the amount of funds available; b) increase the interest rate; and c) extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until December 31, 1999.

2. Section 3(A) is deleted and replaced with the following:

SECTION 3. TERMS OF LOANS.

A. The interest rate shall be 2%.

3. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna, Executive Director

MAINE STATE HOUSING AUTHORITY

By: 

David Lakari, Director


Witness


Witness

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 17th day of December, 1999 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), amended by letter dated December 23, 1996; and subsequently amended on December 2, 1997;

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to a) decrease the interest rate; and b) extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until December 31, 2000.

2. Section 3(A) is deleted and replaced with the following:

SECTION 3. TERMS OF LOANS.

- A. The interest rate shall be 1%.
3. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

Baren Oost
Witness

By:

Robert O. Lenna
Robert O. Lenna, Executive Director

MAINE STATE HOUSING AUTHORITY

Dana Totman
Witness

By:

Dana Totman
Dana Totman, Acting Director

516

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 17th day of January, 2001 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; and December 17, 1999.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to a) extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until December 31, 2001.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna, Executive Director


Witness

MAINE STATE HOUSING AUTHORITY

By: 

Michael L. Finnegan, Director


Witness

6th

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 3rd day of December, 2001 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999 and January 17th 2001.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until December 31, 2002.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna, Executive Director


Witness

MAINE STATE HOUSING AUTHORITY

By: 

Michael L. Finnegan, Director


Witness

74

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 2nd day of December, 2002 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, and December 4th 2001.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until December 31, 2003.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

Karen Asa
Witness

MAINE MUNICIPAL BOND BANK

By: Robert O. Lenna
Robert O. Lenna, Executive Director

MAINE STATE HOUSING AUTHORITY

By: Michael L. Finnegan
Michael L. Finnegan, Director

Witness

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 19th day of November, 2003 December, 2003 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority. (P)

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, and December 2nd 2002.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until December 31, 2004.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHERE OF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

Karen Cook
Witness

By: Robert O. Lema
Robert O. Lema, Executive Director

MAINE STATE HOUSING AUTHORITY

Kathy J. Ralli
Witness

By: Michael L. Finnegan
Michael L. Finnegan, Director

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 10th day of December, 2004 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, December 2nd 2002 and November 19, 2003.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until December 31, 2005.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna, Executive Director


Witness

MAINE STATE HOUSING AUTHORITY

By: 

Michael L. Finnegan, Director


Witness

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 5th day of December, 2005 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, December 2nd 2002 and November 19, 2003 and December 10, 2004.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

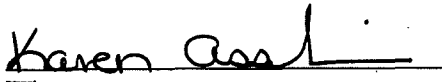
1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

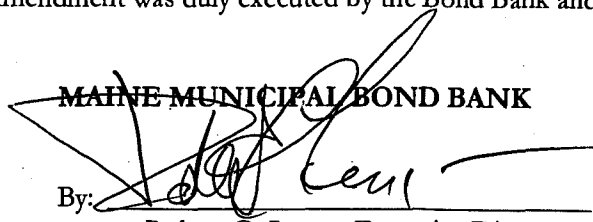
SECTION 1. FUNDING.


The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until **December 31, 2006.**

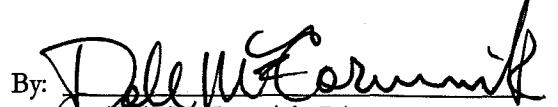
2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.


Witness


By: Robert O. Lenna, Executive Director


Witness

MAINE STATE HOUSING AUTHORITY

By: Dale McCormick, Director

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 21st day of December, 2006 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, December 2nd 2002, November 19, 2003, December 10, 2004 and December 5, 2005.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State monies in the Fund to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until **December 31, 2007.**

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna, Executive Director


Witness

MAINE STATE HOUSING AUTHORITY

By: 

Dale McCormick, Director


Witness

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 31st day of December, 2007 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, December 2nd 2002, November 19, 2003, December 10, 2004, December 5, 2005 and December 21, 2006.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,000,000 from the State Repayment monies in the Fund plus the amount of any investment earnings received on those funds to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until **December 31, 2008**.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

By: _____

Robert O. Lenna, Executive Director

Karen Asa
Witness

MAINE STATE HOUSING AUTHORITY

By: _____

Dale McCormick, Director

Mary Jo Ralich
Witness

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 30th day of December, 2008 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, December 2nd 2002, November 19, 2003, December 10, 2004, December 5, 2005, December 21, 2006 and December 31, 2007.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to increase the available funding and extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,300,000 from the State Repayment monies in the Fund plus the amount of any investment earnings received on those funds to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until **December 31, 2009**.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna, Executive Director


Witness

MAINE STATE HOUSING AUTHORITY

By: 

Dale McCormick, Director


Witness

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 30th day of December, 2009 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, December 2nd 2002, November 19, 2003, December 10, 2004, December 5, 2005, December 21, 2006, December 31, 2007 and December 30, 2008.

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to increase the available funding and extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,300,000 from the State Repayment monies in the Fund plus the amount of any investment earnings received on those funds to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until **December 31, 2010**.

2. Section 2D of the Memorandum of Understanding is deleted and replaced by the following section.

SECTION 2. ELIGIBLE IMPROVEMENTS

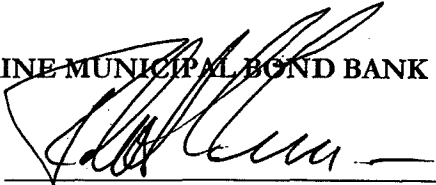
D. The design, location and installation of replacement systems, and repairs to existing systems financed hereunder must comply with all applicable Federal laws and State and local codes and regulations.


3. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

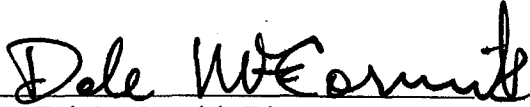
By:

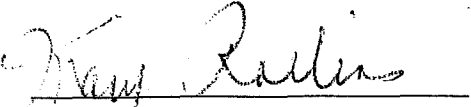

Robert O. Lenna, Executive Director


Witness

MAINE STATE HOUSING AUTHORITY

By:


Dale McCormick, Director


Witness

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 4th day of February, 2011 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, December 2nd 2002, November 19, 2003, December 10, 2004, December 5, 2005, December 21, 2006, December 31, 2007, December 30, 2008 and December 30, 2009; and

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to increase the available funding and extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,300,000 from the State Repayment monies in the Fund plus the amount of any investment earnings received on those funds to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until **December 31, 2011**.

2. Section 2D of the Memorandum of Understanding is deleted and replaced by the following section.

SECTION 2. ELIGIBLE IMPROVEMENTS

D. The design, location and installation of replacement systems, and repairs to existing systems financed hereunder must comply with all applicable Federal laws and State and local codes and regulations.

3. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

Karen Asch
Witness

MAINE MUNICIPAL BOND BANK

By: [Signature]
Robert O. Lenna, Executive Director

Monica Buck
Witness

MAINE STATE HOUSING AUTHORITY

By: [Signature]
Dale McCormick, Director

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 7th day of September, 2011 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended by letter dated December 23, 1996; December 2, 1997; December 17, 1999, January 17, 2001, December 4, 2001, December 2, 2002, November 19, 2003, December 10, 2004, December 5, 2005, December 21, 2006, December 31, 2007, December 30, 2008, December 30, 2009 and February 4, 2011; and

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to increase the available funding and extend the period of availability.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$2,900,000 from the State Repayment monies in the Fund plus the amount of any investment earnings received on those funds to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until **December 31, 2012**.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

Karen Asch
Witness

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna, Executive Director

MAINE STATE HOUSING AUTHORITY

By: Dale McCormick

Dale McCormick, Director

Witness

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 31st day of December, 2012 by and between the Maine Municipal Bond Bank and the Maine State Housing Authority.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") and the Maine State Housing Authority (the "Authority") entered into a certain Memorandum of Understanding with an effective date of May 1, 1995 (the "Memorandum of Understanding"), and subsequently amended on December 23, 1996; December 2, 1997; December 17, 1999, January 17th 2001, December 4th 2001, December 2nd 2002, November 19, 2003, December 10, 2004, December 5, 2005, December 21, 2006, December 31, 2007, December 30, 2008, December 30, 2009, February 4, 2011, and September 7, 2011; and

WHEREAS, the Memorandum of Understanding provides that certain funds in the revolving loan fund administered by the Bond Bank (the "Funds") are available for use by the Authority to finance the rehabilitation and replacement of septic systems; and

WHEREAS, the Bond Bank and the Authority desire to amend the Memorandum of Understanding to extend the period of availability of the funding.

NOW THEREFORE, in consideration of the covenants contained in the Memorandum of Understanding with the subsequent amendments stated above and this Amendment, the Bond Bank and the Authority agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING.

The Bond Bank will provide the Authority with up to \$3,100,000 from the State Repayment monies in the Fund plus the amount of any investment earnings received on those funds to finance Authority loans made for the rehabilitation or replacement of septic systems, subject to the terms hereof. The Funds shall be available to be drawn down by the Authority until **December 31, 2014**.

2. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

IN WITNESS WHEREOF, this Amendment was duly executed by the Bond Bank and the Authority as of the date first above written.

MAINE MUNICIPAL BOND BANK

Karen Goodwin
Witness

By: [Signature]
Michael R Goodwin, Executive Director

MAINE STATE HOUSING AUTHORITY

[Signature]
Witness 12/28/12

By: [Signature]
John Gallagher, Director

MEMORANDUM OF UNDERSTANDING

Between

FINANCE AUTHORITY OF MAINE

And

MAINE DEPARTMENT OF AGRICULTURE

And

MAINE MUNICIPAL BOND BANK

And

MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION

COPY

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") administers a Clean Water Revolving Loan Fund (the "CWSRF") funded with monies from the State Department of Environmental Protection (the "MEDEP") and the United States Environmental Protection Agency; and

WHEREAS, an eligible use of monies in the CWSRF is the construction or improvement of milk room waste and manure waste containment and handling facilities for animal feeding operations; and

WHEREAS, the Finance Authority of Maine (the "Authority") and the Maine Department of Agriculture (the "Department") intend to administer a Nutrient Management Revolving Loan Program (the "Revolving Loan Program") for the construction of containment and handling facilities for milk room waste and manure waste in accordance with the Chapter 565 of the Department's Rules and Chapter 317 of the Authority's Rules; and

WHEREAS, the Bond Bank, the MEDEP, the Authority and the Department desire to utilize a portion of the loan repayment monies in the CWSRF to finance containment and handling facility improvement projects eligible for funding from the Revolving Loan Program.

NOW, THEREFORE, the Authority, the Department, the MEDEP and the Bond Bank enter into this Memorandum of Understanding as follows.

SECTION 1. FUNDING.

The Bond Bank and the MEDEP will provide the Authority with up to \$6,000,000 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste subject to the terms hereof. The funds shall be available to be drawn down by the Authority for a period of 24 months from the effective date hereof.

SECTION 2. ELIGIBLE IMPROVEMENTS.

- A. Funds advanced hereunder may only be used to finance the costs of construction or improvement of milk room waste and manure waste containment and handling facilities necessary to meet the requirements of 7 MRSA Section 4204 of Maine's Nutrient Management Act. The Department or its designee shall certify to the Authority the eligibility of a particular project for financing.

- B. Funds advanced hereunder may only be used to finance projects eligible in section 2A above where the animal feeding operation to be funded is determined by the Department or its designee not to be a concentrated animal feeding operation (CAFO). In making its determination, the Department shall rely on the definition of a CAFO provided by the U.S. Department of Agriculture and the U.S. Environmental Protection Agency in the Unified National Strategy for Animal Feeding Operations Manual dated March 9, 1999.
- C. Funds advanced hereunder may only be used in connection with milk room waste and manure waste containment and handling facilities located within the state of Maine.
- D. New containment and handling facilities, or repairs to existing facilities, financed hereunder must be designed or approved by a licensed engineer or by a qualified member of the National Resource Conservation Service (NRCS). The Department or its designee shall certify to the Authority that each project otherwise eligible for financing has met this requirement.
- E. The design, location and installation of new containment and handling facilities, and repairs to existing facilities, financed hereunder must comply with all applicable State and local codes and regulations and must comply with the State Environmental Review Process in those instances where a point-source solution is a necessary part of the project to be funded.

SECTION 3. TERMS OF LOANS.

- A. The terms of all loans funded from the Revolving Loan Program shall be determined by the Authority except that in all cases the amount of the loan shall not exceed \$350,000 and the maximum repayment term shall be 20 years or the life of the asset financed, whichever is shorter.
- B. Loans may be made alone or in conjunction with other nutrient management financing available under Authority or Department programs, provided, however, that all loans made simultaneously with, and for the same purpose as a loan from the Revolving Loan Program shall share a parity position with respect to the collateral taken to secure those loans. Disbursement and repayment of loans made in conjunction with other loan programs shall be maintained and accounted for separately by the Authority.
- C. The Authority may charge fees for the origination, administration, closing, and collection of loans financed with CWSRF funds. Any fees imposed by the Authority may not be financed from the proceeds of the loan and are subject to prior approval by the Bank. In the event the Bank fails to approve the Authority's fees, the Authority shall have the right to terminate any obligations under this agreement upon 60 days prior written notice.

SECTION 4. SERVICING/RISK OF LOSS.

The loans financed hereunder will be serviced by the Authority, or its servicer, in the same manner as similar loans of the Authority. The Bond Bank accepts the risk of loss from nonpayment or other default which, after reasonable collections efforts by the Authority, results in recovery of less than the full amount due. If default occurs on a loan financed with monies from the Revolving Loan Program that was made simultaneously and for the same purpose as another loan provided by the Authority or the Department, any amounts recovered shall be applied pro rata to the outstanding loans. Preexisting loans or loans made for a different purpose by the Authority or Department shall not be subject to this limitation and shall retain their individual priority with respect to other loans of the borrower.

SECTION 5. ADMINISTRATION OF THE PROGRAM.

- A. Funds up to the maximum amount set forth in Section 1, shall be transferred on a monthly basis by the Bond Bank to the Authority upon receipt of a requisition in form attached hereto as Appendix A.
- B. The Authority shall remit to the Bond Bank on a monthly basis such repayments received during the prior month together with a reconciliation report indicating for each loan the total principal and interest received or the amount of any delinquency. All payments received by the Authority for loans outstanding shall be applied first to fees charged by the Authority, second to interest due and payable on the loan, and finally to the principal amount of the loan.
- C. Interest earned on repayments held by the Authority prior to remittance to the Bond Bank shall accrue to the benefit of the CWSRF and shall be paid to the Bond Bank at regular intervals. All fees charged for the origination and administration of the loans shall be retained by the Authority.

SECTION 6. EFFECTIVE DATE & TERM.

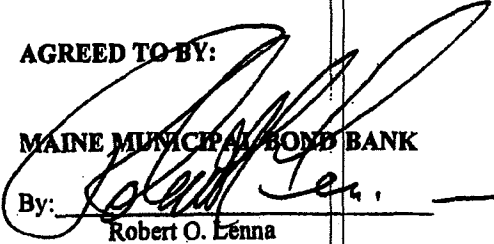
This Memorandum of Understanding is effective August 11, 1999 and shall terminate when there are no loans financed hereunder still outstanding.

SECTION 7. AMENDMENTS.

This Memorandum of Understanding may be amended at any time but only in writing executed by the Authority, the MEDEP, the Department and the Bond Bank which expresses the clear intention to amend this Memorandum of Understanding.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Timothy Agnew
Its Executive Director

MAINE DEPARTMENT OF AGRICULTURE

By: _____
Robert W. Spear
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: Martha G. Kirkpatrick
Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Timothy Agnew
Its Executive Director

MAINE DEPARTMENT OF AGRICULTURE

By: _____
Robert W. Spear
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Timothy Agnew
Its Executive Director

MAINE DEPARTMENT OF AGRICULTURE

By: _____
Robert W. Spear
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Timothy Agnew
Its Executive Director

MAINE DEPARTMENT OF AGRICULTURE

By: Robert W. Spear
Robert W. Spear
Its Commissioner

APPEXDIX A

FORM OF REQUISTION

Borrower Name

Loan Number

Principal Amount

TOTAL FUNDS REQUESTED: \$ _____

The Department of Agriculture certifies that none of the loans referenced above for which funds are hereby requested has been the subject of a previous requisition and that amounts equal to the principal amounts set forth above have been expended on qualified construction or improvement of containment and handling facilities in connection with animal feeding operations.

DEPARTMENT OF AGRICULTURE

Date: _____

By: _____
Authorized Representative

The Finance Authority of Maine certifies that the payments requested above are for the benefit of a person or persons deemed eligible by the Authority for receipt of financial assistance from the Revolving Loan Program.

FINANCE AUTHORITY OF MAINE

Date: _____

By: _____
Authorized Representative

AMENDMENT TO MEMORANDUM OF UNDERSTANDING
Between FINANCE AUTHORITY OF MAINE, MAINE DEPARTMENT OF AGRICULTURE, MAINE
MUNICIPAL BOND BANK, and MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION

The Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority") and the Maine Department of Agriculture (the "Department") entered into a Memorandum of Understanding dated as of June 29, 2012 (the "MOU"); and

The Maine Department of Agriculture, formerly known as the Department of Agriculture, Food and Rural Resources, has merged with the Maine Department of Conservation, and is now known as the Department of Agriculture, Conservation and Forestry; and

The parties to the MOU wish to amend the MOU as follows:

Section 1 of the MOU is amended to read as follows:

SECTION 1. FUNDING.

The Bond Bank and the MEDEP will provide the Authority with up to \$3,000,000 from the repayment monies in the CWSRF to finance Authority loans made for any one, or combination of, eligible projects provided for in Section 2 hereunder. Loans made by the Authority shall be subject to the terms of this Agreement and the funds provided hereunder shall be available to be drawn down by the Authority until 5:00 p.m. on June 30, 2016.

The remaining terms of the MOU shall remain in full force and effect.

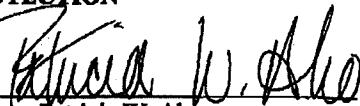
This amendment is dated June __, 2014, and is effective when signed by all parties.

AGREED TO BY:

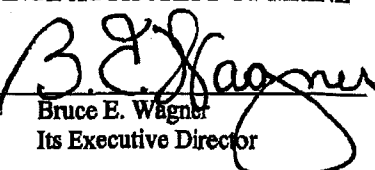
MAINE MUNICIPAL BOND BANK

By: _____
Michael R. Goodwin
Its Executive Director

**MAINE DEPARTMENT OF ENVIRONMENTAL
PROTECTION**

By: 
Patricia W. Aho
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: 
Bruce E. Wagner
Its Executive Director

AMENDMENT TO MEMORANDUM OF UNDERSTANDING
Between FINANCE AUTHORITY OF MAINE, MAINE DEPARTMENT OF AGRICULTURE, MAINE
MUNICIPAL BOND BANK, and MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION

The Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority") and the Maine Department of Agriculture (the "Department") entered into a Memorandum of Understanding dated as of June 29, 2012 (the "MOU"); and

The Maine Department of Agriculture, formerly known as the Department of Agriculture, Food and Rural Resources, has merged with the Maine Department of Conservation, and is now known as the Department of Agriculture, Conservation and Forestry; and

The parties to the MOU wish to amend the MOU as follows:

Section 1 of the MOU is amended to read as follows:

SECTION 1. FUNDING.

The Bond Bank and the MEDEP will provide the Authority with up to \$3,000,000 from the repayment monies in the CWSRF to finance Authority loans made for any one, or combination of, eligible projects provided for in Section 2 hereunder. Loans made by the Authority shall be subject to the terms of this Agreement and the funds provided hereunder shall be available to be drawn down by the Authority until 5:00 p.m. on June 30, 2016.

The remaining terms of the MOU shall remain in full force and effect.

This amendment is dated June __, 2014, and is effective when signed by all parties.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Michael R. Goodyin
Its Executive Director

**MAINE DEPARTMENT OF ENVIRONMENTAL
PROTECTION**

By: _____


Patricia W. Aho
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: 

Bruce E. Wagner
Its Executive Director

**MAINE DEPARTMENT OF AGRICULTURE,
CONSERVATION AND FORESTRY (f/k/a Maine
Department of Agriculture, Food and Rural Resources)**

By: 
Walter E. Whitcomb
Its Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 15th day of October, 2010 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the Bank, the MEDEP, the Authority and the Department entered into Amendments to said Memorandum of Understanding dated August 11, 2001, August 11, 2002, March 1, 2004, August 24, 2005, August 24, 2006, August 24, 2007, August 27, 2008 and October 15, 2009 which Amendments extended the period of availability of the funds, changed the amount of funding provided, and made certain clarifications with respect to the provisions of the Memorandum of Understanding; and

WHEREAS, the parties do now agree to further extend the term of the Memorandum of Understanding until October 15, 2011.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding, as amended, is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$2,000,000.00 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste or other agricultural non-point source improvement practices as may become eligible for funding in the future, subject to the terms hereof. The funds shall be available to be drawn down by the Authority until October 15, 2011.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

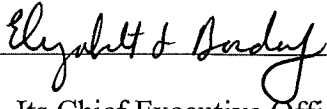
AGREED TO BY:

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: Jody L. Butler
for Its Commissioner

AGREED TO BY:

FINANCE AUTHORITY OF MAINE

By: 
Its Chief Executive Officer

AGREED TO BY:

**MAINE DEPARTMENT OF
AGRICULTURE**

By: 

Its Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 15th day of October, 2009 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the Bank, the MEDEP, the Authority and the Department entered into Amendments to said Memorandum of Understanding dated August 11, 2001, August 11, 2002, March 1, 2004, August 24, 2005, August 24, 2006, August 24, 2007 and August 27, 2008 which Amendments extended the period of availability of the funds, changed the amount of funding provided, and made certain clarifications with respect to the provisions of the Memorandum of Understanding; and

WHEREAS, the parties do now agree to further extend the term of the Memorandum of Understanding until October 15, 2010 and make other modifications as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding, as amended, is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$2,000,000.00 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste or other agricultural non-point source improvement practices as may become eligible for funding in the future, subject to the terms hereof. The funds shall be available to be drawn down by the Authority until October 15, 2010.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

AGREED TO BY:

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____

Its Commissioner

AGREED TO BY:

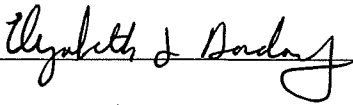
**MAINE DEPARTMENT OF
AGRICULTURE**

By: 

Its Commissioner

AGREED TO BY:

FINANCE AUTHORITY OF MAINE

By: 
Its Chief Executive Officer

AGREED TO BY:

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: *Nadya L. Butler* 10/15/09
Nadya L. Butler Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 27th day of August, 2008 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the Bank, the MEDEP, the Authority and the Department entered into Amendments to said Memorandum of Understanding dated August 11, 2001, August 11, 2002, March 1, 2004, August 24, 2005, August 24, 2006, and August 24, 2007 which Amendments extended the period of availability of the funds, changed the amount of funding provided, and made certain clarifications with respect to the provisions of the Memorandum of Understanding; and

WHEREAS, the parties do now agree to extend the term of the Memorandum of Understanding until August 27, 2009.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding, as amended, is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$2,000,000.00 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste subject to the terms hereof. The funds shall be available to be drawn down by the Authority until August 27, 2009.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

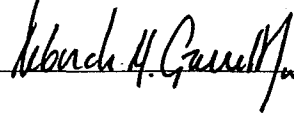
By: 

Robert O. Lenna

Its Executive Director

AGREED TO BY:

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: 

Its Commissioner

AGREED TO BY:

FINANCE AUTHORITY OF MAINE

By: Elizabeth L. Bradley
Acting
Its Chief Executive Officer

AGREED TO BY:

**MAINE DEPARTMENT OF
AGRICULTURE**

By:

A handwritten signature in black ink, appearing to read "Leo H. B. Leard", written over a horizontal line.

Its Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 24th day of August, 2007 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the Bank, the MEDEP, the Authority and the Department entered into Amendments to said Memorandum of Understanding dated August 11, 2001, August 11, 2002, March 1, 2004, August 24, 2005 and August 24, 2006 which Amendments extended the period of availability of the funds, changed the amount of funding provided, and made certain clarifications with respect to the provisions of the Memorandum of Understanding; and

WHEREAS, the parties do now agree to extend the term of the Memorandum of Understanding for an additional year until August 22, 2008.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding, as amended, is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$2,000,000.00 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste subject to the terms hereof. The funds shall be available to be drawn down by the Authority until August 22, 2008.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:


MAINE MUNICIPAL BOND BANK

By: _____

Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____

Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____

Its Chief Executive Officer

**MAINE DEPARTMENT OF
AGRICULTURE**

By: _____


Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: 
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Its Chief Executive Officer

**MAINE DEPARTMENT OF
AGRICULTURE**

By: _____
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Its Chief Executive Officer

**MAINE DEPARTMENT OF
AGRICULTURE**

By: _____
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____

Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____

Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____

Its Chief Executive Officer

**MAINE DEPARTMENT OF
AGRICULTURE**

By:  _____

Its Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 24th day of August, 2006 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the Bank, the MEDEP, the Authority and the Department entered into Amendments to said Memorandum of Understanding dated August 11, 2001, August 11, 2002, March 1, 2004, and August 24, 2005 which Amendments extended the period of availability of the funds, changed the amount of funding provided, and made certain clarifications with respect to the provisions of the Memorandum of Understanding; and

WHEREAS, the parties do now agree to extend the term of the Memorandum of Understanding for an additional year until August 24, 2007.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding, as amended, is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$2,000,000.00 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste subject to the terms hereof. The funds shall be available to be drawn down by the Authority until August 24, 2007.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____

Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____

Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____

Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: _____

Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: _____
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: _____
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

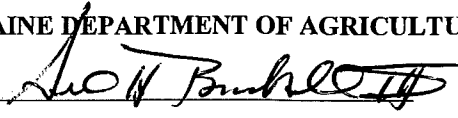
**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: 
Its Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 24th day of August, 2005 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the Bank, the MEDEP, the Authority and the Department entered into Amendments to said Memorandum of Understanding dated August 11, 2001, August 11, 2002 and March 1, 2004 which Amendments extended the period of availability of the funds, changed the amount of funding provided, and made certain clarifications with respect to the provisions of the Memorandum of Understanding; and

WHEREAS, the parties do now agree to extend the term of the Memorandum of Understanding for an additional year until August 24, 2006.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding, as amended, is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$2,000,000.00 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste subject to the terms hereof. The funds shall be available to be drawn down by the Authority until August 24, 2006.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna

Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: 

Its Commissioner

FINANCE AUTHORITY OF MAINE

By: 

Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: 

Its Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 1st day of March by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the Bank, the MEDEP, the Authority and the Department entered into Amendments to said Memorandum of Understanding dated August 11, 2001 and August 11, 2002 which Amendments extended the period of availability of the funds and made certain clarifications with respect to the provisions of the Memorandum of Understanding; and

WHEREAS, the parties do now agree to reduce the amount of funding provided from the Bank and the DEP to the Authority under the Memorandum of Understanding, as amended, to a maximum of \$2,000,000.00 and to extend the term of the agreement until August 11, 2005.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding, as amended, is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$2,000,000.00 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste subject to the terms hereof. The funds shall be available to be drawn down by the Authority until August 11, 2005.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: 

Its Commissioner

FINANCE AUTHORITY OF MAINE

By: 

Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: 

Its Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 11th day of August, 2002 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the Bank, the MEDEP, the Authority and the Department entered into an Amendment to Memorandum of Understanding (the "First Amendment") dated August 11, 2001 which Amendment extended the period of availability of the funds and made certain clarifications with respect to the provisions of the Memorandum of Understanding; and

WHEREAS, the parties do now agree to extend the term of the Memorandum of Understanding and the First Amendment for an additional 24 months until August 11, 2004.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$6,000,000 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste subject to the terms hereof. The funds shall be available to be drawn down by the Authority until August 11, 2004.

In all other respects, the provisions of the original Memorandum of Understanding and the First Amendment shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____

Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____

Charlie Spies
Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: _____

Robert W. Spear
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: *Martha E. Kirkpatrick for*
Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Charlie Spies
Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: _____
Robert W. Spear
Its Commissioner



**Business & Education
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E-mail: info@famemaine.com URL: www.famemaine.com FAX: 1-207-623-0095 TTY: 1-207-626-2717

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Charlie Spies
Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: _____
Robert W. Spear
Its Commissioner

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: _____
Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: _____
Charlie Spies
Its Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: Robert W. Spear
Robert W. Spear
Its Commissioner

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 11th day of August, 2001 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, the Finance Authority of Maine, and the Maine Department of Agriculture.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "MEDEP"), the Finance Authority of Maine (the "Authority"), and the Maine Department of Agriculture (the "Department") entered into a certain Memorandum of Understanding with an effective date of August 11, 1999 (the "Memorandum of Understanding"); and

WHEREAS, the parties desire to amend the Memorandum of Understanding to extend the period of availability of the funds, and to make certain clarifications with respect to the provisions of that agreement.

NOW, THEREFORE, the Bond Bank, the MEDEP, the Authority, and the Department agree to amend the Memorandum of Understanding as follows.

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the MEDEP will provide the Authority with up to \$6,000,000 from the repayment monies in the CWSRF to finance Authority loans made for the construction or improvement of containment and handling facilities for milk room waste and manure waste subject to the terms hereof. The funds shall be available to be drawn down by the Authority until August 11, 2002.

2. Section 2 – D is deleted and replaced by the following section:

SECTION 2. ELIGIBLE IMPROVEMENTS

- D. The design of new containment and handling facilities, or repairs to existing facilities, to be financed hereunder must be approved as satisfactory by the Commissioner, who may base his decision on 1) the approval of a licensed engineer, as established either by his or her seal appearing therein or by any other information provided as evidence of that approval, or 2) the approval of a qualified member of NRCS. The Department or its designee shall certify to the Authority that each project otherwise eligible for financing has met this requirement.
3. Except as amended hereby, the Memorandum of Understanding remains in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: 

Martha G. Kirkpatrick
Its Commissioner

FINANCE AUTHORITY OF MAINE

By: 

Charles J. Spies
Its: Chief Executive Officer

MAINE DEPARTMENT OF AGRICULTURE

By: 

Robert W. Spear
Its Commissioner

MEMORANDUM OF UNDERSTANDING

Between

DEPARTMENT OF CONSERVATION, MAINE FOREST SERVICE

And

MAINE MUNICIPAL BOND BANK

And

MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") administers a Clean Water Revolving Loan Fund (the "CWSRF") funded with monies from the State Department of Environmental Protection (the "DEP") and the United States Environmental Protection Agency; and

WHEREAS, an eligible use of monies in the CWSRF is to provide funding for silviculture activities to help reduce non-point source pollution; and

WHEREAS, the Bond Bank, the DEP and the Maine Department of Conservation, Maine Forest Service (the "Maine Forest Service") intend to administer a Linked Deposit Loan Program to fund equipment and related purchases by loggers for the purpose of encouraging more environmentally sound logging activities; and

WHEREAS, the Bond Bank and the DEP desire to utilize a portion of the loan repayment monies in the CWSRF to provide funding for the Linked Deposit Loan Program.

NOW, THEREFORE, the Bond Bank, the DEP and the Maine Forest Service enter into this Memorandum of Understanding as follows.

SECTION 1. FUNDING.

The Bond Bank and the DEP will provide the funding up to \$3,000,000 from the repayment monies in the CWSRF which can be drawn down for a period of 12 months from the date of this contract to be used to purchase Certificates of Deposit with Participating Banks for the purpose of creating a linked deposit loan at the Participating Bank. The method of purchasing the Certificate of Deposits, the standards for defining a Participating Bank and the associated interest rate for the loans created shall all be as provided for in the Maine Forestry Linked Deposit Loan Program Participating Bank Agreement (the "Participating Bank Agreement"), the form of which is attached hereto.

SECTION 2. ELIGIBLE IMPROVEMENTS.

- A. Funds advanced hereunder may only be used to finance new and used equipment purchases, costs associated with retrofitting existing equipment, and miscellaneous purchases such as temporary bridges and arches all for the purpose of encouraging more environmentally sound logging activities. Eligibility determinations for types of equipment purchased under this program will be made by the Maine Forest Service.
- B. Funds advanced hereunder may only be used to finance projects eligible in section 2A above where the logging operation has certified in writing to the Maine Forest Service that it will utilize the Master Logger Pre-Harvest Planning Worksheets throughout the life of the loan and where the logging operation has agreed to periodic inspections by the Maine Forest Service for the purpose of determining the logger's adherence with Best Management Practices to help limit non-point source pollution.

- C. Funds advanced hereunder may only be used in connection with logging operations located within the state of Maine.
- D. Equipment purchases, retrofits to existing equipment, or bridges and arches financed hereunder must be expected to provide for the reduction of non-point source pollution associated with the logging activity for which they will be used. The Maine Forest Service shall certify to the Participating Bank or Banks that each project otherwise eligible for financing has met this requirement before a linked deposit loan can be made.

SECTION 3. TERMS OF LOANS.

- A. The terms of all loans funded from the Linked Deposit Loan Program shall be established by the Participating Bank subject to the requirements of the Participating Bank Agreement provided, however, that no loan established hereunder shall have a term greater than 5 years or the life of the asset financed.
- B. The Maine Forest Service may charge fees for its services of inspecting and monitoring equipment financed with CWSRF funds, provided that any fees imposed may not be financed from the proceeds of the Linked Deposit Loan.

SECTION 5. ADMINISTRATION OF THE PROGRAM.

- A. Funds up to the maximum amount set forth in Section 1, shall be transferred by the Bond Bank to a Participating Bank for the purchase of a Certificate of Deposit in accordance with the Participating Bank Agreement.
- B. The Maine Forest Service shall be responsible for the following:
 - i) Pre-qualifying each request for funding to ensure the proposed equipment purchase or retrofit will reduce the non-point source pollution risk of the logging operation.
 - ii) Conducting periodic site inspections of all logging operations receiving a linked deposit loan to ensure Best Management Practices for timber harvesting are being followed.
 - iii) Providing to the Bank and the DEP upon request, but at least annually, a summary of the number of linked deposit loan applicants, number of Certificate of Qualifications issued, number of inspections conducted and any additional information that may be relevant to assessing each participating logging operation's compliance with the program.
- C. The Bond Bank and the DEP shall provide to the Maine Forest Service upon request, but at least annually, the number of linked deposit loans issued, the amount of loan funds dedicated to those loans, and the amount of funds still available to be lent from the program.

SECTION 6. EFFECTIVE DATE & TERM.

This Memorandum of Understanding is effective as of March 1, 2007 and shall terminate when there are no loans financed hereunder still outstanding.

SECTION 7. AMENDMENTS.

This Memorandum of Understanding may be amended at any time but only in writing executed by the DEP, the Bond Bank and the Maine Forest Service which expresses the clear intention to amend this Memorandum of Understanding.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

**MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

By: 

David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: 

R. Alec Giffen
Its Director, Maine Forest Service

APPEXDIX A

FORM OF PARTICIPATING BANK AGREEMENT

**MAINE FORESTRY LINKED DEPOSIT LOAN PROGRAM
PARTICIPATING BANK AGREEMENT**

This Agreement made and entered as of this ____ day of ____, 200__ by and among the Maine Municipal Bond Bank (hereinafter the "Bond Bank", a body corporate and politic organized and existing under the provisions of Chapter 225A of Title 30-A of the Maine Revised Statutes Annotated, the Department of Conservation, Maine Forest Service (hereinafter the "Maine Forest Service") a Department of the State of Maine organized and existing under the provisions of Chapter 801 of Title 12 of the Maine Revised Statutes Annotated, and _____, a banking association or lending institution duly organized and validly existing under the laws of the United States of America, doing business in the State of Maine (hereinafter referred to as the "Participating Bank").

WHEREAS, the State of Maine has created a Clean Water State Revolving Loan Fund (the "CWSRF") pursuant to 6006-A of Title 30-A Chapter 225 of the Maine Revised Statutes Annotated; and

WHEREAS, the Maine Municipal Bond Bank and the Maine Department of Environmental Protection (the "DEP") are the administrators of the CWSRF; and

WHEREAS, an eligible use of CWSRF program funds is loan assistance to individual or corporate logging operations for Silviculture activities for the purpose of promoting the abatement of non-point source pollution; and

WHEREAS, the Bond Bank, the DEP, and the Maine Forest Service have entered into a Memorandum of Understanding dated _____ which establishes a Linked Deposit Loan Program funded with CWSRF program funds for the purpose of providing low-cost capital to finance Forestry Best Management Practices; and

WHEREAS, the Participating Bank is desirous of participating in the Linked Deposit Loan Program and is willing to provide financing to Eligible Borrowers for Eligible Projects, (the "Linked Deposit Loans"); and

WHEREAS, the Bond Bank, the Maine Forest Service and the Participating Bank have entered into this Agreement to set forth their respective obligations with respect to Linked Deposit Loans, Certificates of Deposits, and other aspects of the Linked Deposit Loan Program.

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto do agree as follows:

ARTICLE I-DEFINITIONS

Section 1.1 Definitions. Except where the context clearly indicates otherwise, the following terms as used in this Agreement shall have the meaning ascribed to them in this Article:

- (a) "Certificate of Qualification" means the Certificate of Qualification issued by the Maine Forest Service to an Eligible Borrower certifying that the borrower is eligible to receive a Linked Deposit Loan. A Certificate of Qualification is issued when an Eligible Borrower has presented the Maine Forest Service with an Eligible Project and has signed a Maine Forestry Direct Link Loan Program Agreement with the Maine Forest Service.
- (b) "Eligible Borrower" means any person (including any natural person, corporation, association, trust or other legal entity) who is engaged in the practice of logging in Maine and who has received a Certificate of Qualification from the Maine Forest Service.
- (c) "Eligible Project" means any purchase of new equipment, used equipment, retrofitting of existing equipment, or the purchase of bridges and arches or such other items which have been determined by the Maine Forest Service in a Certificate of Qualification to be useful in the abatement of non-point source pollution during logging operations. The refinance of loans previously used to purchase such equipment shall not be eligible for funding.
- (d) "Forestry Best Management Practices" means those standards provided for in the most current version of the document titled Best Management Practices for Forestry: Protecting Maine's Water Quality a copy of which is on file with the Maine Forest Service.
- (e) "Interest Rate Subsidy" means a reduction of 200 basis points or the equivalent yield attainable on a one year Certificate of Deposit, whichever is less, from the Standard Interest Rate applicable to a Linked Deposit Loan.
- (f) "Linked Deposit Loan Rate" means the standard rate of interest applicable to the Linked Deposit Loan based on the underwriting standards of the Participating Bank less the Interest Rate Subsidy.
- (g) "Linked Deposit Loan" means a loan between an Eligible Borrower and a Participating Bank for the purpose of funding an Eligible Project.

- (h) "Linked Deposit Loan Funds" means those funds set-aside by the Bond Bank and the DEP pursuant to a Memorandum of Understanding with the Maine Forest Service for the purpose of establishing a Linked Deposit Loan Program to encourage non-point source abatement in logging operations.
- (i) "Standard Loan Rate" means that rate of interest which the Participating Bank would have charged on the Linked Deposit Loan in the absence of the subsidy provided by the Certificate of Deposit linked to that loan. The Standard Loan Rate must be stated in the loan agreement between the Participating Bank and the Eligible Borrower.

ARTICLE II- LINKED DEPOSIT LOANS

Section 2.1 Terms of Linked Deposit Loans. Linked Deposit Loans shall be made at the sole discretion of the Participating Bank, but only to Eligible Borrowers for an Eligible Project or Projects as specified in the Certificate of Qualification. The term of each Linked Deposit Loan will be set by the Participating Bank, but in no event shall such term be longer than 5 years or the life of the asset financed, whichever is shorter. All Linked Deposit Loans shall be made at the Linked Deposit Loan Rate as defined herein.

Section 2.2 Link to Certificate of Deposit. Each Linked Deposit Loan shall have a corresponding Certificate of Deposit to which it is linked throughout the life of the loan. The Certificate of Deposit shall be purchased by the Bond Bank from available Linked Deposit Loan Funds in an amount equal to the Linked Deposit Loan for the purpose of reducing the interest rate of the loan to the Linked Deposit Loan Rate as defined herein.

THE CERTIFICATE OF DEPOSIT SHALL IN NO WAY BE DEEMED TO BE A GUARANTY OF ANY PAYMENT DUE FROM ANY ELIGIBLE BORROWER TO ANY PARTICIPATING BANK UNDER ANY LINKED DEPOSIT PROGRAM LOAN. FAILURE BY ANY ELIGIBLE BORROWER TO MAKE ANY SUCH PAYMENT TO A PARTICIPATING BANK AT THE TIME AND IN THE FULL AMOUNT REQUIRED SHALL NOT ENTITLE THE PARTICIPATING BANK TO APPLY THE DEPOSITED MONEYS, OR ANY OTHER LINKED DEPOSIT LOAN FUNDS, TO SUCH PAYMENT BY SET-OFF, COUNTER-CLAIM OR ANY OTHER MEANS, AND NO SUCH FAILURE SHALL IN ANY WAY DIMINISH OR ABATE THE OBLIGATIONS OF THE PARTICIPATING BANK UNDER THE CERTIFICATE OF DEPOSIT, INCLUDING, WITHOUT LIMITATION, THE OBLIGATION TO REPAY TO THE BOND BANK THE PRINCIPAL AMOUNT INVESTED AND THE INTEREST THEREON AT THE TIMES AND IN FULL AMOUNTS SPECIFIED THEREIN.

Section 2.3. Investment in lieu of Certificate of Deposit. Where the Participating Bank is Farm Credit of Maine ("Farm Credit"), a non-depository banking institution, the Linked Deposit Loan shall be linked to a Treasury Note purchased by Farm Credit and held at Bangor Savings Bank, or such other Custodial Bank as the Bond Bank shall appoint. Upon purchasing the Treasury Note, the Maine Bond Bank and Farm Credit shall enter into a Repurchase Agreement whereby the Maine Bond Bank agrees to purchase the Treasury Note at a yield that is 200 basis points below the yield obtained by Farm Credit. The spread between the original yield on the Note and the repurchase yield shall be used to provide an interest rate subsidy to the Linked Deposit Loan with which it is associated in the same manner as with Certificates of Deposits issued from the program. In all other respects, the Treasury Note shall be treated in the same manner as Certificates of Deposits as provided for in this agreement.

Section 2.3 Reversion to the Standard Loan Rate. In the event that a Linked Deposit Loan Participant is found by the Maine Forest Service to not be adhering to Forestry Best Management Practices for the abatement of non-point source pollution during 3 consecutive site inspections conducted by the Maine Forest Service, or if the equipment or items purchased by a Linked Deposit Loan are removed from the State of Maine during the term of the loan, then the interest rate on the Linked Deposit Loan or Loans of that Linked Deposit Loan Participant shall automatically revert to the Standard Loan Rate at the next renewal date of the Certificate of Deposit to which that loan is linked. Thereafter, the Certificate of Deposit shall not be renewed and the entire principal balance and any associated interest shall be returned to the Bond Bank. Notice of the change in the interest rate from the Linked Deposit Loan Rate to the Standard Loan Rate shall be provided by the Participating Bank to the Linked Deposit Loan Participant and to the Bond Bank.

Section 2.4 Fees and Charges. The Participating Bank may charge fees for the origination, administration, closing and collection of Linked Deposit Loans in a manner that is consistent with fees and charges on similarly structured non-Linked Deposit Loans. Any fees charged shall be subject to review and approval of the Bond Bank and the DEP.

Section 2.5 Risk of Loss due to Non-Payment of the Loan. The risk of loss from non-payment of any Linked Deposit Loan made by a Participating Bank shall be borne by the Participating Bank and shall in no way become a liability or responsibility of the Bond Bank or the Maine Forest Service.

Section 2.6 Sale or Transfer of Loans. The Participating Bank will not sell, transfer, or otherwise convey any Linked Deposit Loan to any other financial institution. In the event the Participating Bank is acquired by, or merges with, another financial institution, the Linked Deposit Loan will be maintained at the original stated interest rate for the term of the loan, and will not be called by the successor institution other than in accordance with the provisions of the loan for exercise of remedies by the Participating Bank upon the occurrence of an event of default by the borrower.

Section 2.7 Maximum Borrowing Amount per Eligible Borrower. The maximum amount that any one Eligible Borrower or related entity may have outstanding from the program at any one time shall be \$400,000.

ARTICLE III-CERTIFICATES OF DEPOSIT

Section 3.1 Form of Certificate of Deposit. A Certificate of Deposit shall be purchased by the Bond Bank in an amount equal to each Linked Deposit Loan with the Participating Bank using Linked Deposit Loan Funds. The term of the Certificate of Deposit shall be one year, with up to four consecutive annual renewals. The yield of the Certificate of Deposit shall be equal to that which is typically provided for Certificates of Deposit of the same duration and shall not be subject to any set-off or yield reductions by the Participating Bank. The Bond Bank shall have the right to refuse to invest in a Certificate of Deposit, which upon adequate investigation and comparison to local markets, it deems is not priced competitively.

Section 3.2 Payment of Principal and Interest Due. Any interest earnings on the Certificate of Deposit not required to provide the Interest Rate Subsidy shall be paid to the Bond Bank at maturity, along with that portion of principal that has been paid back on the underlying Linked Deposit Loan. Any principal amount remaining on Deposit with the Participating Bank after payment of the amounts above shall be re-invested in a new Certificate of Deposit for an additional year upon mutual agreement of the Bond Bank and the Participating Bank.

Section 3.3 Maximum Deposit Amount at Participating Bank. No sum exceeding an amount equal to 25% of the capital, surplus and undivided profits of any trust company or national bank, or no sum exceeding an amount equal to 25% of the reserve fund and undivided profits account of a mutual savings bank or a state or federal savings and loan associations may be on deposit at a Participating Bank at any one time. The Participating Bank shall certify to the Bond Bank that the applicable limits have not been exceeded upon each request for the purchase of a Certificate of Deposit submitted to the Bond Bank.

ARTICLE IV-RESPONSIBILITIES OF THE MAINE FOREST SERVICE, PARTICIPATING BANK AND THE BOND BANK

Section 4.1 Responsibilities of the Maine Forest Service The Maine Forest Service agrees to do the following:

- (a) Issue a Certificate of Qualification to each Eligible Borrower for each Eligible Project. Said Certificate of Qualification shall not be deemed to be or to include or imply an evaluation of creditworthiness of the Eligible Borrower specified therein or to

constitute a recommendation to any Participating Bank that a loan should be made to that Eligible Borrower.

- (b) To conduct periodic site inspections to ensure that each Linked Deposit Loan Participant adheres to Forestry Best Management Practices with respect to the use of the equipment or items financed by a Linked Deposit Loan. The Maine Forest Service shall notify the Linked Deposit Loan Participant and the Participating Bank in writing of any failure to meet this requirement. After 3 consecutive inspections where the Linked Deposit Loan Participant is found by the Maine Forest Service to not be adhering to Forestry Best Management Practices for management of non-point source pollution or, if upon any single inspection the Maine Forest Service determines that the equipment or items purchased hereunder have been removed from the State of Maine, the Maine Forest Service shall deliver to the Participating Bank its duly executed certificate stating such failure to adhere to Forestry Best Management Practices or removal from Maine of the equipment or the items purchased by a Linked Deposit Loan, as applicable, and inform the Participating Bank that the Linked Deposit Loan Rate shall be terminated immediately upon the next annual renewal date of the Certificate of Deposit linked to that loan. The Standard Loan Rate shall apply to the Linked Deposit Loan thereafter and throughout the remainder of its term.

Section 4.2 Responsibilities of the Participating Bank The Participating Bank agrees to do the following:

- (a) In its sole discretion and subject to its credit policies as they may be revised from time to time, lend money to an Eligible Borrower at the Linked Deposit Loan Rate to finance an Eligible Project for the purpose of encouraging Forestry Best Management Practices to meet the goals of this program. The Participating Bank shall be solely responsible for underwriting all Linked Deposit Loans and for ascertaining whether a potential borrower shall receive a loan under the Linked Deposit Loan Program. The Participating Bank shall not enter into any Linked Deposit Loan unless it has first determined that the Maine Forest Service has issued a Certificate of Qualification. Nothing contained in this agreement shall be construed as requiring the Participating Bank to make any Linked Deposit Loans.

- (b) Upon approval of a Linked Deposit Loan by the Participating Bank, the Participating Bank will submit a request for a Certificate of Deposit to the Bond Bank on the Investment Request Form (*the form of which is provided as Attachment A*) accompanied by a copy of the applicable Certificate of Qualification and written certification that the limits provided for in Section 3.3 will not be exceeded by the purchase of the Certificate of Deposit requested.

Section 4.3 Responsibilities of the Bond Bank The Bond Bank agrees to do the following:

- (a) Upon receiving an Investment Request Form, the Bond Bank shall promptly determine whether the Investment Request Form has been duly completed and submitted with all required accompanying documents. If the Bond Bank determines that the Investment Request Form has been duly completed and that sufficient funds are available in the Linked Deposit Program, the Bond Bank shall thereupon approve the investment request and accept delivery of a Certificate of Deposit from the Participating Bank. Upon receipt of the Certificate of Deposit executed by the Participating Bank, or receipt of a telecommunication from the Participating Bank that the Certificate of Deposit has been executed, the Bond Bank shall wire to the Participating Bank, in immediately available funds, an amount equal to the face amount of the Certificate of Deposit. ***The Participating Bank will pay any costs associated with the receipt of the wire from the Bond Bank.*** If the Bond Bank determines that the Investment Request Form is deficient in any manner or if the yield on the Certificate of Deposit is deemed to be significantly below market standards, the Bond Bank shall send the Participating Bank written notice to that effect, specifying the deficiency.
- (b) The Bond Bank shall set-aside funding for Eligible Borrowers on a first-come first-served basis until all of the funds in the program have been utilized. The Bond Bank and the DEP reserve the right to add to or withdraw from the available Linked Deposit Loan Funds based on their periodic reviews of the demand for the Linked Deposit Loan Program and the availability of CWSRF monies. The Bond Bank shall notify the Participating Bank and the Maine Forest Service of any changes in the funding allocated to the program.
- (c) The Bond Bank will not be a signatory to the Linked Deposit Loan documentation between the Participating Bank and the Eligible Borrower.

ARTICLE V-MISCELLANEOUS PROVISIONS

Section 5.1. Notices. Any application, accounting, demand, or other communication under this Agreement by any party to this Agreement to any other party shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally.

Section 5.2. Approvals. Any approval required by this Agreement shall not be unreasonably withheld.

Section 5.3. Effective Date. This Agreement shall become effective as of the date first set forth herein above and shall continue in full force and effect until the final day when the obligations of the Participating Bank under this Agreement have been fully satisfied.

Section 5.5. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and to any person, office, board, department, agency, municipal corporation, or body politic and corporate, succeeding by operation of the law to the powers and duties of any of the parties hereto. This Agreement shall not be assigned by the Participating Bank without the prior written consent of the Bond Bank. The Bond Bank may, at its option, assign this Agreement without the consent of the Participating Bank.

Section 5.6. Savings and Severability.

- (a) Nothing in this Agreement is intended to contravene any provision of federal law dealing with the source of funds used to support this program or the Interstate Commerce Clause of the Constitution of the United States and any provision that may be interpreted to do so shall be superseded by the purposes of this Agreement and interpreted in a manner to make this Agreement compatible with federal laws and the constitution.
- (b) If any provision of this Agreement shall be found to be void or otherwise unenforceable by a court of competent jurisdiction, it shall be severed from the remaining portions of this Agreement and the remainder of the Agreement shall be interpreted to give effect to the purposes of this Agreement as nearly as may be.

Section 5.7. Termination. This Agreement may be terminated by the Bond Bank in its sole discretion at any time, without affecting the Bond Bank's obligation to cause moneys deposited under a Certificate of Deposit to remain on deposit in accordance therewith.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

DEPARTMENT OF CONSERVATION

By: _____
R. Alec Griffen
Its Director, Maine Forest Service

(PARTICIPATING BANK)

By: _____
Its

Attachment A
Investment Request Form

I, (lender name) a representative of a Participating Bank in the Maine Forestry Linked Deposit Loan Program hereby request from the Maine Municipal Bond Bank the sum of \$ (dollar amount of CD requested) to be used for the purchase of a Certificate of Deposit which will be linked to a loan made or to be made to (Linked Deposit Loan Participant Name) on or about (date of origination of the loan) for a term of (loan term) years. The Standard Interest Rate on the loan shall be (standard loan rate) and the subsidized interest rate on the loan shall be (subsidized interest rate). The one-year Certificate of Deposit interest rate as of the date of this request and the interest rate of return to be provided to the Bond Bank are provided below:

Current One Year Certificate of Deposit Rate _____
Interest Rate Request on Bond Bank Investment _____
(may not exceed 2% below one year CD rate)

This request of investment is for (check one) ☐ new applicant* ☐ CD renewal

**For new applicants, please provide a copy of the Certificate of Qualification from the Maine Forest Service.*

In making this request, the Participating Bank hereby certifies that the amount requested for deposit herein, together with other deposits of the Bond Bank, does not exceed 25% of the capital, surplus and undivided profits of any trust company or national bank, or 25% of the reserve fund and undivided profits account of a mutual savings bank or a state or federal savings and loan association.

(date of request)

(Signature of Lender)

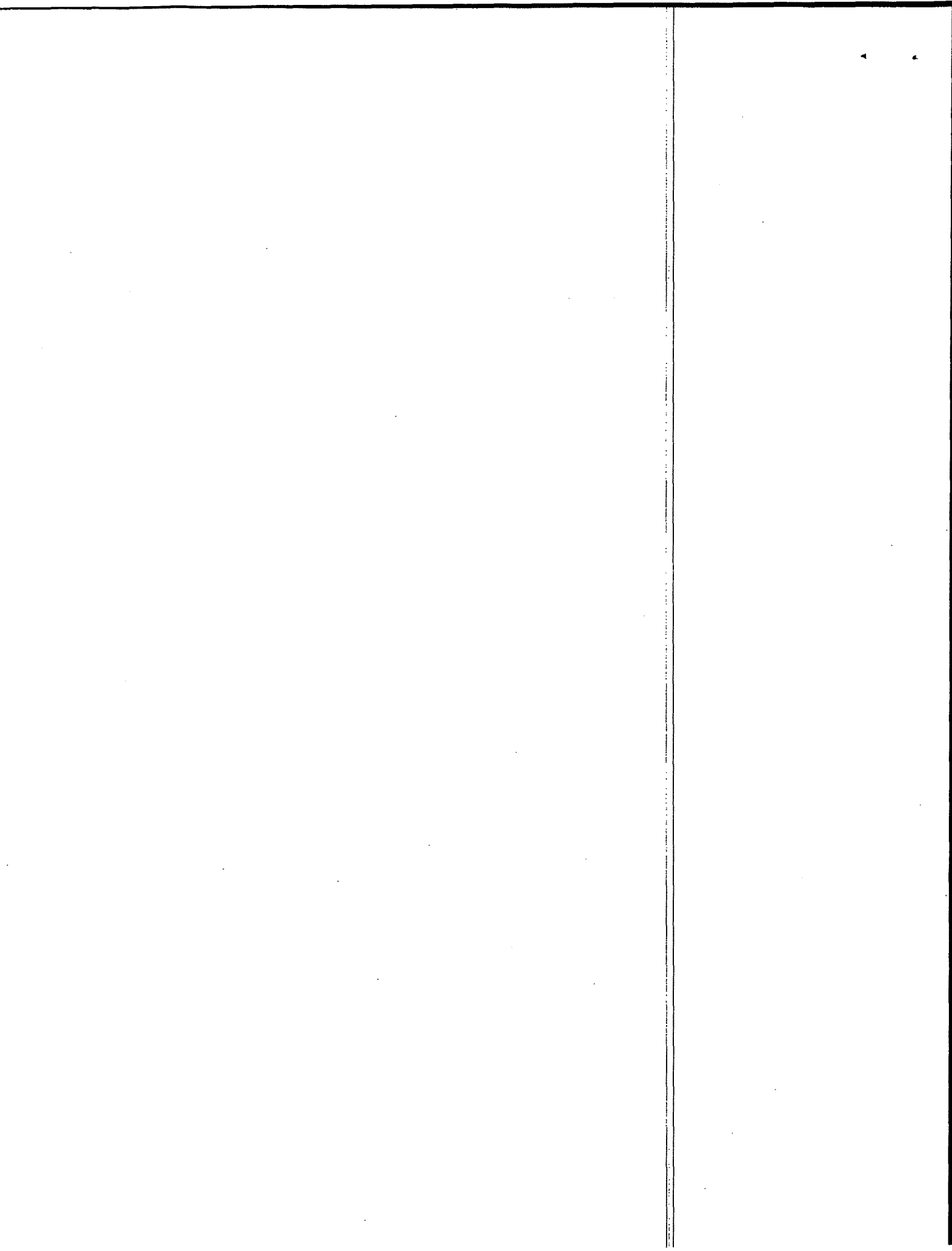
Fax this request to Karen Asselin, Maine Municipal Bond Bank at 623-5359.

APPEXDIX B

AGENCY CONTACTS

Below is a list of the contact names and phone numbers for the persons acting as the contact for each of the agencies that are a party to this agreement.

<u>AGENCY</u>	<u>CONTACT</u>	<u>PHONE NUMBER</u>
Maine Municipal Bond Bank	Karen Asselin	622-9386
Maine Department of Envirnomental Protection	Steve McLaughlin	287-7768
Department of Conservation	Chris Martin	287-1073



AMENDMENT TO MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made as of the 1st day of April, 2014 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, and the Maine Department of Agriculture, Conservation and Forestry.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "DEP"), and the Maine Department of Conservation (the "Maine Forest Service") entered into a certain Memorandum of Understanding with an effective date of March 1, 2007 (the "Memorandum of Understanding") whereby funds totaling \$3 Million from the Maine Clean Water State Revolving Loan Fund Program were set-aside to provide linked deposit loans for silviculture activities deemed by the Maine Forest Service to be beneficial in the reduction of non-point source pollution; and

WHEREAS, by Amendments to said Memorandum of Understanding dated April 1, 2008, May 1, 2008, July 10, 2009, February 22, 2010, October 1, 2010, and April 1, 2012, the parties agreed to increase the amount of funding available for the program to \$9,000,000, to create a sub-revolving program, and extend the term of availability of the funds; and

WHEREAS, the Maine Department of Conservation is now known as the Maine Department of Agriculture, Conservation and Forestry;

WHEREAS, the parties do now agree to extend the period of availability of the funding until April 1, 2016.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the DEP, and the Maine Forest Service agree to amend the Memorandum of Understanding, as amended, as follows:

1. Section 1 (C) of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING AND REPAYMENTS

- (C) Program funds made available under sections (A) and (B) above shall be available until April 1, 2016. Funding previously allocated to outstanding loans shall continue to be available until the final payment on the loan is received or until the final maturity date of the loan, whichever occurs first.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Michael R. Goodwin
Its: Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: 

Patricia W. Aho
Its: Commissioner

DEPARTMENT OF AGRICULTURE,
CONSERVATION AND FORESTRY

By: 

Walter E. Whitcomb
Its: Commissioner

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made as of the 1st day of April, 2014 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, and the Maine Department of Agriculture, Conservation and Forestry.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "DEP"), and the Maine Department of Conservation (the "Maine Forest Service") entered into a certain Memorandum of Understanding with an effective date of March 1, 2007 (the "Memorandum of Understanding") whereby funds totaling \$3 Million from the Maine Clean Water State Revolving Loan Fund Program were set-aside to provide linked deposit loans for silviculture activities deemed by the Maine Forest Service to be beneficial in the reduction of non-point source pollution; and

WHEREAS, by Amendments to said Memorandum of Understanding dated April 1, 2008, May 1, 2008, July 10, 2009, February 22, 2010, October 1, 2010, and April 1, 2012, the parties agreed to increase the amount of funding available for the program to \$9,000,000, to create a sub-revolving program, and extend the term of availability of the funds; and

WHEREAS, the Maine Department of Conservation is now known as the Maine Department of Agriculture, Conservation and Forestry;

WHEREAS, the parties do now agree to extend the period of availability of the funding until April 1, 2016.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the DEP, and the Maine Forest Service agree to amend the Memorandum of Understanding, as amended, as follows:

1. Section 1 (C) of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING AND REPAYMENTS

- (C) Program funds made available under sections (A) and (B) above shall be available until April 1, 2016. Funding previously allocated to outstanding loans shall continue to be available until the final payment on the loan is received or until the final maturity date of the loan, whichever occurs first.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Michael R. Goodwin
Its: Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: 

Patricia W. Aho
Its: Commissioner

DEPARTMENT OF AGRICULTURE,
CONSERVATION AND FORESTRY

By: 

Walter E. Whitcomb
Its: Commissioner

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 1st day of April, 2012 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, and the Maine Department of Conservation, Maine Forest Service.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "DEP"), and the Maine Department of Conservation (the "Maine Forest Service") entered into a certain Memorandum of Understanding with an effective date of March 1, 2007 (the "Memorandum of Understanding") whereby funds totaling \$3 Million from the Maine Clean Water State Revolving Loan Fund Program were set-aside to provide linked deposit loans for silviculture activities deemed by the Maine Forest Service to be beneficial in the reduction of non-point source pollution; and

WHEREAS, by Amendments to said Memorandum of Understanding dated April 1, 2008, May 1, 2008, July 10, 2009, February 22, 2010, and October 1, 2010 the parties agreed to increase the amount of funding available for the program to \$9,000,000, to create a sub-revolving program, and extend the term of availability of the funds until April 1, 2012; and

WHEREAS, the parties do now agree to extend the period of availability of the funding until April 1, 2014.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the DEP, and the Maine Forest Service agree to amend the Memorandum of Understanding, as amended, as follows:

1. Section 1 (C) of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING AND REPAYMENTS

- (C) Program funds made available under sections (A) and (B) above shall be available until April 1, 2014. Funding previously allocated to outstanding loans shall continue to be available until the final payment on the loan is received or until the final maturity date of the loan, whichever occurs first.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: 

Patricia W. Aho
Its Commissioner

DEPARTMENT OF CONSERVATION

By: 

Douglas Denico
Its Director, Maine Forest Service

Karen L. Asselin

From: Karen L. Asselin
Sent: Monday, April 30, 2012 3:43 PM
To: True, John N; Kanoti, Keith
Cc: Karen L. Asselin
Subject: Revised MOU
Attachments: MOU Amendment - April 1, 2012.doc

John and Keith,

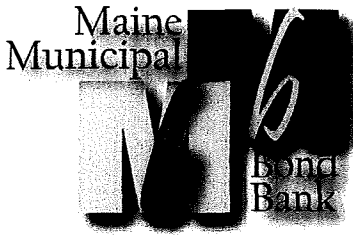
Last week our Board approved extending our MOU for the linked loan program until April 2014. An updated Amendment to the MOU is attached. I had to make one small change in the third whereas clause to add the word "agree" . Just a typo fix.

Anyway, John, since DEP wants first Dibs at signing this, please go ahead and do your thing and then send it to Keith and I'll have Bob sign it last. Once it is fully executed, I'll send copies to everyone.

Let me know if you have any questions.

Thanks.

Karen Asselin, SRF Program Officer
Maine Municipal Bond Bank
P.O. Box 2268
Augusta, Maine 04338
Voice (207) 622-9386
(800) 821-1113
Fax (207) 623-5359



Robert O. Lenna, *Executive Director*
Tel 207-622-9386
Fax 207-623-5359

MEMORANDUM

TO: Robert Lenna
FROM: Karen Asselin *K.A.*
RE: Renewal of Forestry Linked Loan Program
DATE: April 18, 2012

Our Memorandum of Understanding with the DEP and the Maine Forest Service for the Linked Deposit Loan Program promoting green forestry practices matured on April 1st. As you are aware, the program has been very successful since it began in April of 2007. The approximately \$14 Million of CWSRF loan funds that have been devoted to the program have been used to make over 50 loans to various master loggers throughout the state. Repayments from earlier loans are recycling back into the program and it has become self sustaining in the last couple of years. Given the success, each of the parties involved would like to renew the MOU to make the funds available for an additional two years. Other than the date change, all existing terms of the original MOU and subsequent amendments will remain as is.

We recommend approval of an extension in the term of the MOU until April 1, 2014.

Karen L. Asselin

From: True, John N [John.N.True@maine.gov]
Sent: Monday, March 26, 2012 11:58 AM
To: Karen L. Asselin; Kanoti, Keith
Subject: Forestry Direct Link MOU
Attachments: MOU for logging program - modified original 3-13-12.doc; MOU Amendment - April 1, 2012.doc
Hi Karen & Keith,

Attached is the Amendment to the Direct Link MOU as well as an updated Original Agreement. I have routed these documents through the Department and received an OK from the Commissioner on the Draft Amendment.

Karen is out until Thursday; however I believe she wants to present the MOU to her Board before it is sent out for signatures. Karen, please let us know if this is still the case.

Keith, do you need to bounce this past someone at your Department before it is signed? For some reason, someone in our Department wants the DEP Commissioner to sign first.

Keith, the reason that I am also attaching an updated Original Agreement is that our Department wanted to be referred to as "Maine DEP" vs. "State DEP" in the first paragraph. Also Karen updated the contact information in Appendix B to include you and me.

Karen, was there anything else we changed?

So, once I hear back from Keith on his Department's desire to review the MOU and Karen on the MMBB Board approval, I will forward the final MOU to the DEP Commissioner for signature.

John

<<MOU for logging program - modified original 3-13-12.doc>> <<MOU Amendment - April 1, 2012.doc>>

John N. True, P.E.
Engineering Services Manager
Department of Environmental Protection
(207)287-7808, Fax (207)287-3435
E-mail to: john.n.true@maine.gov

Extension of program until
April 1, 2014



Robert O. Lenna, *Executive Director*
Tel 207-622-9386
Fax 207-623-5359

May 18, 2012

John True
Maine Department of Environmental Protection
17 State House Station
Augusta, ME 04333-0017

Keith Kanoti
Maine Forest Service
22 State House Station
Augusta, Maine 04333

FILE COPY

Dear John and Keith:

A fully executed copy of the Amendment to our Memorandum of Understanding for the Forestry Linked Deposit Loan Program is enclosed. Funding in the program is now available until April 1, 2014.

Thanks to both of you for helping me to get this done.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Asselin", is written over the typed name.

Karen Asselin
CWSRF & DWSRF Program Officer

Enclosure

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 1st day of October, 2010 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, and the Maine Department of Conservation, Maine Forest Service.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "DEP"), and the Maine Department of Conservation (the "Maine Forest Service") entered into a certain Memorandum of Understanding with an effective date of March 1, 2007 (the "Memorandum of Understanding") whereby funds totaling \$3 Million from the Maine Clean Water State Revolving Loan Fund Program were set-aside to provide linked deposit loans for silviculture activities deemed by the Maine Forest Service to be beneficial in the reduction of non-point source pollution; and

WHEREAS, by Amendments to said Memorandum of Understanding dated April 1, 2008, May 1, 2008, July 10, 2009, and February 22, 2010 the parties agreed to increase the amount of funding available for the program to \$7,000,000, to create a sub-revolving program, and extend the term of availability of the funds until April 1, 2011; and

WHEREAS, the parties do now agree to increase the amount of funding available for this purpose to \$9,000,000 and to extend the period of availability of the funding until April 1, 2012.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the DEP, and the Maine Forest Service agree to amend the Memorandum of Understanding, as amended, as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING AND REPAYMENTS

- (A) The Bond Bank and the DEP will provide funding up to \$9,000,000 from the repayment monies in the CWSRF which can be drawn down and used to purchase Certificates of Deposit at Participating Banks for the purpose of creating a linked deposit loan at the Participating Bank. The method of purchasing the Certificate of Deposits, the definition of a Participating Bank, and the associated interest rate for the loans created shall all be as provided for in the Maine Forestry Linked Deposit Loan Program Participating Bank Agreement (the "Participating Bank Agreement"), the form of which is attached hereto.

(B) Any principal and interest received by the Bond Bank from a Participating Bank as provided for in section 3.2 of the Participating Agreement shall be reinvested in the program and made available for future linked deposit loans. This section shall be applied retroactively to include all principal and interest repayments received by the Bond Bank as of April 1, 2008.

(C) Program funds made available under sections (A) and (B) above shall be available until April 1, 2012. Funding previously allocated to outstanding loans shall continue to be available until the final payment on the loan is received or until the final maturity date of the loan, whichever occurs first.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:


MAINE MUNICIPAL BOND BANK

By: _____

Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____

Beth Nagusky
Its Acting Commissioner

DEPARTMENT OF CONSERVATION

By: _____

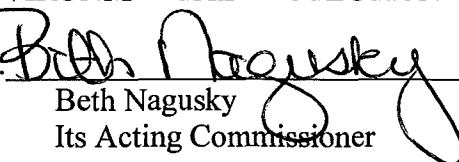
R. Alec Giffen
Its Director, Maine Forest Service

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By:  _____
Beth Nagusky
Its Acting Commissioner

DEPARTMENT OF CONSERVATION

By: _____
R. Alec Giffen
Its Director, Maine Forest Service

AGREED TO BY:


MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____
Beth Nagusky
Its Acting Commissioner

DEPARTMENT OF CONSERVATION

By:  _____
R. Alec Giffen
Its Director, Maine Forest Service

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 22nd day of February, 2010 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, and the Maine Department of Conservation, Maine Forest Service.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "DEP"), and the Maine Department of Conservation (the "Maine Forest Service") entered into a certain Memorandum of Understanding with an effective date of March 1, 2007 (the "Memorandum of Understanding") whereby funds totaling \$3 Million from the Maine Clean Water State Revolving Loan Fund Program were set-aside to provide linked deposit loans for silviculture activities deemed by the Maine Forest Service to be beneficial in the reduction of non-point source pollution; and

WHEREAS, by Amendments to said Memorandum of Understanding dated April 1, 2008, May 1, 2008, and July 10, 2009, the parties agreed to increase the amount of funding available for the program to \$6,000,000, to create a sub-revolving program, and extend the term of availability of the funds until April 1, 2010; and

WHEREAS, the parties do now agree to increase the amount of funding available for this purpose to \$7,000,000 and to extend the period of availability of the funding until April 1, 2011.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the DEP, and the Maine Forest Service agree to amend the Memorandum of Understanding, as amended, as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING AND REPAYMENTS

- (A) The Bond Bank and the DEP will provide funding up to \$7,000,000 from the repayment monies in the CWSRF which can be drawn down and used to purchase Certificates of Deposit at Participating Banks for the purpose of creating a linked deposit loan at the Participating Bank. The method of purchasing the Certificate of Deposits, the definition of a Participating Bank, and the associated interest rate for the loans created shall all be as provided for in the Maine Forestry Linked Deposit Loan Program Participating Bank Agreement (the "Participating Bank Agreement"), the form of which is attached hereto.

(B) Any principal and interest received by the Bond Bank from a Participating Bank as provided for in section 3.2 of the Participating Agreement shall be reinvested in the program and made available for future linked deposit loans. This section shall be applied retroactively to include all principal and interest repayments received by the Bond Bank as of April 1, 2008.

(C) Program funds made available under sections (A) and (B) above shall be available until April 1, 2011. Funding previously allocated to outstanding loans shall continue to be available until the final payment on the loan is received or until the final maturity date of the loan, whichever occurs first.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: *David P. Littell*
David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: _____
R. Alec Giffen
Its Director, Maine Forest Service

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____

David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: _____

R. Alec Giffen
Its Director, Maine Forest Service

AGREED TO BY:

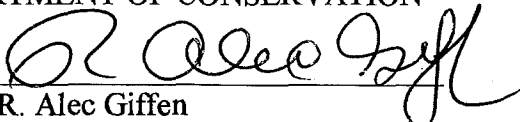
MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____
David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By:  _____
R. Alec Giffen
Its Director, Maine Forest Service

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 10th day of July, 2009 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, and the Maine Department of Conservation, Maine Forest Service.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "DEP"), and the Maine Department of Conservation (the "Maine Forest Service") entered into a certain Memorandum of Understanding with an effective date of March 1, 2007 (the "Memorandum of Understanding") whereby funds totaling \$3 Million from the Maine Clean Water State Revolving Loan Fund Program were set-aside to provide linked deposit loans for silviculture activities deemed by the Maine Forest Service to be beneficial in the reduction of non-point source pollution; and

WHEREAS, by Amendments to said Memorandum of Understanding dated April 1, 2008 and May 1, 2008, the parties agreed to increase the amount of funding available for the program to \$5,000,000, to create a sub-revolving program, and extend the term of availability of the funds until May 1, 2009; and

WHEREAS, the parties do now agree to increase the amount of funding available for this purpose to \$6,000,000 and to extend the period of availability of the funding until April 1, 2010.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the DEP, and the Maine Forest Service agree to amend the Memorandum of Understanding, as amended, as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING AND REPAYMENTS

- (A) The Bond Bank and the DEP will provide funding up to \$6,000,000 from the repayment monies in the CWSRF which can be drawn down and used to purchase Certificates of Deposit at Participating Banks for the purpose of creating a linked deposit loan at the Participating Bank. The method of purchasing the Certificate of Deposits, the definition of a Participating Bank, and the associated interest rate for the loans created shall all be as provided for in the Maine Forestry Linked Deposit Loan Program Participating Bank Agreement (the "Participating Bank Agreement"), the form of which is attached hereto.

(B) Any principal and interest received by the Bond Bank from a Participating Bank as provided for in section 3.2 of the Participating Agreement shall be reinvested in the program and made available for future linked deposit loans. This section shall be applied retroactively to include all principal and interest repayments received by the Bond Bank as of April 1, 2008.

(C) Program funds made available under sections (A) and (B) above shall be available until April 1, 2010. Funding previously allocated to outstanding loans shall continue to be available until the final payment on the loan is received or until the final maturity date of the loan, whichever occurs first.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____

David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: _____

R. Alec Giffen
Its Director, Maine Forest Service

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: 

David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: _____

R. Alec Giffen
Its Director, Maine Forest Service

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____

David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: 

R. Alec Giffen
Its Director, Maine Forest Service

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 1st day of May, 2008 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, and the Maine Department of Conservation, Maine Forest Service.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "DEP"), and the Maine Department of Conservation (the "Maine Forest Service") entered into a certain Memorandum of Understanding with an effective date of March 1, 2007 (the "Memorandum of Understanding") whereby funds totaling \$3 Million from the Maine Clean Water State Revolving Loan Fund Program were set-aside to provide linked deposit loans for silviculture activities deemed by the Maine Forest Service to be beneficial in the reduction of non-point source pollution; and

WHEREAS, by an Amendment to said Memorandum of Understanding dated March 1, 2008, the parties agreed to increase the amount of funding available for the program from \$3 Million to \$5 Million and to extend the term of availability of the funds until April 1, 2009; and

WHEREAS, the parties do now agree to create a sub-revolving fund to provide additional funding for the program whereby all interest and principal repaid from linked deposit loans issued is returned to the program and made available for future linked deposit loans made within the 12 month period of fund availability.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the DEP, and the Maine Forest Service agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING AND REPAYMENTS

- (A) The Bond Bank and the DEP will provide funding up to \$5,000,000 from the repayment monies in the CWSRF which can be drawn down and used to purchase Certificates of Deposit at Participating Banks for the purpose of creating a linked deposit loan at the Participating Bank. The method of purchasing the Certificate of Deposits, the definition of a Participating Bank, and the associated interest rate for the loans created shall all be as provided for in the Maine Forestry Linked Deposit Loan Program Participating Bank Agreement (the "Participating Bank Agreement"), the form of which is attached hereto.

(B) Any principal and interest received by the Bond Bank from a Participating Bank as provided for in section 3.2 of the Participating Agreement shall be reinvested in the program and made available for future linked deposit loans. This section shall be applied retroactively to include all principal and interest repayments received by the Bond Bank as of April 1, 2008.

(C) Program funds made available under sections (A) and (B) above shall be available for a period of 12 months from the date of this agreement. Funding previously allocated to outstanding loans shall continue to be available until the final payment on the loan is received or until the final maturity date of the loan, whichever occurs first.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 

Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____

David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: 

R. Alec Giffen
Its Director, Maine Forest Service

(B) Any principal and interest received by the Bond Bank from a Participating Bank as provided for in section 3.2 of the Participating Agreement shall be reinvested in the program and made available for future linked deposit loans. This section shall be applied retroactively to include all principal and interest repayments received by the Bond Bank as of April 1, 2008.

(C) Program funds made available under sections (A) and (B) above shall be available for a period of 12 months from the date of this agreement. Funding previously allocated to outstanding loans shall continue to be available until the final payment on the loan is received or until the final maturity date of the loan, whichever occurs first.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____
David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: _____
R. Alec Giffen
Its Director, Maine Forest Service

AMENDMENT OF MEMORANDUM OF UNDERSTANDING

This Amendment to Memorandum of Understanding is made this 1st day of April, 2008 by and between the Maine Municipal Bond Bank, the Maine Department of Environmental Protection, and the Maine Department of Conservation, Maine Forest Service.

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank"), the Maine Department of Environmental Protection (the "DEP"), and the Maine Department of Conservation (the "Maine Forest Service") entered into a certain Memorandum of Understanding with an effective date of March 1, 2007 (the "Memorandum of Understanding") whereby funds totaling \$3 Million from the Maine Clean Water State Revolving Loan Fund Program were set-aside to provide linked deposit loans for silviculture activities deemed by the Maine Forest Service to help reduce non-point source pollution; and

WHEREAS, all or substantially all of the funds set aside for this purpose have been utilized for program activities; and

WHEREAS, the parties do now agree to increase the amount of funding available for this purpose to \$5 Million.

NOW, THEREFORE, for good and valuable consideration, the Bond Bank, the DEP, and the Maine Forest Service agree to amend the Memorandum of Understanding as follows:

1. Section 1 of the Memorandum of Understanding is deleted and replaced by the following section:

SECTION 1. FUNDING

The Bond Bank and the DEP will provide the funding up to \$5,000,000 from the repayment monies in the CWSRF which can be drawn down for a period of 12 months from the date of this MOU, as amended, to be used to purchase Certificates of Deposit with Participating Banks for the purpose of creating a linked deposit loan at the Participating Bank. The method of purchasing the Certificate of Deposits, the standards for defining a Participating Bank and the associated interest rate for the loans created shall all be as provided for in the Maine Forestry Linked Deposit Loan Program Participating Bank Agreement (the "Participating Bank Agreement"), the form of which is attached hereto.

In all other respects, the provisions of the original Memorandum of Understanding, as amended, shall remain in full force and effect.

AGREED TO BY:


MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____
David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By:  _____
R. Alec Giffen
Its Director, Maine Forest Service

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: _____
Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

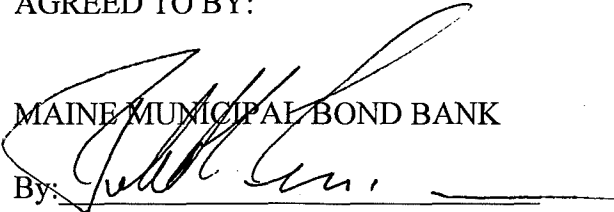
By: _____
David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: _____
R. Alec Giffen
Its Director, Maine Forest Service

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 
Robert O. Lenna
Its Executive Director

MAINE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: _____
David P. Littell
Its Commissioner

DEPARTMENT OF CONSERVATION

By: _____
R. Alec Giffen
Its Director, Maine Forest Service

MEMORANDUM OF UNDERSTANDING

between

DEPARTMENT OF DEFENSE, VETERANS, and EMERGENCY MANAGEMENT

MAINE EMERGENCY MANAGEMENT AGENCY

and

MAINE MUNICIPAL BOND BANK

WHEREAS, the Maine Municipal Bond Bank (the "Bond Bank") administers loan programs funded with monies from various State and Federal agencies; and

WHEREAS, the Maine Emergency Management Agency ("MEMA"), an agency of the Maine Department of Defense, Veterans and Emergency Management (DVEM), is authorized by Title 37-B MRSA, Chapter 24 §1130, to administer the State of Maine Dam Repair and Reconstruction Fund (the "Dam Repair Fund"); and

WHEREAS, Public Law 2001 Chapter 71 authorized the issuance of public bonds on behalf of the State of Maine to capitalize the Dam Repair Fund; and

WHEREAS, the Bond Bank and MEMA intend to administer a Low Interest Revolving Loan Program to Maine municipalities for engineering, legal, construction and similar related costs involved in acquiring title to, establishing a long-term management plan for, repairs to, reconstruction of, breaching of or removal of a dam or to pay emergency costs incurred for actions taken pursuant to Title 37-B MRSA, Chapter 24 §1114; and

WHEREAS, the Bond Bank and MEMA desire to utilize a portion of the monies authorized in state statute to provide funding for the Dam Repair and Reconstruction Fund Revolving Loan Program (the "Dam Repair Loan Program").

NOW, THEREFORE, the Bond Bank and MEMA enter into this Memorandum of Understanding (MOU) as follows.

SECTION 1. FUNDING.

MEMA will provide the Bond Bank with up to \$300,000.00 in funding from the Dam Repair and Reconstruction Fund monies authorized by §1130, Chapter 24, MRSA Title 37-B which can be drawn down for a period of thirty six (36) months from the date of this contract to be used to make low interest loans to designated municipal and quasi-municipal entities for the purposes outlined above.

The method of determining project eligibility shall be as provided for in the Dam Repair and Reconstruction Fund Revolving Loan Program Regulations (the "Loan Program Regulations").

SECTION 2. ELIGIBLE IMPROVEMENTS.

- A. Funds advanced hereunder may only be used to finance 1) engineering studies to determine structural deficiencies and/or plans for repair or 2) small (less than \$100,000.00) repair and reconstruction projects, to include engineering, legal, and similar related costs associated with the repairs and the origination of the loan made hereunder.
- B. Eligibility determinations for the purposes of loans made under this program will be made by MEMA. MEMA shall certify to the Bond Bank that each project otherwise eligible for financing has met the requirements specified in the Loan Program Regulations before a loan can be made.

SECTION 3. TERMS OF LOANS.

- A. The terms of all loans funded from the Dam Repair Loan Program shall be established by the Bond Bank, provided that no loan established hereunder shall have a term greater than 5 years.
- B. The interest rate for loans made under the program shall be fixed at 2% below the Bond Bank's then-current Standard Rate for tax-exempt lending at the time the loan is made. At no time will the interest rate be less than zero.

SECTION 4. ADMINISTRATION OF THE PROGRAM.

- A. Funds up to the maximum amount set forth in Section 1 shall be transferred by MEMA to the Bond Bank for the purpose of making low interest loans.
- B. MEMA shall be responsible for the following:
 - i. Developing the Loan Program Regulations to implement this Agreement, pursuant to Paragraph 3, §1130, Chapter 24, MRSA Title 37-B. The final Loan Program Regulations are attached to this Agreement as Appendix A, and can be found at:
<http://www.maine.gov/sos/cec/rules/15/chaps15.htm>
 - ii. Pre-qualifying each request for funding to ensure the proposed dam repair, reconstruction, or engineering study meets the requirements of Section 2A above as well as the Loan Program Regulations.
- C. The Bond Bank shall be responsible for the following:
 - i. Conducting a financial review and making a determination of credit quality for the purpose of making loans to the eligible borrowers in the program
 - ii. Disbursing funds upon receipt of approved payment requests (see Appendix C. of this document)

- iii. Collecting loan repayments
- iv. Investment of funds available to the program

D. The Bond Bank shall provide to MEMA upon request, but at least annually, the number of loans issued, the amount of loan funds dedicated to those loans, and the amount of funds still available to be lent from the program.

SECTION 5. EFFECTIVE DATE & TERM.

This Memorandum of Understanding is effective as of June 3, 2013 and shall terminate when all outstanding loans have been repaid in full.

SECTION 6. AMENDMENTS.

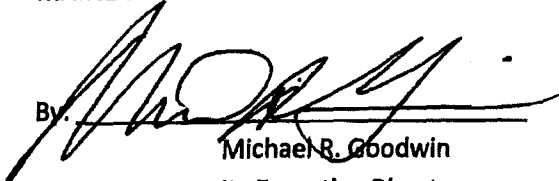
This Memorandum of Understanding may be amended at any time but only in writing executed by the Bond Bank and DVEM/MEMA which expresses the clear intention to amend this MOU.

AGREED TO ON THIS DATE:

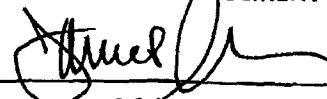
June 3, 2013

AGREED TO BY:

MAINE MUNICIPAL BOND BANK

By: 
Michael R. Goodwin
Its Executive Director

**MAINE DEPARTMENT OF DEFENSE, VETERANS
AND EMERGENCY MANAGEMENT**

By: 
BG James D. Campbell
Its Commissioner

APPENDIX A

Dam Repair and Reconstruction Fund Revolving Loan Program Regulations

(attachment)

APPENDIX B

AGENCY CONTACTS

Below is a list of the contact names, phone numbers and email addresses for the persons acting as the point of contact for each of the agencies that are a party to this Agreement.

Agency	Contact Name	Phone Number	Email Address
Maine Municipal Bond Bank	Karen Asselin	207.622.9386	kla@mmbb.com
MEMA	Mark Hyland	207.624.4443	mark.hyland@maine.gov
MEMA	Bruce Fitzgerald	207.624.4471	bruce.fitzgerald@maine.gov

APPENDIX C

**APPROVAL OF MAINE EMERGENCY MANAGEMENT AGENCY
DAM REPAIR LOAN PROGRAM**

Requisition Number ____ in the amount of _____ for the

(borrower name)

has been reviewed by the Maine Emergency Management Agency and is approved for immediate
payment Pursuant to the Memorandum of Understanding dated _____.

Maine Emergency Management Agency

Date: _____

By: _____

**15 DEPARTMENT OF DEFENSE, VETERANS AND EMERGENCY
MANAGEMENT**

214 MAINE EMERGENCY MANAGEMENT AGENCY

**Chapter 4: MAINE DAM REPAIR AND RECONSTRUCTION REVOLVING LOAN
PROGRAM**

Summary: These rules govern the application and approval process for projects to be considered for funding through the Maine Dam Repair and Reconstruction Revolving Loan Program, established pursuant to Title 37-B MRSA §1130, and implemented by a Memorandum of Understanding between the Maine Emergency Management Agency and the Maine Municipal Bond Bank.

SECTION 1. Definitions

1. "Agency" means the Maine Emergency Management Agency within the Department of Defense, Veterans and Emergency Management.
2. "Bond Bank" means the Maine Municipal Bond Bank.
3. "Commissioner" means the Commissioner of the Department of Defense, Veterans and Emergency Management.
4. "Department" means the Department of Defense, Veterans and Emergency Management.
5. "Director" means the Director of the Maine Emergency Management Agency, within the Department of Defense, Veterans and Emergency Management.
6. "Dam" has the same meaning as set forth in Title 37-B MRSA §1111, sub-§1.
7. "Emergency action plan" has the same meaning as set forth in Title 37-B MRSA §1111, sub-§5.
8. "Fund" means the Dam Repair and Reconstruction Fund established by Title 37-B MRSA §1130.
9. "Hazard potential" has the same meaning as set forth in Title 37-B MRSA §1111, sub-§6.
10. "Professional engineer" means an individual who is licensed as an engineer under Title 32 MRSA chapter 19 and who is experienced in the inspection and design of dams.
11. "Management Plan" means a plan or written set of procedures to: operate and maintain the dam; adjust water flow during normal and emergency conditions; operate the spillways; operate the gates or water level controls; repair and maintain the structure; control security and vandalism; maintain access, ensure spillways are not blocked; test mechanical equipment; keep records; and report dam incidents to the relevant authorities.

12. "Municipality" has the same meaning as set forth in Title 30-A MRSA §5903, sub-§7.
13. "Program" means the Maine Dam Repair and Reconstruction Revolving Loan Program.
14. "Public safety" or "safety of the public" has the same meaning as set forth in Title 37-B MRSA §1111, sub-§9.
15. "Quasi-municipal corporation or district" has the same meaning as set forth in Title 30-A MRSA §2351, sub-§4.
16. "State Dam Inspector" has the same meaning as set forth in Title 37-B MRSA §1111, sub-§10.

SECTION 2. Eligibility

1. **Applicants.** The applicant must be a municipality or a quasi-municipal corporation or district that owns or is proposing to acquire a dam.
2. **Projects.** Applicants may apply for a loan for a project in one or more of the following categories:
 - A. **Acquisition** – engineering and legal costs necessary to acquire title to a dam for the purpose of repair, reconstruction or removal.
 - B. **Engineering** – engineering studies to determine structural deficiencies and/or to develop plans for repair or reconstruction of a dam.
 - C. **Repair or reconstruction** – engineering, construction and/or related legal costs necessary to repair or reconstruct a dam.
 - D. **Removal** – engineering, construction and/or related legal costs for breaching or removal of a dam.
 - E. **Emergency remedial measures** – costs incurred to address an emergency situation, as defined in Title 37-B MRSA §1111, sub-§4, or to comply with a dam safety order issued pursuant to Title 37-B MRSA §1119, sub-§4.
3. **Loan Requests.** Applicants may request a loan of up to one hundred thousand dollars (\$100,000.00) per application, with a payback period of up to five (5) years.

SECTION 3. Application procedure and content

1. **Deadlines for submission of applications.** The Agency will establish a schedule for receipt of applications each year based on the availability of funds.
 - A. The Agency will publish a notice, at least once a year, indicating a period of not less than 60 days during which applications for loans will be accepted. Notice will be posted on the agency's web site and sent directly to any municipality or

quasi-municipal district or corporation that has submitted a written request to the Agency within the previous year asking to be notified of the application period.

- B. Notwithstanding the schedule for receipt of applications set by the Agency, the Director may accept an application at any time if the applicant is applying for funds to address an emergency situation at a dam, as defined in Title 37-B MRSA section 1111, sub-§ 4, and if the fund balance is sufficient to support an approved application.
 - C. Applications that are accepted as complete will remain active with the Agency for a period of one year from the date of acceptance, unless sooner withdrawn by the applicant. Notice of such withdrawal must be submitted in writing to the Agency.
2. **Contents of application.** Applications must be submitted on a form provided by the Agency, together with supporting materials required by the Agency for each type of project as indicated on the form. If an applicant is seeking funding for projects at more than one dam, a separate application must be submitted for each dam.
- A. Each application must include the following information:
 - 1. An Emergency Action Plan for the dam, which has been updated within two years prior to submission of the application and meets the requirements of Title 37-B MRSA §1127.
 - 2. A statement, including a reference to relevant source documents, indicating the purpose of the dam, and the applicant's title, right or interest in the dam and any appurtenant facilities or property that are the subject of the application. If the applicant does not currently hold title to the dam, the application must include a statement with supporting documentation identifying all persons or entities holding title, right or interest in the property that is the subject of the application.
 - 3. A description of the dam project and cost estimates for all the work to be completed as part of the proposed project.
 - 4. The amount of the loan requested by the applicant.
 - 5. The name, address and qualifications of any professionals whose services are to be paid for with the loan proceeds.
 - 6. Photographs of the dam showing its current condition.
 - 7. A map showing the location of the project.
 - 8. For any application seeking funds for repair or reconstruction, a recent condition report including inspection findings, a current engineering assessment (completed not less than one year prior to submission of the application) of the dam, including any recommendations for repair or reconstruction or for further study, a stability analysis and any other

engineering analysis. This may be a report issued by the State Dam Inspector.

9. Financial information as may be required by or useful to the Bond Bank in making a determination of the applicant's ability to pay back the loan.
10. For any application seeking funds for repair, reconstruction, or removal of a dam, all federal, state or local permits, licenses or other regulatory approvals required to implement the project, or documentation confirming that no such regulatory approvals are required.

B. Additional information that may be submitted, as appropriate, includes:

1. A history of dam construction and repairs to the dam and any appurtenant facilities.
 2. Operation, maintenance, design, and construction records.
 3. Previous reports and design proposals.
 4. Natural resource assessments that identify diadromous species and all species listed as threatened or endangered.
 5. A statement regarding the presence of any threatened or endangered species.
3. Initial review for completeness and eligibility. All applications will be reviewed initially for completeness and to determine whether the project is eligible for the loan program. The Agency will notify the applicant of any deficiencies, which must be corrected by the deadline for that application period in order for the application to be accepted for filing. Applications for eligible projects will be accepted for filing if complete.
 4. Additional information. The Agency may request additional information from the applicant after the application deadline if necessary to rate the application pursuant to section 4.

SECTION 4. Evaluation of Proposals

1. All applications that have been accepted for filing and are active with the Agency will be ranked in order of priority according to the following scoring criteria, summarized in the table below:
 - A. The initial score will be based on the hazard potential of the dam which is the subject of the application. Projects involving high hazard potential dams will be assigned the highest priority (5 points); significant hazard potential dams will receive the next highest priority (3 points); and low hazard potential dams will receive the lowest priority (1 point).
 - B. Each project will then be scored according to the condition of the dam and the risk of failure. Dams that are in poor condition, meaning that they appear to have

structural defects that are likely to cause failure and uncontrolled release of water downstream, will be assigned the highest priority (5 points); dams in fair condition, meaning that they appear to have only minor structural defects or operational and maintenance defects presenting a moderate risk of causing an uncontrolled release of water downstream, will be assigned an intermediate level of priority (3 points); and dams in good condition, meaning that they appear to be adequately designed, operated and maintained, will receive the lowest priority (1 point). Inspection reports or analyses prepared by the State Dam Inspector may be considered in conducting this evaluation.

- C. The applications will be scored according to the nature of the remedial work proposed and the degree to which it will reduce identified risks to public safety. Projects involving emergency remedial measures to address an emergency situation or to comply with a dam safety order, as described in section 2.2.E of this rule, will be assigned the highest priority (5 points). Non-emergency repair, reconstruction and removal projects that directly reduce risks to public safety will be assigned 3 points. Projects for plan development and legal work will be assigned 1 point. Applications for repair or reconstruction that do not address identified risks to public safety will be assigned 0 points.

TABLE OF CRITERIA USED TO RANK PROJECTS

Risk Criteria	Ranking	Points
Hazard Potential	High	5
	Significant	3
	Low	1
Condition	Poor	5
	Fair	3
	Good	1
Nature of project	Emergency remedial measures	5
	Non-emergency repair, reconstruction or dam removal	3
	Plan development or legal work	1
	Repair or reconstruction project that does not address identified risk to public safety	0

SECTION 5. Approval

1. The Agency will notify the Bond Bank which projects have been pre-approved for funding based on the ranking of the proposals described in section 4 above and on the availability of funds. The Bond Bank will then evaluate the financial information submitted by the applicant for each pre-approved project and advise the Agency if the loan has been approved or denied. In the event that the loan is denied by the Bank, the applicant shall be given an opportunity to provide such additional information as it deems may be useful in re-evaluating the loan for approval.
2. The Director will notify the applicants that have received final approval for a loan and refer them to the Bond Bank for execution of a loan agreement in accordance with section 6 of this rule.
3. Applicants whose projects were not approved for funding will be notified in writing of the grounds for that decision. All active applications will remain on file with the Agency for consideration in the next application cycle if sufficient funds remain in the Program.

SECTION 6. Terms of Loans

1. The term of each loan shall be established by the Bond Bank as set forth in the loan agreement, but no loan under this program shall have a term greater than five (5) years.
2. The interest rate for loans under this Program shall be fixed at two percent (2%) below the Bond Bank's then-current Standard Rate for tax-exempt lending at the time the loan is made. At no time will the interest rate be lower than 0%.

SECTION 7. Disbursement of funds

1. Disbursement of funds by the Program will be on a reimbursement basis, up to the approved amount of the loan.
3. Once a loan agreement has been executed by the applicant and the Bond Bank, the applicant may submit invoices for reimbursement to the Agency for approval. All approved reimbursement requests will be forwarded to the Bond Bank for payment.
4. The applicant will be responsible for informing the Agency when the project is complete.

SECTION 8. Loan repayment

1. Repayment of loans issued under this Program shall be submitted to the Bond Bank and made in accordance with the terms set forth in the loan agreement executed by the Bond Bank and the successful applicant. All repayments received from borrowers of the program, will be re-deposited into the revolving loan fund and made available for future year funding requests.
-

STATUTORY AUTHORITY: 37-B MRSA §1130

EFFECTIVE DATE:

May 20, 2013 – filing 2013-114

**Title 37-B: DEFENSE, VETERANS AND EMERGENCY
MANAGEMENT HEADING: PL 1997, C. 455, §9 (RPR)
Chapter 24: DAM SAFETY HEADING: PL 2001, C. 460, §3 (NEW)**

§1130. Dam Repair and Reconstruction Fund

1. Fund established. The Dam Repair and Reconstruction fund, referred to in this section as the "fund," is established within the department. The department shall administer the fund and make low-interest loans from the fund for purposes pursuant to this section. The department may seek assistance from the Maine Municipal Bond Bank in administering the fund.

2. Purposes. The department may use the fund to provide low-interest loans to municipalities and quasi-municipal corporations or districts for engineering, legal and construction costs involved in acquiring title to, establishing a long-term maintenance plan for, repairs to, reconstruction of, breaching of or removal of a dam or to pay emergency costs incurred for actions taken pursuant to section 1114. For the purposes of this section, "municipality" has the same meaning as set out in Title 26-A, section 3801, subsection 2-A and "quasi-municipal corporation or district" has the same meaning as set out in Title 30-A, section 2381, subsection 4.

[2001, C. 460, §4 (AMD)]

3. Rulemaking. The department shall adopt rules to implement this section, including criteria and procedures for the application for and award of low-interest loans from the fund and for repayment of loans to the fund. Rules adopted pursuant to this section are routine technical rules as defined in Title 5, chapter 375, subchapter H-A.

[2001, C. 460, §3 (NEW)]

4. Nonlapsing. Any balance in the fund at the end of the fiscal year may not lapse but must be carried forward to the next fiscal year.

CLEAN WATER STATE REVOLVING FUND FEDERAL FISCAL YEAR 2014 FINAL INTENDED USE PLAN

July 2014

Document No. DEPL1220-D-2014

Contact: John N. True, CWSRF Program Manager
Phone: (207) 287-7808



MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION
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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
FEDERAL FISCAL YEAR 2014 INTENDED USE PLAN	3
FEDERAL FISCAL YEAR 2014 AVAILABLE FUNDS	10
CWSRF APPROPRIATION	11
PROJECTED BINDING COMMITMENT SCHEDULE	12
2014 CWSRF PROPOSED PROJECT FUNDING LIST	13
PROJECT PRIORITY POINT SYSTEM	14
INTRODUCTION	14
MUNICIPAL CONSTRUCTION GRANTS PROGRAM	15
ENVIRONMENTAL PRIORITY POINT SYSTEM	17
PRIORITY SUBSYSTEMS	18
NOTES ON PRIORITY LIST FORMAT	23
PRIORITY RANKING SYSTEM	24
2014 PRINCIPAL FORGIVENESS	24
AFFORDABILITY PRINCIPAL FORGIVENESS	25
ENERGY AUDITS AND ASSET MANAGEMENT PRINCIPAL FORGIVENESS ..	28
ENERGY AUDITS	28
ASSET MANAGEMENT AND RESERVE ACCOUNTS	28
DISTRIBUTION OF UNALLOCATED PRINCIPAL FORGIVENESS	29
ADDITIONAL POINTS ADDED TO ENVIRONMENTAL PRIORITY POINTS	30
MULTI-YEAR SRF PROJECT PRIORITY LIST	32
ADDITIONAL NEEDS	40
SAND/SALT STORAGE AREAS	41

EXECUTIVE SUMMARY

The Clean Water State Revolving Fund (CWSRF or SRF) was created in 1987 under Title VI of the Federal Water Pollution Control Act (a.k.a. Clean Water Act) with the purpose of establishing a water pollution control revolving fund for providing assistance for construction of publicly owned treatment works, implementing nonpoint source management programs, and implementing conservation and management plans in National Estuary watersheds.

Under this authority the state receives federal capitalization grants from the Environmental Protection Agency (EPA) to fund the program. These grants must be matched with a 20% state share. These funds plus the interest and principal repayments from previous loans are loaned to eligible borrowers at a low interest rate for a maximum term of 20 years. Recent changes in the program have allowed for some of the loan principal to be forgiven.

Federal regulations require states with SRFs to develop Intended Use Plans (IUP) identifying the intended uses of the funds and describe how those uses support the goals of the SRF. The IUP must be prepared annually and must be subject to public comment and review before being submitted to EPA. The IUP must also be submitted to EPA prior to award of the capitalization grant.

The Department of Environmental Protection (Department) has developed this Intended Use Plan to comply with the requirements set forth in the federal regulations. The IUP contains the programs long and short term goals, the Department's environmental priority point system, the priority ranking system for the 2014 projects, and the methodology for distribution of loan principal forgiveness for affordability, energy audits and asset management. It also contains information on the available loan funds and the projects that are to be funded.

The Department and the Maine Municipal Bond Bank (Bond Bank) jointly administer the Clean Water State Revolving Fund. The Department administers the technical aspects of the program and the individual projects funded by it, while the Bond Bank is the financial manager of the fund.

The CWSRF is a major source of low interest financing for publicly owned wastewater treatment facilities and other municipal projects intended to protect and improve the quality of surface and ground water. The CWSRF provides interim funding for project at an interest rate of 3% and provides long term loans, up to 20 years, at an interest rate that is 2% below the current market rate at the Bond Bank. SRF loans may be obtained for projects such as planning, design, and construction of wastewater collection systems; sewer system separation and upgrades; wastewater pumping station construction and improvements; reduction, treatment, or elimination of combined sewer overflows; wastewater treatment facility construction, improvement, or upgrading; wastewater outfalls; sludge treatment and disposal systems; non-point pollution abatement; landfill closures; sand/salt sheds; and other water pollution abatement projects. The Department reviews and approves potential projects for SRF eligibility. Under certain circumstances the SRF program may also benefit communities by refinancing pollution control projects that have already been constructed and financed by another agency.

Maine's federal capitalization grant for 2014 is \$10,853,000 and the required state match is \$2,170,600. Of the capitalization grant amount the CWSRF is required to provide between \$590,595 and \$885,892 in additional subsidy to loan recipients. The additional subsidy will be provided to borrowers in the form of loan principal forgiveness. In addition, the FY2014 Appropriations Act requires states to make no less than 10 percent (\$1,085,300 for Maine) of their capitalization grant available to fund green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.

The Department solicited projects from municipalities and districts to be ranked for funding offers containing principal forgiveness. The Department received funding requests for 20 projects from loan applicants totaling \$23,849,379. After ranking the projects the Department made loan offers to all the applicants utilizing the maximum principal forgiveness of \$885,892. Applicants had until May 23rd to accept the loan offers. The *2014 CWSRF Proposed Project Funding List*, starting on page 13, contains a listing of the projects that are still seeking CWSRF financial assistance, a brief description of the projects, the loan and principal forgiveness being offered for these projects, as well as other information pertinent to the CWSRF program.

Taking into consideration the existing repayment funds and after receiving the 2014 capitalization grant and the associated state match, the CWSRF will have approximately \$30 million in funding available. The Proposed Project Funding List in the IUP shows a funding need of approximately \$21 million. Any funding not committed to the borrowers on the list will be used to fund additional project requests that come in throughout the year.

In compliance with the requirement in the Clean Water Act, Section 606(c) to provide for public review and comment, the Department posted the Intended Use Plan in draft form at <http://www.maine.gov/dep/water/grants/srfparag.html>, on June 11, 2014. The Department has also provided notice of the availability of the draft IUP to all organizations and individuals in its distribution list by email and/or letter on June 10, 2014, requesting all comments be submitted by 5:00 p.m., June 27th. No comments were received. The final IUP was posted at the website listed above, on or around July 23rd.

CLEAN WATER STATE REVOLVING FUND FEDERAL FISCAL YEAR 2014 INTENDED USE PLAN

A. Introduction

Federal fiscal year 1989 (FFY 1989) marked the beginning of Maine's transition from a grant program to fund water quality improvement projects to a program financed by the Clean Water State Revolving Fund (CWSRF or simply SRF). In FFY 1989 and 1990 fifty percent of Maine's federal allocation went to the grant program while the remaining fifty percent went to capitalize the loan fund. Since FFY 1991 Maine's federal allocation has gone to the CWSRF. States must provide a 20% match to receive the federal dollars authorized. Since inception, Maine citizens and the legislature have approved over \$52 million to fund the state match through FFY 2013, generally in the form of a state bond referendum. The Maine Municipal Bond Bank (MMBB) is the financial manager of Maine's CWSRF and the Department of Environmental Protection (DEP) administers the technical aspects of the program and the individual projects funded by it. The primary purpose of the fund is to, "acquire, design, plan, construct, enlarge repair or improve publicly-owned sewage systems, sewage treatment plants or to implement related management programs". The long term goal of the SRF is to maintain and improve Maine's inventory of municipal sewage facilities in perpetuity. This will ensure preservation of the water quality gains that were realized by initial construction of them.

The FFY 2014 capitalization grant is the 25th that Maine has made application for to capitalize the state's revolving loan fund (SRF). This Intended Use Plan (IUP) identifies the projects that are expected to receive loans from FFY 2014 dollars. Maine's Environmental Priority Point System is used to rank CWSRF projects, but does not dictate the order of funding. The projects in this IUP are listed in Maine's Multi-Year SRF Project Priority List. FFY 2014 is the fifth year that loan principal forgiveness will be offered, as required by federal law. The Department of Environmental Protection (DEP) will be providing affordability loan principal forgiveness to some applicants and will also provide incentives of loan principal forgiveness for comprehensive wastewater process energy audits and the implementation of asset management plans that include the establishment of repair and replacement reserve accounts. 2014 projects to receive loan principal forgiveness were ranked and selected using additional criteria to the Environmental Priority Point System. This ranking system is described later in this document.

All treatment works projects which receive loan assistance must comply with the National Environmental Policy Act (NEPA) review requirements. The State of Maine Revolving Fund Rules, Chapter 595 administered by the Department and Maine Municipal Bond Bank contain these requirements. Section C.5, Required Environmental Review and Determinations, contains the environmental review procedures.

B. Required Environmental Review and Determinations

As required by the provisions of Section 602 (b) (6) of the Clean Water Act, a.k.a. CWA or simply Act, the Department will conduct an interdisciplinary environmental review of treatment works construction projects proposed for funding through the SRF. This review will insure that the Project will comply with the applicable local, state and federal laws and Department rules relating to the protection and enhancement of the environment. Based upon the staff review, the Department will make formal determinations regarding the potential social and environmental impacts of the proposed Project. If necessary, the determinations of the Department will include mitigative provisions as a condition of the provision of Financial Assistance for construction. No Financial Assistance for the construction of a treatment works project will be provided until a final environmental determination has been made by the Department.

There are three basic environmental determinations that will apply to Projects proposed to be implemented with assistance from the fund. These are: (1) a determination to categorically exclude a Project from a formal environmental review, (2) a finding of no significant impact (FNSI) based upon a formal environmental review supported by an environmental information document (EID) and, (3) a determination to provide or not to provide Financial Assistance based upon a record of decision (ROD) following the preparation of an environmental impact statement (EIS).

The Department reports environmental and public health benefits for all assistance agreements in EPA's Clean Water Benefits Reporting (CBR) system. This information is summarized and appended to the CWSRF Annual Report.

C. Long Term Goals

The Water Quality Act of 1987 created a new authority that allows EPA to make grants which capitalize State Water Pollution Control Revolving Funds (SRFs). Maine made the decision to take advantage of the federal dollars being offered and established an SRF. The Maine Municipal Bond Bank is the lending institution. The primary purpose of the fund is to, "acquire, design, plan, construct, enlarge, repair or improve a publicly-owned sewage system, sewage treatment plant or to implement a related management program". The long term goal of the SRF is to maintain and improve Maine's water quality by providing financial assistance to water quality projects. The main emphasis of the program is to provide financial assistance to maintain the inventory of municipal sewage facilities in perpetuity. This will ensure the preservation of the water quality gains that were realized by the initial construction of the facilities.

In an attempt to meet the long term needs of treatment facilities and water quality projects in Maine the MMBB, in addition to lending federal capitalization grant and state matching dollars, can lend additional bond dollars for every federal and state dollar available. This is accomplished by making parallel loans of capitalization grant at 0% and bond loan dollars at market rates. This maximizes the total loan amount available and allows the overall loan interest rate to remain below market rate. The ratio of additional bond dollars added to the funds available varies depending on the market rate; however for estimating purposes it is roughly 1:1.

Through FFY 2013 the state match has been funded, almost exclusively, by appropriations of State of Maine General Obligation Bonds as approved by voters. Current State fiscal policy is to reduce the State interest costs due to borrowing and seek other ways to fund the state match. With the enactment of Public Law 2013, Chapter 269 (LD 1555) the 126th Maine Legislature established a 10 year revenue stream, from the State's wholesale liquor contract, for future state match starting at the end of state fiscal year 2015. State fiscal year 2015 projected revenues from the contract are not expected to fully fund the required federal 2014 match requirement. Based on estimated contract revenues, this shortfall is only expected to be during state fiscal year 2015 and affect primarily the availability of the 2014 and 2015 capitalization grant funds.

It is the goal of the Maine SRF program to preserve the principal amounts of capitalization grant and state match dollars in perpetuity while fulfilling its lending obligations to treatment facilities within Maine in the easiest and most cost effective manner possible. Maine continues to strive for funding mechanisms that will expedite loan repayments of current capitalization grant dollars to increase turnaround and create more funding for future loans in years following the award of all capitalization grants. In order to maintain, in perpetuity, the environmental review and technical administration of the SRF program, beginning in FFY 2003, the DEP has charged a 3.5% administration fee, similar to the 1.5% fee charged by the Bond Bank for its financial administration. These funds will be held outside the SRF and will be used to fund the administration of the SRF program and support other water quality related positions within the Department. Loan interest rates will be adjusted downward to compensate for the fees. Therefore, borrowers will not see any added financial burden from the fees. The passage of the American Recovery and Reinvestment Act of 2009 necessitated the DEP and the MMBB to initiate rulemaking to allow for loans at 0%, or less, and loan principal forgiveness. In accordance with this the SRF rules were also amended to state that further adjusting the interest rate down to accommodate for fees shall not apply to loans where the interest rate is 0% or less. These amendments were needed in order for the DEP and MMBB to provide continued administration of the program while offering beneficial financial instruments to the borrowers.

In 1995, a Memorandum of Understanding (MOU) was signed with the Maine State Housing Authority (MSHA) to provide SRF loans for septic system reconstruction. In 2006, MSHA modified its income eligibility to allow more families to borrow money for this use.

In 1996 the 117th Maine Legislature expanded the eligible use of the Maine SRF to include the remediation of municipal landfills that affect groundwater and for any projects authorized under the federal Clean Water Act.

In 2001 a MOU was signed by the MMBB, DEP, the State Department of Agriculture, and the Finance Authority of Maine (FAME) to allow FAME to administer a loan program to farmers to construct manure storage facilities and other facilities to reduce Non-Point Source (NPS) pollution from farm and agricultural operations. In 2012 this program was further expanded to include additional agricultural non-point source abatement projects mostly in the areas of sediment control, in-stream flow and water level protection, and water conservation.

In 2004 the DEP expanded the eligible use of SRF funds for municipalities to design and construct sand/salt sheds in areas that the DEP has determined that ground water or surface water has been contaminated by sand/salt piles. In 2013 the DEP expanded this eligibility, as authorized under the CWA for protection of water quality, to include all uncovered municipal sand/salt piles.

Beginning in 2006, the SRF may make loans for municipal storm water treatment and improvement projects to Phase 2 National Pollutant Discharge Elimination System (NPDES) permitted communities.

In 2007, an MOU was signed by the DEP, MMBB, and the Department of Conservation, Maine Forest Service to implement a direct-link loan program to provide subsidized loans as incentive financing to loggers for the purchase of timber harvesting equipment and other best management practices that reduce the risk of nonpoint source pollution from silviculture activities.

In 2009, the DEP and the MMBB promulgated rules to allow for principal forgiveness and zero percent or negative percent loans as allowed under the federal stimulus bill. It also provides for fees on zero percent and principal forgiveness projects to provide funds for continued administration of these projects by DEP and MMBB staff.

In the 2014 federal appropriation of SRF money, federal law requires a minimum amount of \$590,595 and a maximum of \$885,892 in loan principal forgiveness to be provided to borrowers under the Maine SRF. Congress and EPA encourage States to target this subsidy for public health and water quality protection projects to communities that could otherwise not afford an SRF loan. In addition, green infrastructure, water or energy efficiency improvements and sustainable infrastructure through implementation of asset management plans are also a priority to EPA. An explanation of how principal forgiveness will be allocated in 2014 is included in the project priority system section of this document.

D. Short Term Goals

Projects in this IUP are for renovations and improvements to publicly owned treatment works and appurtenant facilities and for NPS pollution abatement practices. The projects will maintain or restore compliance in many facilities and improve or protect water quality in the receiving water for others.

The table entitled *Federal Fiscal Year 2014 Available Funds*, on page 10, lists the sources of funds available to be loaned to applicants. After receiving the FFY 2014 Capitalization Grant and the associated state match, the total of all available SRF loan funds will be \$29,637,629. The *2014 CWSRF Proposed Project Funding List*, starting on page 13, contains all of the projects that were submitted to the Department for financial assistance and are proposing to accept the loan offer, a brief description of the projects, the loan and principal forgiveness being offered for these projects, as well as other information pertinent to the CWSRF program. The total CWSRF funding needed for the proposed projects and program commitments is \$22,174,087. This amount is more than 120% of the \$10,853,000 Capitalization Grant and is \$7,463,542 less than the total of all available SRF loan funds. The Department intends to use this surplus to fund additional projects from applicants that apply for loans throughout the remainder of the fiscal year. Potential loan applicants are listed on the *Multi-Year SRF Project Priority*, the *Additional Needs*, and the *Sand/Salt Storage Areas* lists starting on page 32.

The table on page 11, *CWSRF Appropriation*, contains a listing of the proposed projects to be funded with the 2014 Cap Grant, State Match Funds, and/or Repayment Funds. This table also contains their project number and NPDES permit number, if appropriate, a brief project description, the loan assistance amount, the Clean Water needs category, and the State's environmental priority and environmental points rating.

On page 12, the table entitled *Projected Binding Commitment Schedule*, lists the projects that are anticipated to receive federal capitalization grant funds, the amount of assistance, the loan binding commitment date, and the commitment amounts by federal fiscal year quarter.

E. Loan Commitment Date to Secure Loan Principal Forgiveness

The Department will be providing loan principal forgiveness to qualified applicants for financial affordability, asset management plans, and/or energy audits, as described later in the IUP. Timely implementation of projects that receive principal forgiveness is important to fairly distribute these funds to applicants that can utilize them in the near future. As such, applicants that have received offers for principal forgiveness from the Department must enter into a binding loan commitment with the MMBB for their project by the end of FFY 2015 (Sept. 30, 2015) in order to receive principal forgiveness. The Department reserves the right to waive this requirement should evidence of extenuating circumstances beyond the applicant's control be presented.

F. Distribution of Funds

Maine's FFY 2014 CWSRF capitalization grant will provide some program administrative dollars and loan money for projects identified in this IUP. Projects on the Multi-Year SRF Project Priority List or the Additional Needs list may be added to the FFY 2014 Project List or replace another project on the list. To assure the timely and expeditious use of the capitalization grant, the Department will encourage loan recipients to start construction within one year of being placed on the IUP.

G. State Match

The FFY 2014 capitalization grant requires a 20% state match of \$2,170,600. To date, the State has not secured the required match for FFY 2014. The 126th Legislature passed H.P. 1349, an emergency budget bill for state fiscal years 2014 and 2015, partially filling the shortfall by placing \$500,000 for the CWSRF match in the Department's 2015 budget. In addition, LD 1455 was also passed containing \$2,400,000 for the CWSRF match in a bond referendum to be placed before the Maine voters in November 2014. If passed, this amount would provide the remaining required state match for FFY 2014 and the estimated match for FFY 2015. If the referendum does not pass, the State will have to wait an additional year (until SFY 2016) to receive sufficient revenue from the wholesale liquor contract to fully fund the 2014 match, unless additional funding can be found elsewhere. Please also reference the information on Public Law 2013, Chapter 269 (LD 1555) on page 5. The state match will be deposited in the SRF prior to the scheduled draws on the capitalization grant.

H. Binding Commitments

The DEP and the MMBB will schedule the capitalization grant payments to assure that loan binding commitments equal to at least 120 percent of each quarterly grant payment are made within one year of receipt of payment.

I. Federal Cash Draw Proportionality Ratio

Currently the CWSRF program is not issuing bonds for leveraging. The Federal proportional share will be $83 \frac{1}{3}$ percent of incurred costs and the State's proportional share will be $16 \frac{2}{3}$ percent of the incurred costs. All disbursements to projects that are allocated federal and state funds will be disbursed according to the $83 \frac{1}{3}$: $16 \frac{2}{3}$ ratio.

J. Davis-Bacon Wage Rates

EPA's FFY 2014 Appropriations bill requires the application of Davis-Bacon prevailing wage rates to all treatment works projects funded in whole or in part by the CWSRF. The Davis-Bacon requirements do not apply to nonpoint source or decentralized wastewater treatment projects. Davis-Bacon applies to construction contracts over \$2,000 and their subcontractors (regardless of the subcontract amount).

To ensure compliance with these requirements, DEP will confirm that the correct wage determinations are being included in the bid specifications and/or construction contracts. DEP will also provide assistance recipients with the specific EPA Davis-Bacon contract language that is to be included in bid specifications and/or contracts. In addition, DEP will collect Certifications of Davis-Bacon compliance from assistance recipients with disbursement requests.

K. First Use of Funds

The Maine CWSRF will first use funds in the SRF equaling the amount of the grant, all repayments of principal and payment of interest on the initial loans from the grant, and the State match to address publicly owned treatment works that the Region and State have previously identified as part of the National Municipal Policy (NMP) list for the State. The State has no unresolved needs that were previously identified as part of the NMP list.

L. Compliance With Title II Requirements

The Department will assure that equivalency projects will comply with the appropriate sections of the Act in accordance with 40 CFR §35.3135(f).

M. Audits and Reporting

The Maine CWSRF is committed to transparency and accountability. To that end, program information, Intended Use Plans, Annual Reports, and other program materials are posted on the SRF website: <http://www.maine.gov/dep/water/grants/srfparag.html>

An independent audit of the CWSRF program is conducted annually by an outside CPA firm in accordance with OMB Circular A-133.

The Maine CWSRF will prepare an Annual Report and submit to EPA no later than September 30th annually.

The Maine CWSRF will enter the required program data elements into the National Information Management System (NIMS), the Clean Water Benefits Reporting (CBR) database, and the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS).

N. Public Review and Comment

In compliance with the requirement in the Clean Water Act, Section 606(c) to provide for public review and comment, the Department posted the Intended Use Plan in draft form at <http://www.maine.gov/dep/water/grants/srfparag.html>, on June 11, 2014. The Department has also provided notice of the availability of the draft IUP to all organizations and individuals in its distribution list by email and/or letter on June 10, 2014, requesting all comments be submitted by 5:00 p.m., June 27th. No comments were received. The final IUP was posted at the website listed above, on or around July 23rd.

INTENDED USE PLAN
TITLE VI - STATE WATER POLLUTION CONTROL REVOLVING
FUNDS
FEDERAL FISCAL YEAR 2014 AVAILABLE FUNDS

Current Funds Available For Projects (as of 4/30/2014):

Federal Cap Grant (FY2012)	\$10,226,183
State Match (FY2012).....	\$2,045,217
Federal Cap Grant (FY2013)	\$9,990,514
State Match (FY2013).....	\$2,067,000
Federal Repayment Balance	\$27,781,556
State Repayment Balance	\$9,336,862
State Match Earnings Balance	\$1,018,588
<u>Maine Forest Service Direct-Link Program Recycled Funds Commitment</u>	<u>\$1,025,008</u>
Total Funds Available.....	\$63,490,928

Less Current Funds Committed To Projects (as of 5/30/2014):

FY2012 IUP Projects Still To Be Funded.....	(\$80,000)
FY2013 IUP Projects Still To Be Funded.....	(\$36,923,227)
<u>FY2013 Multi-Year SRF Project Priority List Still To Be Funded</u>	<u>(9,439,552)</u>
Total Commitments	(\$46,442,779)

Current Total Uncommitted Funds Available **\$17,048,149**

Additional FY2014 Funds Available For Projects (assumes acquiring of State Match)

FY2014 Federal Cap Grant.....	\$10,853,000
Less - 4% Administrative Fee at Federal Proportionality Ratio of 83 1/3%	(\$347,296)
FY2014 State Match	\$2,170,600
<u>Less - 4% Administrative Fee at State Proportionality Ratio of 16 2/3%</u>	<u>(\$86,824)</u>
Total FY2014 Funds Available	\$29,637,629

Potential Revenue Bond funds from MMBB to be blended with available funds..... \$0

TOTAL ALL AVAILABLE SRF LOAN FUNDS **\$29,637,629**

FEDERAL FISCAL YEAR 2014 CWSRF APPROPRIATION

ENTITY and PROJECT TYPE	PROJECT NUMBER	PERMIT NUMBER	PROJECT DESCRIPTION	ASSISTANCE AMOUNT	NEEDS CATEGORY	PRIORITY	POINTS
Bangor, City of (212)	230071-09	ME0100781	Court Street separation ~850 ft, Maine & Godfrey rehabilitation ~ 750 ft, Cemetery CSO Modification -increase downstream sewer size to eliminate bottleneck	\$945,600	V-A	4-H	27
* Biddeford, City of (212)	230240-06	ME0100048	Horrigan's Court Pump Station upgrade and Force Main replacement of ~ 1,600 ft 12"Ø and ~1,600 ft 14"Ø Installation of heat recovery system	\$1,305,700	V-A	4-H	27
* Calais, City of (212)	230253-10	ME0100129	Temperance & Tyler St sewer separation of 500 ft of combine sewer and storm water	\$340,000	V-A	4-H	27
* Jay, Town of (212)	230082-04	ME0101061	Sewer line replacement of the following: 3,165 ft 10" Ø force main, 2,135 ft 8"Ø PVC, and service lines	\$867,175	III-B	5-L	10
Lincolnville Sewer District (212)	230315-01	N/A	New Wastewater collection and treatment system	\$250,000	I, IV-A, IV-B	4-H	27
Maine Forest Direct Link Program - Recycled Funds Commitment (319)	MFS1R-14	N/A	Reduce the non-point source pollution from timber harvesting This program allows the CWSRF to encourage Best Management Practices in timber harvesting to protect water	\$1,025,009	VII-C	4-L	15
Pittsfield, Town of (212)	230142-05	ME0100528	Peltoma Ave sewer improvements to replace 1,000 ft of sewer	\$445,000	III-A	5-L	10
* Portland Water District (212)	230123-14	ME0102075	Fore River Pump Station Upgrade - Phase I: upgrade pumps, drives and control system	\$1,600,000	IV-B	5-L	10
* Portland Water District (212)	230123-14	ME0102075	East End WWTF Aeration Upgrade - replacement of surface aerators with new aeration system	\$9,150,000	I	5-L	10
* Portland, City of (212)	230306-06	ME0108010	Anderson St sewer separation and installing 1,600 sf of green biofilters	\$1,100,000	V-A	4-H	27
* Portland, City of (212)	230306-06	ME0108010	Deering St sewer separation of 1,550 ft of combined sewer and installation of green infrastructure/integrated planters	\$1,545,000	V-A	4-H	27
Sorrento, Town of (212)	230191-01	ME0102130	Outfall extension to deeper location, approximately 200 ft	\$100,603	I	4-H	27
South Portland, City of (212)	230117-02	ME0100633	Thornton Heights Phase 2 and 3 sewer separation on 2,700 ft of street separating 25 acres of watershed Installation of bioretention areas and subsurface gravel wetland detention	\$3,500,000	V-A	4-H	27
PROJECT TOTAL				\$22,174,087			

* Indicates systems expected to be funded by the 2014 federal capitalization grant

FEDERAL FISCAL YEAR 2014 PROJECTED BINDING COMMITMENT SCHEDULE

ENTITY	ASSISTANCE AMOUNT	BINDING COMMITMENT DATE	FY 2014 4TH QTR.	FY 2015 1ST QTR.	FY 2015 2ND QTR.	FY 2015 3RD QTR.	BEYOND FY 2015 3RD QTR.
Biddeford, City of	\$1,305,700	12/31/15					
FY 2014 Federal Cap grant	\$546,000				\$246,000	\$300,000	\$0
FY 2014 State match	\$109,200				\$49,200	\$60,000	\$0
Repayment	\$650,500				\$0	\$0	\$650,500
Calais, City of	\$340,000	09/30/14					
FY 2014 Federal Cap grant	\$283,333			\$143,333	\$140,000		\$0
FY 2014 State match	\$56,667			\$28,667	\$28,000		\$0
Repayment	\$0			\$0	\$0		\$0
Jay, Town of	\$867,175	09/30/14					
FY 2014 Federal Cap grant	\$722,646			\$400,000	\$322,646		\$0
FY 2014 State match	\$144,529			\$80,000	\$64,529		\$0
Repayment	\$0			\$0	\$0		\$0
Portland, City of	\$2,645,000	12/31/15					
FY 2014 Federal Cap grant	\$2,204,167			\$1,000,000	\$833,333	\$204,167	\$166,667
FY 2014 State match	\$440,833			\$200,000	\$166,667	\$40,833	\$33,333
Repayment	\$0			\$0	\$0	\$0	\$0
Portland Water District	\$10,750,000	03/31/15					
FY 2014 Federal Cap grant	\$6,735,087				\$700,000	\$1,000,000	\$5,035,087
FY 2014 State match	\$1,347,018				\$140,000	\$200,000	\$1,007,018
Repayment	\$2,667,895						\$2,667,895
Cap Grant Administrative Fee	\$434,120						
FY 2014 Federal Cap grant	\$361,767						
FY 2014 State match	\$72,353						
TOTAL	\$16,341,995			\$1,852,000	\$2,690,375	\$1,805,000	\$9,560,500
FY 2014 Federal Cap Grant	\$10,853,000			\$1,543,333	\$2,241,979	\$1,504,167	\$5,201,754
FY 2014 State Match	\$2,170,600			\$308,667	\$448,396	\$300,833	\$1,040,351
Repayment	\$3,318,395			\$0	\$0	\$0	\$3,318,395

2014 CWSRF PROPOSED PROJECT FUNDING LIST

Total Points	Entity and Project Type (1)	Needs Category	Project Description	Estimated Total Project Cost	Requested DEP Funding	Willing to Borrow Loan w/o PF (Yes/No)	Envir. Priority	Applicant's Green Project Reserve (GPR) Cost	Affordability Principal Forgiveness (2)	Asset Management Principal Forgiveness (3)	Energy Audit (EA GPR) (4)	Total Green Project Reserve (Project+EA Costs)	Green Category & Case (Cat./Bus.) (5)	Total Principal Forgiveness	Loan Payback Amount	Total Assistance Amount
35.10	Calais, City of (212)	V-A	Temperance & Tyler St sewer separation of 500 ft of combine sewer and storm water	\$340,000	\$340,000	No	4-H	\$0	\$340,000	\$0	\$0	\$0		\$340,000	\$0	\$340,000
37.80	Sorrento, Town of (212)	I	Outfall extension to deeper location, approximately 200 ft	\$270,603	\$100,603	Yes	4-H	\$0	\$100,603	\$0	\$0	\$0		\$100,603	\$0	\$100,603
38.72	Biddeford, City of (212)	V-A	Horrigan's Court Pump Station upgrade and Force Main replacement of ~ 1,600 ft 12"Ø and ~1,600 ft 14"Ø. Installation of heat recovery system.	\$1,305,700	\$1,305,700	Yes	4-H	\$875,000	\$345,289	\$0	\$0	\$875,000	EE Categorical	\$345,289	\$960,411	\$1,305,700
36.45	Bangor, City of (212)	V-A	Court Street separation ~850 ft, Maine & Godfrey rehabilitation ~ 750 ft, Cemetery CSO Modification -increase downstream sewer size to eliminate bottleneck	\$945,600	\$945,600	Yes	4-H	\$0	\$0	\$0	\$0	\$0		\$0	\$945,600	\$945,600
36.49	Lincolnton Sewer District (212)	I, IV-A, IV-B	New Wastewater collection and treatment system	\$2,294,160	\$250,000	Yes	4-H	\$15,000	\$0	\$0	\$0	\$15,000	EE Categorical	\$0	\$250,000	\$250,000
41.06	Portland, City of (212)	V-A	Anderson St sewer separation and installing 1,600 sf of green biofilters	\$1,544,983	\$1,100,000	Yes	4-H	\$160,000	\$0	\$0	\$0	\$160,000	GI Categorical	\$0	\$1,100,000	\$1,100,000
35.36	Portland, City of (212)	V-A	Deering St sewer separation of 1,550 ft of combined sewer and installation of green infrastructure/integrated planters	\$2,062,000	\$1,545,000	Yes	4-H	\$100,000	\$0	\$0	\$0	\$100,000	GI Categorical	\$0	\$1,545,000	\$1,545,000
41.16	South Portland, City of (212)	V-A	Thornton Heights Phase 2 and 3 sewer separation on 2,700 ft of street separating 25 acres of watershed. Installation of bioretention areas and subsurface gravel we land detention.	\$7,343,000	\$3,500,000	Yes	4-H	\$895,000	\$0	\$100,000	\$0	\$895,000	GI Categorical	\$100,000	\$3,400,000	\$3,500,000
Projects Above This Line Were Determined to Realize The Most Environmental Benefit and Therefore Were Considered For Affordability Principal Forgiveness																
10.50	Jay, Town of (212)	III-B	Sewer line replacement of the following: 3,165 ft 10" Ø force main, 2,135 ft 8"Ø PVC, and service lines	\$867,175	\$867,175	Yes	5-L	\$0	\$0	\$0	\$0	\$0		\$0	\$867,175	\$867,175
10.50	Pittsfield, Town of (212)	III-A	Peltoma Ave sewer improvements to replace 1,000 ft of sewer	\$445,000	\$445,000	Yes	5-L	\$0	\$0	\$0	\$0	\$0		\$0	\$445,000	\$445,000
0.00	Portland Water District (212)	IV-B	Fore River Pump Station Upgrade - Phase I: upgrade pumps, drives and control system	\$1,600,000	\$1,600,000			\$0	Project not environmentally ranked. Need after ranking deadline.			\$0		\$0	\$1,600,000	\$1,600,000
0.00	Portland Water District (212)	I	East End WWTF Aeration Upgrade - replacement of surface aerators with new aeration system	\$9,150,000	\$9,150,000			\$0	Project not environmentally ranked. Need after ranking deadline.			\$0		\$0	\$9,150,000	\$9,150,000
	Maine Forest Direct Link Program - Recycled Funds Commitment (319)	VII-C	Reduce the non-point source pollution from timber harvesting. This program allows the CWSRF to encourage Best Management Practices in timber harvesting to protect water quality.	\$1,025,008	\$1,025,008	N/A	4L	\$1,025,008	Program commitment not environmentally ranked.			\$1,025,008	EI Categorical	\$0	\$1,025,008	\$1,025,008
				\$29,193,229	\$22,174,086			\$3,070,008	\$785,892	\$100,000	\$0	\$3,070,008		\$885,892	\$21,288,194	\$22,174,087

- (1) 212 is Publicly Owned Treatment Works; 319 is Non-Point Source; 320 is Non-Point Source National Estuary
 (2) Affordability is limited to \$400,000 per Applicant
 (3) Previous Asset Management recipients are not eligible of additional Asset Management
 (4) Energy Audits are limited to \$20,000 per Applicant
 (5) GI = Green Infrastructure; WE = Water Efficiency; EE = Energy Efficiency; EI = Environmentally Innovative

PROJECT PRIORITY POINT SYSTEM

INTRODUCTION

Multi-Year SRF Priority List

Maine's SRF was established to provide a perpetual funding mechanism for communities and districts with wastewater facilities. This list contains the State's inventory of wastewater facilities and the SRF is a source of funding to each one, should they choose to use it. Each year the DEP will prepare an Intended Use Plan (IUP) and projects will be selected from this list and assigned an environmental priority by the Environmental Priority Point System at that time. However, if there are sufficient funds, any entity on the Multi-Year Priority List, Additional Need list, or the Sand/Salt Storage Areas list may apply for an SRF loan during the fiscal year.

Additional Needs

The Communities listed here do not have wastewater treatment facilities. Pollution problems may or may not exist that impairs water quality classifications/uses or endangers public health. These communities are also eligible for SRF assistance or the projects may be funded by a combination of grants and loans from the DEP and/or other sources. After construction of wastewater facilities is complete in these communities they will be transferred to the Multi-Year SRF Project List as part of the state's inventory of wastewater facilities.

Municipal Landfills

In 1996, the 117th Maine Legislature expanded the eligible use of the Maine State Revolving Loan Fund (SRF) to include the remediation of municipal landfills that effect groundwater.

Sand/Salt Sheds

Beginning in 2004 the DEP will provide SRF funds to municipalities to design and construct sand/salt sheds in areas that the DEP has determined that ground water or surface water has been contaminated by uncovered sand/salt piles. In 2013 the DEP expanded this eligibility, as authorized under the CWA for protection of water quality, to include all uncovered municipal sand/salt piles.

MUNICIPAL CONSTRUCTION GRANTS PROGRAM

State law gives the DEP flexibility to use grant dollars with other sources of funding to provide an affordable financing package for municipal wastewater facilities. Most past projects were funded with a combination of Environmental Protection Agency (EPA) grants, DEP grants, and both loan and grant assistance from United State Department of Agriculture - Rural Development (formally known as Farmers Home Administration). The EPA grants program has ended but Rural Development continues to be a major funding source. Maine's inventory of wastewater facilities would be much smaller without the excellent past performance of the Rural Development. Some projects have also been funded by combining DEP grants with funds from Economic Development Administration, Department of Economic and Community Development, Housing and Urban Development and Community Development Block Grants. Unfortunately, in recent years, State grants have not been voted by the Legislature to be included in environmental bond referendums. Therefore, the DEP has little grant funds to contribute to pollution projects.

Maine's SRF loan program has replaced the EPA grant program. It is program policy, when possible, to keep the sewer user charge from exceeding 2% of a communities Median Household Income (MHI) by using DEP grant dollars in combination with the SRF Loans. The user charge is typically operation and maintenance expenses plus debt service. The 2% goal is examined periodically when new MHI information is available. Maine Revised Statutes Annotated Title 38, Chapter 3, Section 411 and 412 provide the nucleus for the Department of Environmental Protection's policy in formulating a priority system. Section 411 and 412 are reproduced, in part, below for informational purposes.

38 §411. State Contribution To Pollution Abatement

“The commissioner may pay an amount not to exceed 80% of the expense of a municipal or quasi-municipal pollution abatement construction program or a pollution abatement construction program in an unorganized township or plantation authorized by the county commissioners. The commissioner may make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30-A, section 6006-A...”

“State grant-in-aid participation under this section is limited to grants for waste treatment facilities, interceptor systems and outfalls. The word "expense" does not include costs relating to land acquisition or debt service, unless allowed under federal statutes and regulations.”

“All proceeds of the sale of bonds for the construction and equipment of pollution abatement facilities expended under the direction and supervision of the commissioner must be segregated, apportioned and expended as provided by the Legislature.”

38 §412. Grants By State For Planning

1. The commissioner is authorized to pay an amount equal to at least 15%, but not to exceed 25%, of the expense incurred by a municipality or quasi-municipal corporation in preliminary or final planning of a pollution abatement program in the form of a grant. The amount may not be paid until the governing body of the municipality or the quasi-municipal corporation duly votes to proceed with preliminary or final planning of a pollution abatement program, as appropriate.
 - A. For the purposes of this section, "preliminary planning" means engineering studies that include analysis of existing pollution problems; estimates of the cost of alternative methods of waste treatment, studies of areas to be served by the proposed facilities and estimates of the cost of serving such areas; preliminary sketches of existing and proposed sewer and treatment plant layouts; and estimates of alternative methods of financing, including user charges, and other studies and estimates designed to aid the municipality or quasi-municipal corporation in deciding whether and how best to proceed with a pollution abatement program.
 - B. For the purposes of this section, "final planning" means the preparation of engineering drawings and specifications for the construction of waste treatment facilities, interceptor systems and outfalls or other facilities specifically designated in departmental rules. All proceeds from the sale of bonds for the planning of pollution abatement facilities expended under the direction and supervision of the commissioner must be segregated, apportioned and expended as provided by the Legislature.

ENVIRONMENTAL PRIORITY POINT SYSTEM

The Department of Environmental Protection has established an Environmental Priority Point System to place proposed wastewater treatment projects in a listing according to their relative priority of environmental impact or benefit. The system contains five (5) basic priorities which relate to the public health hazard created by the wastes or to the use of the waters to which wastes are discharged. In addition to these five basic priorities there is a subsystem with point values of 0, 6 or 12 points that indicates the intensity of the problem as being either low, medium or high. The subsystem points are added to the priority base points to arrive at the overall Environmental Priority Points for ranking the environmental importance of projects. Additional points will be awarded to projects to further rank them for the distribution of loan subsidization in the form of principal forgiveness. The details on the additional subsidization and awarding of points are described further in the section entitled *2014 CWSRF Wastewater Infrastructure Project Priority Ranking System*.

All five priorities and the subsystems are discussed in detail below.

Base Points

Priority 1 Water Supply Protection 30 Points

The project to be funded will eliminate a source of ground or surface water supply contamination. This priority denotes that a potential public health hazard does exist and that without such project alternative sources of water would be required or additional water treatment would be necessary.

Priority 2 Lakes Protection 25 Points

This priority denotes that the project will eliminate or improve facilities discharging directly or indirectly to lakes and ponds which create detrimental impacts on trophic state.

Priority 3 Shellfishery Protection 20 Points

This priority includes projects that will eliminate sources of contamination to shell fishing areas. The project will eliminate sources of waste that are partially or wholly responsible for a shellfishery area presently being closed.

Priority 4 Water Quality Concerns 15 Points

This priority denotes that the project will reduce the level of pollutants to waterbodies of present classification or where a proposed project can be expected to raise quality to the next higher classification.

Priority 5 Facility Needs 10 Points

This category includes all structural deficiencies of collection, transport and treatment systems. Such things as untreated sewage creating a public health hazard, a project to meet general water quality standards or a treatment plant not meeting effluent criteria would be in this category

PRIORITY SUBSYSTEMS

The priorities of water supply and shellfisheries involve other agencies in the state. The Maine Center for Disease Control – Division of Environmental Health is responsible for the water supply program in Maine (Priority 1). The Department of Marine Resources manages shellfishing areas (Priority 3). Accordingly these agencies have developed the subsystems which relate to the intensity of the problem for these priorities. DEP staff has developed the subsystems for priority 2, 4 and 5. Inland Fish and Wildlife is the agency responsible for management of inland and anadromous fisheries. DEP receives input from Inland Fish and Wildlife when water quality problems impact these fisheries.

The intensity of the problem (Low, Medium, and High) is identified by the subsystem for that category. The agency having jurisdiction applies the subsystem to each project in their category of responsibility. For example, if a category 3 project (Shellfishery Protection) was determined to be a medium intensity problem by the Department of Marine Resources it would be assigned 26 points on the priority list (3-M). Several projects may be in the same category and assigned equal points. The second regular session of the 113th Legislature included median household income, MHI, as a factor in determining funding priority. Projects with the same point assignment will be ordered by MHI with the lowest income community receiving the highest priority within that subsystem category.

Environmental Priority Points Assignment

	Low	Medium	High
1. Water Supply Protection	30	36	42
2. Lakes Protection	25	31	37
3. Shellfishery Protection	20	26	32
4. Water Quality Concern	15	21	27
5. Facility Needs	10	16	22

1. Water Supply Protection

Five criteria are used in this subsystem with each having a point value of 1, 2, or 3 points. The summation of criteria points assigned in criteria 1 – 5 determines the level of intensity (low, medium, or high). The assignment to a level of intensity is arrived at as follows:

<u>Subsystem Points</u>		<u>Criteria Points</u>
Low	(0)	Range (0 – 5)
Medium	(6)	Range (6 – 10)
High	(12)	Range (11 – 15)

Points

<u>Criteria</u>	<u>1</u>	<u>2</u>	<u>3</u>
1. Population Served	< 2,000	2,000 - 10,000	> 10,000
2. Degree of Dependence on Water Source	Alternate Source	Emergency Source	No Other Source
3. Difficulty of Treatment	Proven		Experimental
4. Existing Treatment	Full	Minimal	None
5. Cost of Treatment	< 1% of Revenue	1% - 10% of Revenue	> 10 % of Revenue

2. Lakes Protection

Subsystem Points

Low	(0)	Facility has minor effect on trophic state of a lake.
Medium	(6)	Existence of marginal trophic quality or increasing trophic conditions.
High	(12)	Conditions exist in a lake which cause non-attainment of class GPA.

3. Shellfishery Protection

Four criteria are used in this subsystem with each having a point value of 1, 2, or 3 points. The summation of criteria points assigned in criteria 1 – 4 determines the level of intensity (low, medium, or high). The assignment to a level of intensity is arrived at as follows:

<u>Subsystem Points</u>	<u>Criteria Points</u>
Low (0)	Range (0 – 4)
Medium (6)	Range (5 – 8)
High (12)	Range (9 – 12)

Points

<u>Criteria</u>	<u>1</u>	<u>2</u>	<u>3</u>
1. Shellfish Production	Potential	Limited	Commercial
2. Projected Area Reclassification	Conditionally Restricted	Restricted	Approved or Conditionally Approved
3. Economic Importance	< 10 licenses	10 – 20 licenses	> 20 licenses
4. State & Local Interest	Low Interest	Medium Interest	High Interest

Definition of Terms

Shellfish Production:

Potential	A shellfish growing area is considered to be a potential growing area when all environmental factors (chemical, physical and biological) exist within levels suitable for the propagation of shellfish, or if historical records indicate the area to be one time productive.
Limited	A shellfish area is considered to have limited harvesting when current or past shellfish availability would yield quantities of less than 1 bushel per tide and/or less than 5 acres in size.
Commercial	A shellfish area is considered to have commercial harvesting when current or past shellfish availability would yield quantities greater than 1 bushel per tide and/or greater than 5 acres in size.

Projected Area Reclassification:

Conditionally Restricted	If after abatement, the projected reclassification at best would meet the standards for Depuration and/or Relay Harvesting allowed except during specified conditions (rainfall, sewage treatment plant (STP) bypass or seasonal), then the lowest number of value related points will be given.
Restricted	If after abatement, the projected area reclassification would meet the standards for Depuration and/or Relay Harvesting, then the next highest value related points will be assigned.
Approved or Conditionally Approved	If after abatement, the projected area reclassification would meet the standards for open harvesting, harvesting allowed except during specified conditions (rainfall, STP bypass or seasonal), the highest number of value related points will be given.

Economic Importance:

Value related points will be assigned to those areas where the shellfishing resource is considered to have an economic impact on the local economy. The factor utilized in this determination will be the number of commercial harvesters in the town or towns abutting the resource. Consideration should be taken for past, present and future harvesters.

State and Local Interest (Shellfish Management Program):

Value related points will be given to those areas where a sincere interest in pollution abatement, shellfish management, aquaculture or other related interests in the marine resources has been demonstrated.

Low Interest	Municipal program with open license sales and no conservation requirements, limited enforcement.
Medium Interest	Municipal program with conservation requirements.
High Interest	Strong municipal program with active shellfish committee, conservation requirements, and shellfish warden.

4. Water Quality Concerns

Subsystem Points

Low	(0)	Water quality standards are achieved; however, project would help maintain water quality.
Medium	(6)	Water quality standards are achieved; project would result in improved habitat, production or other enhancement of the fishery or other tangible improvements to water quality.
High	(12)	Water quality standards are not achieved for designated class; project would result in improvements to water quality, but not necessarily bring it into compliance.

5. Facility Needs

Subsystem Points

Low	(0)	A project with the base point assignment has a relatively minor problem by comparison with others in this category. A deficiency exists or the potential for a public health hazard is evident but the operational impact if any is minor and the public health dangers only slight.
Medium	(6)	This sub-priority indicates the existence of a substantial problem that may involve several of the factors in the Facility Needs category. The structural deficiencies cause problems and/or the risk of public health problems is more than slight.
High	(12)	The assignment of this level is made only for those facilities having the most severe structural or operational problems and/or a public health hazard exists.

NOTES ON PRIORITY LIST FORMAT**Description of Projects**

TYPE		WORKS
(NEW)	New waste treatment	1. Outfall sewer
(INC)	Modification of existing system with increase in capacity (INC)	2. Interceptor sewer 3. Collector sewer
(INT)	Modifications of existing system with increase in treatment level (INT)	4. Force main 5. Pumping Station
(ICT)	Modification of existing system with increase in both capacity and treatment level (ICT)	6. Sewer infiltration correction 7. Separation of combined storm/sanitary sewers
(MOD)	Modification to existing system with no increase in capacity or treatment level - interceptor pumping station, etc. (MOD)	8. Treatment Plant 9. Other Works

Needs Categories

I	Secondary Wastewater Treatment	VI-B	Storm Water Treatment Systems
II	Advanced Wastewater Treatment	VI-C	Green Infrastructure
III-A	Infiltration / Inflow (I/I) Correction	VI-D	General Storm Water Management
III-B	Sewer Replacement / Rehabilitation	VII-A	NPS Control: Agriculture (Cropland)
IV-A	New Collector Sewers and Appurtenances	VII-B	NPS Control: Agriculture (Animals)
IV-B	New Interceptor Sewers and Appurtenances	VII-C	NPS Control: Silviculture
V-A	Combined Sewer Overflow Correction – Traditional Infrastructure	VII-D	NPS Control: Urban (excludes decentralized systems)
V-B	Combined Sewer Overflow Correction – Green Infrastructure	VII-J	NPS Control: Sanitary Landfills
VI-A	Storm Water Conveyance Infrastructure	VII-L	NPS Control: Individual/Decentralized Sewage Treatment

2014 CLEAN WATER STATE REVOLVING FUND (CWSRF) WASTEWATER INFRASTRUCTURE PROJECT PRIORITY RANKING SYSTEM

For Federal Fiscal Year (FFY) 2014, the Department will use a rating system based on the existing Environmental Priority Point System to determine project order for receiving loan principal forgiveness. The primary objective for distributing funds is to focus on projects that will realize the most environmental benefit. However, additional points will be given for green components in projects, legal requirements necessitating a project, the degree of expected environmental success, availability of co-funding with other funding agencies, and benefits that can be derived from regionalization of water quality improvement efforts.

The CWSRF is a well-established program with an existing system for ranking projects based on five environmental priority levels with sub ratings within each. The Environmental Priority Point System results in a point score being assigned that ranges from 10 to 42 points. That point score will be adjusted in consideration of the factors as discussed above. Each adjustment will be in the form of a percent increase to the base point rating. The environmental priority points and the adjustments will be summed to obtain a final number of points that will represent the proposed project's priority score. The priority score will be the order of precedence in establishing the projects that will realize the most environmental benefit and therefore be potentially eligible for "affordability" loan principal forgiveness funding and the distribution of incentive principal forgiveness for asset management and energy audits. The methodology for adjusting the Environmental Priority Points for the factors above are more fully described in the Additional Points Added To Environmental Priority Points section.

2014 PRINCIPAL FORGIVENESS

In 2014, the Department will provide loan principal forgiveness to applicants for economic hardship assistance and incentives to encourage energy audits and implementation of asset management plans that include the establishment of repair and replacement reserve accounts. EPA has notified the Department that the State's draft CWSRF capitalization grant allotment is \$10,853,000. Of this amount the Department is required to distribute \$590,595 to \$885,892 as additional subsidy to loan recipients. The Department has chosen to offer the maximum amount of additional subsidy allowed, \$885,892, to recipients in the form of principal forgiveness. The additional subsidy will be distributed in accordance with EPA's procedures for implementing targeted subsidy authorized in the Fiscal Year 2014 Consolidated Appropriations Act (P.L. 113-76) and EPA's Sustainability Policy for targeting SRF assistance.

Affordability Principal Forgiveness

\$765,892 of the principal forgiveness for 2014 will be available for those applicants' projects that will realize the most environmental benefit and whose sewer users have a high sewer user rate in comparison to the area Median Household Income. Projects eligible for possible affordability principal forgiveness (f/k/a hardship principal forgiveness) are those projects that are at least a High Facility Need, a Medium Water Quality Concern, or a Low Shellfishery Protection according to the Department's Priority Points Assessment. Please refer to the Environmental Priority Point System at the end of this attachment. This means that in order for a project to be eligible for affordability principal forgiveness a project must at least score 20 environmental priority points. Except as noted below, all projects that score at least 20 environmental priority points are eligible for affordability principal forgiveness. Offers of principal forgiveness are dependent upon the project's environmental ranking compared to other ranked applicants in the funding year. Due to the limited additional subsidy allowed, the maximum affordability principal forgiveness per borrower is \$400,000. **Borrowers that received hardship/affordability principal forgiveness from the Department in both of the previous funding years (2012 & 2013) are not eligible for affordability principal forgiveness in the 2014 funding year.**

The affordability principal forgiveness offer for each project will vary depending on the community's economic circumstances as defined by its average single-family residential sewer user rate as a percentage of the median household income (MHI). In this analysis the borrower may use its current sewer user rate or the future calculated sewer rate after the costs of the proposed CWSRF funded project are factored into the current rate structure. Sewer user rates based on the future rates must be substantiated by an appropriate engineering financial analysis and presented to the Department. (Some projects, such as those for control of non-point sources of pollution, may not have traditionally defined sewer user rates. In those cases, the Department will use the average percentage of all the applicants for 2014 as a means of maintaining equity across the board).

Projects that are ranked with less than 20 environmental priority points in the Environmental Priority Point System will not be eligible for affordability principal forgiveness. The purpose of this is to provide additional subsidy to the projects that will provide the most environmental benefit to those applicants with the most economic stress.

The process for affordability principal forgiveness will be as follows. After all proposed projects are environmentally ranked, projects with environmental priority points of 20 or more will be considered for affordability principal forgiveness. These projects will be further ranked by the current or future average single-family residential sewer user rate as a percent of the MHI for the applicant's community. The Department will offer affordability principal forgiveness to the applicant with the highest percent user rate then subsequently to applicants with progressively lower rates until the available affordability principal forgiveness has been committed.

Those applicants that receive affordability principal forgiveness will be required to implement an asset management program in accordance with guidance provided by the

Department, and establish a repair and replacement reserve account equal to at least 2% of its annual sewer operation and maintenance (O&M) budget each year for five fiscal years from the time of the loan. In order to receive affordability principal forgiveness, applicants that are currently required to implement an asset management program and establish a reserve account, as a condition of a previous loan, will be required to implement their asset management program and fund the reserve account for five fiscal years following the most recent loan agreement. The borrowers would have to provide yearly budget reports showing funds deposited in the reserve account for each year for the five years and, if funds were expended, where the funds were used. This requirement would be included as an additional condition in the loan agreements. The applicants would also have to agree to have their wastewater discharge permits modified to include these conditions.

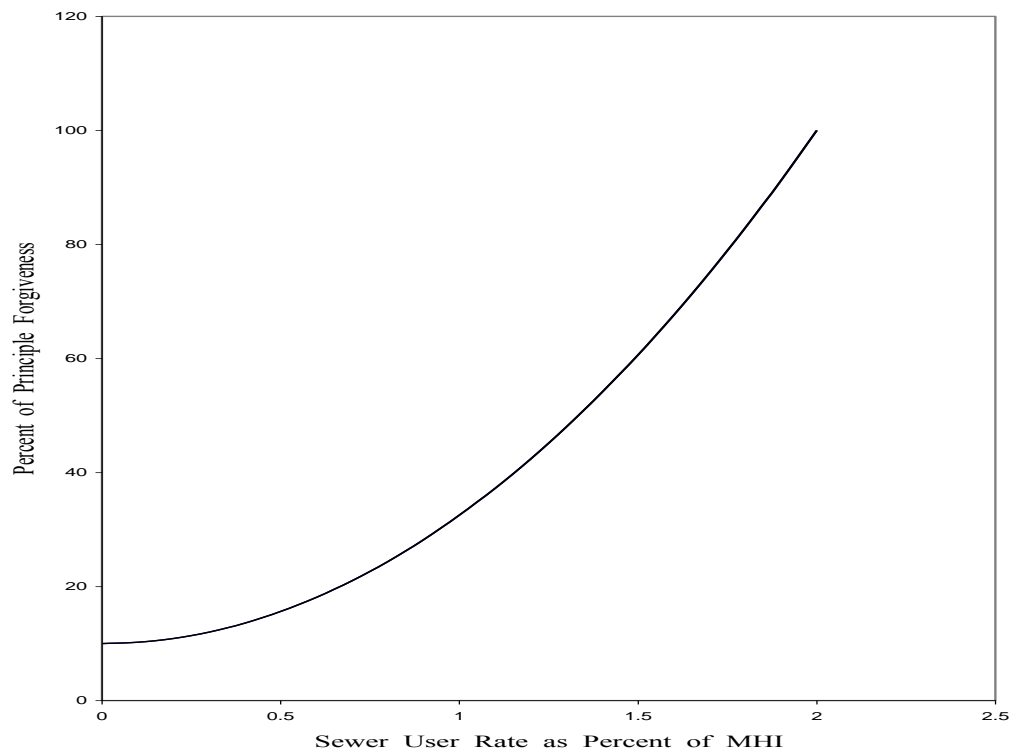
Affordability principal forgiveness will be offered to applicants as noted above. The amount of the principal forgiveness offer will be based on the average annual single-family residential sewer rate as a percent of the MHI in accordance with the following calculation.

The calculation of the principal forgiveness amount is:

$$\text{Affordability Principal Forgiveness Percent} = 10 \% + \left[\frac{(\text{user rate})^2}{4} \times 90 \% \right]$$

Where the user rate is the average annual single-family residential charge as a percent of the median household income.

This non-linear formula has the effect of providing proportionally greater assistance in the form of principal forgiveness to communities having the higher sewer user charges. This is depicted graphically below.



Sewer User Rate as Percent of MHI	0.0	0.2	0.4	0.6	0.8	1.0	1.2	1.4	1.6	1.8	2.0
Percent of Principal Forgiveness	10.0	10.9	13.6	18.1	24.4	32.5	42.4	54.1	67.6	82.9	100

Energy Audits and Asset Management Principal Forgiveness

The remaining estimated \$120,000 of the available principal forgiveness in 2014 will be used to provide an incentive to those borrowing for proposed wastewater design and construction projects to encourage comprehensive energy audits to identify energy efficiency projects and the implementation of asset management plans that include repair and replacement reserve accounts. The breakdown of this funding and requirements to receive it are described as follows.

Energy Audits

The Department intends to offer an estimated \$20,000 in principal forgiveness as an incentive to borrowers to conduct energy audits. A maximum principal forgiveness of \$20,000 per borrower would be provided to be used only for comprehensive process energy audits in accordance with minimum guidance provided by the Department.¹ These audits may cost less for small communities or more for large communities, but the maximum principal forgiveness would be \$20,000. It is the Department's intention that any surplus of the \$20,000 provided to a borrower be used to fund energy projects from the audit.

The Priority Rating System will be used to rank and prioritize projects for energy audit principal forgiveness offers of available funds. Any unused principal forgiveness in this category will first be used for asset management principal forgiveness and then affordability principal forgiveness, if needed. Borrowers that have previously received loan principal forgiveness from the Department to conduct energy audits are not eligible for additional energy audit principal forgiveness.

Asset Management and Reserve Accounts

The Department intends to offer an estimated \$100,000 in principal forgiveness as an incentive to borrowers to implement asset management plans and establish a reserve account. Borrowers that have previously received loan principal forgiveness from the Department for hardship or affordability in previous years or an offer of affordability in the current year, or asset management principal forgiveness previously are not eligible for additional asset management principal forgiveness. Asset management principal forgiveness may only be offered to the borrowers that do not meet the restriction above and, if they agreed to implement an asset management program in accordance with Department guidance² and agreed to set aside 2% of their total yearly operation and maintenance budget in a reserve account each year for five fiscal years after the loan closing date. The reserve account could not be used for purposes such as labor, energy costs or to artificially keep user fees down. The borrowers would have to provide yearly budget reports showing funds in the reserve account for each year for the five years and,

¹ MDEP, Model Energy Audit Request for Proposals

² MDEP, CWSRF Guidance for Minimum Requirements for an Asset Management Program and Reserve Account

if funds were expended, what the funds were used for. These requirements would be included in the loan agreements. The applicants would also have to agree to have their wastewater discharge permits modified to include these conditions. Borrowers that currently have an asset management plan and a reserve account that meets the above requirements would receive principal forgiveness if they agree to continue the reserve account for five more years. Funds permitting, the principal forgiveness would be a minimum of 5% and a maximum of 10% of the total principal borrowed. This would be an incentive, not a requirement, to receive a CWSRF loan. If the borrower did not want to do asset management and establish the reserve account, they could still borrow, but would not receive the 5% principal forgiveness.

The Priority Rating System will be used to rank and prioritize projects for asset management principal forgiveness offers of available funds. Any unused principal forgiveness in this category will first be used to provide additional funding beyond 5% for borrowers in this category. This will be accomplished by increasing the asset management principal forgiveness percentage to more than 5% and up to the maximum of 10%. Any additional unused principal forgiveness in this category will then be used to fund energy audits and then affordability principal forgiveness, if needed.

DISTRIBUTION OF UNALLOCATED PRINCIPAL FORGIVENESS

If applicants on this year's final IUP do not commit to a loan for the estimated assistance amount, the Department reserves the right to reallocate any additional uncommitted principal forgiveness to the remaining applicants on the IUP that have not closed on a loan. The distribution of the uncommitted principal forgiveness would be in accordance with the procedures outlined in the previous paragraphs, with the exception that the Department, at its discretion, could remove the maximum limit per borrower for affordability principal forgiveness.

The Department reserves the right to utilize unallocated principal forgiveness from previous years' allocations and utilize them for affordability principal forgiveness on projects that experience unforeseen cost overruns. The method of award would be in accordance with the procedures outlined in the borrower's IUP funding year.

ADDITIONAL POINTS ADDED TO ENVIRONMENTAL PRIORITY POINTS

Each of the following factors is rated as a percent of the environmental priority points determined in the Environmental Priority Point System. The various factors are summed and added to the environmental priority points for a final priority rating score.

1. “Green” projects (criteria stated in guidance by EPA). Projects assigned this factor include green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. While these can be freestanding projects, often they may be elements of larger projects. To evaluate green components, the dollar value of green elements will be determined as a percent of the total project cost. This percent will be multiplied by a constant value of 0.2 to obtain a percentage increase to the environmental priority points.

Increase in points up to: 20%

2. Regulatory requirements. This factor is applied if the project is necessary to meet a regulatory requirement such as a license condition, implementation of required plan or study (e.g. an approved CSO plan or a toxicity reduction plan), or the requirements of a consent agreement or court order.

Required by consent agreement or court order - increase in points: 20%

Other specific regulatory requirement
(e.g. Compliance Initiative Letter, Letter of Warning, Notice of Violation)
- increase in points: 10%

3. Expected degree of success in addressing pollution concerns. This factor reflects the Department’s estimate of how effectively the proposed project will address the local environmental problems for which the environmental priority points were assigned under the Environmental Priority Point System. In rating this factor, the Department recognizes that most projects have inherent limitations and water quality problems often have multiple contributing sources.

Added reliability or decreased discharges – increase points: 5%

Significant reduction of a discharge – increase points: 10%

Elimination of one of several discharges – increase points: 15%

Elimination of a significant discharge – increase points: 20%

Elimination of a sole discharge source – increase points: 25%

4. Regionalization of work. This factor recognizes that some proposed projects may represent efforts by two or more jurisdictions to solve water quality issues of common concern. Often, such effort can be more efficient and make better use of public resources to find cost-effective regional solutions.

Increase in points: 15%

5. Co-funded projects. If an applicant indicates that grant or loan money may be available from other sources (e.g. MDOT, EDI, FEMA, CDBG, State grant, STAG or RD), this has the potential to leverage all available funds with the result of more beneficial projects being done. The Department will consult with the other agencies to determine if grants and/or loans have been applied for the proposed project and the other agencies' intent to fund before assessing these extra points.

Increase in points: 20%

MULTI-YEAR SRF PROJECT PRIORITY LIST

Name	Project Number
Anson-Madison Sanitary District	230075
Anson, Town of	230193
Ashland Water & Sewer District	230199
Auburn Sewerage District	230079
Augusta Sanitary District	230173
Baileyville, Town of	230069
Bangor, City of	230071
Bar Harbor, Town of	230084
Bath, City of	230043
Bayville Village Corp	230221
Belfast, City of	230066
Benton, Town of	230304
Berwick, Town of	
Berwick, Sewer District	230090
Bethel, Town of	230081
Biddeford, City of	230240
Bingham, Town of	230064
Blue Hill, Town of	230097
Boothbay Harbor Sewer District	230227
Boothbay, Town of	230170
Brewer, City of	230099
Bridgton, Town of	230133
Brownville, Town of	230189
Brunswick Sewer District	230145
Brunswick, Town of	230299
Bucksport, Town of	230162

MULTI-YEAR SRF PROJECT PRIORITY LIST

Name	Project Number
Calais, City of	230253
Camden, Town of	230059
Canton, Town of	230182
Cape Elizabeth, Town of	230120
Capitol Island Village Corporation	230321
Caribou Utilities District	230121
Carrabassett Valley Sanitary District	230236
Castine, Town of	230088
Clinton Water District	230176
Corinna Sewer District	230058
Cornish, Town of	230298
Cumberland County Soil & Water Conservation District	230313
Cumberland, Town of	230309
Damariscotta, Town of	
Danforth, Town of	230203
Dexter Utility District	230130
Dixfield, Town of	230146
Dover-Foxcroft, Town of	230163
Eagle Lake Water & Sewer District	230225
East Machias, Town of	230222
East Millinocket, Town of	230148
Eastport, City of	230183
Eliot, Town of	230231
Ellsworth, City of	230127
Enfield, Town of	230190
Fairfield, Town of	230266

MULTI-YEAR SRF PROJECT PRIORITY LIST

Name	Project Number
Falmouth, Town of	230060
Farmingdale, Town of	230152
Farmington, Town of	23007203
Finance Authority of Maine	
Fort Kent, Town of	230260
Ft. Fairfield Utility District	230102
Freeport, Town of	
Freeport Sewer District	230116
Frenchville, Town of	230174
Gardiner, City of	230151
Gorham, Town of	230303
Grand Isle, Town of	230141
Great Salt Bay Sanitary District	230128
Greenville, Town of	230319
Guilford-Sangerville Sanitary District	230149
Hallowell Water District	230155
Hampden, Town of	230156
Hartland, Town of	230092
Houlton, Town of	230318
Houlton Water Company	230070
Howland, Town of	230161
Islesboro, Town of	230166
Jackman Utility District	230113
Jay, Town of	230082
Kennebec Sanitary Treatment District	230101
Kennebunkport, Town of	230076

MULTI-YEAR SRF PROJECT PRIORITY LIST

Name	Project Number
Kingfield, Town of	230197
Kittery, Town of	230510
Kennebunk Sewer District	230187
Lewiston-Auburn WPCA	230078
Lewiston, City of	230077
Limerick, Town of	230310
Limerick Sewerage District	230167
Limestone Water & Sewer District	230202
Lincoln Sanitary District	230157
Linconville Sewer District	230315
Lisbon, Town of	230096
Livermore, Town of	
Livermore Falls, Town of	230094
Long Creek Watershed Management District	
Loring Development Authority	230314
Lubec, Town of	230219
Machias, Town of	230093
Madawaska, Town of	230136
Madison, Town of	
MSAD #6, Buxton	
Maine State Housing Authority	
Maine Forest Service	
Manchester Sanitary District	230111
Mapleton Sewer District	230089
Mars Hill Utility District	230220
Mattawamkeag, Town of	230204

MULTI-YEAR SRF PROJECT PRIORITY LIST

Name	Project Number
Mechanic Falls Sanitary District	230107
Mexico Sewer District	230105
Milbridge, Town of	230134
Milford, Town of	230139
Millinocket, Town of	230125
Milo Water District	230188
Monmouth Sanitary District	230112
Monson, Town of	230201
Moosehead Sanitary District	230098
Mt. Desert, Town of	230087
Newport Sanitary District	230150
Norridgewock, Town of	230160
North Berwick Sanitary District	230186
North Haven, Town of	230198
Northport Village Corporation	230126
Norway, Town of	230171
Oakland, Town of	230073
Ogunquit Sewer District	230294
Old Orchard Beach, Town of	230114
Old Town, City of	230086
Orland, Town of	230308
Orono, Town of	230248
Owl's Head, Town of	230212
Paris Utilities District	230100
Passamaquoddy Indian Township	230210
Passamaquoddy R.H.A.	230209

MULTI-YEAR SRF PROJECT PRIORITY LIST

Name	Project Number
Patten, Town of	230131
Penobscot Indian Nation	230095
Pittsfield, Town of	230142
Poland, Town of	230302
Portland, City of (Public Works)	230306
Portland Water District (Cape Elizabeth)	230184
Portland Water District (Cumberland)	230185
Portland Water District (Gorham)	230207
Portland Water District (Peak's Island)	230296
Portland Water District (Portland)	230123
Portland Water District (Westbrook)	230122
Presque Isle, Town of	230320
Presque Isle Sewer District	230140
Randolph, Town of	230153
Rangeley, Town of	230109
Richmond Utility District	230175
Rockland, City of	230108
Rockport, Town of	230217
Rumford-Mexico Sewerage District	230104
Sabattus, Town of	
Sabattus Sanitary District	230135
Saco, City of	230147
Sanford Sewerage District	230132
Scarborough, Town of	
Scarborough Sanitary District	230115
Searsport, Town of	230129

MULTI-YEAR SRF PROJECT PRIORITY LIST

Name	Project Number
Sinclair Sanitary District	230265
Skowhegan, Town of	230065
Sorrento, Town of	230191
South Berwick, Town of	
South Berwick Sewer District	230288
South Portland, City of	230117
Southwest Harbor, Town of	230106
Squirrel Island Village Corp.	230224
St. Agatha, Town of	230261
Standish, Town of	
Stockton Springs, Town of	
Stonington Sanitary District	230180
Surry, Town of	
Thomaston, Town of	230044
Topsham, Town of	
Topsham Sewer District	230144
Tri-Community Landfill	230405
Unity Utility District	230080
Van Buren, Town of	230068
Vassalboro Sanitary District	230178
Veazie, Town of	230158
Veazie Sewer District	230158
Verona, Town of	230305
Vinalhaven, Town of	230263
Waldoboro Utility District	230268
Warren Sanitary District	230194

MULTI-YEAR SRF PROJECT PRIORITY LIST

Name	Project Number
Washburn, Town of	230124
Waterville Sewerage District	230241
Wells Sanitary District	230118
Westbrook, City of	230307
Whitneyville, Town of	230289
Wilton, Town of	230137
Winslow, Town of	230085
Winter Harbor, Town of	230119
Winterport Water District	230159
Winthrop Water District	230285
Wiscasset, Town of	230269
Yarmouth, Town of	230042
York Sewer District	230143

ADDITIONAL NEEDS**(Areas that currently do not have a central wastewater collection and treatment system)**

Pts	Applicant Legal Name	Project Number	Description of Project (Type/Works)	Total Eligible Cost	Eligible Cost by Needs
10 5L	Arundel, Town of		New 2,3,8	\$1,500,000	I \$500,000 IV-A \$500,000 IV-B \$500,000
15 4L	Carmel, Town of	230301	New	\$941,000	I \$941,000
26 3M	Jonesport, Town of	230292	New 1,2,4,8	\$8,000,000	I \$3,000,000 IV-B \$5,000,000
27 4H	Lincolnton Sanitary Dist.		New 1,2,3,4,5,8	\$3,000,000	I \$1,060,000 IVA \$1,385,000 IVB \$555,000
15 4L	Princeton, Town of	230215	New 2,3,4,5	\$1,000,000	I \$1,000,000
15 4L	Parsonsfield, Town of		New 2,3,8		
15 4L	Stockton Springs, Town of		New 1,2,3,4,5,8	\$20,500,000	I \$7,212,500 IV-A, IV-B \$13,287,500
32 3H	West Bath, Town of	230293	New	\$1,500,000	I \$1,500,000
10 5L	Windham, Town of		New 2,3,4,5	\$67,800,000	IV-A, IV-B \$67,800,000

SAND/SALT STORAGE AREAS

DEP PRIORITY 3 PROJECTS (moderate contamination)		
Addison, Town of	Hebron, Town of	Mayfield Township
Amity, Town of	Hodgdon, Town of	Merrill, Town of
Brighton Plantation	Industry, Town of	New Canada, Town of
Cannan, Town of	Jonesport, Town of	New Limerick, Town of
Canton, Town of	Kingsbury Plantation	Newry, Town of
Charleston, Town of	Limerick, Town of	Saint Albans, Town of
Cutler, Town of	Livermore, Town of	Stow, Town of
Freedom, Town of	Long A Township	Vanceboro, Town of
Grand Isle, Town of	Lovell, Town of	Webster Plantation
Harmony, Town of	Mars Hill, Town of	Woodville, Town of

DEP PRIORITY 4 PROJECTS		
Abbot, Town of	Burnham, Town of	Deer isle, Town of
Alfred, Town of	Cambridge, Town of	Dennysville, Town of
Ashland, Town of	Camden, Town of	Dixfield, Town of
Atkinson, Town of	Canaan, Town of	Drew Plantation
Baring Plantation	Carroll Plantation	Dyer brook, Town of
Bass Harbor, Town of	Cary Plantation	Eagle lake, Town of
Belmont, Town of	Caswell, Town of	East Machias, Town of
Benedicta, Town of	Centerville, Town of	Edinburg, Town of
Bingham, Town of	Charlotte, Town of	Ellsworth, Town of
Boothbay Harbor, Town of	Chesterville, Town of	Eustis, Town of
Bowerbank, Town of	Columbia, Town of	Fairfield, Town of
Brooksville, Town of	Columbia Falls, Town of	Farmingdale, Town of
Brownville, Town of	Cooper, Town of	Farmington, Town of
Buckfield, Town of	Cornville, Town of	Fort Kent, Town of
Burlington, Town of	Crawford, Town of	Frenchville, Town of

SAND/SALT STORAGE AREAS

Garfield Plantation	Monmouth, Town of	Stacyville, Town of
Gilead, Town of	Monroe, Town of	Standish, Town of
Glenwood Plantation	Mount Desert, Town of	Stockholm, Town of
Gouldsboro, Town of	New Portland, Town of	Stonington, Town of
Grand Lake Stream, Town of	New Vineyard, Town of	Strong, Town of
Greenbush, Town of	Newcastle, Town of	Sumner, Town of
Greenwood, Town of	Newfield, Town of	Swans Island, Town of
Hammond, Town of	Northfield, Town of	Swanville, Town of
Hartland, Town of	Northport, Town of	Talmadge, Town of
Hiram, Town of	Oakfield, Town of	Thorndike, Town of
Houlton, Town of	Orient, Town of	Tremont, Town of
Isle Au Haut, Town of	Otis, Town of	Turner, Town of
Kennebunk, Town of	Owls Head, Town of	Veazie, Town of
Kingfield, Town of	Oxbow Plantation	Vienna, Town of
Knox, Town of	Parsonsfield, Town of	Waite, Town of
Limington, Town of	Pembroke, Town of	Wallagrass, Town of
Linneus, Town of	Perham, Town of	Washington, Town of
Littleton, Town of	Roxbury, Town of	Waterboro, Town of
Machias, Town of	Rumford, Town of	Weld, Town of
Machiasport, Town of	Sebec, Town of	Wellington, Town of
Macwahoc Plantation	Shapleigh, Town of	Whiting, Town of
Madrid, Town of	Shirley, Town of	Willimantic, Town of
Masardis, Town of	Smyrna, Town of	Woodville, Town of
Meddybemps, Town of	Solon, Town of	
Minot, Town of	St. Francis, Town of	

SAND/SALT STORAGE AREAS

DEP PRIORITY 5 PROJECTS		
Andover, Town of	Jackman, Town of	Rockland, City of
Anson, Town of	Kingfield, Town of	Rumford, Town of
Avon, Town of	Kittery, Town of	Saco, City of
Baileyville, Town of	Lincoln, Town of	Sanford, Town of
Beals Island, Town of	Lisbon, Town of	Sangerville, Town of
Biddeford, City of	Livermore Falls, Town of	Searsport, Town of
Blaine, Town of	Lubec, Town of	Seboeis Plantation
Bowdoinham, Town of	Madawaska, Town of	Skowhegan, Town of
Bradley, Town of	Madison, Town of	South Berwick, Town of
Brunswick, Town of	Mechanic Falls, Town of	Stockton Spring, Town of
Calais, City of	Milo, Town of	Thomaston, City of
Cape Elizabeth, Town of	Moscow, Town of	Topsham, Town of
Carrabassett Valley, Town of	Newport, Town of	Van Buren, Town of
Coplin Plantation	Norridgewock, Town of	Vinalhaven, Town of
Cumberland, Town of	Norway, Town of	Washburn, Town of
Danforth, Town of	Oakland, Town of	Waterville, City
Dexter, Town of	Orono, Town of	West Paris, Town of
Dover-Foxcroft, Town of	Oxford, Town of	Westbrook, City of
East Millinocket, Town of	Penobscot, Town of	Wilton, Town of
Franklin, Town of	Phillips, Town of	Winslow, Town of
Gardiner, City of	Pittsfield, Town of	Winthrop, Town of
Gorham, Town of	Presque Isle, City of	Yarmouth, Town of
Hallowell, City of	Rangeley, Town of	York, Town of
Howland, Town of	Richmond, Town of	



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Region 1

**5 Post Office Square, Suite 100
BOSTON, MA 02109-3912**

June 22, 2015

Patricia Aho, Commissioner
Maine Department of Environmental Protection
17 State House Station
28 Tyson Drive
Augusta, ME 04333-0017

Michael R. Goodwin, Executive Director
Maine Municipal Bond Bank
P.O. Box 2268
Augusta, ME 04338

Dear Ms. Aho and Mr. Goodwin:

We are please to transmit to you the Final Program Evaluation Report (PER) for the annual review of the State of Maine's Clean Water State Revolving Fund (CWSRF) Program. This on-site review was conducted during March 24-26, 2015 covering State Fiscal Year 2014 (July 1, 2013 –June 30, 2014).

As detailed in the report, the State of Maine's Department of Environmental Protection (MEDEP) and the Maine Municipal Bond Bank (MMBB) have continued to manage and implement the CWSRF Program in an exceptional manner.

We would like to express our appreciation for all of the time and excellent cooperation provided to us during the on-site review by your respective experienced and conscientious CWSRF Program staff. Should you have any questions related to this specific final PER, you may contact me at (617) 918-1547 or Katie Marrese (617) 918-1658 of my staff. We look forward to continue working in partnership with the MEDEP and the MMBB to provide funding assistance to help build needed water infrastructure to protect water quality and public health in the State of Maine.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Spinale", is written over the word "Sincerely,".

Mark Spinale, Manager
Municipal Assistance Unit

cc: John True, MEDEP
Brian Kavanah, MEDEP
Carol Welch-Croome, MMBB
Robert Nadeau, MMBB
Katie Marrese, EPA

Enclosure: Final SFY 2014 PER

State of Maine
Clean Water State Revolving Fund

Program Evaluation Report

SFY 2014
(7/1/2013 – 6/30/2014)

Completed by: US EPA Region 1 – New England
Municipal Assistance Unit
5 Post Office Square, Suite 100
Boston, MA 02109 - 3912

Contents

I.	INTRODUCTION	1
II.	PRE-ONSITE REVIEW	1
	<i>a. Awards to Date</i>	1
	<i>b. Summary of Key CWSRF Program Aspects</i>	1
	<i>c. Financial Indicators</i>	2
	<i>d. Financial Audit</i>	4
III.	ONSITE REVIEW	4
	<i>a. Transaction Testing</i>	4
	<i>b. State Match</i>	5
	<i>c. Project File Reviews</i>	6
	<i>d. FFATA Reporting, Green Project Reserve (GPR), and Additional Subsidy Requirements</i>	6
IV.	CONCLUSIONS	8
	<i>a. Follow Up from Last Year's PER</i>	8
	<i>b. Action Items and Recommendations for this Review</i>	8
V.	ANNUAL REVIEW PARTICIPANTS	9

Appendix A- Annual Review Schedule

List of Tables

Table 1.	Summary annual and cumulative statistics for Maine's CWSRF program	2
Table 2.	SFY 2014 CWSRF Financial Indicators for Maine	3
Table 3.	Cash draws selected for transaction testing	5
Table 4.	FFATA Requirements	7
Table 5.	Green Project Reserve Requirements	7
Table 6.	Additional Subsidy Disbursements for Open Grants	8
Table 7.	List of Annual Review Participants	9

I. INTRODUCTION

Title VI of the Clean Water Act (CWA) of 1987 established the Clean Water State Revolving Fund (CWSRF) program as an innovative replacement for the federal Construction Grants program. The CWSRF Program helps fund traditional municipal wastewater treatment and collection system infrastructure projects. It is also available to fund a wide variety of water quality improvement projects including all types of nonpoint source, watershed protection or restoration, and estuary management projects. Section 606(e) of CWA Title VI requires EPA to conduct an Annual Review to assess the State's progress in the implementation of its CWSRF program. The ultimate objective of the Annual Review is to ensure that the State's CWSRF program is designed and operated to provide on-going financial assistance for water pollution control activities.

This document, the Program Evaluation Report (PER), summarizes EPA's Annual Review of the Maine CWSRF program for the period of July 1, 2013 to June 30, 2014 (SFY 2014) and will serve as the basis for actions taken by the State and as a point of future reference for the Region. The Annual Review took place on March 24-26, 2015 and was conducted in accordance with EPA's Annual Review Guidance, including a pre-onsite document review, onsite discussions with state staff, onsite project file review, onsite financial transaction testing, and completion of nationally standardized programmatic and project file checklists.

II. PRE-ONSITE REVIEW

EPA reviewed the following documents prior to arriving onsite: Operating Agreement, 2014 Annual Report, State Environmental Review Process (SERP), Intended Use Plan (IUP), Clean Water Benefits Reporting (CBR) Database Reports, Independent Audit Report, Single Audit Report, Clean Water SRF National Information Management System (NIMS) Reports, and Compass Reports. This document review provided the information necessary to answer some of the questions in the Annual Review Checklist developed by EPA Headquarters and to complete the sections below.

a. Awards to Date

The Maine Municipal Bond Bank (MMBB) received the 2013 CWSRF capitalization grant for the amount of \$10,335,000 during SFY 2014. As of June 30, 2014, EPA has awarded the MMBB an amount of \$289,889,458 in CWSRF funding since the inception of the CWSRF program. This includes the \$30,336,800 that was awarded to the State of Maine through the CWSRF program under the American Recovery and Reinvestment Act of 2009 (ARRA).

b. Summary of Key CWSRF Program Aspects

The pre-onsite review provided EPA with a snapshot of the program's financial status, allowing EPA to determine compliance with the binding commitment requirement and the financial state of the CWSRF. Key SFY 2014 and cumulative information on the program is listed in

Table 1.

Table 1. Summary annual and cumulative statistics for Maine's CWSRF program.

	SFY 2014	Cumulative as of 6/30/14
Total EPA Awards to Project Fund	\$10,335,000	\$289,889,458
Total State Match¹	\$4,335,000	\$52,085,469
Repayments (principal and interest)²	\$24,652,944	\$440,467,371
Interest Earnings on Investments³	\$247,002	\$34,221,018
Bond Proceeds	\$0	\$0
Income from Fees⁴	\$544,746	\$7,524,524
Binding Commitments		
Number of Agreements ⁵	13	582
Dollar Amount ⁶	\$24,653,145	\$709,382,647
Amount in Excess of Required Commitments		\$392,724,596
Assistance to Hardship Communities		
Number of Agreements ⁷	2	14
Dollar Amount ⁸	\$839,000	\$11,486,600
Grant Requirements		
Subsidy Dollar Amount ⁹	\$795,114	\$29,644,000
GPR Dollar Amount ¹⁰	\$3,504,682	\$43,113,655

c. Financial Indicators

On October 31, 2000, the memorandum (CWSRF 01-3) regarding the implementation of CWSRF Financial Indicators, was issued. Some of these indicators are incorporated into the Government Performance and Results Act (GPRA) annual performance goals for the CWSRF program. These financial indicators, which are summarized in

Table 2, are tools that help us understand and assess a State's SRF program within our Region and are calculated using the data that the State provides in the CWSRF National Information Management System report each year.

¹ Exhibit II of the Maine CWSRF Annual Report for SFY 2014.

² NIMS lines 236 and 239, respectively.

³ NIMS lines 241 and 242, respectively.

⁴ NIMS lines 247 and 248, respectively.

⁵ NIMS lines 102 and 103, respectively.

⁶ NIMS lines 100 and 101, respectively.

⁷ NIMS lines 132 and 133, respectively.

⁸ NIMS lines 130 and 131, respectively.

⁹ NIMS lines 324 and 325, respectively.

¹⁰ NIMS lines 330 and 331, respectively.

Table 2. SFY 2014 CWSRF Financial Indicators for Maine

	National Non-Leveraged Average	State Value
Federal Return on Investment	187 %	256 %
Loans as a Percent of Funds Available	93 %	97 %
Disbursements as a Percent of Assistance Provided	84 %	94 %
Estimated Additional Assistance Due to Leveraging	N/A	\$0
Sustainability	N/A	\$63.7M

It is important to understand that although national target values are presented, the comparison of any one state against these values must be tempered by an understanding of the specific differences in the way in which that state's program is operated. For example, some states make direct loans and other states leverage their funds through issuances of municipal bonds. Leveraging will drastically affect the Return on the Federal Investment indicator by making it higher in a leveraged state than in a non-leveraged state. Maine has used a bond-blending strategy in the past, but they have not leveraged their funds, according to the traditional definition, since the late 1990's.

The **Federal Return on Investment** indicator (Project Disbursements as a percent of Cash Draws) illustrates how many dollars of assistance were disbursed to eligible borrowers for each federal dollar drawn. The national non-leveraged state value for this indicator for FY2014 is 187%, and the state of Maine is disbursing funds at a rate of 256% which is an excellent rate compared to the national average.

The **Loans as a Percent of Funds Available** indicator (SRF Assistance Provided as a percent of Funds Available) measures the dollar amount of executed loan agreements to the cumulative dollar amount of funds available for loans. It is one indicator that measures the *Pace* of the program by gauging how quickly funds are made available to finance CWSRF projects. This indicator has a wide range of values and can exceed 100% for those states that have adopted an advanced loan approval approach, which makes use of the lag time between the signing of loan agreements and the disbursement of monies to complete the projects. The national average for non-leveraged states for this indicator in FY 2014 is 93%. Maine is proceeding to convert its CWSRF available funds into executed loans at a rate of 97% which is well above the national average.

The **Disbursements as a Percent of SRF Assistance Provided** indicator measures the *speed* at which projects are proceeding to completion. This indicator shows the relationship between loan disbursements and the total amount of funding provided. This indicator has a wide range of values, but will not exceed 100% as that would indicate disbursing funds in excess of the funds committed. The national non-leveraged value for this indicator in FY 2014 is 84%, and

Maine is proceeding at rate of 94% which is in line with last year's rate and far above the national average.

The **Estimated Additional Loans Due To Leveraging** indicator attempts to estimate the dollar amount of additional projects which have been funded, that otherwise might not have been funded, had leveraged bonds not been issued. Since Maine does not leverage, this indicator remains at \$0.

The **Sustainability of the Fund** indicator seeks to gauge how well the State's CWSRF fund is maintaining invested capital, without making adjustments for loss of purchasing power due to inflation. Sustainability is a measure of *Perpetuity*, which is a measure of the amount of net earnings that has been generated by the operations of the CWSRF program. This indicator measures the amount of dollars which have been returned to the CWSRF over and above the initial Federal grants and State match deposits. These will contribute to the viability of the CWSRF and enable it to exist in perpetuity as intended by Title VI of the CWA. This value should be greater than \$0 (no net earnings). The Sustainability indicator for the State of Maine has reached approximately \$63.7 Million in 2014, an increase over the state's 2013 value. This measure is dependent on the size of the program, so comparisons to the national and regional averages are of limited value. The important point is that Maine has a positive balance, indicating positive returns to the fund and that the amount is growing each year.

d. Financial Audit

Audits are conducted annually to determine whether SRF financial statements are presented fairly in conformity with Generally Accepted Accounting Principles (GAAP), if there are any weaknesses in internal controls with regard to the oversight of SRF funds, and if states are in compliance with respect to laws, regulations and the provisions of SRF capitalization grants.

On September 16, 2014, Baker Newman & Noyes, LLC issued the results of the financial audit conducted on the Maine CWSRF and DWSRF programs. The state received an unqualified opinion on the financial statements for both SRF programs, and Baker Newman & Noyes, LLC also reported that there were no findings of deficiencies/weaknesses in internal controls in either program. Additionally, the audit found that the state complied with generally accepted accounting principles. The state should be commended for continued excellence in financial management and reporting.

III. ONSITE REVIEW

EPA Region 1 thanks state staff for making themselves available for interviews and meetings as established in the review schedule found in Appendix A. The information gathered during interviews with state staff was used to complete the Annual Review Checklist developed by EPA Headquarters. The following sections summarize document reviews and discussions that took place onsite.

a. Transaction Testing

In accordance with the EPA's FY14 Oversight Plan, the following four cash draws were reviewed for the base CWSRF program. The transactions reviewed included transactions that were randomly selected by the U.S. Office of Management and Budget (OMB), the purpose of which is to develop a national estimate of improper payments from SRF programs. Those transactions that were part of the OMB random sampling are highlighted in yellow.

These transactions did not duplicate any of the transactions sampled during previous reviews and all of the items appeared to be eligible under the CWSRF program. The back-up documents associated with these payment requests were reviewed in detail to complete the transaction testing worksheets developed by EPA Headquarters. EPA Region 1 found the Maine Municipal Bond Bank staff to be very accommodating in providing well-organized documentation for the cash draws requested and in answering any questions from our staff.

Review of the above transactions determined that each cash draw transaction occurred within a timely manner and that there were no improper payments.

Table 3. Cash draws selected for transaction testing

Date of Cash Draw	Amount of Cash Draw	Description of Transaction
5/19/2014	\$870,056.33	Loan Disbursement (Fall Brook Sewer Separation)
10/17/2013	\$578.80	Loan Disbursement (Machias Sewer Extension)
11/25/2013	\$1,516,883.89	Loan Disbursement (Portland GSO)
1/29/2014	\$111,518.82	Admin Disbursement

Part of the FFY 2014 Oversight Plan for the CWSRF Program required certain negative draws to be evaluated for improper payments. In Maine, one negative draw was selected for review, and discussion with Maine Municipal Bond Bank staff occurred to determine whether the negative draw was the correction of a prior improper payment. The following summarizes the negative draw review:

- (- \$289.40; Grant # CS23000111; Document # 14AS801736; Document Date 10/17/13): The negative draw was a result of the state inadvertently returning \$289.40 of CWSRF funds, when in actuality, \$289.40 should have been **drawn** from the CWSRF program to correct a prior CWSRF improper payment (underpayment) in the same amount on the same day. The state immediately caught this error, and took swift action to correct the improper payment of \$289.40 on the same day (10/17/13). This improper payment has been resolved by the state.

b. State Match

Maine has secured the required 20% state match for all CWSRF capitalization grants up through FFY 2013. P.L. 2013, Chapter 269 (LD1555), 6/14/13, *An Act to Strengthen Maine's Hospitals and To Provide for a New Spirits Contract*, identifies a 10-year revenue source for future SRF program state match. As of the date of the review, the state has deposited into the CWSRF \$653,096 in state matching funds towards the required amount of \$2,170,600 for the FY14 capitalization grant. The state informed the EPA review team that it expects the remainder of the FY14 required match to be deposited by the summer of 2015, when it also expects to receive funding for the FY15 capitalization grant as well. The state should keep EPA apprised of the funding for the FY14 and FY15 state match as soon as deposit information becomes available. In additional, EPA will continue to coordinate with the state to ensure that all available options are explored for securing CWSRF state match in a timely manner.

c. Project File Reviews

In accordance with the EPA's 2014 Oversight Plan, Project File Review Checklists were completed for the following 2 base SRF projects:

- Houlton Water Company (C230070-04)
Total Loan Amount: \$641,000
Project Description: The project includes the upgrade of the aeration system from four 20 HP fixed surface mounted aerators to a new diffused aeration system. Additionally, the project includes installing a new automated rake system to prevent the rags from entering the treatment plant through the intake. The new aeration system will provide operational flexibility, improved performance and substantial energy savings. The new intake rake and storage unit are expected to perform substantially better than the comminutor and eliminate downstream equipment issues resulting from rags.
- Skowhegan (C230065-05)
Total Loan Amount: \$11,880,000
Project Description: The Island Avenue Pump Station Replacement project is the first of five CSO abatement projects planned to be constructed in the next several years. The primary purpose of the project is to replace aging and obsolete equipment to insure that the pump station will reliably and more efficiently serve long term needs. The project includes complete replacement of the pump station including all electrical and controls, as well as replacement of a section of associated force main pipe along US Route 2. The new pump station will have increased capacity, as compared to the existing station, which will reduce and possibly eliminate future CSO flows at this location.

Project, construction and administrative loan files were examined to ensure that projects are managed consistent with federal regulations and policies governing the CWSRF program. Files were checked for the inclusion of documentation supporting environmental review, federal cross-cutters, capacity analysis, project eligibility, Disadvantaged Business Enterprise (DBE) efforts, bidding process, inspections, Davis-Bacon compliance, Green Project Reserve (GPR) documentation (when applicable), invoices, and loan agreements. All necessary documentation was available for review by the time that EPA arrived on site and no significant issues were identified for the projects reviewed.

d. FFATA Reporting, Green Project Reserve (GPR), and Additional Subsidy Requirements

Certain capitalization grants have special provisions associated with them. EPA must verify that all grant conditions are met before closing any grant, including requirements for reporting under the Federal Funding Accountability and Transparency Act (FFATA), funding green projects through the Green Project Reserve (GPR), and providing subsidy within a prescribed range. Progress towards meeting these requirements was reviewed for the 2011, 2012, and 2013 capitalization grants.

FFATA applies to all federal funding awarded after October 1, 2010. FFATA requirements are considered met when loan, contract, and set-aside activity has been reported to www.fsrs.gov in an amount equivalent to the full capitalization grant. Satisfied FFATA reporting amounts at the time of the review are shown in Table 5.

Table 4. FFATA Requirements

Grant	Required Amount	Already Reported	Left to be Reported
2011	\$11,431,000	\$11,431,000	\$0
2012	\$10,940,000	\$10,940,000	\$0
2013	\$10,335,000	\$2,500,000	\$7,835,000

The GPR provision was determined to have been met for the 2010, 2011, and 2012 capitalization grant requirements during the 2013 annual review last year. The GPR provision for the 2013 Appropriations Bills states that to the extent that there are sufficient eligible project applications, at least 10 percent of the capitalization grant shall be used for projects or components of projects that address energy efficiency, water efficiency, green infrastructure, or are environmentally innovative projects. As was indicated in the *Clarification on the Use of Clean Water State Revolving Fund and Drinking Water State Revolving Fund for Green Project Reserve and Additional Subsidy* memo dated August 20, 2013 from EPA HQ, the GPR provision should be met with commitments by the end of the year following the appropriation.

As of the end of the SFY 2014 and according to the Clean Water Projects Benefits Reporting (CBR) database, 1 GPR project has been committed to meet the 2013 requirement. See Table 6 below for more information.

Table 5. Green Project Reserve Requirements

Grant	Requirement	Minimum Required	Amount Committed as of 6/30/14
2013	10% Minimum	\$1,033,500	\$1,440,182

EPA would like to commend the State on providing detailed disbursement information on additional subsidy on projects that were counted towards the 2010-2013 capitalization grants as of 6/30/14. As is the case with the GPR requirements, the additional subsidy should be committed in executed loan agreements by the end of the federal fiscal year following the appropriations year. As of 6/30/14, the 2010, 2012, and 2013 additional subsidy requirements have not yet been met. See Table 7 below for more information.

Table 6. Additional Subsidy Disbursements for Open Grants

Grant	Requirement	Committed as of 6/30/14	Disbursed as of 6/30/14
2010	Minimum - \$2,362,295	\$7,670,659	\$2,287,218
2011	Minimum - \$1,059,264 Maximum - \$3,530,880	\$3,530,880	\$1,232,200
2012	Minimum - \$608,006 Maximum - \$912,008	\$617,945	\$127,831
2013	Minimum - \$486,823 Maximum - \$730,234	\$305,000	\$0

Since the state applies the additional subsidy as a percentage with each loan disbursement, EPA understands that the disbursements as of June 30, 2014 only represent the loans with principal forgiveness that have been fully disbursed.

ACTION ITEM: The 2015 Annual Report must contain an explanation of the reasons for the delay in the 2013 additional subsidy commitment into loan executions and provide a plan that identifies the project(s) that will use the remaining subsidy funds, along with milestones for each project showing the path to an executed agreement. The IUP for the 2015 capitalization grant should indicate the amount of additional subsidy from the previous years that still must be committed to projects.

IV. CONCLUSIONS

Overall, the state is implementing a well-organized, well-managed, efficient and effective CWSRF program. EPA commends Maine DEP and MMBB staff for working diligently to meet their commitments under the base program. The state's goals of addressing risks to public health and water quality objectives through the development and implementation of the CWSRF Program appear to have been met while running the program in accordance with pertinent 40 CFR Part 31 administrative requirements for grants to state and local governments.

a. Follow Up from Last Year's PER

There were no action items identified in last year's PER.

b. Action Items and Recommendations for this Review

The 2015 Annual Report must contain a complete explanation of the reasons for the delay in the 2013 additional subsidy commitment into loan executions and provide a plan that identifies the project(s) that will use the remaining subsidy funds, along with milestones for each project showing the path to an executed agreement. The IUP for the 2015 capitalization grant should

indicate the amount of additional subsidy from the previous years that still must be committed to projects.

V. ANNUAL REVIEW PARTICIPANTS

Table 7. List of Annual Review Participants

Name and Affiliation	Role/Responsibility	Participation		
		Entrance	Interview	Exit
Katie Marrese	EPA CWSRF Project Officer	X	X	X
James Bourne	EPA DWSRF Project Officer	X		X
Phyllis Nelson	EPA Financial Oversight	X	X	X
Mark Spinale	EPA Manager and Financial Oversight	X	X	X
Nancy Zhou	EPA Financial Oversight	X	X	X
Nate Saunders	Department of Health and Human Services (DHHS) – Drinking Water Program	X		X
David Welch	DHHS – Drinking Water Program	X		X
Carol Welch-Croome	MMBB	X	X	X
Rob Nadeau	MMBB	X	X	X
Norm Lamie	DHHS – Drinking Water Program	X		X
Shane Costigan	DHHS – Internal Audit	X		X
Tim MacMillan	DEP	X	X	X
John True	DEP	X	X	X
Roger Crouse	DHHS	X		X
Brandy Piers	DEP		X	
Kelly Stevens	DEP		X	

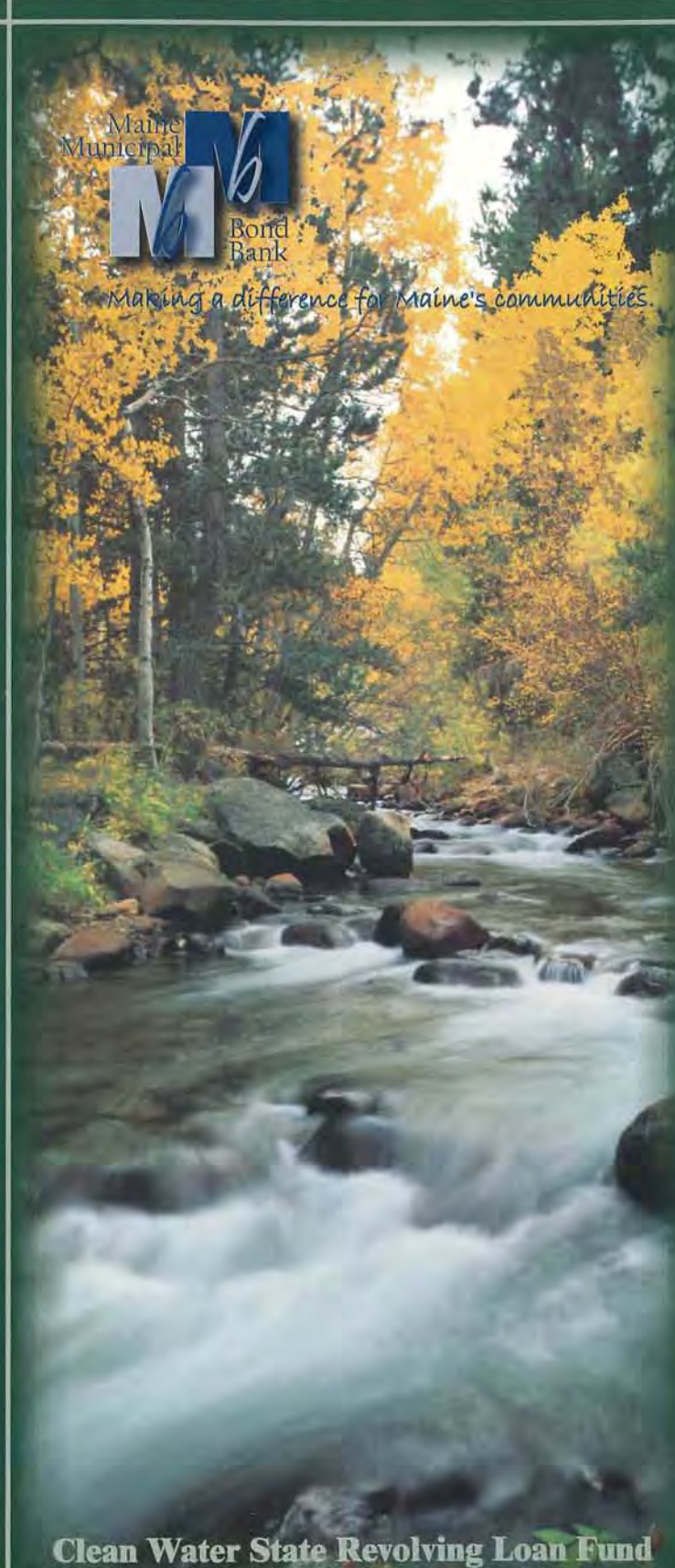
It is the goal of the Maine Municipal Bond Bank to provide a service that meets your financial needs in the most efficient and cost effective manner available. The Maine Municipal Bond Bank staff welcomes the opportunity to discuss any decisions concerning your capital financing needs. For more information on program eligibility please contact the Department of Environmental Protection or visit their website at www.maine.gov/dep. For more information on the Maine Municipal Bond Bank's financing programs please contact us or visit our website at www.mmabb.com.



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Making a difference for Maine's communities.



Clean Water State Revolving Loan Fund

Created in 1972 by the Maine State Legislature, the Maine Municipal Bond Bank has a thirty year history of providing Maine's cities, towns, school systems, water and sewer districts, and other governmental entities access to low cost funds through the sale of its highly rated tax-exempt bonds. Established as an independent agency, the Bond Bank is administered by a board of commissioners, including the Treasurer of State, Superintendent of the Bureau of Financial Institutions and three commissioners appointed by the Governor. The Bond Bank works closely with its municipal clientele to provide unique, cost effective and competitive financing programs

State Revolving Loan Fund - Clean Water Program

Created in 1987 by the Water Quality Act, the Environmental Protection Agency (EPA) provided all 50 states seed money to capitalize state loan funds. The states then in turn help sewer systems by financing high priority water-quality activities. The Maine Municipal Bond Bank (Bond Bank) and the Maine Department of Environmental Protection (DEP) jointly administer the Clean Water SRF Program (CWSRF). The Bond Bank serves as the administrator and financial manager and DEP serves as the environmental and project manager for the program.

Program & Project Eligibility

Eligible borrowers include public wastewater systems. Examples of eligible projects include but are not limited to:

- Secondary & advanced treatment facilities
- Infiltration & Inflow correction
- Interceptors
- Pumping Stations
- Force Mains
- Combined Sewer Overflow abatement
- Certain sewer extensions in designated areas and areas of failing septic systems

All projects that receive financing from the CWSRF program must first go through the DEP approval process and be placed on the State's intended use plan. Once a project has been deemed eligible for the CWSRF program, an application may be submitted to the Bond Bank. Borrowers are encouraged to consult with their local bond counsel, DEP and the Bond Bank early in the project development process to determine whether a project qualifies for CWSRF financing.

Financing Schedule

Once a project is deemed eligible for CWSRF financing, an application may be completed by the prospective borrower and submitted to the Bond Bank for approval. Applications and the corresponding detailed instructions may be obtained by contacting the Bond Bank or downloaded by visiting our website at www.mmbb.com. Financing can be structured to meet the borrowers needs through a combination of interim and long-term loans. Depending upon the availability of CWSRF funds, long term financing may be provided from a tax-exempt bond or from a direct loan of federal and state dollars. Both interim and long term financing options require that the funds be drawn-down through requisitions, as the SRF is a reimbursement program.

Interest Rates & Issuance Costs

The interest rate on CWSRF loans is 2% below the Bond Bank's cost of funds. The borrower is responsible for the their local bond counsel and all closing costs associated with the CWSRF loan, however the pro rata share of the issuance cost associated with a bond issue, a DEP fee (2%) and annual Bond Bank servicing fees (3.0%) of the annual debt service are included in the interest rate. Including these fees in the interest rate ensures that the borrower will receive the full 2% subsidy. As costs associated with the SRF program change periodically, please visit our website or contact the Bond Bank for a current fee schedule.

Payment Structure

Allowable repayment terms are between one and twenty years. In all cases, the maximum loan term may not exceed the useful life of the financed asset. Borrowers have the option to structure debt service payments around construction schedules and phased in rate increases. Borrowers also have the option of capitalizing interest payments during construction and for up to six months following completion of the project.

Financial Planning Services

Dedicated to serving Maine's municipalities for over thirty years, the Bond Bank works closely with their municipal clientele in selecting the best financing option available. The Bond Bank will manage and maintain all aspects of your loan including the arbitrage tracking, construction draws, audit confirms and any questions you may have during the life of the loan.

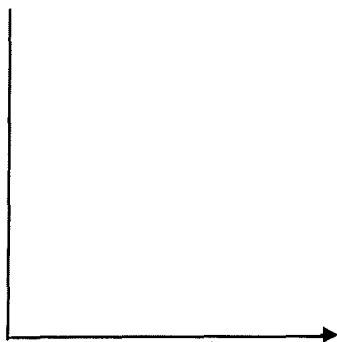


Making a Difference for Maine Communities

FINANCIAL APPLICATION

for Municipal Borrowers

Low-Interest Loans for



Clean Water

Improvement

Projects

Rob Nadeau, Program Officer

e-mail: rpn@mmbb.com

127 Community Drive, P.O. Box 2268, Augusta, Maine 04338-2268

1-800-821-1113 207-622-9386 Fax: 207-623-5359

MAINE MUNICIPAL BOND BANK

SRF - CLEAN WATER PROGRAM APPLICATION

FOR MUNICIPAL BORROWERS

Borrower Type: This application is designed for the purpose of obtaining financial information from sewer districts, municipalities and other governmental units. As a result, different information will be required for each type of unit. In certain cases it may be appropriate to note that a particular section is not applicable to the specific district or town. The following is a brief summary of the sections that are applicable to a specific type of borrower:

MUNICIPALITIES/GOVERNMENTAL UNITS: The application should be filled out with information concerning the specific municipality and/or governmental unit. If the system has any stand-alone debt, it should be reflected as part of the debt information. The same would hold true for any stand-alone system financial information. In most instances, the municipal applicant will complete the *Municipal Borrower* "Financial Information" section only.

DISTRICTS: If the district or system debt is backed by a General Obligation pledge of the municipality or municipalities in the district, both district and municipal financial information will be required. Each municipality being served by the system must provide their financial information so that the district can complete pages 11, 12 and 13. The district will complete pages 14 and 15. If the district stands on its own (*without a General Obligation pledge*), the district will leave pages 11, 12 and 13 blank, turn to, and complete pages 14 and 15 entitled "District Financial Information". The debt information will be handled in the same manner.

Repayment Source: Loan applications and supporting financial information will be reviewed for evidence of a dedicated source of revenue that is sufficient to cover repayment of the proposed loan, plus all existing indebtedness and operating costs of the borrower. Where the dedicated source of repayment is anticipated to be an increase in existing user charges, please note that new rates must be in place prior to the execution of a binding loan agreement.

DEP Approval: Attached to the back page of this Application is a Project Authorization form to be signed by the Department of Environmental Protection. This Authorization must be completed and signed by DEP before the Bond Bank can provide financing to the applicant. If DEP determines the project to be eligible, complete the application and

- 1) Mail a copy of the application and the blank Project Authorization form to: Department of Environmental Protection, Division of Engineering and Technical Assistance at 17 State House Station, Augusta, Maine 04333-0017.
- 2) Mail the original application and supporting documentation listed on the "Statement of Default" page of the Application to: Rob Nadeau, SRF – Clean Water Program Officer, Maine Municipal Bond Bank, 127 Community Drive, P.O. 2268, Augusta, Maine 04338-2268.

Once the project is approved, DEP will forward the signed "Project Authorization" form to the Bond Bank. The Bond Bank will begin its review of the financing request once the Authorization is received.

Application Instructions: Line-by-line instructions to help you fill out the SRF - Clean Water application are available. When completing the application, please use black ink, printer or a typewriter. To obtain the most current version of the SRF - Clean Water application and line-by-line instructions, please visit our website: www.mmabb.com. The application and instructions can be downloaded to your PC by using the Adobe Acrobat Reader. There is also an Excel fillable application form on the website.

Careful completion of the application will contribute to quick processing of your loan request. Please bring to our attention any additional information that is not disclosed in the Application or the supporting documentation. If you have any questions or need help completing the application form, please call Rob Nadeau at 1-800-821-1113 or (207)622-9386 (*Augusta*).

The undersigned Governmental Unit hereby requests the Maine Municipal Bond Bank to purchase the following described obligation of the applicant. This application shall not constitute a contract or commitment to enter into a contract.

GENERAL INFORMATION

Name of Applicant: _____

Mailing Address: _____

Physical Address: _____

Type of Unit: ☐ Municipality ☐ District ☐ Other

	Chief Administrative Officer	Contact Person (if different)	Project Engineer
Name:			
Title:			
Telephone:			
Fax:			
Email:			
Mailing Address:			

Purpose of Borrowing: _____

Status of the Project:

Are the engineering specifications completed? ☐ Yes ☐ No

If no, what date will they be complete? _____ / _____ / _____

Have construction bids been awarded? ☐ Yes ☐ No

If no, what is the projected bid date? _____ / _____ / _____

NOTE: Attached to this application is a blank Project Authorization form. Please mail the form and a copy of the completed application to your SRF Project Manager at the Department of Environmental Protection.

Have you obtained all permits and authorizations required for this project? NOTE: DEP technical staff will provide you with a list of the permits and authorizations needed for your project.

	Yes	No	N/A	Date Obtained	Date Expected
DEP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
U.S. Corp of Engineers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
Local Planning Board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
Public Utilities Commission	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____

Are there additional state or local approvals required? ☐ Yes ☐ No

What is the expected project completion date? _____ / _____ / _____

GENERAL INFORMATION *(continued)*

Do you have interim financing? ☐ Yes ☐ No

If no, do you need interim financing? ☐ Yes ☐ No

If you have interim financing please provide the following information:

Amount	Maturity	Rate	Lender
\$ -	/ /	%	

How much of the SRF loan, if any, will be used to refinance existing debt? \$ -

If applicable, what is the original issue date of the loan being refinanced? / /

Form of Authorization ☐ Referendum ☐ Council ☐ Town Meeting ☐ Other

Authorized Amount \$ - Date Authorized / /

NOTE: SRF Program issuance costs, from the table below, must be factored into the authorization amount, in addition to the other costs of construction.

A current listing of approved Bond Counsel can be found on our website under program information.

Bond Counsel: _____

Telephone: _____ Fax: _____

Mailing Address: _____

Source of Funds		Project Cost Breakdown	
Amount Requested from Bond Bank (this application)	\$ A	Land	\$
Federal grant or loan- specify	\$	Design	\$
State grant or loan- specify	\$	Engineering	\$
Applicant's share	\$	Contractors	\$
Other Specify	\$	Contingency	\$
Other Specify	\$	Other Specify	\$
Other Specify	\$	Other Specify	\$
Other Specify	\$	Other Specify	\$
Total Source of Funds	\$ B	Sub-Total of Project Costs	\$ C

Cost of Bond Issuance	Bond Bank Loan Amount	x 2%*	\$ -
Total Issuance Costs			\$ D

Sub-Total of Project Costs (C)	\$ -
Plus Total Issuance Costs (D)	\$ -
Total Project and Issuance Costs (C+D) E	\$ -

*NOTE: The costs of issuance is only an estimate and it may not apply in all cases. Upon review of your application, the CWSRF Program Officer will contact you with a more accurate cost estimate associated with your borrowing.

ISSUANCE INFORMATION

Since your last Annual Report or Audited Financial Statement

Have you issued/authorized any:

- | | | |
|--|------------------------------|-----------------------------|
| New long-term debt? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Notes or loans for operating purposes? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Bond Anticipation Notes? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Grant Anticipation Notes? (Federal or State) | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

If you answered yes to any of the above questions, please provide the following information:

Type of Debt	Issue Date	Amount	Maturity	Rate	Lender
	/ /		/ /	%	
	/ /		/ /	%	
	/ /		/ /	%	
	/ /		/ /	%	

Check off any factors that have occurred since the date of your last Audited Financial Statements or Annual Report that would significantly affect your revenue, expenditures or overall financial condition, such as:

- ☐ Pending litigation in excess of \$10,000. *If checked, we will need a statement from your local legal counsel about any such lawsuit.*
- ☐ In place or pending before the governing body, a limitation on the ability of the governmental unit to raise, through taxes or rates or expend from revenues, funds necessary to pay the costs incurred if you issue the debt called for in this application. *If checked, please provide a copy of the ordinance or proposed governmental unit action explaining the possible limitation.*
- ☐ Other-please explain _____

Is there any reason that the Bond Bank could not take a mortgage or first lien pledge of the general revenue of the system?

- ☐ Yes ☐ No

Type of debt requested: ☐ General Obligation ☐ Revenue ☐ Combination

State Dedicated source(s) of revenue for repayment of the Bond Bank loan:

- ☐ General Taxes ☐ User Charges ☐ Special Assessments

Do you have long-term take out from another source? ☐ Yes ☐ No

If yes, please explain: _____

Do you wish to capitalize interest on the Bond Bank loan, once construction is complete? ☐ Yes ☐ No

If yes, how long: _____ (a maximum of 12 months)

Are there any limitations (e.g., local ordinance, statutory, or regulation) governing the amount of bonded or general obligation debt that you may incur? ☐ Yes ☐ No

If yes, please explain: _____

ISSUANCE INFORMATION *(continued)*

How many years do you wish to have to repay this loan?

Payments should commence in what year?

NOTE: The maximum repayment term is thirty (20) years.

*** The Bond Bank can assist you in completing the maturity schedule.**

Payment Date (Yr)	Principal Payment Amount

ECONOMIC INFORMATION

Fiscal Year End: / /

When are the charges for services due and payable?

☐ Monthly

☐ Quarterly

☐ Semi-Annually

☐ Annually

What is the interest rate penalty for late payments?

 %

List all the cities and/or towns your system serves:

Town/City	Estimated # of People Being Served (<i>Customers</i>)

Populations:

2000 Census: people

Most Recent Estimate: people

List any significant users or potential users who utilize more than 5% of the system with approximate percentage of capacity attributed to each user.

Name of Individual/Business	Annual User Charge	Percentage of Capacity
		%
		%
		%
		%
		%
		%
		%

Facility and Rate Information for the Current and Past 5 years

	Previous Year	Previous Year	Previous Year	Previous Year	Previous Year	Current Year
<i>Enter Year ==></i>						
# of Facility Customers (<i>hook-ups</i>)						
# of Employees (<i>operating the facility</i>)						
Rate Schedule (<i>may attach approved schedule for current year</i>)	c.f.	c.f.	c.f.	c.f.	c.f.	c.f.
Planned Rate Increases (<i>during the next 2 years</i>)						

ECONOMIC INFORMATION *(continued)*

Ten Largest Taxpayers of Municipality (District will need to supply information for each City/Town served)

Taxpayer	Type of Business	Current Year Assessed Value	% of Total Levy <i>taxpayer assessed value divided by town/city's total assessed value</i>
			%
			%
			%
			%
			%
			%
			%
			%
			%
			%

Are you anticipating any changes in the largest taxpayer? ☐ Yes ☐ No

If yes, why? _____

Five Largest Employers in your Community

Employer	Type of Business	# of Employees

Are any of these employers expected to make major changes in workforce or operations? ☐ Yes ☐ No

If yes, why? _____

DEBT INFORMATION

GENERAL OBLIGATION BONDS		Principal Amount Outstanding
	Issued Through the Bond Bank	
		\$ -
		\$ -
	Other Issuances, outside the Bond Bank <i>(list principal & interest info on next page)</i>	
		\$ -
		\$ -
LOAN REQUESTS		Principal Amount Outstanding
	Loan amount being requested through the Bond Bank	
		\$ -
		\$ -
	Loan amount being requested through other sources	
		\$ -
		\$ -

Total Direct Debt \$ -

Overlapping Debt

List all governmental units that have overlapping jurisdiction (*county, school district, town, fire district, water, sewer, utility, etc.*) with your own unit and the amount of debt owed by each. Please indicate the amount and percent of outstanding debt for which your community is liable.

Name of Governmental Unit	Outstanding Bonded Debt	Your % of	Your \$ share of
	\$ -	%	\$ -
	\$ -	%	\$ -
	\$ -	%	\$ -
	\$ -	%	\$ -
	\$ -	%	\$ -

Total Overlapping Debt	\$	-
------------------------	----	---

Total Direct Debt and Overlapping Debt	\$	-
--	----	---

☐ Yes ☐ No

\$ _____

☐ Yes ☐ No

\$

OUTSTANDING DEBT NOT WITH THE BOND BANK

Combined Debt Service Payment Schedule

List all your current outstanding long-term debt that **is not** with the Maine Municipal Bond Bank. Provide a schedule of all future principal and interest payments, by year, until debt is retired, or attach a copy of the amortization schedule for each loan.

[illegible]

Total principal payments should equal "Other Issuances", outside the Bond Bank under Debt Information on previous page.

FINANCIAL INFORMATION *(Tax Rate & Tax Collections)*

NOTE: If the District or system debt is backed by a General Obligation pledge of the Municipality or Municipalities in the District, please complete this page for each municipality. If the District stands on its own, leave pages 11, 12 and 13 blank, turn to and complete pages 14 and 15 entitled "District Financial Information".

Tax Rate and Tax Collections

[illegible]

Property Valuations

Year Ending (Most Recent Year)	Local Assessed Value (Real Estate + Personal Property)	State Assessed Value
	\$ -	\$ -

Date of Last Re-evaluation: / /

Composition of Tax Base: Please provide current fiscal year estimates for the following:

% Commercial and Industrial	%	% Residential	%
-----------------------------	---	---------------	---

Tax Due Dates: 1st / / 2nd / /

Penalties and/or interest charged on overdue taxes:

Basis of Accounting (check one) ☐ Cash ☐ Modified Accrual ☐ Full Accrual

FINANCIAL INFORMATION

Summary of Balance Sheet for Last Three Fiscal Years and Two Years Projected (*General Fund Only*)

ASSETS

<i>Enter Year==></i>	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
Cash and Cash Equivalents					
Investments					
Accounts Receivable (<i>Net</i>)					
Allowances for uncollectibles					
Taxes Receivables (<i>Net</i>)					
Allowances for uncollectibles					
Due from other funds					
Due from other governments					

TOTAL ASSETS \$ - \$ - \$ - \$ - \$ -

LIABILITIES

Bonds Payable					
Accounts Payable					
Due to other funds					
Other- <i>Explain</i>					
Deferred Revenue					
Reserve					

TOTAL LIABILITIES \$ - \$ - \$ - \$ - \$ -

FUND BALANCE

Designated					
Undesignated					

TOTAL FUND BALANCE \$ - \$ - \$ - \$ - \$ -

**TOTAL LIABILITIES
AND FUND BALANCE** \$ - \$ - \$ - \$ - \$ -

FINANCIAL INFORMATION *(continued)*

Summary Statement of Revenue and Expenditures for General Fund For Last Three Years and for Two Years Projected (*General Fund Only*)

REVENUES

	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
<i>Enter Year==></i>					
Local Tax Revenues					
Licenses & Permits					
Taxes Receivables (<i>Net</i>)					
State Subsidy for Schools					
Charges for Services					
Other State Subsidies					
Other- <i>Explain</i>					
Investment Income					

TOTAL REVENUES \$ - \$ - \$ - \$ - \$ - \$ -

EXPENDITURES

All Departments <i>Operations</i>					
Debt Service					
Other- <i>Explain</i>					

TOTAL EXPENDITURES \$ - \$ - \$ - \$ - \$ - \$ -

Tax Receivables (<i>Net</i>)					
Excess of Revenues Over/Under Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (<i>Uses</i>)					
*Operating Transfer In:					
*Operating Transfer Out:					

BEGINNING FUND BALANCE \$ - \$ - \$ - \$ - \$ - \$ -

***PRIOR PERIOD ADJUSTMENTS** \$ - \$ - \$ - \$ - \$ - \$ -

ENDING FUND BALANCE \$ - \$ - \$ - \$ - \$ - \$ -

*Please Explain: _____

BUDGETED EXPENDITURES FOR LAST THREE FISCAL YEARS

	<u> / / </u>	<u> / / </u>	<u> / / </u>
Gross Budgeted Dollars	\$ -	\$ -	\$ -

DISTRICT FINANCIAL INFORMATION

Summary of Balance Sheet for Last Three Fiscal Years and Two Years Projected

ASSETS

<i>Enter Year==></i>	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
Cash and Cash Equivalents					
Investments					
Accounts Receivable (<i>Net</i>)					
Property, Plant & Equipment					
Other- <i>Explain</i>					

TOTAL ASSETS	\$	-	\$	-	\$	-	\$	-
---------------------	----	---	----	---	----	---	----	---

LIABILITIES

Bonds Payable					
Accounts Payable					
Notes Payable					
Other- <i>Explain</i>					

TOTAL LIABILITIES	\$	-	\$	-	\$	-	\$	-
--------------------------	----	---	----	---	----	---	----	---

FUND BALANCE

Contribution in aid of construction					
Retained Earnings					
Other- <i>Explain</i>					

TOTAL FUND BALANCE	\$	-	\$	-	\$	-	\$	-
---------------------------	----	---	----	---	----	---	----	---

TOTAL LIABILITIES AND FUND BALANCE	\$	-	\$	-	\$	-	\$	-
---	----	---	----	---	----	---	----	---

DISTRICT FINANCIAL INFORMATION *(continued)*

Summary Statement of Revenue and Expenditures for last three years and for two years projected

REVENUES

	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
<i>Enter Year==></i>					
Residential					
Commercial					
Deferred Charges					
Other-Explain					

TOTAL REVENUES \$ - \$ - \$ - \$ - \$ - \$ -

EXPENDITURES

Operations & Maintenance					
Depreciation & Amortization					
Other-Explain					

TOTAL EXPENDITURES \$ - \$ - \$ - \$ - \$ - \$ -

TOTAL OPERATING INCOME \$ - \$ - \$ - \$ - \$ - \$ -

OTHER INCOME

Interest					
Other-Explain					

TOTAL OTHER INCOME \$ - \$ - \$ - \$ - \$ - \$ -

INCOME DEDUCTIONS

Interest on Debt					
Debt Retired					
Other-Explain					

TOTAL INCOME DEDUCTIONS \$ - \$ - \$ - \$ - \$ - \$ -

NET OPERATING INCOME \$ - \$ - \$ - \$ - \$ - \$ -

STATEMENT OF DEFAULT

We hereby certify that (System Name) _____ has not defaulted on any payment of matured Principal and/or Interest. If default has occurred, please provide details on a separate page.

Is the system under any regulatory or court compliance order? ☐ Yes ☐ No

If yes, please describe on a separate page, including issuance and compliance requirement date.

The applicant must enclose the following documentation with the completed application. *Please indicate whether it is enclosed or not applicable.*

Enclosed	N/A	
<input type="checkbox"/>	<input type="checkbox"/>	One copy of District's Charter, with amendments, if any.
<input type="checkbox"/>	<input type="checkbox"/>	One copy of each of the last three annual Audited Financial Statements. If there is no operational history, please submit an analysis demonstrating financial feasibility.
<input type="checkbox"/>	<input type="checkbox"/>	If the latest Audited Financial Statement is more than 12 months old, please submit the most recent unaudited financial statement (<i>e.g., trial balance, balance sheets, statement of revenue and expenditures</i>).
<input type="checkbox"/>	<input type="checkbox"/>	One copy of the latest Budget.
<input type="checkbox"/>	<input type="checkbox"/>	Schedule of current and/or proposed rates required for financing the project under consideration, and a schedule for adopting those rates, if they are not in place.
<input type="checkbox"/>	<input type="checkbox"/>	Most recent copy of proposed construction drawdown schedule.

Any material facts that amplify the financial effect on the community, not requested in this application, should be noted here:

The facts and representations in this application form are from the official records of this unit and are correct in all material aspects to the best of our knowledge.

Chief Administrative Officer:

(name)

(title)

Signature: _____

Treasurer: _____

Date: _____

PROJECT AUTHORIZATION

Attach this Project Authorization form to a copy of the completed Clean Water Loan Application and mail to:

SRF Project Manager
State of Maine Environmental Protection
Division of Engineering and Technical Assistance
17 State House Station
Augusta, Maine 04333-0017

The State of Maine Department of Environmental Protection hereby certifies the following:

- That the applicant is entitled to immediate financing or assistance through the State Revolving Fund – Clean Water Program for the amount requested; and
- That the project to be financed is listed on the most current Department of Environmental Protection Project Priority List; and

FOR DESIGN/CONSTRUCTION PROJECTS

- That the applicant has addressed the capitalization grant requirements and review, as outlined on the Department of Environmental Protection checklist.

Applicant's Name	Project Number	Total Eligible Costs
		\$ -

DEPARTMENT OF ENVIRONMENTAL PROTECTION
Authorized Signature

TITLE

DATE

May, 1989

COPY

OPERATING AGREEMENT

FOR

IMPLEMENTING AND MANAGING

THE

STATE REVOLVING FUND PROGRAM

BETWEEN THE

STATE OF MAINE

AND THE

U.S. ENVIRONMENTAL PROTECTION AGENCY, REGION I

Table of Contents of the Operating Agreement

	<u>Page</u>
I. <u>Introduction</u>	
A. Background	1
B. Objective of State Revolving Fund	1
C. Purpose of Operating Agreement	1
D. Capitalization Grant Application	2
II. <u>Basic Provisions of the Operating Agreement</u>	
A. Responsible Parties	2
B. Designated Signatories	2
C. Scope and Structure	2
III. <u>Summary of State and EPA Roles</u>	
A. State	3
B. EPA	4
IV. <u>Funds</u>	
A. Payment Schedule	4
B. State Matching	5
C. Commitment of 120%	5
D. Timely Expenditure	5
E. State Law and Procedures	5
F. Prevention of Double Benefits	5
V. <u>First Use of Funds for Enforceable Requirements</u>	5
VI. <u>Federal Requirements</u>	
A. Title II Requirements	6
B. Other Federal Requirements	7
VII. <u>Accounting and Auditing Procedures</u>	
A. State	7
B. Recipient	8
VIII. <u>Environmental Review Requirements</u>	8
IX. <u>Response to Requests, Inquires and Reporting Needs</u>	8
X. <u>Federal Oversight Review</u>	
A. General	9
B. Annual Report	9
C. Other Documents	10
XI. <u>Corrective Action, Waste, Fraud and Abuse</u>	10
XII. <u>Disputes</u>	11
XIII. <u>Records</u>	11
XIV. <u>Revising the Operating Agreement</u>	11
XV. <u>Effective Date</u>	12
Attachment I, Title II Requirements	

I. Introduction

A. Background

The Water Quality Act (the Act) of 1987 identifies a schedule and mechanism for completing the transition of the EPA Construction Grants Program from a Federal Grants program to a loan program with full State and local responsibility. EPA's authority to allot funds to States for the award of grants to municipalities for the construction of wastewater treatment facilities continues through Federal fiscal year 1990. Title VI of the Act creates a new authority that allows EPA to make grants to capitalize State Water Pollution Control Revolving Funds (SRFs).

Beginning in Federal fiscal year 1987, States may use a portion of their annual construction grant allotments to capitalize SRFs. Separate appropriations for SRF capitalization grants are authorized from Federal fiscal year 1989 through Federal fiscal year 1994.

B. Objective of SRF

The objective of the SRF is for the States to provide loans and other financial assistance as provided in Title VI of the Act, to local communities for the construction of publicly-owned wastewater treatment facilities, and for implementation of the new nonpoint source pollution control and estuary protection programs. Through effective management, the SRF will be a self-sustaining program to help publicly owned treatment works meet State and Federal water quality goals.

C. Purpose of Operating Agreement

The purpose of this Operating Agreement is to:

1. Establish the relationship between EPA and the State of Maine in the management and implementation of the SRF program.
2. Serve as a pre-condition for awarding a capitalization grant under Title VI of the Water Quality Act of 1987.
3. Set forth program and management policies and procedures to be implemented by the State, which are in accordance with Title VI and the regulations and guidance issued pursuant to Title VI, and which are intended to assure EPA that an effective SRF program will be administered.
4. Set forth the mechanisms EPA will put in place to award capitalization grants, to provide timely capitalization grant payments, to guide the State's transition from a grant to a loan program and to oversee the State's management of its SRF program.

D. Capitalization Grant Application

A complete Capitalization Grant Application should be submitted to the Regional Administrator at least 60 calendar days prior to the start of the fiscal year for which funds are being requested in order to provide the time necessary to process the application by the beginning of the fiscal year. A complete grant application shall include:

1. A properly executed Application for Federal Assistance on standard form 424, with supporting documentation meeting part 31 requirements,
2. Any proposed modifications to this Operating Agreement, and
2. The Intended Use Plan.

II. Basic Provisions of the Operating Agreement

A. Responsible Parties

1. The State of Maine (hereinafter referred to in this document and its attachments as "State") is the instrumentality responsible for the total management and conduct of the SRF program. The Department of Environmental Protection and the Maine Municipal Bond Bank are the State agencies with the responsibility to perform all activities and functions in conformance with applicable Federal Laws, regulations, orders and policies.
2. The U.S. Environmental Protection Agency, Region I (hereinafter referred to in this document and its attachments as "EPA"), is responsible for the award of the capitalization grants and oversight of the State's SRF program; and notifies the State of any violations of Federal laws, regulations, orders and policies.

B. Designated Signatories

1. This Agreement and all Amendments shall be signed by the following:
 - a. For the State - Commissioner, Department of Environmental Protection and Executive Director, Maine Municipal Bond Bank
 - b. For EPA - Regional Administrator, Region I, U.S. EPA
2. The following individuals shall have authority to make procedural changes and modifications to documents such as the Intended Use Plan and Annual Report.
 - a. For the State - Director of the Construction Grants Program
 - b. For EPA - Chief, Municipal Facilities Branch

C. Scope and Structure

The scope of this agreement includes all policies, procedures, and activities by and between the State and the U.S. Environmental Protection Agency under the State Revolving Fund program established pursuant to Title VI of the Act.

This agreement will continue from year-to-year and will be supplemented annually by the required grant application, Intended Use Plan, and such other attachments, exhibits or detailed information as EPA determines is necessary.

Information which changes annually is provided in the Intended Use Plan. Such detailed information should be, to the extent possible, presented in list or tabular format. The structure of the lists and tables should be designed for ease in understanding reported annual achievements.

To the extent possible, detailed information concerning State laws, rules and procedures will be incorporated by reference in the Capitalization Grant. Upon initial submission and review of the application for the grant all such appendices, attachments and exhibits must be included. Thereafter, during the annual grant application review, any changes to this Agreement will also be considered. Only the materials relevant to the proposed changes will need to be submitted.

III. Summary of State and EPA Rules

A. State

1. The State is responsible for managing the SRF program consistent with its enacted authorizing legislation. The State must promptly notify EPA of changes to laws, regulations or procedures effecting the SRF program.
2. The State will develop the Project Priority List and Intended Use Plan, and submit the complete grant application to EPA.
3. The State, upon receiving its capitalization grant, will manage the SRF program in accordance with the Act, the grant agreement, and all applicable regulations and guidance.
4. The State will provide the necessary staffing, hiring, training, and funding required to effectively administer the SRF program and continue to administer the construction grant's program under the terms of the existing delegation agreement. The State will manage the conduct and conclusion of its 205(g) program and the initiation of its SRF program so as to insure the expeditious and orderly completion of all its construction grant projects and related activities.
5. In the operation of the SRF program, the State is responsible for establishing and maintaining a coordinated interagency relationship of the offices involved in making decisions for the program.
6. The State will conduct reviews of the potential environmental impacts on all projects receiving assistance from the Revolving Loan Fund pursuant to procedures approved by EPA.
7. The State will prepare annual SRF audits as identified in Section VII A of this agreement and annual reports as identified in Section X B of this agreement.

8. Overall State management responsibility of the SRF may not be subcontracted to private firms or other State or Federal agencies without approval of the Regional Administrator. The parties recognize that certain administrative functions of the SRF may be subcontracted by the State at the direction of the State; such subcontracts or subagreements shall not relieve the State of its responsibility for maintaining the overall management and integrity of the revolving fund. However, the State shall identify the role of each subcontractor in the State's Capitalization Grant Application.

B. EPA

1. EPA will provide funding through the award of capitalization grants to the State (upon the joint acceptance of this Agreement and approval of a completed application) in accordance with the "Office of Water Initial Guidance: State Water Pollution Control Revolving Fund," and will make timely disbursements of grant funds in accordance with the jointly developed payment schedule.
2. EPA will provide technical assistance to the State, as needed, to include assisting the State in developing and conducting in-service training programs for State SRF/Construction Grants program staff.
3. EPA will allow the State as much discretion and flexibility in implementing and managing an SRF program as is consistent with the Act, the regulations and EPA guidance.
4. EPA will oversee the State's SRF program to assure compliance with the Act, regulations and EPA guidance. Generally, specific projects for which the State has provided financial assistance will not be reviewed; however, if evidence of non-compliance with the applicable requirements exists, EPA may conduct specific project reviews.

IV. Funds

A. Payment Schedule

The State agrees to accept grant payments in accordance with the payment schedule to be established annually in the Intended Use Plan (IUP), and to deposit all such payments in the Revolving Loan Fund established by the State in accordance with Title VI of the Act. These payments will be made to the State through increases to the ceiling in a letter of credit (LOC) account established between EPA and the State agency authorized to accept payments.

The disbursement of funds by the State will be in accordance with the disbursement schedule identified in the Capitalization Grant. The drawdown of cash from the LOC will be made on the basis of need as defined in the State's application for a Capitalization Grant. The State may draw cash from the LOC for the proportional Federal share of eligible costs at the time those costs have been incurred. The SRF will be credited with principle and interest payments and proceeds from the sale of bonds.

B. State Matching

The State agrees to deposit in the Revolving Loan Fund from State monies an amount equal to at least 20 percent of the amount of each quarterly payment on or before the date on which each quarterly payment is made according to the agreed schedule. State monies may be deposited into the fund in a single deposit at any time on or before deposit of the first quarterly payment under each annual grant agreement. State funds expended on projects consistent with the Title VI requirements can constitute a deposit to the Clean Water Fund, Revolving Loan Account.

C. Commitment of 120%

The State agrees to enter into binding commitments to provide assistance in accordance with the requirements of Title VI of the Act an amount equal to 120 percent of the amount of each grant payment within one (1) year after receipt of such grant payment. If the State commits more than the required 120%, EPA will acknowledge the cumulative amount of the binding commitments, and the excess balance can be "banked" towards the binding commitment requirements of subsequent quarters/years. Projected schedules for commitment of funds from the Revolving Loan Fund to specific projects will be provided in the annual IUP.

D. Timely Expenditure

The State agrees to expend all monies in the Revolving Loan Fund in an expeditious and timely manner. The expenditure of funds for construction or other eligible project costs should begin within six (6) months after entering into the binding commitment or on such more stringent time frame as may be required by financing agreements. The State rules address actions to be taken by the State to ensure timely actions by recipients.

E. State Law and Procedures

The State agrees that in addition to complying with the requirements of the Act, the State will commit or expend each quarterly grant payment in accordance with laws and procedures applicable to the commitment or expenditure of revenues of the State. Procurement actions by the recipients are not subject to the EPA procurement regulations but are subject to procurement requirements of the State or any more stringent requirements of the local recipient.

F. Prevention of Double Benefits

The State agrees that as part of its operating procedures it will ensure that double benefits are not paid as required by Section 603(e) of the Act. In its annual report to EPA, the State shall describe any and all actions taken relative to double benefits.

V. First Use of Funds for Enforceable Requirements

The State agrees that all funds in the Revolving Loan Fund resulting from the award of the Federal capitalization grants under Section 205(m) and Title VI, the repayments of initial loans awarded from the grants, and the State match will first be used to assure maintenance of progress, as determined by the Governor of the State, toward compliance with enforceable deadlines, goals, and requirements of the Clean Water Act, including the municipal compliance deadline.

In order for the State to use the above categories of monies for other kinds of water pollution control needs without enforceable requirements under Sections 212, 319 or 320, the Governor of the State must certify that the publicly owned treatment works which EPA and the State have previously identified as part of the National Municipal Policy universe are:

- a. in compliance, or
- b. on an enforceable schedule, or
- c. have a funding commitment during or prior to the first year covered by the IUP.

VI. Federal Requirements

A. Title II Requirements

The State agrees that publicly-owned wastewater treatment facilities which will be funded in whole or in part before fiscal year 1995 with funds directly made available by the Capitalization Grant will meet the requirements under Section 602(b)(6) of the Act identified in Attachment 1.

The State may elect to apply the requirements on a program-wide basis. Alternatively, the State may elect to apply the requirements only to projects identified as being subject to Title II requirements. In either case, the State must adopt specific procedures to insure compliance. The State agrees to follow the procedures currently utilized under 205(g) delegation except for the NEPA requirements. If at a later date the State decides to implement its own procedures, such procedures must be submitted to and accepted by EPA. Projects which will be subject to these requirements must be identified in the annual IUP.

When the capitalization grant is used to fund an SRF reserve account to secure a State bond issue, the Title II requirements apply to publicly-owned wastewater treatment facilities funded with an amount equivalent to the capitalization grant only (equivalency funds). Projects identified by the State to satisfy this equivalency requirements are termed equivalency projects. If the State desires to fund equivalency projects for more than the capitalization grant amount, EPA will acknowledge the cumulative amount of the eligible costs of these projects and the excess balance can be "banked" towards equivalency requirements of subsequent years.

B. Other Federal Requirements

There are a number of other "cross-cutting" Federal requirements that apply to activities supported with funds "directly made available by" Capitalization Grants and the State use of such funds in the administration of the SRF Program.

The requirements include, but are not limited to, Appendix F of EPA's January 1988 Initial Guidance for State Revolving Funds and the Brooks-Murkowski Compromise. The Davis-Bacon Act and associated labor laws apply only to Section 212 facilities constructed with funds "directly made available by" Capitalization Grants. In addition, the requirements for the participation of minority and women owned businesses (MBE/WBE's) will apply to assistance in an amount equalling the Capitalization Grant. To attain compliance with the MBE/WBE requirements, the EPA Regional Administrator shall negotiate an overall fair share objective with the State for MBE/WBE participation. The State may accomplish its fair share objective by selecting certain projects or activities funded directly by the Capitalization Grant to undertake the six affirmative steps described in 40 CFR Part 33.240E.

The State agrees to comply with and implement these and other existing and future like requirements and agrees to require as a condition of making a loan or providing other assistance from the Revolving Loan Fund that the recipient of such assistance comply with and implement these requirements, as appropriate. The State will notify EPA Region I when consultation/coordination is necessary to resolve issues regarding compliance with these requirements.

VII. Accounting and Auditing Procedures

A. State

The State shall establish an accounting system in accordance with the Title VI requirements, and all Federal regulations and policies regarding grants to States. The accounting system will properly identify and relate State costs to the operation of the SRF program. To insure that the accounting system properly reflects the full range of cost reporting needs of the program and has built in an audit trail with clearly identifiable bench marks, the Region will review and concur in the system's framework and operation.

Once a year the State will conduct a financial and compliance audit of the accounting and operations of the SRF. The State will designate an independent auditor of the State to carry out the audit or may contractually procure the service. The auditor can be a CPA, a public accountant licensed on or before December 31, 1970, or a governmental auditor who meets the independence standard as enumerated by the General Accounting Office and American Institute of Certified Public Accountants. The Office of the Inspector General may arrange for an EPA audit. State-conducted audits may be done in conjunction with the Single Audit Act of 1984 (See Office of Management and Budget Circular A-128, "Audits of State and Local Governments").

An audit report must be completed within one year of the end of the appropriate accounting period and submitted to the EPA Office of Inspector General within 30 days of completion. The report will contain an opinion on the effectiveness of the accounting system of the SRF, its internal controls, and an opinion regarding whether the compliance requirements have been met. The Office of Inspector General will notify the State as to the technical adequacy of the audit report and its findings.

B. Recipient

The State agrees to require as a condition of making a loan or providing other assistance, as described in Section 603(d) of the Act, from the Revolving Loan Fund that the recipient of such assistance will maintain project accounts in accordance with generally accepted government accounting standards. These project accounts must be maintained as separate accounts.

VIII. Environmental Review Requirements

The State agrees that all publicly-owned wastewater treatment facilities to be constructed in whole or in part with funds directly made available by the Revolving Loan Fund will receive a NEPA type review to evaluate the possible environmental impacts associated with the construction. In order to ensure that the environmental improvement goal of the SRF program is most effectively met and in order to prevent undesirable environmental side-effects resulting from inappropriate design or siting of the funded wastewater treatment facilities or from the promotion of uncontrolled development, it is necessary for the State to conduct thorough environmental reviews on all projects receiving assistance from the fund.

The State shall develop or revise its own environmental review procedures or adopt the procedures of 40 CFR part 6. If the State selects its own procedures for conducting environmental reviews, it must conform to the requirements of the National Environmental Policy Act (NEPA) and be approved by the Regional Administrator.

IX. Response to Requests, Inquiries and Reporting Needs

- A. The EPA, for program planning and management purposes, requires construction grants/SRF related data and information during the fiscal year. The State agrees to respond to requests for such data promptly. EPA agrees to provide the State with reasons for and details on the requested data.
- B. To assure that data necessary to the management of the SRF program is available when and as needed, the State shall input key data into GICS.

C. The State shall cooperate with EPA in providing reasonable responses to Congressional and public inquiries, including providing copies of documents, factual material and other information within a time frame which is consistent with EPA's policy and practice of priority response to such inquiries. Generally, responses to Congressional and public inquiries will be made directly by the State and coordinated with EPA, where necessary. A copy of the reply, with a copy of the inquiry will be sent to EPA.

D. The State shall provide EPA with a specified set of project-level data via the IUP. This data will be continually updated during the year by the State but formally submitted to EPA once each year, as part of the State's Annual Report.

As needed, EPA will contact the State for more detailed information about a project or series of projects. The State will provide the needed information in a timely manner.

X. Federal Oversight Review

A. General

EPA will conduct an annual oversight review of the SRF program in order to assure compliance with the Act, regulations and EPA policies. EPA will review evidence of progress in meeting the goals and objectives of the IUP and will review progress in correcting any deficiencies noted previously. Generally, specific projects funded from the Revolving Loan Fund will not be reviewed; however, if evidence of non-compliance with applicable requirements exists, EPA may conduct specific project reviews. It is EPA's intention to allow the State as much flexibility in operating the SRF program as is permissible under the Act, regulations and EPA policies.

B. Annual Report

The Regional Administrator's formal review of the State's management of its SRF Program will include a review of the State's Annual Report. The State shall submit the annual report no later than 90 days after the end of the Federal fiscal year. The annual report will indicate the extent to which the goals and objectives as set forth in this agreement and in each previous year's IUP were met.

The annual report will include timing of State matching deposits and binding commitments; provide year-end data on projects identified in the IUP; identify recipients of financial assistance and include dates of loans, loan terms, construction progress and similar information regarding forms of financial assistance other than loans. The annual report should also address the State's adherence to Title II requirements and, in particular, how required environmental reviews were conducted.

The updated Intended Use Plan which shall include planned vs actual events with annotations accounting for meeting first use requirements, accelerations, slippages, substitutions, etc., and other records indicating the effectiveness of the State's management of its wastewater treatment program, will form the basis for determining whether the State has met its objectives for the year.

C. Other Documents

In addition to the Annual Report, IUP and Annual Audit, the Regional Administrator may require the submission of other records in conducting the annual oversight review of the SRF program.

XI. Corrective Action, Waste, Fraud and Abuse

The State will devise and institute measures which will alert its staff to project deficiencies as they emerge and which will set forth State actions to correct such deficiencies as quickly as possible so as to preclude the need for corrective action by EPA. If any recipient of financial assistance from the State's Revolving Loan Fund exhibits evidence of waste, fraud or abuse, the State will impose sanctions on the recipient.

If the annual review or audit reveals that the State has not complied with the terms of their Operating Agreement or other requirements under Title VI, EPA will notify the State of such non-compliance and prescribe the necessary corrective action. In addition, failure by the State to manage the Revolving Loan Fund in a financially sound manner (e.g., allows consistent and substantial failures of loan payments), will be grounds for a finding of noncompliance and will require corrective action.

In making a determination of non-compliance and devising the corrective action, EPA will identify the nature and cause of the problems. The State's corrective action must remedy the specific instance of non-compliance and make necessary adjustments to avoid non-compliance in the future.

If within 60 days of receipt of the non-compliance notice, the State fails to take the necessary actions to obtain the results required by EPA, or provide an acceptable plan to achieve the results required, EPA will withhold payments to the Revolving Loan Fund until the State has taken acceptable actions.

Once the State has taken corrective action satisfactory to EPA, the withheld payments will be released and scheduled payments continued.

If the State Fails to take the necessary corrective action deemed adequate by EPA within twelve months of receipt of the original notice, any withheld payments shall be deobligated and reallocated to other States.

If EPA determines that capitalization grant funds or funds resulting from the capitalization grant were subject to waste, fraud or abuse, the capitalization grant may be recovered under procedures outlined in 40 CFR Part 31.

XXII. Disputes

Whenever any dispute shall arise between EPA and the State agency relating to the Capitalization Grant process, including the OA, the IUP and the Annual Report, the matter shall be resolved in accordance with 40 CFR Part 31.

XIII. Records

A. Files

The State will receive and review project documentation from assistance applicants. This documentation, together with the State's review memos, correspondence, and other pertinent information, will be maintained by the State in an official project file. The project files shall be made available to EPA at the time annual reviews are conducted.

B. Records Retention

1. Capitalization grant records must be maintained in accordance with 40 CFR Part 31.
2. SRF Assistance records must be maintained in accordance with applicable State law and Title VI requirements.

C. Access to Records

Access to project records will be in accordance with State laws governing public access to information.

XIV. Revising the Operating Agreement

- A. This OA may be amended at any time by mutual agreement between the signatories of the OA in writing. Funding adjustments can only be made through a capitalization grant amendment.
- B. The OA officials responsible for negotiating amendments to OA are designated in Section II.8. Redefinitions, deletions, or additions to the OA require amendments to the OA.
- C. Procedures may be modified at any time by mutual agreement, in writing, between the designated EPA and State officials named in Section II.8.

XV. Effective Date

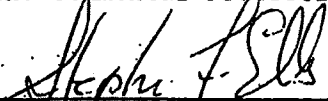
This Operating Agreement will be effective commencing on the _____
day of _____, 19__.

For the United States

For the State of Maine


Environmental Protection Agency

Department of Environmental Protection



Regional Administrator

Date 6/15/87



Commissioner

Date 6/28/89

Maine Municipal Bond Bank



Executive Director

Date 6/27/89

Attachment 1
TITLE II REQUIREMENTS

The specific Section 602(b)(6) requirements listed below are accompanied by citations to the regulations EPA uses to implement these statutory requirements in the construction grants program. The citations are included for the convenience of those States that wish to use EPA regulations. The State need to comply with only the statutory requirements. The State may develop its own procedures for implementing the statutory provisions. The RA will accept State procedures provided that, considered in the context of the loan program, they will adequately assure compliance with the statutory requirements.

Section 201(b), which requires that projects apply best practicable waste treatment technology (see 40 CFR 35.2005(b)(7): Definition of BPWTT, 40 CFR 35.2030(b)(2): Facilities Planning);

Section 201(g)(1), which limits assistance to projects for secondary treatment, advanced treatment, or any cost-effective alternative, new interceptors and appurtenances, and infiltration-inflow correction. This section retains the Governor's discretionary set-aside by which a State can use up to 20 percent of its allotment for other projects within the definition of treatment works in Section 212(2), and for certain non-point source control and groundwater protection purposes, as defined in Section 319 of the Act and subsequent Agency regulations (40 CFR 35.2015(b)(2)(ii-iv): State Priority System and Project Priority List);

Section 201(g)(2), which requires that alternative technologies be considered in project design (40 CFR 35.2030: Facilities Planning);

Section 201(g)(3), which requires the applicant to show that the related sewer collection system is not subject to excessive infiltration (40 CFR 35.2030(b)(4): Facilities Planning, 40 CFR 35.2120: Infiltration/Inflow);

Section 201(g)(5), which requires that applicants study innovative and alternative treatment technologies and take into account opportunity to construct revenue producing facilities and to make more efficient uses of energy and resources (40 CFR 35.2030: Facilities Planning);

Section 201(g)(6), which requires that the applicant analyze the potential recreation and open space opportunities in the planning of the proposed facility (40 CFR 35.2030(b)(5): Facilities Planning);

Section 201(n)(1), which provides that funds under Section 205 may be used for water quality problems due to discharges of combined sewer overflows, which are not otherwise eligible, if such discharges are a major priority in a State (40 CFR 35.2015(b)(2)(iv): State Priority Systems - categories of need and 35.2024(a): Combined Sewer Overflows);

Section 201(o), which calls on the Administrator ("State" under a capitalization grant) to encourage and assist communities in the development of capital financing plans;

Section 204(a)(1) and (2), which require that treatment works projects be included in plans developed under Sections 208 and 303(e), (40 CFR 35.2102: Water Quality Management Plans);

Section 204(b)(1), which requires communities to develop user charge systems and to have the legal, institutional, managerial, and financial capability to construct, operate, and maintain the treatment works (40 CFR 35.2208: Adoption of Sewer Use Ordinance and User Charge System, 35.2130: Sewer Use Ordinance, 35.2140: User Charge System, and 35.2214: Grantee Responsibilities, 35.2122: Approval of User Charge System and proposed Sewer Use Ordinance, 35.2110: Access to Individual Systems, and 35.2206(a): Operation and Maintenance);

Section 204(d)(2), which requires that, one year after the date of construction, the owner/operator of the treatment works must certify that the facility meets design specifications and effluent limitations included in its permit (40 CFR 35.2218(c), (d) and (e)(2): Project Performance.

Section 211, which provides that major rehabilitation or replacement of collectors are not eligible, under the Governor's 20 percent discretionary authority of 201(g)(1), unless the collector is needed to assure the total integrity of the treatment works or that for a new collector, adequate capacity exists at the facility (40 CFR 35.2116: Collection System); (Note that the 1987 Amendments extend the prohibition for funding separate storm sewers through fiscal year 1990.);

Section 218, which assures that treatment systems are cost-effective and requires that projects of over \$10 million include a value-engineering review (40 CFR 35.2030(b)(3): Cost Effectiveness, Facilities Planning, and 35.2114: Value Engineering);

Section 511(c)(1), which applies the Environmental Impact Statement requirement of the National Environmental Policy Act to projects receiving Title II grants (40 CFR 35.2113: Environmental Review). The environmental review requirements are discussed in greater detail in subsection II.B.II and Appendix VII.F.;

Section 513, which applies Davis-Bacon labor wage provisions to treatment works construction (see 29 CFR Part 5). Wages paid for the construction of treatment works must conform to the prevailing wage rates established for the locality by the U.S. Department of Labor under the Davis-Bacon Act (Section 513, applies 40 U.S.C. 276 et seq.).



DRINKING WATER SRF AT-A-GLANCE

Program Description	In 1996 Congress amended the Safe Drinking Water Act (SDWA), to include the Drinking Water State Revolving Loan Fund (DWSRF) to assist eligible water systems in financing the cost of infrastructure needed to comply with SDWA requirements.
Project & Financial Manager	The Bond Bank and DHHS jointly administer the DWSRF. The Bond Bank serves as the administrator and financial manager and DHHS serves as the project manager for the program.
Eligible Borrowers	All public and private water systems.
Eligible Projects	<ul style="list-style-type: none">• Public Health Projects• Treatment Facilities• Aging Infrastructure• Main Replacement• SDWA Compliance• Land Acquisition <p>All projects that receive financing from the DWSRF program must first be placed upon the DHHS project priority list and then go through the DHHS approval process. Placement on the list is based on the standards and guidelines set forth by the SDWA and the priority ranking parameters established by the State of Maine's Intended Use Plan.</p>
Application Deadline	Applications are accepted continuously during the year.
Rates	The interest rate on DWSRF loans is 2% below the Bond Bank's cost of funds. The Sewer & Water Resolutions are rated Aaa by Moody's and AAA by S&P.
Minimum/Maximum Loan Amount	There is no minimum loan amount. The DHHS will determine the maximum loan amount based on availability of funds and project eligibility.
Issuance Costs & Fees	<ul style="list-style-type: none">• Pro rata share of the issuance cost associated with a bond issue• Origination fee - 1% of annual principal borrowed• Annual Bond Bank servicing fees - 5.0% of the annual debt service <p>As costs associated with the SRF program change periodically, please visit our website or contact the Bond Bank for a current fee schedule.</p>
Term	Between 1 and 20 years and 30 years for disadvantaged communities. In all cases, the maximum loan term may not exceed the useful life of the financed asset. Short-term, interim loans are available to applicants.
Repayment Schedule	Payments are due twice a year, usually in April and October. The first payment is due within one year from project completion.
Loan Proceeds	Both interim and long term financing options require that the funds be drawn-down through requisitions, as the SRF is a reimbursement program.
Contact Information	Rob Nadeau, SRF Program Officer rpn@mmbb.com, (207) 622-9386, 1-800-821-1113

It is the goal of the Maine Municipal Bond Bank to provide a service that meets your financial needs in the most efficient and cost effective manner available. The Maine Municipal Bond Bank staff welcomes the opportunity to discuss any decisions concerning your capital financing needs. For more information on program eligibility, please contact the Department of Human Services or visit their website at <http://www.state.me.us/dhs/>. For more information on the Maine Municipal Bond Bank's financing programs please contact us or visit our website at www.mmbb.com.



3 University Drive • P.O. Box 2268
Augusta, ME • 04338
(800) 821-1113 • (207) 622-9386
www.mmbb.com



Making a difference for Maine's communities.



Drinking Water State Revolving Loan Fund

Created in 1972 by the Maine State Legislature, the Maine Municipal Bond Bank has a thirty year history of providing Maine's cities, towns, school systems, water and sewer districts, and other governmental entities access to low cost funds through the sale of its highly rated tax-exempt bonds. Established as an independent agency, the Bond Bank is administered by a board of commissioners, including the Treasurer of State, Superintendent of the Bureau of Financial Institutions and three commissioners appointed by the Governor. The Bond Bank works closely with its municipal clientele to provide unique, cost effective and competitive financing programs.

State Revolving Loan Fund - Drinking Water Program

In 1996 Congress amended the Safe Drinking Water Act (SDWA), to include the Drinking Water State Revolving Loan Fund (DWSRF) to assist eligible water systems in financing the cost of infrastructure needed to comply with SDWA requirements. The Maine Municipal Bond Bank (Bond Bank) and the Maine Department of Human Services (DHS) jointly administer the DWSRF. The Bond Bank serves as the administrator and financial manager and DHS serves as the project manager for the program.

Program & Project Eligibility

Eligible borrowers include public and private water systems. Examples of eligible projects include but are not limited to:

- Public Health Projects
- Treatment Facilities
- Aging Infrastructure
- Main Replacement
- SDWA Compliance
- Land Acquisition

All projects that receive financing from the DWSRF Program must first be placed upon the DHS project priority list and then go through the DHS approval process. Placement on the list is based on the standards and guidelines set forth by the SDWA and the priority ranking parameters established by the State of Maine's Intended Use Plan. Projects must also meet state environmental, plan and capacity review standards in order to obtain financing. Governmental entities are encouraged to consult with their local bond counsel, the Bond Bank and DHS early in the capital financing process to determine whether their project qualifies for DWSRF financing.

Financing Schedule

Once a project is deemed eligible and placed on the DHS project priority list for the DWSRF, an application may be completed by the prospective borrower and submitted to the Bond Bank for approval. Applications and the corresponding detailed instructions may be obtained by contacting the Bond Bank or downloaded by visiting our website at www.mmbb.com. Financing can be structured to meet the borrower's needs through a combination of interim and long-term loans. Depending upon the availability of DWSRF funds long term financing may be provided from a tax-exempt bond or from a direct loan of federal and state dollars. Both interim and long term financing options require that the funds be drawn-down through requisitions, as the SRF is a reimbursement program.

Interest Rates & Issuance Costs

The interest rate on DWSRF loans is 2% below the Bond Bank's cost of funds. The borrower is responsible for their local bond counsel and all closing costs associated with the DWSRF loan, however the pro rata share of the issuance cost associated with a bond issue, an origination fee and annual Bond Bank servicing fees of the annual debt service are included in the interest rate. Including these fees in the interest rate ensures that the borrower will receive the full 2% subsidy. As costs associated with the SRF program change periodically, please visit our website or contact the Bond Bank for a current fee schedule.

Payment Structure

Allowable repayment terms are between one and twenty years and may be extended to 30 years for disadvantaged communities. In all cases, the maximum loan term may not exceed the useful life of the financed asset. Borrowers have the option to structure debt service payments around construction schedules and phased in rate increases. Borrowers also have the option of capitalizing interest payments during construction and for up to six months following completion of the project.

Financial Planning Services

Dedicated to serving Maine's municipalities for over thirty years, the Bond Bank works closely with their municipal clientele in selecting the best financing option available. The Bond Bank will manage and maintain all aspects of your loan including the arbitrage tracking, construction draws, audit confirms and any questions you may have during the life of the loan.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION I
JOHN F. KENNEDY FEDERAL BUILDING
BOSTON, MASSACHUSETTS 02203-0001

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October 1, 1997

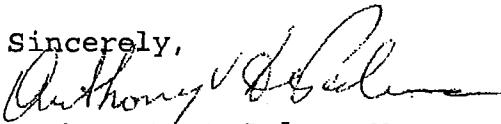
David Breau, DWSRF Administrator
Maine Drinking Water Program
Maine Department of Human Services
10 State House Station
Augusta, ME 04333

Robert O. Lenna
Executive Director
MMBB
P.O. Box 2268
Augusta, ME 04368

Dear Dave and Bob:

Enclosed is a signed and dated xeroxed copy of the Operating Agreement (OA) between the State of Maine (represented by the Maine Department of Human Services and the Maine Municipal Bond Bank) and the U.S. EPA Regional Office for the DWSRF Program. Please note that we are still awaiting for at least two additional attachments (e.g. additional SERP documentation...emergency rules and AG certification of those rules), which we realize the MEDHS has been working on and should be finalizing in the very near future. We appreciate the time and effort that both you and your staffs have contributed in commenting and revising this document earlier this year. Should you have any questions with respect to the Operating Agreement, please don't hesitate to contact David Chin at 617-565-3611.

Sincerely,


Anthony V. DePalma, Manager
Municipal Assistance Unit

Attachment

cc: Steve Silva, Manager, CME
Chris Ryan, PWSS Coordinator, CME

COPY



Recycled/Recyclable
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contains at least 75% recycled fiber

**OPERATING AGREEMENT
FOR
IMPLEMENTING AND MANAGING
THE DRINKING WATER
STATE REVOLVING FUND PROGRAM
BETWEEN THE
STATE OF MAINE
AND THE
U.S. ENVIRONMENTAL PROTECTION AGENCY
REGION I - NEW ENGLAND**

1982

TABLE OF CONTENTS

	PAGE
I. INTRODUCTION	
A. Background and Objective of the DWSRF	3
B. Purpose, Format and Structure of the Operating Agreement	4
C. Timing and Application Review	4
II. IMPLEMENTATION	
A. Responsible Parties	5
B. Parties to the Agreement	5
C. Summary of State and EPA Roles and Responsibilities	5
D. State Assurances for the DWSRF Program	7
E. State Requirements for the Capitalization Grant Agreement	11
F. Financial Administration	13
G. Federal Funding Process	14
H. Fund Administration	14
III. REPORTING AND REVIEW RESPONSIBILITIES	
A. State Responsibilities	15
B. EPA Responsibilities	16
C. Records	18
IV. EXECUTION	
A. Designated Signatories	19
B. Revising the Operating Agreement	20
C. Authority	20
D. Effective Date	20
V. ATTACHMENTS	
Attachment 1 State DWSRF Enabling Legislation	
Attachment 2 State Agency MOUs	
Attachment 3 Attorney General's Certification Letter	
Attachment 4 State Environmental Review Plan (SERP) Documentation	
Additional Attachments	

INTRODUCTION

A. Background and Objective of the DWSRF

The Safe Drinking Water Act (SDWA) Amendments of 1996 (Public Law 104-182) has authorized the creation of a Drinking Water State Revolving Fund (DWSRF) Program to assist public water systems to finance the costs of infrastructure needed to achieve or to maintain compliance with SDWA requirements and to protect public health. Section 1452 has authorized the Administrator of the U.S. Environmental Protection Agency (EPA) to award capitalization grants to States, which in turn can provide low cost loans and other types of financial assistance to eligible systems.

The SDWA Amendments of 1996 have also established a strong new emphasis on preventing contamination problems through source water protection and enhanced water systems management. Central to this emphasis is the development of State prevention programs, including source water protection, capacity development and operator certification. States have the option to use a portion of their capitalization grant to fund these eligible activities as allowed in the statute. The success of these activities will act to safeguard the DWSRF funds that are loaned for improving system compliance and public health.

It is the intent of the DWSRF Program to help provide additional assurance that the nation's drinking water remain safe and affordable, that drinking water systems which receive funding will be properly operated and maintained, and that effectively managed and permanent institutions will exist in each State to provide financial support for eligible public water systems and drinking water related needs for years to come. Congress has placed particular emphasis on assisting smaller drinking water systems, and those serving less affluent populations, by providing greater funding flexibility for these systems under the DWSRF to ensure that systems have adequate technical, managerial, and financial resources to maintain compliance and provide safe water.

The DWSRF is fundamentally a State Program. Each State will have considerable flexibility to determine the design of its program and to direct funding toward its most pressing compliance and public health protection needs. Only minimal Federal requirements will be imposed.

The SDWA Amendments of 1996 has authorized \$559 million for FY 1994, and \$1 billion per fiscal year from 1995 through 2003 for such grants. The amount of funds appropriated for the FY1997 DWSRF was \$1.275 billion. Funds available to States from the FY1997 appropriations has been allotted according to the formula used for distributing Public Water System Supervision (PWSS) grants under Section 1443 in FY 1995. Funds available to States from FY 1998 appropriations and beyond will be allotted according to a formula that reflects the proportional share of each State's needs identified in the most recent Needs Survey conducted pursuant to Section 1452(h). In each

case, the minimum proportionate share established in the formula will be one percent of the funds available for allotment to the states.

B. Purpose, Format and Structure of the Operating Agreement

This DWSRF Operating Agreement (OA) establishes a contractual relationship between the EPA, the Maine Department of Human Services and the Maine Municipal Bond Bank (hereinafter referred to as "the STATE").

The purpose of this OA is to define and integrate rules, regulations, guidelines, policies, procedures, and activities to be followed by EPA and the STATE in administering the DWSRF prescribed by Section 1452 of the SDWA that are not expected to change annually. In summary, this OA specifically lists the parties to the Agreement; outlines and defines the roles and responsibilities of all of the parties involved; documents the necessary assurances; explains the financial administration framework; discusses the reporting and review requirements of the DWSRF Program; and explains how the program will be carried out.

This OA will continue from year to year and will be incorporated by reference into the annual DWSRF Capitalization Grant Agreement. Information that changes from year to year shall be contained in the annual DWSRF Capitalization Grant Agreement and in the Intended Use Plan (IUP). The STATE agrees that any modifications to this agreement that may be required by EPA regulations, policies, or program guidance will be made and implemented as necessary.

This Operating Agreement addresses many of the State requirements for the Capitalization Grant Agreement for the DWSRF as outlined in Table 1 of the DWSRF Program Guidelines document (2/28/97).

C. Timing and Application Review

Upon implementation of this OA, EPA agrees to review the Capitalization Grant Application and take appropriate action within 45 days of receipt of a completed application (Application for Federal Assistance - EPA Form SF-424, with all necessary supporting documentation and certifications and any modifications to the OA, an Intended Use Plan, and proposed payment schedule) in the Regional Office. EPA shall either approve the application and award the Capitalization Grant or shall notify the STATE in writing of issues requiring resolution. In the event significant issues remain unresolved, the grant application review process may be extended for an additional 45 day period of time until all outstanding issues are resolved by mutual agreement between EPA and the STATE.

The STATE and EPA agree to negotiate promptly, cooperatively, and in good faith to clarify or resolve questions which may arise during review of the Capitalization Grant Application. The STATE agrees to act upon the capitalization grant offer within 21 calendar days of approval. The STATE shall submit its grant applications no later than ninety days prior to the end of the period of funds availability.

II. IMPLEMENTATION

A. Responsible Parties

1. The State of Maine is the instrumentality responsible for the total management and conduct of the DWSRF Program. The Maine Department of Human Services and the Maine Municipal Bond Bank are the State Agencies with the responsibility to perform all activities and functions in conformance with applicable Federal laws, regulations, orders and policies.
2. The U.S. Environmental Protection Agency, Region I (EPA) is responsible for the award of capitalization grants and oversight of the STATE's DWSRF Program; and notifies the STATE of any violations of Federal laws, regulations, orders and policies.

B. Parties to the Agreement

The parties to this OA are the EPA and the STATE.

1. For the STATE: Maine Department of Human Services
and
Maine Municipal Bond Bank
2. For EPA: Region I, U.S. EPA

The Maine Department of Human Services has entered into a Memorandum of Understanding (MOU) with the Maine Municipal Bond Bank to manage the DWSRF (See Attachment #2). MOUs between various State Agencies may be established or change over time and will be reflected in the annual grant application.

C. Summary of State and EPA Roles and Responsibilities

1. The STATE has enacted enabling DWSRF legislation. Attachment #1 is a copy of that legislation.

2. The STATE has a State Environmental Review Process (SERP) that has been approved by EPA. The STATE will apply the SERP procedures for all Section 1452 SDWA projects. A copy of the approved SERP documentation is included as Attachment #4.
3. The STATE will develop the annual project priority list and the IUP in accordance with Section 1452 of the SDWA, with public comment and review during their development, and annually submit the complete grant application to EPA.
4. The STATE will maintain a competent organization and a staff skill mix to assure that projects meet acceptable technical, environmental and financial requirements as established or referenced in this OA and that the DWSRF will be continuously and effectively operated. Staffing plans of all State Agencies involved will be submitted as part of the annual Capitalization Grant Application.
5. EPA agrees to provide funding through the award of capitalization grants to the STATE, upon joint acceptance of this OA and approval of a completed application, agreement in accordance with Section 1452 of the SDWA and as the funds are available for this purpose.
6. EPA will provide grant funds to the STATE (represented by the Maine Department of Human Services and the Maine Municipal Bond Bank as co-applicants) in accordance with the jointly developed payment schedule as a condition of the Capitalization Grant. The STATE will receive Federal funds in accordance with the provisions of the EPA-Automated Clearing House (formerly known as Letter-of-Credit).
7. EPA may provide technical assistance to the STATE as needed and will be available to assist the STATE in developing and conducting in-service training programs and will provide advice and consultation.
8. The STATE, upon receiving its capitalization grant, agrees to manage the DWSRF Program in accordance with this OA, the terms of the grant agreement, the SDWA, as amended, Section 1452, and applicable regulations.
9. EPA will allow the STATE as much discretion and flexibility in implementing and managing its DWSRF Program as is permissible under the SDWA, the regulations and EPA policy/guidance.
10. EPA will oversee the STATE's DWSRF Program to assure compliance with the SDWA, applicable regulations and EPA policies/guidance.

D. STATE ASSURANCES FOR THE DWSRF PROGRAM

The STATE is responsible for providing assurances in the Capitalization Grant Agreement on how it will comply with a number of assurances of the DWSRF Program, as well as other requirements for all DWSRF funding to comply with applicable federal requirements (refer to Table 1 of the DWSRF Program Guidelines document (2/28/97) for a partial listing). In some cases, the State must simply agree or provide certification in the grant application that it will comply with the specifications. In other cases, additional documentation on the procedures by which the State plans to ensure compliance with the specifications must be furnished. This Operating Agreement is one method for the State to document its agreement to (by reference, if appropriate) many of these requirements. The following addresses the manner in which the State will meet many of these assurances and requirements (with some of the assurances/requirements described in more detail elsewhere in this OA):

1. State Instrumentality and Authority to Establish DWSRF

The State of Maine has established a DWSRF created by State legislation enacted by the State legislature. A copy of the enabling legislation is included as part of this OA (Attachment #1). This legislation grants the STATE the authority to adopt procedures, rules, and regulations to manage and operate the DWSRF Loan Program. The State Attorney General certifies that the legislation grants powers and authorities necessary to implement and administer the DWSRF Program consistent with the SDWA, as amended and applicable regulations. A copy of this letter of certification is also attached (Attachment #3).

If more than one State Agency is involved in the DWSRF Program, the State will describe the roles and responsibilities of each Agency in the grant application. The STATE will submit a copy of any Memoranda of Understanding or Interagency Agreement(s) that describe the roles and responsibilities between agencies as part of its annual grant application. The STATE agrees that the agency that is awarded the capitalization grant must retain ultimate responsibility for properly executing the grant agreement under federal grant regulations (40 CFR 31.3).

2. State Compliance with Applicable State Laws and Procedures

The STATE agrees to comply with all State statutes and regulations that are applicable to DWSRF funds, including federal capitalization grant funds, State match, interest earnings, bond proceedings and repayments, and funds used for non-project funds.

3. State Technical Capability

The STATE agrees to provide documentation demonstrating that it has adequate personnel and resources to establish and manage the DWSRF (e.g. current and future staffing plan, background/qualifications statements, schedule for planned training). The documentation will be submitted as part of the annual Capitalization Grant Application package.

4. Acceptance of Capitalization Grant Funds in accordance with a payment schedule

The STATE agrees to accept federal grant payments in accordance with the negotiated payment schedule and use those payments for the activities of its Fund and other programs under Section 1452 of the SDWA. As part of its Capital Grant Application, the STATE must submit a proposed schedule of grant payments that is consistent with its proposed binding commitments outlined in its IUP, and its plan for expending non-project funds. The payment schedule will become part of the Capitalization Grant Agreement. The STATE will receive Federal funds in accordance with the provisions of the EPA-Automated Clearing House (formerly known as Letter-of-Credit).

5. Depositing of all Capitalization Grant funds in the DWSRF

The STATE agrees to deposit the capitalization grant in the Fund except those portions of the grant that the STATE intends to use for purposes authorized under the SDWA (Section 1452(a)(1)(B)). The STATE will maintain an identifiable and separate account(s) for the portion, or portions, of the capitalization grant to be used for set-aside activities. Once funds are deposited into the Fund, such monies may only be used as authorized under Section 1452(f) of the SDWA. The STATE will provide certification as part of the Grant Agreement.

6. State Matching Funds for DWSRF Account

The STATE agrees to deposit into the Fund an amount equaling at least 20 percent of the amount of each capitalization grant. Except for payments made from FY 1997 appropriations, the State match must be deposited into the Fund on or before the date that each federal capitalization grant payment is made to the State (Section 1452(e) of the SDWA). The STATE will identify the source and provide certification of the match as part of its Grant Agreement.

7. State Dollar for Dollar Match for Section 1452(g)(2) set-asides

The STATE may use up to 10% of its capitalization grant for SDWA Section 1452(g)(2) activities. The STATE must match these funds, dollar for dollar, and deposit these funds into a non-project account. The STATE cannot use any of the 20% pursuant to Section 1452(e) of the SDWA to also match the 10% set-aside.

8. Depositing of all Proceeds back into the Fund

The STATE agrees to credit, at the appropriate time, all net bond proceeds, DWSRF interest earnings, and DWSRF repayments into the Fund. Fund assets may be used as a source of revenue or security for bonds, as long as the net proceeds of the sale of bonds will be deposited into the Fund (Section 1452(f)(4) of the SDWA).

Loans for land acquisition and source water protection, made pursuant to Section 1452(k)(1)(A) of the SDWA must be repaid. The STATE may deposit these repayments, including principal and interest, in the DWSRF Fund or into a separate account dedicated to Section 1452(k)(1) activities of the SDWA.

9. Utilization of Generally Accepted Accounting Principles to Establish an Accounting System

The STATE agrees to develop an accounting system, and establish fiscal controls and responsibilities over it based upon Generally Accepted Accounting Principles (GAAP). This accounting system must be adequate to account for and report upon all DWSRF activities in a timely manner. In addition, the system must contain the flexibility so that accounts may be added or deleted as the DWSRF Program evolves.

10. Annual DWSRF Audit

The STATE agrees to have the State's DWSRF funds audited on an annual basis. Specific requirements are discussed under Section III. A. 2.

11. Policies and Procedures to Assure Borrowers have Dedicated Source of Repayment or Demonstration of Adequate Security

The STATE agrees to adopt policies and procedures to assure that borrowers have a dedicated source of repayment and must apply these principles to each loan. The

STATE will submit and receive EPA approval for the policies prior to the award of the first project loan. The STATE will develop criteria to evaluate an applicant's financial ability to repay a loan, in addition to paying for operation and maintenance costs, and other necessary expenses.

12. Efficient, Expeditious and Timely Expenditure of Funds

The STATE agrees to commit and expend all DWSRF Fund monies "as efficiently as possible" (Section 1452(g)(3) of the SDWA) and to enter into binding commitments with recipients of Fund assistance equal to the combined amount of each grant payment and match within one year of the grant payment.

13. Funds to be used in Accordance to Intended Use Plan

The STATE agrees to expend DWSRF funds in accordance with an Intended Use Plan (Section 1452(b) of the SDWA) that has undergone public review and comment.

14. Biennial Report and Annual Audit

The STATE agrees to complete and submit a Biennial Report and Annual Audit (with separate opinion) on the uses of the capitalization grant. The scope of the report and audit covers the DWSRF Fund and all other non-Fund activities funded by the STATE from funds in the DWSRF Program.

15. State Compliance with all Federal Cross-Cutting Authorities

The STATE agrees to comply with all applicable federal cross-cutting authorities.

E. State Requirements for the Capitalization Grant Agreement

The following are additional State requirements/terms listed on Table 1 of the DWSRF Program Guidelines document (2/28/97) that may not have been addressed by the above 15 State Assurances or later in this document.

1. Part 31 Assurances

The STATE agrees to comply with 40 CFR Part 31 - Uniform Administrative Requirements to State and Local Governments.

2. Review of Technical, Financial and Managerial Capability of Assistance Recipients

The STATE will review and evaluate the technical, financial and managerial capability of assistance recipients to maintain compliance with the SDWA (Section 1452(a)(3)(A)(i)).

3. Preparation of an IUP

The State will prepare an IUP (Section 1452(b) of the SDWA) and provide it to the public for review and comment, prior to submitting it to the Regional Administrator of the EPA as part of its Capitalization Grant Application. The IUP must include specific details on how the STATE will use all available capitalization grant funds, including funds allocated for the various Set-Aside program activities. The STATE will prepare an IUP as long as the DWSRF Fund account remains in operation, not just in those years in which the STATE submits an application for a Federal capitalization grant.

As part of the IUP, the STATE will:

- (a) propose a list of projects, including description and size of system;
- (b) describe criteria and method for distributing funds
- (c) describe financial status of the DWSRF
- (d) describe short and long-term DWSRF goals;
- (e) describe, if applicable, the amounts transferred between the DWSRF and CWSRF;
- (f) describe activities (both DWSRF Fund related and set-asides) to be supported;
- (g) describe, if applicable, how disadvantaged communities are defined;
- (h) provide specific assurances and proposals (addressed elsewhere in the document) which include:
 - (i) document/certify environmental review performed in accordance with EPA approved SERP.
 - (ii) agree to complying with Federal cross-cutters

- (iii) agree to entering into binding commitments with loan recipients
- (iv) agree to timely expenditures of funds

4. Development and Submittal of a Project Priority Ranking System

The STATE will develop a Project Priority Ranking System to determine the annual priority project list required as part of the IUP. After public review and comment, it will be submitted as part of the Capitalization Grant Application. This system will describe in detail bypass procedures which clearly identify the conditions which will allow a project to be by-passed and the way the State will identify which projects would receive the by-passed funds.

5. Environmental Review

The STATE agrees that binding commitments on DWSRF projects will be made only after the STATE has conducted an environmental review and a determination is executed and distributed using the EPA approved SERP (Attachment #4). The STATE will designate the Agency that is will be responsible for conducting the appropriate environmental reviews as part of the Capitalization Grant Agreement.

6. Entering into Binding Commitments with Assistance Recipients

The STATE agrees to enter into binding agreements with assistance recipients. Projected schedules for commitment of DWSRF funds to specific projects shall be provided in the annual IUP.

7. State/Recipient Compliance with Applicable Federal Cross-Cutting Authorities

The STATE agrees that it and all recipients of DWSRF funds directly made by the capitalization grant will comply with applicable federal cross-cutting Federal authorities (specific Federal laws, executive orders and government wide policies that apply by their own terms to projects and activities receiving Federal financial assistance) in existence at the time that a loan recipient receives a binding commitment from the DWSRF. The STATE agrees to inform EPA when consultation or coordination is necessary to resolve issues regarding compliance with those requirements.

The cross-cutters will apply to an amount of funds equaling the amount of the Federal grant. The STATE will determine which "equivalency" projects will be subject to federal cross-cutters. The STATE agrees that it will remain ultimately responsible for ensuring that assistance recipients comply with all applicable cross-cutters. The STATE acknowledges that applicable laws may change with time.

F. Financial Administration of the Fund

1. Assistance Provided by the DWSRF

The STATE certifies that only the types of assistance authorized under Section 1452 of the SDWA will be awarded. The types of assistance for each DWSRF project shall be identified in the IUP. A DWSRF Fund may make direct loans for project construction, purchase or refinance local debt obligations, guarantee or purchase insurance for local debt issues, provide revenue for or secure State bonds if the proceeds of the bonds are deposited in the Fund, and earned interest on Fund accounts (Section 1452(f) of the SDWA). The types of assistance must adhere to the terms and conditions as outlined in the DWSRF Program Guidelines document (2/28/97).

2. Administration of the DWSRF

Up to four percent (4%) of the capitalization grant may be reserved for costs of administering the DWSRF program. A separate account will be established for the use of the 4% administrative cost set-aside. Allowable administrative costs include all costs incurred for management of the DWSRF program and for management of projects receiving financial assistance from the DWSRF. Reasonable costs unique to the DWSRF, such as costs of servicing loans and issuing debt, DWSRF program start-up costs, financial management, and legal consulting fees, and reimbursement costs for support services from other State agencies are also allowable. Expenses incurred issuing bonds guaranteed by the DWSRF, including costs of insuring the issue, may be absorbed by the proceeds of the bonds and need not be charged against the 4 percent administrative costs ceiling. The net proceeds of those issued must be deposited in the Fund.

3. Leveraging

The DWSRF account may be used for leveraging. At such time as the leveraging of funds is determined to be appropriate, a proposed leveraging plan will be submitted to EPA for review.

G. Federal Funding Process

With respect to the overall DWSRF funding process, a number of State requirements and/or conditions (e.g. appropriate State matches, entering into binding commitments with assistance recipients, payment schedules) have already been addressed in Sections D and E above.

1. EPA-ACH Payment System

The STATE will receive each capitalization grant payment in the form of an increase to the ceiling of funds available through the Automated Clearing House (EPA-ACH). Funds will be transferred to the STATE from the U.S. Treasury on a reimbursement basis, after the assistance recipient has billed the DWSRF for work completed and the DWSRF requests reimbursement from EPA. The STATE then reimburses assistance recipients for costs incurred -- a process known as the disbursements from the DWSRF. The STATE will adhere to the EPA-ACH Payment System and will follow EPA-ACH Payment System procedures indicated in the EPA-ACH Payment System Recipient's Manual.

2. Cash Draws

The STATE agrees to adhere to the conditions and rules with respect to Cash Draw in that apply to the different types of assistance (e.g. loans, refinance or purchase of municipal debt; purchase of insurance, guarantees and security for bonds, administrative expenses in accordance with the DWSRF Program Guidelines document (2/28/97) and applicable regulations.

H. Fund Administration

Many of the items under this category (e.g. Staffing and Management, Accounting and Auditing Procedures, the development of the IUP, etc..) have been addressed in the State Assurances section of this OA. The following are additional conditions:

1. Fund Perpetuity

The STATE will consider the long-term health and viability of the fund when selecting its mix of project categories for DWSRF funding. Each year the STATE will assess the financial health of the DWSRF by examining fund balances, sources of funds, repayment stream, etc., and revise procedures as necessary to promote fund perpetuity.

2. Fund Maintenance

The STATE will maintain the investment of cash in the same manner as it maintains other cash reserves.

III. REPORTING AND REVIEW RESPONSIBILITIES

A. State Responsibilities

1. Biennial Report

The STATE agrees to submit a Biennial Report (Section 1452(g)(4) of the SDWA) containing detailed information on how the State has met the goals and objectives of the previous two fiscal years as stated in the IUP and grant agreement. The contents and required elements of the Biennial Report will conform in accordance with the DWSRF Program Guidelines Document (2/28/97) (and 40 CFR Part 35 when regulations are promulgated). The Biennial Report is required for the life of the DWSRF program. Report submittal date will be included in the grant agreement. At a minimum, the Biennial Report shall identify loan recipients, loan amounts, loan terms, project categories, and other details as negotiated between the STATE and the EPA with emphasis on how it has met the goals set forth in the IUP and the financial health of the fund.

2. Annual Audit

The STATE agrees to conduct an annual financial and compliance audit, with a separate independent auditor's opinion, of the DWSRF program. This audit must be conducted separately from the Clean Water SRF (CWSRF) in order to ensure that the financial controls and management of the DWSRF program are adequate, and are in accordance with the DWSRF Program Guidelines document (2/28/97) and applicable regulations. To ensure that accounting principles are consistently applied, the annual DWSRF financial and compliance audit shall be conducted using Generally Accepted Accounting Principles.

3. Information Management System

Once an information management system for regularly updating data on projects receiving DWSRF assistance and other information on Fund status is developed by the EPA in conjunction with the States, the STATE will agree to enter relevant DWSRF information into the system. EPA will have access to information in the system as needed, but will not be able to modify STATE entered data. EPA will utilize this information to assess the program on a national basis and to monitor STATE progress in years in which biennial reports are not required to be submitted. The Regional Offices will use the information to assist in conducting annual reviews.

4. Compliance Assurance - System to Minimize Risk of Waste, Fraud, Abuse and Corrective Action

Based on EPA guidance, the STATE agrees to devise and institute measures which will alert its staff to project deficiencies as they emerge, and which will set forth State actions to correct such deficiencies as quickly as possible so as to preclude the need for corrective action by the EPA. If the recipient of financial assistance from the State's DWSRF funds exhibits evidence of waste, fraud or abuse, the STATE will impose sanctions on the recipient.

5. Construction Progress

The STATE will conduct periodic inspections to review construction progress in order to coordinate outlay requests. Construction inspections and outlay procedures will be documented by the STATE.

6. Third Quarter Estimate

At the end of the third quarter of each federal fiscal year after the first capitalization grant award, the STATE will provide EPA a schedule of estimated disbursements from the State DWSRF for the upcoming federal fiscal year. This schedule will be the basis for negotiating the STATE's outlay commitments.

B. EPA Responsibilities

1. Annual Review of the DWSRF

EPA will conduct an annual review of the STATE DWSRF to assess the success of each program in meeting the objectives of Section 1452 of the SDWA. The purposes of the annual review are to:

- (i) assess the success of the STATE's performance of activities identified in the IUP, the STATE's Biennial Report, the Operating Agreement, and DWSRF information management system,
- (ii) determine how the DWSRF is achieving the intent of Section 1452 and the overall goals and objectives of the SDWA as amended,
- (iii) determine compliance with the capitalization grant agreement, and
- (iv) assess the financial status of the DWSRF.

The Annual Review will adhere to the terms and conditions outlined in the DWSRF Guidelines Document (2/28/97) and applicable regulations. EPA will complete an Annual Review of DWSRF according to the schedule established in the Grant Agreement. At a minimum, the compliance/general program management, the pace of the program, the project level management, and financial management of the DWSRF program are review topics that may be included as part of the Annual Review.

2. Compliance Assurance - System to Minimize Risk of Waste, Fraud, Abuse and Corrective Action

EPA will develop guidance necessary to assure effective program management to prevent waste, fraud and abuse (Section 1452(g)(3) of the SDWA). EPA will assist the STATE in achieving and maintaining compliance with program objectives and requirements.

If the annual review or audit reveals that the STATE has not complied with its Capitalization Grant Agreement or other requirements under Section 1452, EPA will will notify the STATE of such non-compliance and prescribe the necessary corrective action.

If within 60 days of receipt of the non-compliance notice, the STATE fails to take the necessary actions to obtain the results required by EPA, or provide an acceptable plan to achieve the results required, EPA may withhold payments to the DWSRF until the STATE has taken acceptable actions. Once the STATE has taken corrective action satisfactory to EPA, the withheld payments will be released and scheduled payments continued.

If the STATE fails to take the necessary corrective action deemed adequate by EPA within twelve months of receipt of the original notice, any withheld payments shall be de-obligated and reallocated to other States. All future payments may be withheld from the STATE and reallocated, until such time that adequate action is taken and the Administrator certifies that the STATE is back in compliance.

3. Dispute Resolution

Any State applicant or recipient that has been adversely affected by an EPA action or omission may request a review of such action or omission. The procedures are codified in EPA's general grant regulations at 40 CFR Part 31, Subpart F.

C. Records

1. Files

The STATE will receive and review project documents from assistance applicants. These documents, together with the STATE's review memos and the summary checklists, will be filed in official project files maintained by the Maine Department of Human Services. The Maine Municipal Bond Bank will maintain the official financial review files and the loan agreement. The project and financial files shall be made available to EPA for review based on reasonable notice by EPA.

2. Records Retention

The STATE will retain project files in accordance with 40 CFR Part 31. The STATE will arrange for the retention and storage of required records for a period as long as the repayment period on any DWSRF assistance, or otherwise in accordance with State law for three (3) years following completion of repayment.

3. Access to Records

Access to all records in the possession of the STATE will be in accordance with State laws governing access to information. Access to all records in the possession of the EPA will be in accordance with the U.S. Freedom of Information Act, P.L. 93-502. Information related to the Capitalization Grant Agreement and supporting documents located in the EPA Regional Office is available from EPA in accordance with the U.S. Freedom of Information Act.

IV. EXECUTION

A. Designated Signatories

1. Authorization

The following officials are authorized to effect program changes (items significantly altering the Operating Agreement):

(a) For the STATE:

Kevin Concannon, Commissioner
Maine Department of Human Services

Robert Lenna, Executive Director
Maine Municipal Bond Bank

(b) For EPA:

John P. DeVillars, Regional Administrator
U.S. Environmental Protection Agency
Region I - New England

2. Other Changes

Items not altering the OA, but involve changing implementation or review procedures, may be implemented through the agreement of:

(a) For the STATE:

DWSRF Program Administrator
Maine Department of Human Services

Robert Lenna, Executive Director
Maine Municipal Bond Bank

(b) For the EPA:

Designee to be Named
Office of Ecosystem Protection
U.S. Environmental Protection Agency
Region I - New England

B. Revising the Operating Agreement

1. This OA may be amended at any time by mutual agreement between the authorized signatories in writing. Revisions will be particularly considered following reviews of the Annual Report and/or Audit.
2. All revisions regarding modifications to any attachment or procedures shall be through the designated officials indicated above.

C. Authority

The authority of this Operating Agreement is found in Title 30A of the MRSA, Sections 4953-B, 5959 and 6006-B.

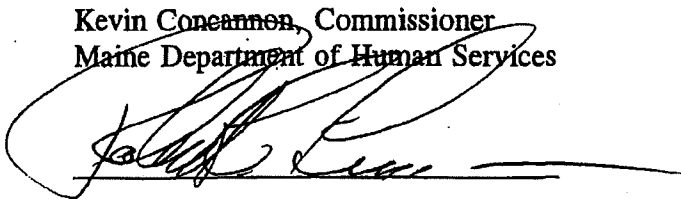
In lieu of Federal Regulations that have yet to be promulgated for the DWSRF Program, the statute itself (Section 1452 of the SDWA) and the DWSRF Program Guidelines document (2/28/97) currently serve as guidelines for the regulatory authority for the development of the DWSRF program. In the future, should any conflicts result between the federal regulations and the Operating Agreement, the federal regulations will take precedence.

D. Effective Date

This Operating Agreement will be effective commencing on September 30, 1997.

Kevin W. Conneanen

Kevin Conneanen, Commissioner
Maine Department of Human Services



Robert O. Lenna, Executive Director
Maine Municipal Bond Bank

John P. DeVillars

John P. DeVillars, Regional Administrator
Region I - New England
United States Environmental Protection Agency

STATE OF MAINE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DRINKING WATER PROGRAM

AND

MAINE MUNICIPAL BOND BANK

DRINKING WATER STATE REVOLVING FUND
(DWSRF)

2014
INTENDED USE PLAN
(IUP)



DRAFT
DECEMBER 31, 2013

TABLE OF CONTENTS

DWSRF 2014 IUP

	<u>PAGE</u>
1. Introduction.....	1
2. Short and Long-Term Goals	
2A. Short-term goals.....	2
2B. Long-term goals.....	2
3. Financial Status	
3A. Total amount of funds in DWSRF.....	3
3B. State Match	4
3C. Beginning/end of year financial status.....	5
4. Non-Project Activities/Set-Asides	
4A. Definition/description	5
4B. Description of rationale for determining amounts of Capitalization Grant funds to be used for non-project activities.....	5
4C. Description of non-project activities and percentage/amount of funds to be used for each	
I. Program Administration.....	6
II. Technical Assistance for Small Systems.....	6
III. Program Functions.....	7
a. Administration of PWSS Program	
b. Administration of Technical Assistance Activities	
c. Administration of Capacity Development Strategies	
d. Implementation of Operator Certification Program	
IV. Other Non-Project Activities.....	8
a. Land Acquisition/Conservation Easements	
b. Assistance to Systems for Capacity Development	
c. System Consolidation Grants	
D. Wellhead Protection Program	
4D. Separate non-project activity accounting	13
4E. Transfer of unspent funds to the DWSRF.....	13
5. Project Funds	
5A. Funds available.....	14
5B. Projects to be funded.....	14
5C. Unencumbered funds from Previous Grant Years.....	15
5D. Systems/Projects Ineligible for Funding.....	15
5E. Environmental Reviews.....	15
5F. Procurement Requirements.....	15
5G. Cross-Cutting Federal Authorities.....	16
5H. Comprehensive System Facilities Plan/ Master Plan	16
6. Criteria and Method of Distribution of Funds	
6A. Description of selection process for projects to receive assistance.....	17
6B. By-pass provision	17

6C. By-pass for Small Water System Assistance.....	17
6D. By-pass for Consolidation Grant Assistance.....	18
6E. Emergency Construction Fund	18
6F. Very Small System Compliance Loan Fund.....	18
6G. Systems that are in Significant Non-Compliance (SNC) with the SDWA.....	18
6H. Project Priority Ranking System.....	19
I. Standard Projects.....	19
II. Other Projects-15% Set-Aside.....	23
a. Land Acquisition/Conservation Easements	
b. Wellhead Protection	
c. Surface Source Water Protection	
d. System Consolidation	
6I. Relationship to meeting DWSRF goals and objectives.....	26
6J. Impact on long-term financial status of the DWSRF.....	26
7. Financial Aspects of DWSRF Assistance	
7A. General	27
7B. Financial terms of loans.....	27
7C. Requirements with regard to the Public Utilities Commission (PUC).....	27
7D. Loan Fees and Cost.....	28
7E. Refinancing of existing facilities.....	28
7F. Refinancing of facilities currently being constructed	29
7G. Projects that secure non-bond bank interim financing.....	29
7H. Projects that secure Bond Bank interim financing for facility construction.....	29
8. Disadvantaged Community System Assistance	
8A. Definition of Disadvantaged Community System.....	30
8B. Total amount of funds available.....	30
8C. Loan fees and costs.....	30
8D. Affordability Criteria.....	30
8E. Limitations/Terms of Disadvantaged Community Assistance.....	31
8F. Systems/projects to receive assistance.....	33
8G. Compliance Project Principal Forgiveness.....	32
8H. Effects on long-term funding level of DWSRF.....	32
9. Public Review and Participation	32
Attachment A – Financial Status of DWSRF Funds	
Attachment B - Definitions	
Attachment C - Memorandum of Understanding with MMBB	
Attachment D - Memorandum of Understanding with MRWA	
Attachment E - Cross-cutting Federal Authorities	
Attachment F - Primary Project List	
Attachment G - Backup Project List	
Attachment H - Primary List Project Descriptions	
Attachment I - Memorandum of Understanding with MWUA	
Attachment J – Memorandum of Agreement with RCAP	
Attachment K – Public Information Documentation	
Attachment L – Eligible PWS for potential Very Small System Compliance Grant	

2013 DWSRF INTENDED USE PLAN

1. Introduction

The U. S. Congress adopted the FFY 2014 Budget (10-01-20132 to 09-30-2014) which provides a DWSRF appropriation of \$862,326,000 for the *Capitalization Grant*. This FFY 2014 Budget amount includes impacts of Sequestration legislation.

The State of Maine is entitled to approximately 1% of the federal DWSRF appropriation to fund the Drinking Water State Revolving Fund (DWSRF), **or \$8,421,000**. These funds will be available to the State of Maine after the Maine Drinking Water Program (Program) has successfully obtained a DWSRF *Capitalization Grant* Award (Grant) from the U.S. Environmental Protection Agency (EPA). This Intended Use Plan (IUP) is one portion of the documentation necessary to obtain this Grant. The IUP outlines how Maine proposes to utilize its 2014 Grant and the unused portions of previous Grants. It addresses the intended use of all non-project activities (*set-asides*) and project funds. It states the terms of all financial assistance offered by the Program.

After providing funds for set-aside activities, the Program will combine the remaining federal grant funds with the *State Match*, loan repayments and carryover funds to determine the available project funds. These funds will be used to provide financial assistance for needed capital improvements to Maine's DWSRF *eligible public water systems* (PWS). The Program reserves the right to seek blended bond proceeds issued by the Maine Municipal Bond Bank (MMBB) to combine with these project monies, thereby further increasing the total amount of available project funds. It is the Program's intent to distribute the project funds to the DWSRF eligible projects, listed in the attached Primary Project List (Attachment F), which were ranked in accordance with the project priority ranking system included in this IUP.

The DWSRF will continue to be jointly administered by the Drinking Water Program (DWP) as the lead agency and the MMBB as the financial administrator. A Memorandum of Understanding (MOU), included as Attachment C, outlines the administrative activities to be performed by each agency.

Several full time employees in the central office, with assistance from the DWP's field engineers will continue to provide administration and oversight to the DWSRF Program.

Italicized words that appear in this document are defined in Attachment B.

2. Short and Long-Term Goals of the DWSRF

2A.Short-term goals.

- I. Provide loans to assist *eligible PWS's* under enforcement actions to attain compliance by established deadlines with coordination between state DWSRF and enforcement

programs and taking into consideration the needs of systems with multiple violations, including current compliance status and actions underway to address compliance

- II. Provide loans to assist *eligible PWS's* to attain compliance with the Safe Drinking Water Act (SDWA).
- III. Provide loans to assist *eligible PWS's* to:
 - a. Provide required treatment to improve drinking water quality in Maine.
 - b. Construct water treatment facilities.
- IV. Provide loans to assist small systems (population served of less than 10,000) in the construction or installation of necessary treatment while considering affordability.
- V. Ensure that at least 15% of the Grant provides financial assistance to small systems with projects that are ready for construction.
- VI. Provide loan subsidies to *Disadvantaged Community Systems* for eligible projects.
- VII. Provide financial assistance to implement preventive measures such as source water protection and the replacement of aging infrastructure.
- VIII. Provide the required *State Match* within the required time frame.
- IX. Provide financial assistance to help PWS's increase technical, financial and managerial capacity.

2B. Long-term goals.

- I. Provide assistance to PWS's to maintain the health objectives of the SDWA.
- II. Maintain the fiscal integrity of the fund.
- III. Maintain the fund in perpetuity.
- IV. Work toward meeting the State's total drinking water improvement funding needs by blending federal DWSRF *Grant* monies with MMBB bond sale proceeds, utilizing the blend of these proceeds to provide long term low interest financing to DWSRF *eligible PWS's*.
- V. Create and maintain a land acquisition fund in perpetuity.
- VI. Ensure adequate finances to assist *eligible PWS's* to:
 - a. Rehabilitate or replace *contaminated sources* or sources at risk of contamination;
 - b. Construct or expand treatment facilities to improve drinking water quality;
 - c. Construct or expand storage facilities to help maintain adequate drinking water free from risk of contamination; and

- d. Install or replace transmission or distribution facilities to prevent contamination.
- VII. Provide assistance for consolidation or interconnection of water systems to improve service or capacity.
- VIII. Assist public water systems in identifying and prioritizing land acquisition for source water protection.
- IX. Assist in the planning and design of related projects.
- X. Develop means for providing adequate funding for loan subsidies for *Disadvantaged Community* Systems.

3. Financial Status

- 3A. Total amount of funds in DWSRF. Table 3-1 following provides a summary of the 2014 DWSRF Grant and the intended allocations to each activity. A similar table can be found in Attachment A.

Table 3-1 Financial Status Summary		
Item	Total Funds Available	Funds Allotted
2014 DWSRF Grant	\$8,421,000	\$8,421,000
Set-Asides		
Program Administration (up to 4%) DWP Portion (90%) MMBB Portion (10%)	\$336,840	\$397,588 \$363,904 \$33,684
Technical Assistance to Small Systems (up to 2%)	\$168,420	\$181,000
Drinking Water Program (up to 10%) 1. PWSS Program 2. Source Water 3. Capacity Development 4. Operator Certification	\$842,100	\$729,346 \$682,529 \$0 \$46,817 \$0
Other Non-Project Activities (up to 15%) 1. Land Acquisition 2. Assistance for Capacity Dev. 3. Wellhead & Source Protection	\$1,263,150	\$0 \$0 \$0 \$0
Set-Aside Totals	\$2,610,510	\$1,307,934
Remaining DWSRF Available for Projects		\$7,113,066
State Match		\$1,684,200
Other Project Funds (Interest, repayments, and carryovers)		\$8,822,494
Total 2014 Funds Available for Projects		\$17,619,760

3.B. State Match

For each Capitalization Grant the State must provide documentation, at the time of the *Capitalization Grant Application*, that at least 20 percent of the total amount of that year's *Grant* is available as *State Match*. Attachment A shows the planned allocation of funds from the 2014 DWSRF grant. The required State Match for 2014 is estimated at \$1,684,200. During the 2014 Legislative Session, the Governor and the Maine State Legislature will consider options for providing the State Match. Potential options include a general fund budget allocation, general obligation bond package, a revenue bond with repayments made with interest earnings from prior year loans or revenues from the Wholesale Liquor Contract.

- 3C. Beginning/end of year financial status. The initial financial status of the 2014 DWSRF program is stated above in 3A and Attachment A. The current financial status of the 2011, 2012 and 2013 funds are also shown in Attachment A. All other previous *Grants* have been fully expended.

4. Non-Project Activities/*Set-Asides*

- 4A. Definition/description. Non-project or *set-aside* activities include those activities that are not directly associated with the construction of capital improvement projects but are allowed uses of DWSRF *Grant* monies identified in Section 1452 of the SDWA. They include: Program Administration, Technical Assistance to Small Systems, Drinking Water Program Functions and Other Non-Project activities, all described in greater detail in the following sections.
- 4B. Description of rationale for determining amounts of *Capitalization Grant* funds to be used for non-project activities. The Program maximized the amount the funds allowed by the SDWA for the first non-project activity, Program Administration, 4% of the allotment or \$336,840. **The Program Administration budget \$397,588.** Additional Banked Credit funds of \$60,748 will also be used to fund Program Administration. Program Administration funds will cover the costs of the staff that directly administer the DWSRF. As detailed in the MMBB-DWP MOU, 10% of this set-aside will be used by the MMBB and 90% by the DWP. Any unspent funds allotted to these *set-aside* activities that remain at the end of the funding period will be carried forward for future use for these activities.

The maximum amount available to the second *set-aside*, non-project activity, Technical Assistance to Small Systems is 2%, or \$168,420. The **Technical Assistance to Small Systems budget is \$231,000.** An additional \$50,000 of Carryover from a prior year grant and \$12,580 of Banked Credit will be utilized to supplement the \$168,420 set-aside allocation. The DWP intends to use \$231,000 which is anticipated to meet the expenses associated with the activities described in Section 4C.II. The Technical Assistance funds will cover the cost of two Water Quality Specialist positions with the Maine Rural Water Association. Any unspent funds allotted to these *set-aside* activities that remain at the end of the funding period will be carried forward for future use for these activities.

The maximum amount available for the third non-project activity, Drinking Water Program, is 10%, or \$842,100. The Program determined the amount of funds necessary to cover the budgeted expenses for each of the **Drinking Water Program activities for the upcoming year is \$940,530.** Using Carryover of \$211,184 from a prior grant year will reduce the total program need to \$729,346 from this set-aside. A balance of \$112,754 will be allocated to Banked Credit for this set-aside. The State must demonstrate that it can provide a dollar-for-dollar match for any amounts used. Up to one-half of the required match may be credited from FY-93 expenditures for the PWSS Program. Documentation has been provided to EPA Region I showing that Maine spent \$328,591 on PWSS activities in FY-93. Since this is less than 50% of the *set-asides requested*, the entire amount is available for match credit for each grant year. The balance will be provided from the Program's Alternative Funding Mechanism (AFM) fees, state of Maine General Fund monies and well driller and water operator fees. The Program will provide the actual dollar amounts in the end of year report (FFY 2013), at which time specific documentation in the form of actual expense sheets verifying expenditures of those monies. This end of year report will be submitted within 60 days of the end of FFY 2014.

The maximum amount available for the fourth non-project activity, **Other State Set-Aside**, is 15% of the Grant, or **\$1,263,150**. The Program determined the amount of funds necessary to cover the budgeted expenses for each of the activities for the upcoming year is **\$1,204,592**, all of which will be funded from prior year Carryover from this set-aside.

If at any time an excess accumulation of funds develops in any one *set-aside* activity mentioned above, the Program can decide to transfer these funds to the project account.

4C. Description of non-project activities and percentage/amount of funds to be used for each.

I. Program Administration (up to 4% of Capitalization Grant – \$336,840)

The DHHS Drinking Water Program will receive 90% or \$303,156, of the amount allocated to Program Administration. This money will be used to pay the salaries and expenses of personnel involved with the administration of the DWSRF including the DWSRF Manager and two Project Managers/Inspectors. These funds will also be used to procure all equipment and training necessary for performance of the duties for those positions.

The MMBB will receive the other 10% or \$33,684 for financial administration of the DWSRF. This money will be used to pay a portion of the salary and expenses of the DWSRF Program Officer, and all other expenses directly related to the financial administration of the Program.

II. Technical Assistance for Small Systems (up to 2% of Capitalization Grant - \$168,420)

This entire *set-aside* will be allotted to the Maine Rural Water Association (MRWA) to fund two circuit rider positions. The entire \$168,420 from current year will be combined with a prior year Carryover funds to fund the **entire 2013 need of \$231,000**.

The Water Quality Specialist will provide technical assistance to small systems that serve a population of less than 10,000. MRWA will produce and submit to the Program a Work Plan describing in detail the DWSRF funded assistance they intend to provide using 2014 DWSRF Technical Assistance *set-aside* funds. The Program and EPA Region 1 will review and approve the plan. MRWA is required to submit an annual summary report to the Program in August of each year, which reconciles the actual assistance and its value provided during the past year for which funds were allocated, with those proposed in the Work Plan. This report must be submitted in adequate time to be included in the *Annual Review* conducted by EPA Region I, and the *Biennial Report* submitted by the Program to Region I. Monthly meetings/work evaluations will be conducted by the Program to ensure that MRWA technical assistance activities are consistent with its Work Plan and to provide work direction. An outline of the scope of duties to be performed by MRWA and the Program under this *set-aside* can be found in the Memorandum of Understanding provided as Attachment D.

The MOU with MRWA may also be expanded to include technical assistance to small water systems to help them with the necessary paperwork associated with the Very Small System Compliance Loan Program (See Section 6.F.)

III. Program Functions (up to 10% of Capitalization Grant - \$842,100)

The sum of \$729,346 from FY 2014 combined with \$211,184 of Carryover from a prior year will fund the **entire 2013 need of \$940,530** and allow \$112,754 of Banked Credit to be allocated to Banked Credit for this Set-aside

a. Administration of PWSS Program (\$734,528)

This *set-aside* provides funding to help augment the PWSS Grant for administration of the SDWA amendments. Employees who perform job duties that ensure the Program meets its primacy requirements and any Program needs that address program deficiencies will be funded from this *set-aside*. A separate Work Plan will be developed outside of this document that will explain the personnel and activity expenses to be funded with this *set-aside* money. This Plan will be supplied as part of the 2014 *Grant* application and reviewed and approved by EPA Region I before funds are available for withdrawal.

b. Administration of Technical Assistance activities for source water protection (\$98,010)

This *set-aside* will provide funding to administer the Program's activities in the area of source water protection. These activities include the administration of four of the Other Non-Project Activities (Section IV below) - Land Acquisition/Conservation Easements, Source Water Protection Measures-Community Systems and Establishment and Implementation of Wellhead Protection Programs. Monies will also be used to provide technical assistance to systems for source water protection. Existing Geographic Information System (GIS) and Program geologists will provide administration and technical assistance.

c. Development and implementation of a Capacity Development Strategy (\$46,817)

The Program plans to use these funds to continue implementing the State Capacity Development Strategy for new and existing public water systems during the 2014 DWSRF funding period. The Strategy will provide assistance in assessing the areas in which water systems are deficient and in need of assistance in obtaining adequate technical, financial and managerial capacity to meet existing and future SDWA regulations. The Program also plans to provide assistance to public water systems to attain and maintain technical, financial and managerial capacity with future Capacity Development *set-aside* funds.

d. Implementation of Operator Certification Program (\$61,175)

The State of Maine Department of Health and Human Services has statutory authority to establish a Board of Licensure of Water System Operators. An operator certification program has been maintained since 1969. Funds from the 2014 DWSRF for this activity will be used to fund a 0.5 FTE to coordinate operator training and certification. The operator rules include a requirement to complete annual Training Contact Hours (TCH) in order to maintain a water operator license in Maine. Staff

support is to be used to evaluate training, assign TCH credits, track TCH credits, renew licenses, give examinations, evaluate operator applicant credentials, etc.

IV. Other Non-Project Activities (up to 15% of Capitalization Grant - \$1,204,592)

The entire \$1,204,592 program need will be funded from prior year Carryover.

a. Land Acquisition/Conservation Easements/ Source Water Protection Measures

As of 12-31-2013, the DWP has \$1,837,333 available from prior year loan repayments grants. An additional sum of \$347,464 of repayments is scheduled before 12-31-2014. No additional allocation from the 2014 DWSRF will be added to this program. Funds allotted to this set-aside will be used to provide loans to *eligible* PWS's for the purchase of land and/or conservation easements necessary for source water protection. These funds will be provided on a first-come, first-served basis. If at any point in time the amount of these funds requested is greater than the amount available, then the highest priority ranked water systems using the ranking system in Section 6F. II. a., will receive this loan assistance. The Program believes that a water system's ownership or legal control of the land around its source(s) is the most effective means of protecting its source(s). For this reason the Program intends to provide enough funds in this *set-aside* account to meet all requests until the next grant award.

Starting with the 2010 DWSRF grant, the Land Acquisition loan program was expanded to include source water protection projects. Loans are available to assist *community water systems* in the implementation of voluntary, incentive based source water protection measures in areas delineated under the source water assessment program. Systems must have performed the required delineation and assessment of their source(s) before communities can utilize these funds. These funds are only available to provide assistance to *community water systems*.

A separate revolving account has been established for this *set-aside* activity and is the first step toward achieving the long-term goal stated in paragraph 2B.V: to create and maintain a land acquisition fund in perpetuity. Principal and interest payments on loans made from this account will be repaid into this account making additional loan money available for future land and conservation easement purchases. The terms of financial assistance for Land Acquisition/Conservation Easements are described in Sections 7 & 8.

The land or conservation easement to be purchased with DWSRF assistance must be integral to the source water protection needs of the system as determined by the Program. A determination can be based on the land being identified in a Program approved source water protection plan or other documentation that supports its role in protecting the system's source water. The land purchased must be acquired from a willing seller. Also, before DWSRF assistance for land acquisitions is allowed, an independent appraisal of the land value must be provided to the Program. The amount of financial assistance provided to water systems on land purchases will be determined by the MMBB on a case-by-case basis after consideration of the following items for each request; the appraised value of the land, the anticipated amount of legal and other costs associated with the transaction, the credit quality of the applicant, the availability of land acquisition funds in

relation to the current demand, and other financial and market information deemed relevant to the request.

Loans may be made to some non-public water system entities such as municipalities, providing the project meets the appropriate project qualifying criteria listed above.

b. Assistance to Systems for Capacity Development (\$692,844)

• *Capacity Development Staff Assistance*

The Program plans to use **\$43,644** to fund 50 percent of a FTE to provide on-site capacity development assistance and training. This position was previously funded under the Program Function (10 percent) set-aside. This set-aside will also fund 50 percent of an FTE to provide operator training coordination.

• *Capacity Development Grants*

As a part of this *set-aside* the Program will use **\$180,000** to fund Capacity Development Grants. Grants up to \$15,000 but no more than 50 percent of the actual cost, will be made available to eligible PWSs for the solicitation of professional services for the completion of documents that could assist the system in becoming more viable. Documents to be considered for these funds are: Comprehensive System Facility Plan, Capital Improvement Plan, System Hydraulic Model Report, Management Review Report, System Vulnerability Assessments, Emergency Response Plan, Comprehensive System Operations and Maintenance Manual, Energy Audit, Asset Management Plan, or any other professionally created document that the Program determines can improve system viability. Grant Assistance will not be provided if a similar report of study has been completed in the last five years. Grant assistance will be provided only after the Program has reviewed and approved the document. Professional Engineering documents are not required to be selected through a Request for Qualification or Request for Proposals process.

• *System Consolidation Grants*

The Drinking Water Program has budgeted **\$125,000** for this program from the 2014 DWSRF grant. The Program was created to provide partial funding to water systems for the purpose of consolidation with another water system to enhance system capacity. Water systems with a technical, managerial or financial capacity issue can receive partial funding to consolidate with a more viable public water system to enhance system capacity and de-regulate an existing public water system

The Consolidation Grant funds no more than 50 percent of the cost of the water system consolidation for for-profit facilities and no more than 75 percent of the cost of the water system consolidation for not-for-profit facilities. Grant awards may not exceed \$100,000. Payments are typically made on a one-time reimbursement basis. Consideration for greater than a single reimbursement will be made on a case by case basis determined by the financial need of applying system.

• *Targeted Collaborative Capacity Development (\$150,000)*

Targeted capacity, source protection, asset management, and emergency planning outreach to small systems: approximately \$25,000 per project. In response to proposals, fund staff from technical assistance providers who will work with the DWP to conduct targeted outreach to clusters of small system to increase both their capacity and the municipality's capacity to support the systems. The goal of this integrated outreach is to work in a specific area where there are several small community systems, with a willing municipality and a larger community system, to help all the systems be better protected, prepared, and managed. The goal is to increase the capacity of most or all of the systems, as well as the Town's ability and understanding of public water systems. **(\$50,000)**

- *Training for Capacity Development Awareness*

The Program anticipates allocating up to **\$184,200** for public water system capacity training. This training will encompass technical, managerial and financial capacity strategies and target operators, managers and owner representatives of all sizes of systems. The following represents a preliminary estimate of how the funding will be spent.

- **\$84,200** in assistance to the Maine Water Utilities Association (MWUA) for planned training activities from July 1, 2013 to June 30, 2014. A copy of MWUA's proposed training activities and schedule, and their budget will be submitted to the DWP for review, approval and submitted to EPA Region I with the 2013 DWSRF *Capitalization Grant Applications*. A copy of the Memorandum of Understanding between the DWP and MWUA can be found in Attachment H.
- **\$100,000** for other training topics including but not limited to:
 - Continuing education training subsidy. A flat fee structure to assist training providers with facilitating training provided by regulatory agencies.
 - Trustee Training subsidized outreach to systems across the state for topics to assist trustees in managing systems. This training will enhance trustee's knowledge of water system infrastructure and public health protection.
 - Emergency Preparedness and Security subsidized training and continued updating of system emergency response plans.
 - CUPPS and asset management training. Continued introductory courses and user update courses
 - Managerial Training for future system managers to the Maine Joint Environmental Training Coordinating Committee, JETCC, to assist in a program for water and waste water operators to develop managerial skills needed in the future. This is a 12-month program that has professional mentors develop curriculum. Candidates are nominated by their systems and chosen through a review process. The goal is to have graduates understand regulations, financial and managerial concepts that are essential to utility management.

Actual training topic will be determined based upon the Capacity Strategy that is currently being redeveloped by the Program. A detailed work plan will be created as part of the 2014 DWSRF Grant application to the EPA.

- *Asset Management Training (\$10,000)*

A budget of **\$10,000** has been included in this Set-Aside activity to fund Asset Management training for those public water systems that will be receiving principal forgiveness. This Asset Management training will be provided by RCAP Solutions Inc. This training will be a one-on-one training with each water system. This training is expected to consist of two-three hour sessions. Water system trustees or board members and lead operator(s) must attend this training seminar. Financing will not be approved until this training is completed.

- *Relational Benchmarking Database (\$30,000)*

Development of a rational benchmarking database for collecting and analysis of data from 150 PUC regulated public water systems. This amount will be combined with a similar amount from the 2013 for a total program effort of \$60,000.

c. **Establishment and Implementation of Wellhead Protection Programs (\$481,748)**

- *New Well Approval & Wellhead Protection Program Staff Expenses (\$311,748)* - The Program will use this set-aside to fund staff who, among other technical assistance and field inspection duties, works with water systems to navigate the new well approval process. Since proper locating of a well is fundamental to continued source water protection, this position will work on-site with public water systems, well drillers, engineers and geologists to minimize conflicts with potential contaminant sources. This also includes collection of source water samples for analysis. This position also works with local municipal officials and other state agencies to help ensure that the new source of water is minimally impacted by potential contamination sources. Additional staff in this set-aside provides outreach to water systems, municipalities, and other state agencies to reduce the risk of contamination of public water sources. Staff assists in management of subsurface wastewater rules, one of the key parts of Maine's wellhead protection strategy, and in regulating well drillers so that wells are installed using appropriate tools and techniques to protect water quality.
- *Wellhead Protection Grants (\$75,000)* - The Program will continue to implement the Wellhead Protection Planning Grant Program that provides grants up to \$10,000 per system to fund planning and/or implementation of source water protection activities for ground water sources. Activities include developing useful base maps, drafting an aquifer protection ordinance, developing public educational materials, purchasing signage to demarcate source protection areas, etc. Eligible water systems will be contacted,

informed as to the eligible uses of these grant funds, and asked to submit applications of interest for one of two time periods; either Spring or Fall. Approximately half of the total \$75,000 available for the Grants will be earmarked for the spring and the other half for the fall. Any money remaining from the spring allocation will be added to the money available for Fall Grants. Water systems to receive these funds will be prioritized using the system shown in Section 6F. II. c.

- *Source Water Protection Grants (\$50,000)* - This ongoing Program was implemented in 2011 for Source Water Protection Planning activities to provide grants up to \$5,000 per system to fund planning and/or implementation of source water protection activities for surface water sources. Activities include development or update of watershed management plans, buffer establishment and upkeep, road and storm water management and reconstruction activities, developing public outreach and educational programs and materials, etc. Eligible water systems will be contacted, informed as to the eligible uses of these grant funds, and asked to submit applications of interest for one of two time periods; either Spring or Fall. Approximately half of the total \$50,000 available for the Grants will be earmarked for fall and the other half for the spring. Any money remaining from the fall allocation will be added to the money available for following spring Grants. Water systems to receive these funds will be prioritized using the system shown in Section 6F. II. d.
- *Public Education/Outreach (\$45,000)* - The Program will use funds from the *set-aside* to develop contracted agreements with environmental and educational organizations for the purpose of raising the awareness of the importance of local water resources. Included in this activity are:
 - *LIDAR – Orthoimagery Internet Mapping* Contract in partnership with the Maine Department of Agriculture, Conservation and Forestry and the Maine Library of Geographic Information (GeoLibrary) coordinating mapping data and implementing a 5-year program to acquire new aerial photography (orthoimagery) for the State. Collection, review, and input of data from wellhead protection self-evaluation forms is an ongoing process and a critical precursor to conducting credible assessments of source water protection areas. (\$15,000)
 - Production of the *Drinking Water Program Newsletter* – “The Service Connection.” This newsletter is provided to all owners and operators of public water systems. (\$20,000)
 - As a part of *Drinking Water Outreach*, the Program supports programs around the State to increase awareness of drinking water issues. (\$10,000).

4D. Separate non-project activity accounting. The funds allocated for each non-project activity will be separated into individual accounts at EPA Region I. The release of monies from these accounts will be performed on a cash draw basis with the requisition for funds being based on actual expense records submitted to the EPA Region I. Program staff will review and approve all requisitions and submit them to the MMBB to initiate the release of funds

from EPA. The MMBB will also maintain separate accounting for each of the non-project activities.

- 4E. Transfer of unspent funds to the DWSRF. The allocated funds for each of the first three non-project activities, Program Administration (I), Technical Assistance (II) and Program Functions (III), can be banked (the unspent funds are allowed to be drawn against future grant awards) and used for the same activities in later years. Funds for the fourth activity mentioned above, Other Non-Project Activities (IV), cannot be banked. The Program must demonstrate in set-aside Work Plans to EPA how the funds allotted to each set-aside activity in each year's *Grant* are to be used within a specific period. Other Non-Project Activity (IV) funds can be utilized by any one of the four activities mentioned in Section 4C. IV (a-d) above, with no more than 10% of the *Grant* going to any one activity. These funds can also be transferred to the Standard Project account.

5. Project Funds -

- 5A. Funds available. The total funds available for financial assistance as loans to Standard Projects and *Disadvantaged Community* System projects for the 2014 DWSRF *Grant* period is \$17,619,760. A detailed breakdown of these funds can be found in Attachments A, F, and G.

The 2014 DWSRF grant appropriation includes a requirement that a maximum of 30 percent of the 2014 *Grant* to be available for eligible recipients, including *Disadvantaged Community* Systems, projects as principal forgiveness assistance. The 2014 DRSRF Primary List includes 33 projects. Six of these projects are eligible for **principal forgiveness assistance for a total of \$2,105,250, or 25% of the expected \$8,421,000 Capitalization Grant.**

The total subsidy of \$2,105,250 is intended to be met by providing principal forgiveness to loan recipients. This amount does not include an aggregated negative interest for all disadvantaged community system loans. Additionally, if upon award of all the funds, the combined principal forgiveness and aggregate negative interest is less than a required minimum amount, additional principal forgiveness will be provided to loan recipients to ensure any required minimum subsidy amount.

The DWSRF Program has set a maximum loan limit for any public water systems of three million dollars for any given year after FFY 2012. Any public water system with a project or combination of projects approved after FFY 2012 that exceeds this limit must find alternative funding for the balance of the project cost. Additionally, a public water system may not receive more than \$3 million per project even if the project spans multiple years. The Program reserves the right to exceed this limit when sufficient funds are available to meet all project needs.

- 5B. Projects to be funded. Attachments F and G provide lists of projects the Program intends to finance from the total project funds available from the 2014 DWSRF *Grant* period awards. Projects are listed in priority point score order. Priority point scores are determined using the point system shown in Section 6F. Attachment F is the Primary Project List of Standard

and *Disadvantaged Community* System projects. Attachment G is the Backup Project List. The Backup Project List contains the projects that will receive assistance if projects on the Primary Project List do not proceed as planned, or are by-passed. Each project can be described using one of the general types of projects listed below:

- 1) Replacement of *contaminated source* with new potable source;
- 2) Construction of treatment facilities;
- 3) Installation of disinfection facilities;
- 4) Projects addressing compliance/enforcement issues;
- 5) System consolidation to address viability issues;
- 6) Projects required to remove a system's status as a SDWA significant non-complier;
- 7) Replacement of aging infrastructure;
- 8) Upgrade or rehabilitation of existing water facilities;
- 9) Installation of meters and backflow prevention devices; and
- 10) Acquisition of land integral to a DWSRF eligible project.

The projects that are ultimately financed by the Program may not be selected exactly as listed on Attachments F and G. Some of the factors that could affect the current lists are as follows:

- 1) A listed project receives full or partial funding from another source;
- 2) A project is by-passed as described in Section 6B;
- 3) Funds available are increased or decreased due to actual project costs vs. estimated costs listed on Attachment F or G;
- 4) The PWS or project is found to be ineligible for DWSRF funds;
- 5) A system's loan application is denied;
- 6) A project or PWS is unable to meet DWSRF project requirements as described in this Section; or
- 7) A PWS declines DWSRF assistance.

The terms of financial assistance for Standard Projects are described in Section 7. The exact terms will be set at the time of the loan agreement for each project. The amount of principal forgiveness assistance and loan terms to be provided for *Disadvantaged Community* System projects will be determined during the loan application process using the criteria described in Section 8.

5C. Unencumbered Funds from Previous Grant Years. Funds from the 2013 DWSRF that were not encumbered have been carried forward into this 2014 IUP. All 2014 DWSRF projects that do not have an associated loan agreement by December 31, 2014 may be by-passed and the funds will be carried forward to the next year's Intended Use Plan. Water systems will need to reapply for the next funding cycle if by-passed.

5D. Systems/Projects Ineligible for Funding. Public water systems that lack the technical, financial or managerial capacity to operate their system in compliance with present and future requirements of the SDWA are not eligible to receive DWSRF funds unless the proposed project will address and resolve the lack of capacity. All public water systems will receive a capacity development review and approval before the DWSRF Program will enter

into a loan agreement. Systems that are in Significant *Non-Compliance* with the SDWA are not eligible, except as noted in Section 6E. Public water systems that serve Federal installations are not eligible. A Non-Community Water System owned by a for-profit enterprise is not eligible to receive DWSRF funding.

Projects whose primary purpose is to provide fire protection or system growth are not eligible for DWSRF funding. Laboratory fees for monitoring and operational and maintenance expenses are ineligible project costs. Land acquisition secured by eminent domain condemnation proceedings or from an unwilling seller is not eligible to receive DWSRF funding. Projects that do not receive a favorable environmental determination and initiate construction will not receive DWSRF funding. All projects must complete the environmental review process to the satisfaction of the Program and receive a favorable environmental determination before the start of construction.

Since funding is limited, demand is considerable, and funds are subsidized DWSRF funding will be provided to only the most viable, cost effective, environmentally acceptable projects.

5E. Environmental Reviews. All projects financed with DWSRF funds will have a "NEPA-like" *environmental review*. This review should be performed and a favorable determination made prior to the design of the facility. The *Environmental Review* process must be completed prior to the start of construction for the project to receive DWSRF funding. The State of Maine Rules Relating to Drinking Water State Revolving Loan Fund, Chapter 230, puts forth the *Environmental Review* requirements for all projects. The applicant is required to submit specific information identified in Chapter 230 for a project in order for the Program to make an environmental determination. The required information is dependent upon the type and scope of the project proposed to receive DWSRF funding. An *Environmental Review* and determination prepared for/by another federal funding agency may be accepted by the Program.

5F. Procurement Requirements. Project funds can be used only for construction services and materials, required for the completion of a DWSRF eligible project, that are sought through a competitive process. The primary method for procuring construction services shall be the advertised bidding process. Bid packages must include the DWSRF Construction Contract Requirements. Other competitive procedures may be used to procure non-construction services. The Program will use their existing procurement policy as a guide. Comprehensive procurement procedures will be developed and included in DWSRF Rules. As part of the 2013 Appropriation, Congress has required that all DWSRF construction projects in federal fiscal year 2014 must use the **Davis-Bacon wage rates**. Exceptions include work funded by set-asides and worked performed through force account labor (water system personnel).

5G. Cross-Cutting Federal Authorities. *Cross-cutting Authorities* are listed in Attachment E. Federal *Cross-cutting Authorities* are those federal statutes and Presidential Executive Orders that by their own language affect actions proposed for assistance with DWSRF monies. DWSRF *Equivalency Projects* and all set-aside activities must meet all applicable requirements of these authorities. Some authorities will be met through the

Environmental Review process. Others will be met through procurement or certification requirements of the Program. The Program must demonstrate to EPA that the total dollar amount of DWSRF projects funded in any given year that meet these authorities is equivalent to the total federal grant funds received in that year. This sets the *Equivalency Project* goal. To meet the *Equivalency Project* goal for the 2014 *Grant*, Maine will require that all DWSRF funded projects with total project costs greater than \$200,000 meet all *Cross-cutting Authorities*. All organizations in receipt of federal funds for *set-aside* activities must be in compliance with all applicable federal *Cross-cutting Authorities* in their use of these funds. **Anti-discrimination statutes apply to all DWSRF activities**, not just *Equivalency Projects*. Projects eligible for emergency funding may exempt from this requirement as determined by the DWSRF.

- 5H. With the goal of increasing Sustainability of all Public Water System in the State of Maine, all Projects on the Primary List will be required to have a professionally prepared **Comprehensive System Facilities Plan/ Master Plan** that is less than ten years old.

Should a Public Water System not have a Plan that is less than ten years old, funding assistance shall be provided as part of the project loan to complete a Plan. An amount shall be included in the final loan amount for the PWS to undertake such a plan. The funding level process will be developed which is expected to provide Principal Forgiveness for a portion of the plan preparation.

Should a PWS have a Plan less than ten years old, the PWS shall be allowed to undertake other plans as detailed below under the same funding opportunities. This shall be at the PWS's option.

Examples of eligible professionally prepared documents may include:

- Comprehensive System Facilities Plans
- Asset Management Plans
- Energy Audit Reports
- System Hydraulic Modeling Studies/Reports
- Water Loss Audits

6. Criteria and Method of Distribution of Funds

- 6A. Description of selection process for projects to receive assistance. Each year all DWSRF *eligible public water systems* will be asked to submit information about projects (submission of a project information application form provided by the Program) for which they are seeking DWSRF monies for the designated year. This project information will be reviewed for accuracy and eligibility, and then given a priority ranking score based on the system designated in Section 6F below. The availability of funds for projects from other agencies may be investigated and discussed with the system. The DWSRF eligible projects and their respective information will then be listed in order of priority, highest to lowest, in a master list of all projects (Comprehensive Project Priority List). The Program will create the Primary Project List utilizing the provisions in this Section and the amount of available funds. The Primary Project List can be found in Attachment F. A Back-up Project List, Attachment G,

consists of projects that did not make the Primary Project List but are next in line to receive assistance based on their priority ranking. Projects on the Back-up Project List will be offered funds in the order of their priority ranking based on the amount of funds freed up by projects on the Primary Project List that either decline the funds or are by-passed in accordance with the procedures stated in Section 6B. Both lists include the following information; system name, project description, population served, priority point score, and estimated project cost or funds requested. The DWSRF Administration will contact all systems with projects listed on the Primary Project List after the IUP is finalized to inform them of submittal, review and approval, and application requirements.

- 6B. By-pass provision. A project on the Primary Project List may be by-passed on December 31, 2014 if the system has not entered into a loan agreement (or construction contract) or made reasonable progress towards starting construction in 2014. In order to enter into a loan agreement a water system must submit and receive approval of engineering and construction documents, complete an environmental review and complete a capacity review.

Funds made available when a project is by-passed will be offered to public water systems with projects on the Back-Up Project List. Assistance will be offered to the public water systems with the highest priority ranked projects that have requested an amount of assistance less than or equal to the by-passed project(s)' requested funding. On December 31, 2014 all uncommitted funds will be carried forward into the 2015 IUP.

- 6C. By-pass for Small Water System Assistance. A minimum of 15% of the monies available for funding projects each year must go to public water systems that serve a population of less than 10,000 (small systems). The lowest priority project or projects for public water systems that serve 10,000 or more people may be by-passed in any given year in order to achieve this goal of 15% assistance to small systems. As necessary, the highest priority small system projects will be selected to satisfy the minimum 15% level. Of all 33 projects on the 2014 Primary List, 22 are public water systems with populations of less than 10,000. Total project for these systems is \$10,211,031. This amount exceeds the 2014 DWSRF Capitalization Grant.
- 6D. By-pass for Consolidation Grant Assistance. The Program will by-pass consolidation grant projects that do not meet the deadlines established at the time of application. If a project does not meet the established deadlines, the system may reapply for the consolidation grant. Original applications must be submitted before construction occurs. Resubmitted applications cannot be submitted more than a year after construction started.
- 6E. Emergency Construction Fund. The Emergency Construction Fund provides loans to water systems that had a recent unexpected event that poses a serious threat to health and welfare. Projects must meet the eligibility criteria for DWSRF projects but do not need to be on the Project Priority List. Emergency Construction Fund projects are not eligible for grant (principal forgiveness). The DWP has the discretion to determine what

constitutes an emergency. The DWP will also determine which provisions of the standard loan process (competitive bidding, environmental reviews, capacity reviews, plans and specifications, etc.) must be met. The Drinking Water Program has budgeted up to **\$500,000** from repayment funds for the 2014 calendar year. Funds that are not committed by the end of 2014 will be returned to the pool of funds for standard construction projects.

- 6F. Very Small System Compliance Loan Fund. This fund allows qualifying water systems to receive up to \$50,000 loans for infrastructure projects that are needed to achieve compliance with a current or future standard of the Safe Drinking Water Act excluding the Total Coliform Rule. The loans would need to meet all requirements for a standard construction loan including contract document, environmental review, capacity review, Davis-Bacon wage rates and other applicable requirements. The loan term would be set at 100 percent principal forgiveness. A total of \$500,000 from the 2010 DWSRF program provided the initial funding for the program. Additional funds of \$150,000 from the 2012 DWSRF were added to the Very Small System Compliance Loan Fund. A current balance of \$328,521 remains in the fund which will be available for 2014 applicants. No additional funds will be added from the 2014 DWSRF.

Qualifying systems include all community systems (except those regulated by the Public Utilities Commission) with a population of 100 or less and all not-for-profit, non-transient, non-community water systems.

Projects cannot be the result of a failure to maintain an existing treatment system. Projects can consist of developing a new well or the installation of treatment. Consolidation with another water system could be funded with a consolidation grant.

Projects will be funded on a first come first serve basis. Eligible projects are listed on attached Exhibit "L". By nature of the Project Priority Ranking System detailed in Section 6H, all such projects are "to address a compliance and public health issue, installation of treatment" and would receive highest ranking and therefore are considered on the Priority List.

- 6G. Systems that are in Significant Non-Compliance (SNC) with the SDWA. Public water systems that are in SNC with the SDWA will **not** be eligible for DWSRF financial assistance unless/until: a) they resolve all SNC issues to the satisfaction of the Program; b) the project(s) for which they are applying for DWSRF monies resolve all SNC issues; or c) they enter into and comply with an Administrative Agreement with the Program that addresses the SNC. If the public water system resolves its SNC by one of these methods then its DWSRF eligible project(s) will be prioritized and provided financial assistance in the same manner as all other DWSRF eligible projects. If a water system is not a SNC at the time that they receive a loan agreement but become a SNC during the construction of the project, the DWSRF construction reimbursement process will be stopped until the SNC is resolved by one of the methods mentioned above.

6H. Project Priority Ranking System. Planning and engineering costs (Engineering Study, Pilot Plant Study, Environmental Study, project design, etc.) can be separately funded from a project if associated with a future DWSRF eligible project. If construction is not occurring during the 2013 construction season, only preliminary costs will be allocated on the 2014 IUP. These activities will be prioritized based on the future DWSRF eligible project for which they are associated. Financial assistance to acquire land integral to a DWSRF eligible project and the guarantee or purchase of insurance for local debt obligation is both DWSRF eligible expenses. Projects submitted for these activities will be prioritized based on the project type with which they are associated. Example: A DWSRF project submission for land acquisition necessary for construction of a planned pump station or treatment facility will be priority ranked the same as the future facility.

The scoring system that will be used for ranking requests for DWSRF funding for this funding period is as follows:

I. Standard Projects (only one priority point score to apply to each project)

a. Type of project Priority points

1) Projects to address compliance and public health issues:

Installation of treatment or connection to a new supply for:

<i>acute contaminant</i>	99
<i>non-acute contaminant</i>	80

Replacement of *contaminated source* with uncontaminated

Existing source of: river/stream	95
lake/pond/impoundment	90
GWUDI	85
dug well	77
spring	75
filtered surface water	69

Replacement of aging infrastructure at risk of causing contamination

Type of facility: uncovered f. w. storage	60
treatment facility	55
floating cover storage	49
source-intake structure	45
pump station	42
storage	40
river crossing	37
transmission mains	35
distribution mains	33
instrumentation/controls	30

Rehabilitation of aging infrastructure or upgrade of existing facilities at risk of contamination

Type of facility: treatment facility	44
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	source-intake structure	25
	pump station	23
	storage (inside painting)	20
	transmission mains	18
	distribution mains	17
	instrumentation/controls	15
2)	Installation of facilities to address low system pressure problems: backflow prevention devices	43
	storage	32
	booster pump station	24
	larger mains	22
3)	Projects for compliance with future SDWA regulations:	
	Proposed rule: Stage 2 D/DBP	80
	LT2ESWTR	60
	Groundwater	25
	Sulfate	9
4)	Projects to address aesthetics: taste, color, odor, etc.	8
5)	Construction of facilities around a water system's source to address a health threat or documented contamination threat to a source of supply: *	
	Source type: unfiltered surface water w/ filtration waiver	72
	filtered surface water	62
	groundwater	52
*Source water protection activities are not eligible for funding with Project Funds but may be eligible for Other Non-Project Activity <i>set-aside</i> funds.		
6)	Installation of facilities to provide redundant facilities:	
	supply (present peak day supply problems)	68
	disinfection equipment	56
	treatment train	50
	supply source	47
	source-intake structure	32
	river crossing	29
	pump station	21
	storage	19
	transmission main	18
7)	Other Eligible Projects:	
	Catastrophic failure of critical infrastructure	70
	System viability: <i>Facility consolidation</i>	65
	Install backup power source	48

Tank Mixing & Re-chlorination	35
Resolution of dead end water quality problems	34
System Interconnection	32
System expansion to address public health issues	31
Installation of meters	16
Construction of Office, Garage, or Equipment Storage	10

- b. Priority Point System Add-ons: (only one priority point score for each category applies and is to be added with each category's score including project points to produce the final project priority rank)

Priority points

1) System compliance/enforcement status*	
Court action or Civil Penalty assessment	30
Assessed Administrative Penalty	25
Active Administrative Compliance/Consent Order	20
Loss of Filtration Avoidance/Exemption	18
Long-term Boil Water Order or Do Not Drink Order (>1 year)	16
In Significant Non-Compliance	14
Outstanding Notice of <i>Non-Compliance</i>	12
Outstanding Treatment Technique Violation	10
Active Bi-lateral Compliance Agreement	8

* These priority points are only added if proposed project addresses the compliance/enforcement issue in question.

2) Percentage of annual residential water bill of median household income	
Greater than 2.25%	18
between 2.01% and 2.25%	15
between 1.76% and 2.00%	12
between 1.51% and 1.75%	9
between 1.26% and 1.50%	6
between 1% and 1.25%	3
less than 1%	1
3) Population served	
100,000 people or more	1
between 10,000 and 99,999	2
between 3,300 and 9,999	8
between 500 and 3,299	6
less than 500 people	4
4) Public Water System Type	
Community	6

Non-Transient	3
Transient	1
5) Project in accordance with Completed System Master Plan	5
6) Pre-design Report Completed	5
DWP may request a copy of pre-design report	
7) Plans and Specifications	up to 10
1 point for each 10 percent completed, maximum 10 points	
DWP may request copy of plans and specifications	
8) Project in conjunction with road reconstruction project	10
DWP may request documentation of planned road project	
9) Demonstration that Permitting & Environmental Review is complete	10
10) Discretionary Points based upon public health risk: Associated only with aging infrastructure	up to 20 points

c. Additional priority points for projects being co-funded with other agencies:

Water systems should inform the Program of financing they are attempting to secure or have secured from other agencies (U.S.D.A. Rural Development, Department of Economic and Community Development (DECD), etc.) for projects they are also attempting to finance with DWSRF funds. The Program will work to inform systems of their eligibility for funds from other agencies and will promote the application for these funds when the other agency presents a better financing package for the system or has available funds for which their project is eligible. The Program will consider the combined use of DWSRF funds and funds from other agencies or another funding source if the DWSRF funds are necessary to complete the financing of the project. Another source of funds could include the water system's own financial contribution as match to the total project cost. These projects will receive additional priority points as follows:

10 points - DWSRF co-funding with one other agency or source of funds, either a Community Development Block Grant or 25% of project cost funded from another agency or source.

15 points – DWSRF co-funding with two or more other agencies or sources of funds where a minimum of \$600,000 is being provided toward the total project cost from the other agencies or sources.

These other funds must be committed to the project before the water system is allowed to enter into a loan agreement to receive DWSRF funding. The Program will not authorize funds that will replace loan commitments already secured from another lending agency unless approval to do so has been obtained from that agency.

USDA-RD and DECD, the two primary agencies with funds available to finance drinking water facilities in Maine, have goals similar to those of the Program. They both consider

a project's ability to address a public health issue when prioritizing the projects eligible for their funds.

d. Additional priority points for Compliant Water Systems:

DWSRF eligible PWS's that have been in compliance with the SDWA for the last five calendar years (2006, 2007, 2008, 2009 and 2010), will receive extra priority points for each of the five years. The points for each year will be based on the following:

2 points - no compliance violations on record with the Program for that calendar year.

1 point - violation(s) but all have been addressed and resolved with the Program.

0 points – outstanding violation(s) that have not been resolved.

The priority points will be totaled (maximum of 10 points) and added to each project that water system submitted requesting DWSRF financial assistance.

(Total Standard Project Priority Point Score =

(a + b1 + b2 + b3 + b4 +b5+b6+b7+b8+b9+b10+c+d)

e. Green Project Reserve

The 2014 Drinking Water State Revolving Fund Appropriation by Congress does not require a Green Project Reserve to finance projects that are considered “green” or environmentally friendly. A number of projects on the 2014 DWSRF Primary List are able to meet Green Project Reserve criteria. The Program will continue to suggest and recommend public water systems to consider including “green” aspects of project improvements including using premium efficiency motors and variable frequency drives wherever application.

II. Other Non-Project Activities - 15% Set-Aside. The types of activities to be funded with this non-project *set-aside* and the percentage and dollar amount of monies to be allocated to each activity are listed in Section 4C.

Priority ranking system for the 15% set-aside funds. Priority ranking for each *set-aside* activity will be based on the scoring system listed below. References to **b1, b2, b3**, etc., refer to the add-on points defined in the previous section.

a. Land Acquisition/Conservation Easements:

In the unusual case of multiple applications submitted at the same time, the following ranking criteria shall be used.

Type of Source	Priority Points
Unfiltered surface water with filtration waiver	50
Filtered surface water source	40
Groundwater under the direct influence of surface water	30
Groundwater	20

(Total Priority Ranking Score = Type of Source + b1 + b2 + b3 + b4 + c + d)

b. Assistance for Wellhead Protection:

- 0 – 5 points **Demonstrated need for the project.** *How will the project help protect your groundwater source?*
- 0 – 3 points **Previous wellhead protection work.** *Has your system demonstrated a commitment to source water protection by dedicating time or financial resources to source protection? What other projects have you completed or are in the process of completing that identify, evaluate, manage, or eliminate threats to your groundwater supply?*
- 0 – 3 points **Community Involvement.** *Protecting drinking water sources is a community effort. Explain how you have included, or plan to include, local partners to work with you to enhance efforts to protect your groundwater source. Have you engaged your neighbors, your customers, and/or your local government in protecting your source?*
- 0 or 1 point **Implementation of a Wellhead Protection Plan.** *Projects which will implement recommendations or reduce the risk of contamination identified from an existing Wellhead or Source Water Protection Plan, or from recommendations made by the Drinking Water Program, Maine Rural Water Association, or other qualified professional will receive one point.*
- 0 or 1 point **Creation of a Wellhead Protection Plan.** *Projects that include the development or improvement of a Wellhead or Source Water Protection Plan will receive one point.*
- 0 or 1 point **Cost Sharing.** *Systems which contribute money or in-kind services to help fund or complete a portion of the project will receive one point. For example, systems that contribute \$100 toward the replacement of each home heating oil tank within their wellhead protection zone will receive this point.*
- 0 or 1 point **Previous grant awards.** *Systems which have never received a Wellhead Protection Grant will receive one point.*

(Total Priority Ranking Score= Need + Previous Work + Community Involvement + Implementation of Wellhead Protection Plan + Creation of a Wellhead Protection Plan + Cost Sharing + Previous Grant Work)

c. Assistance for Source Water (Surface Water) Protection:

- 0 – 5 points **Demonstrated need for the project.** *How will the project help protect your surface water source?*
- 0 – 2 points **Previous source water protection work.** *Has your system demonstrated a commitment to source water protection by dedicating time or financial resources to source protection? What other projects have you completed that evaluate or manage threats to your surface water supply?*
- 0 – 5 points **Community involvement.** *Protecting drinking water sources is a community effort. Explain how local partners will work with you to enhance efforts to protect your groundwater source. Will this project benefit another public or private drinking water source? Projects*

demonstrating value from other sources, financial or in-kind, will receive a higher score.

0 – 3 points **Describe how the project will address an identified risk.** *Will the project reduce the risk of contamination identified by a Watershed Management Plan, Source Water Assessment Report, or another priority system?*

0 or 1 point **Implementation of a Watershed Management Plan.** *Projects which will implement recommendations from an existing Watershed Management or Source Water Protection Plan will receive one point.*

0 or 1 point **Cost Sharing.** *Systems which contribute money or in-kind services up front to fund a portion of the project costs will receive one point.*

Priority will be given to projects that exceed the \$5,000 grant maximum and which will be funded in part by funds from other sources.

(Total Priority Ranking Score = Need + Previous Work + Community Involvement + Identified Risk + Implementation of Wellhead Protection Plan + Cost Sharing + Previous Grant Work)

d. System Consolidation Grants Program:

This program to provide partial funding to water systems for the purpose of consolidation with another water system to enhance system capacity. Water systems with a technical, managerial or financial capacity issue can receive partial funding to consolidate with a more viable public water system to enhance system capacity and de-regulate an existing public water system. The Consolidation Grant will fund no more than 50 percent of the cost of the water system consolidation for for-profit facilities and no more than 75 percent of the cost of the water system consolidation for not-for-profit facilities. Grant awards may not exceed \$100,000. Payment shall be made on a one-time reimbursement basis. Consideration for greater than a single reimbursement will be made on a case by case basis determined by the financial need of applying system. Community public water systems and non-profit, non-community public water systems are eligible for the System Consolidation program. For-profit non-community water systems and federally owned systems are not eligible. Each eligible water system (system to be eliminated) may only receive one grant award for any consolidation effort.

Qualifying Criteria:

- The public water system applying for consolidation must have a technical, managerial or financial capacity issue that will be addressed by the consolidation with the more viable public water system.
- The more viable, receiving public water system must neither exhibit technical, managerial or financial capacity issues nor result in system capacity issues.

- Plans and specifications for the consolidation must be reviewed and approved by the Drinking Water Program.
- The project must complete the environmental review process that is currently part of the DWSRF construction loan program.

Ranking Criteria:

Because limited funding is provided for this particular Set-Aside, grant awards will be determined by time of application, anticipated construction date, and risk to public health.

- 6I. Relationship to meeting DWSRF goals and objectives. The criteria and method used to distribute project funds, as stated in this section, satisfies all of the goals and objectives of the DWSRF. It also satisfies the DWSRF priority requirements of the SDWA. It gives water systems with the greatest need for obtaining financial assistance to construct projects that address imminent and long-term threats to public health, pending enforcement actions and compliance issues with the SDWA, the ability to receive funding by giving their projects the highest priority ranking. It provides for assistance to small systems and *Disadvantaged Community Systems*. Affordability will be factored into the priority ranking of projects. The method of distributing project funds also provides for the funding of preventive measures such as source water protection, replacement of aging infrastructure, operator certification and capacity development.
- 6J. Impact on long-term financial status of the DWSRF. The proposed method and financial terms for distributing project funds presented in this IUP should have negligible impact on the long-term financial status of the DWSRF. Principal payments on loans plus all interest earnings will be deposited to the DWSRF and made available for future water system capital improvements. The only funds lost for revolving are those used for:

DWSRF Administration,
 Technical assistance to small systems *set-aside*,
 PWSS program functions *set-aside*,
 Grants to systems to establish and implement Wellhead and Source Water
 Protection Programs,
 Costs for services rendered for source water delineations and assessments of
 potential sources of contamination, and
 Principal forgiveness funds to *Disadvantaged Community Systems*.

7. Financial Aspects of DWSRF Assistance

- 7A. General. All systems must complete a MMBB loan application in order to receive a DWSRF loan. All systems must be able to demonstrate to the satisfaction of the MMBB that they have an adequate revenue source to support the repayment of loan amounts. A system may enter into a loan agreement after its loan application is approved by the MMBB and all required financial conditions are met. Requisitions for construction costs will not be approved until the DWSRF requirements listed in Section 5 are met. Disadvantaged systems must also participate in Asset Management Training by RCAP Solutions in accordance with Section 8B.

- 7B. Financial terms of loans. All loans for the financing of Projects and Non-Project activities using 15% *set-aside* funds (the purchase of land and conservation easements for source water protection) will be at an interest rate of two percent below the MMBB cost of tax-exempt funds with a minimum interest rate of 1% for all loans. This discount Rate may be further discounted, but not lower than 1%, to compensate for any fees charged the water system to administer the project loan. Project loans where the amount borrowed is \$250,000 or more may have a maximum repayment period of up to 20 years from the date of construction or the life expectancy of the asset being financed, whichever is less. Amounts borrowed for less than \$250,000 may be limited to a five-year repayment term. Loans for land acquisition, conservation easements and Source Water Protection will usually have a repayment term limit of 10 years. Borrowers may request approval by the MMBB for an increase in their payment term above these limits up to a maximum allowable term of 20 years. The request must be in writing and state the need for a greater term. In all cases the loan repayment term will be limited to the life expectancy of the asset to be financed. Loans will have an initial payment due no more than one year from the date of *substantial completion* of construction for Standard Projects, or the date of the final loan agreement for Other Non-Project Activity funds.

The Program will make the determination of which projects will receive bond blend proceeds. All other projects will be financed by straight loans of federal grant and *State Match* monies.

Loans for planning and engineering studies, reports and design work that are sought separate from a project loan, but are associated with future DWSRF eligible projects, will have a maximum loan repayment period of five years. These short-term loans can be rolled into the long-term loan for the construction of the planned or engineered project if it becomes eligible for DWSRF funding.

The financial terms for loans to systems that qualifies for Disadvantaged Community System Assistance is addressed in Section 8.

- 7C. Requirements with regard to the Public Utilities Commission (PUC). All PUC regulated systems must acquire approval for Issuance of Securities from the PUC before they can enter into a loan agreement. If a system needs water rates increased in order to finance a DWSRF loan that includes bond blend monies, the rate increase must be approved prior to the time of the bond sale. Interim financing is discussed in Sections 7G and 7H.
- 7D. Loan Fees and Costs. All DWSRF loans will include a 1% DWP Project Management Fee and a 5% MMBB Administrative Fee as well as interest charges. As stated in Section 7B, the DWP Project Management Fee and MMBB Administrative Fee will be factored into the interest rate subsidy.

DWP Project Management Fee:

A 1% DWP project Management Fee is charged to cover costs incurred by the Drinking Water Program to administer the DWSRF program. This Fee can be included in the

total amount to be borrowed. This fee is not waived for Disadvantaged Community systems.

MMBB Administrative Fee:

A 5% Administrative Fee is charged by the Bond Bank to cover all costs incurred post issue and to sustain the daily maintenance of the loan throughout its life. This fee covers such costs as processing draw requisitions, refunding analysis, trustee fees and billing. An amount not to exceed 5% of the total annual loan payment, principal and interest will be added to each year's payment. This fee is capitalized at 0% upon loan origination. This fee is waived for Disadvantaged Community systems. Additional cost of issuance includes legal service and bond sale costs that the MMBB is charged to process a loan. The actual Cost of Issuance will vary with each loan. There will be no costs of issuance charged on straight loans made with federal and state loan money only, but the system will be responsible for the costs of their own legal counsel for incurring the loan. Cost of Issuance will be charged on loans funded with bond proceeds and will include all costs associated with completing the bond sale. The amount of money collected for this Fee will be placed in a MMBB cash reserve that will be used in part to help improve the bond rating to assist in keeping the interest rates on future DWSRF loans low. It will also be used to cover costs associated with loan servicing over the loan life and pay MMBB Trustee expenses.

- 7E. Refinancing of existing facilities. DWSRF funds can be used to buy or refinance debt obligations for DWSRF eligible projects for water systems that are owned and operated by a municipal, inter-municipal or interstate agency. **Based on an EPA Policy established in the spring of 1999, reimbursing project construction costs incurred prior to the date that the Project Lists are finalized, the last day of public review of the IUP, for a water system with a DWSRF eligible project on a Project List is considered refinancing debt. The refinancing of debt for privately owned water systems is not a reimbursable expense for DWSRF financial assistance. Additionally, DWSRF money cannot be used to refinance loans for the purchase of land.** Publicly owned water systems can receive reimbursement of refinanced debt in their DWSRF loans. However, their initial debt and the start of construction of the project must have occurred after July 1, 1993 to be eligible for reimbursement.

Projects submitted for refinancing will only be considered by the Program if the current water rates at the public water system exceed the maximum water rate goal (MWRG) as described in Section 8D. Projects that are eligible for refinancing based upon the preceding criteria will score priority points as if it were a new project. However, since the DWSRF Program gives a higher priority to projects to address existing health risks or compliance issues, the total score will be reduced by 50 percent. The project will then be ranked against all other projects to determine its placement on the Primary or Backup Project List.

- 7F. Refinancing of facilities currently being constructed. **As stated in Section 7E above, the reimbursement of project construction costs incurred prior to the completion of public review of an IUP for which the project is included on a Project List will be**

considered the refinancing of debt. The Program is limited in how it can disburse funds for the purpose of *refinancing* debt. Each year EPA allows Programs to only use \$2 million of their initial *Grant* funds for this purpose. Further, EPA only allows the *disbursement* of all costs for *refinancing* debt above the \$2 million limit to occur when disbursed over an eight-quarter period (two years). The eight-quarter period begins with the quarter the Program receives its *Grant*. Pre-construction costs (cost for design, planning, legal, etc.) are not subject to this eight-quarter rule and can be reimbursed any time after a system enters into a loan agreement.

7G. Projects that secure **Non-Bond Bank** interim financing for facility construction. A **publicly** owned water system may elect to secure interim financing for the construction of a known DWSRF eligible project from a lending institute other than the MMBB. The water system must abide by all DWSRF requirements (plan review /approval, *Environmental Review*, *Cross-cutting Authority* requirements, etc.) to be eligible for DWSRF financial assistance. Also, the system **must not** complete construction of the project before the *Grant* is awarded to the Program to be eligible. It is preferable that systems not even begin construction of the project until the Project List that includes them has been finalized with the completion of its public review. As stated above, all costs incurred prior to the completion of public review will be considered *refinanced* debt. It will be priority ranked the same as the entire project. These costs will be disbursed as described in Section 7F with the exception that preconstruction costs can be reimbursed any time after the system enters into a DWSRF loan agreement.

7H. Projects that secure **Bond Bank** interim financing for facility construction. A system may obtain interim financing through the MMBB for a project included on a Primary Project List after the Program has been awarded its *Grant*. With an interim loan in place, a water system will be eligible to receive reimbursement of pre-construction project costs (administrative, legal, design, etc.) upon approval by the Program (exception: systems in receipt of disadvantaged assistance – see Section 8B). Reimbursement of construction costs will only be allowed when the entire project meets the requirements of Sections 5B thru 5F with all required approvals by the DWP. The terms of the interim financing will be determined by the MMBB. Fees will not be charged by the MMBB for interim loans and there will be no closing costs associated with these loans. However, the borrower will be responsible for their own legal costs associated with the closing of interim loans.

8. Disadvantaged Community System Assistance

8A. Definition of *Disadvantaged Community System*. A *Disadvantaged Community System* is defined as any public water system that serves a community and can demonstrate that its year-round residential water consumers have a median household income of \$46,933 per year or less. DWSRF *Disadvantaged Community System Assistance* will only be allowed where the disadvantaged water consumers will directly benefit from the assistance.

8B. Total amount of funds available. The 2014 DWSRF budget appropriation is expected to require a minimum of 20% and a maximum 30 percent of the 2014 *Grant* to be available

for eligible recipients, including *Disadvantaged Community* System, projects as principal forgiveness assistance. Loan subsidies are defined as funds given out either as principal forgiveness (grant) or as negative interest rates. Maine's DWSRF Program plans to give out subsidies to *Disadvantaged Community* Systems only in the form of principal forgiveness. Principal forgiveness will be made available to the highest-ranking projects first. A water system must meet all the requirements of Section 5 of this IUP (capacity development, plans and specifications, and environmental review and approval) in order to enter into a loan agreement. Additionally, water systems receiving principal forgiveness must participate in Asset Management training by RCAP Solutions. A water system does not need to participate in this training if they have participated in the past five years unless a significant turnover in staff has occurred. This training will be funded through the 15% Set-Aside, Assistance for Capacity Development. See Section 4.C.IV.c. for more information.

Systems that qualify for principal forgiveness funds that enter into a DWSRF loan agreement and want to proceed with construction of their DWSRF eligible project after that year's allotment of principal forgiveness has been committed to other projects will be eligible to receive loans at an interest rate described in Section 8E. A loan term of less than 30 years is possible if the applicant selects a shorter loan repayment period or the Program reduces the term to the life expectancy of the project. Uncommitted forgiveness cannot be carried forward into the following grant period.

8C. Loan Fees and Costs. The 1% DWP Project Management Fee and 5% MMBB Loan Administrative Fee will not be waived for systems that receive Disadvantaged Assistance.

8D. Affordability Criteria. The Affordability Criteria will be based on the median household income of the water system's year-round residential customers and its calculated maximum water rate goal.

Criteria I (median household income): System wide Residential customers of a water system must have a median household income (MHI) of **\$46,933 per year** or less to qualify for receipt of *Disadvantaged Community* System assistance. This figure represents the average Median Household Income (MHI) for non-metropolitan Maine from the **American Community Survey 5-Year Estimate (2006-2010)** prepared by the US Census Bureau. The income data used to determine median household income should be that which most accurately reflects the income of the year-round residential customers in a water system's service area. This data can come from either the American Community Survey 5-Year Estimates (2006-2010) or from a more current independent system income survey. All income surveys must be submitted to the DWP for review and approval before the results can be used to determine the amount of DWSRF disadvantaged assistance to which a system is entitled. An independent Income Survey must be completed prior to and included with the SRF funding application. Income surveys must be conducted by an independent third-party using a methodology approved by the Drinking Water Program. Income surveys shall not be valid for more than three years.

Criteria II (maximum water rate goal): The maximum water rate goal (**MWRG**) for a system is calculated as follows:

(**MHI**) at or between \$37,232 and \$46,541: **MHI x 1.5% = MWRG**
(**MHI**) of \$37,232 or less: **MHI x 1.3% = MWRG**

The percentages used in the formulas above were determined after reviewing the current water rates and median household income for *Community Water Systems* in Maine. A basis of 2,000 cubic feet of water consumed per calendar year quarter is used for water rate calculations.

The MMBB will calculate the terms of the loan (i.e. repayment period, interest rate and amount of principal forgiveness) in an effort to keep the system's water rates at or below the **MWRG**. The maximum amount of principal forgiveness that a project may receive can be found in Section 8E below.

- 8E. Limitations/Terms of *Disadvantaged Community* Assistance. *Disadvantaged Community* Assistance subsidies in the form of principal forgiveness will be available to *Community Water Systems* at maximum levels of 20, 45 and 75 percent of the requested DWSRF loan amount based upon the following:

Water Rates as a Percentage of Median Household Income	Maximum Percentage of Principal Forgiveness
1.0 – 1.29	20
1.3 – 2.0	45
> 2.0	75

For projects with Water Rates as a Percentage of Median Household Income at 1.3 or above, the remaining loan will be loaned at a zero (0) percent interest rate. For projects with Water Rates as a Percentage of Median Household Income between 1.0 and 1.29 the remaining loan will be loaned at a one (1) percent interest rate. Loans for systems that qualify for this assistance will have a calculated repayment period of up to 30 years after the completion of the project, but may never exceed the expected life of the project being financed. The terms of financial assistance to *Disadvantaged Community* Systems will vary depending upon the maximum water rate goal (see Section 8D) for each system. Subsidy and terms will be determined at the time a system submits an application to the MMBB accompanied by all supporting documentation necessary for the MMBB to make these determinations.

For Community Systems not regulated by the Maine Public Utility Commission that do not have water user rates in place may also be considered for *Disadvantaged Community* assistance. An alternative methodology can be proposed by the applicant for review and consideration by the Maine Drinking Water program to determine the individual water user cost for 2,000 cubic feet of water consumed per calendar year quarter.

Should the alternative methodology be found by the Drinking Water program to fairly reflect the water user cost, the criteria the public water system shall be eligible to principle forgiveness at the rate ½ of the level as detailed in Section 8E,

Nonprofit, non-*Community Water Systems* may receive principal forgiveness if there is an excess of *Disadvantaged Community* System assistance dollars after all qualifying *Community Water System* projects submitted have been financed. A maximum of 45 percent principal forgiveness will be available to fund DWSRF projects for nonprofit, non-community systems. The amount given will be at the discretion of the Program.

The purchase of land or conservation easements by *Disadvantaged Community* Systems using *set-aside* funds can only be accomplished with a loan for a maximum term of 20 years at an interest rate at or below the Standard Project Rate but no lower than one (1) percent.

The Program reserves the right to increase the maximum percentage of principal forgiveness if the loan subsidy requirement designated by the federal legislation is not met.

8F. Systems or projects to receive assistance. Projects and systems to receive *Disadvantaged Community* System assistance will be based on the priority ranking system stated in Section 6 and their eligibility for this assistance as described in this Section. The projects and systems to receive this assistance are listed with non-*Disadvantaged Community* System projects in Attachments F and G.

8H. Effects on long-term funding level of DWSRF. The maximum net long-term effect of the allocation of funds for financial assistance to *Disadvantaged Community* Systems as proposed in this Section will be to reduce the future amount of funds available to the DWSRF by the amount of principal forgiveness plus the lost interest earnings.

9. Public Review and Participation

Each year the IUP will be made available for public review and comment. Copies of the draft IUP will be made available upon request or by viewing the Program's web site. Informal public review meetings will be scheduled after the release of the draft IUP. All DWSRF *eligible public water systems*, drinking water agencies and associations with a direct interest in drinking water matters, other organizations that are known to have an interest in public drinking water issues and the general public will be notified of the availability of the draft IUP. They will also be notified of the time and location of the public meetings where comments and questions related to the draft IUP will be accepted. The public review and participation activities for the draft 2014 IUP are as follows:

- July 6, 2013 - Mailing to all PWS's eligible for DWSRF assistance which provided information on the Program and requested information on the submission of DWSRF eligible project information for the 2014 IUP. Information also placed on DWP web-site.
- September 29, 2013, Last day for submittal of 2014 DWSRF project applications.

- October 20, 2013 – *Preliminary* Draft Primary and Backup Project Lists e-mailed to all water systems who applied for 2014 funding.
- November 26, 2013 – Meeting with the MMBB, USDA-RD, DECD and DEP’s CWSRF Program personnel are held to streamline the financial assistance efforts of all the agencies. The status of each agency’s assistance capabilities and the projects each intends to fund is discussed at these meetings. Other issues discussed include the projects for which funds are not immediately available, the overall State funding needs for drinking water and clean water projects, and the ability and need for co-funding of projects.
- December 31, 2013 – Notice of major changes to IUP and time and location of public meeting sent to key constituents of Maine’s public drinking water industry and all public water systems that submitted projects requesting assistance from the 2014 DWSRF available funds. Information is also posted on DWP web site.
- January 23, 2014, public review meeting on draft IUP in Augusta
- January 31, 2014, End of public comment period
- March 2014, Grant Pre-Application Approval package prepared and delivered for DHHS Commissioner for review and approval by DHHS Grant Review Committee
- May 2014, DWSRF Grant Application prepared and submitted to EPA Region 1
- June 2014, Expected Grant Award by EPA Region 1 (will be contingent on acquisition of State Match)



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Region 1

**5 Post Office Square, Suite 100
Boston, MA 02109-3912**

July 30, 2015

William W. Boeschstein
Chief Operating Officer
Department of Health and Human Services
11 State House Station
Augusta, ME 04333-0011

Michael R. Goodwin
Executive Director
Maine Municipal Bond Bank
P.O. Box 2268
Augusta, Maine 04338

Re: Drinking Water State Revolving Fund FY14 Final Program Evaluation Report

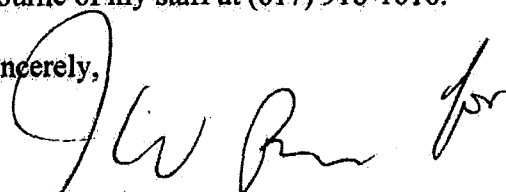
Dear Commissioner Boeschstein and Executive Director Goodwin:

We are pleased to transmit the final Program Evaluation Report (PER) that we have finalized based on our annual review of your Drinking Water State Revolving Fund (DWSRF) Program, conducted on March 24-26, 2015.

As outlined in the report, the State of Maine continues to run a well-organized, well-managed and efficient DWSRF program.

We wish to express our appreciation to you and all of your respective staffs for the cooperation during our review. Please feel free to contact me at (617) 918-1547 or James Bourne of my staff at (617) 918-1610.

Sincerely,


Mark Spinale, Manager
Municipal Assistance Unit

Enclosures

Cc: Roger Crouse, DHHS
Rob Nadeau, MMBB

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State of Maine Drinking Water State Revolving Fund

Program Evaluation Report

2014

(7/1/13 – 6/30/14)

FINAL

July 29, 2015

**Completed by: US EPA Region 1 – New England
Municipal Assistance Unit
5 Post Office Square, Suite 100
Boston, MA 02109 - 3912**

I. Contents

I.	INTRODUCTION.....	3
II.	PRE-ONSITE REVIEW	3
	a. Awards to Date.....	3
	b. Financial Summary of the Program	4
	c. Financial Indicators	5
	d. Financial Audit.....	7
III.	ONSITE REVIEW.....	7
	a. Transaction Testing.....	7
	b. State Match.....	8
	c. Unliquidated Obligations	8
	d. Project File Reviews.....	9
	e. FFATA Reporting, Green Project Reserve (GPR), and Additional Subsidy Requirements.....	10
	f. Set-Aside Summary	11
IV.	CONCLUSIONS.....	11
	a. Follow Up from Last Year's PER.....	11
	b. Action Items and Recommendations for this Review	11
V.	ANNUAL REVIEW PARTICIPANTS.....	12

List of Tables

Table 1.	Set-Aside amounts obligated, expended and reserved as of June 30, 2014	4
Table 2.	Summary annual and cumulative statistics for Maine's DWSRF program.....	4
Table 3.	SFY14 DWSRF Financial Indicators for Maine.....	5
Table 4.	Cash draws selected for transaction testing.	8
Table 5.	Maine DWSRF unliquidated obligations (ULO) as of June 1, 2015.....	9
Table 6.	FFATA Requirements	10
Table 7.	Additional Subsidy Disbursements for Open Grants	11
Table 8.	List of Annual Review Participants	12

FY 2014 Maine CWSRF PER

I. INTRODUCTION

The Drinking Water State Revolving Fund (DWSRF) program was created in 1996 to assist public water systems in financing the costs of infrastructure needed to achieve and/or maintain compliance with and protect public health objectives of the Safe Drinking Water Act (SDWA). Section 1452 of the SDWA requires EPA to conduct an Annual Review to assess the State's progress in the implementation of its DWSRF program. The ultimate objective of the Annual Review is to ensure that the program is designed and operated to provide ongoing assistance for drinking water activities while achieving the intent of the SDWA Amendments.

This document, the Program Evaluation Report (PER), summarizes EPA's Annual Review of the Maine DWSRF program for the period of July 1, 2013 to June 30, 2014 (State Fiscal Year 2014) and will serve as the basis for actions taken by the State and as a point of future reference for the Region. The Annual Review took place on March 24 - 26, 2015 and was conducted in accordance with EPA's Annual Review Guidance, including a pre-onsite document review, onsite discussions with state staff, and completion of nationally standardized programmatic and project file checklists.

II. PRE-ONSITE REVIEW

EPA reviewed the following documents prior to arriving onsite: Operating Agreement, Biennial Report State Environmental Review Process (SERP), Intended Use Plan (IUP), Project Benefits Reporting (PBR) Database Reports, Independent Audit Report, Single Audit Report, Set-Aside Work plans, DWSRF National Information Management System (DWNIMS) Reports, Bond Documents and Compass Reports. This document review provided the information necessary to answer some of the questions in the Annual Review Checklist developed by EPA Headquarters and to complete the sections below.

a. Awards to Date

The State of Maine's Department of Health and Human Services received their FY14 DWSRF capitalization grant for the amount of \$8,845,000 during SFY15 (July 28, 2014). As of June 30, 2014, EPA has awarded the Department of Health and Human Services (applicant) an amount of \$167,916,900 in DWSRF funding since the inception of the DWSRF program.

Of the \$8,421,000 awarded, \$5,465,995 went to projects and the remaining \$2,955,005 went to set-aside activities. A summary of set-aside obligations and balances can be found in Table 1.

Table 1. Set-Aside amounts obligated, expended and reserved as of June 30, 2014

	4% Admin.	2% Technical Assistance	10% State Program Management	15% Local Assistance
Total Amount Obligated	\$6,207,980	\$2,623,395	\$12,165,241	\$15,450,566
SFY14 Amount Expended	\$477,145.58	\$184,691.21	\$814,271.05	\$655,657.92
Total Amount Expended	\$5,743,840.79	\$2,353,284.22	\$10,772,480.51	\$12,686,646.55
Balance as of June 30, 2014	\$464,139.21	\$270,110.78	\$1,392,760.49	\$2,763,919.45
Reserved Authority	\$509,000	\$271,460	\$429,820	n/a

b. Financial Summary of the Program

The pre-on-site review provided EPA with a snapshot of the program's financial status, allowing EPA to determine compliance with binding commitment and small systems assistance requirements. Key SFY14 and cumulative information on the program is listed in Table 2.

Table 2. Summary annual and cumulative statistics for Maine's DWSRF program

	SFY 2014	Cumulative as of June 30, 2014
Total EPA Awards to Project Fund	\$8,421,000	\$167,916,900
Total State Match ¹	\$0	\$26,243,010
Repayments (principal and interest) ²	\$3,590,000	\$29,833,010
Interest Earnings on Investments ³	\$86,285	\$2,929,226
Bond Proceeds ⁴	\$0	\$8,566,000
Income from Fees ⁵	\$349,905	\$3,271,131
Binding Commitments		
Number of Agreements ⁶	11	279
Dollar Amount ⁷	\$9,959,578	\$198,298,793
Amount in Excess of Required Commitments	\$1,538,578	\$4,138,883
Disadvantaged Community Assistance	2	161

¹ DWNIMS lines 34 and 35, respectively.

² DWNIMS lines 283 and 286, respectively.

³ DWNIMS lines 296 and 297, respectively.

⁴ DWNIMS lines 252 and 260, respectively.

⁵ DWNIMS lines 303 and 304, respectively.

⁶ DWNIMS lines 135 and 136, respectively.

⁷ DWNIMS lines 129 and 130, respectively.

Number of Agreements ⁸	\$2,955,232	\$102,258,384
Dollar Amount ⁹		
Small Business Assistance	8	234
Number of Agreements ¹⁰		
Dollar Amount ¹¹	\$7,574,024	\$134,400,000
Percentage of Assistance Provided ¹²	76%	48.1%
Number of Agreements ¹³	2	145
Dollar Amount ¹⁴	\$1,790,970	\$48,105,629

c. Financial Indicators

On February 25, 2003, the memorandum (DWSRF 03-2) regarding the implementation of DWSRF Financial Indicators, was issued. Some of these indicators are incorporated into the Government Performance and Results Act (GPRA) annual performance goals for the DWSRF program. These financial indicators, which are summarized in Table 3, are tools which help us understand and assess a State's SRF program within our Region and are calculated using the data which the State provides in the DWSRF National Information Management System (DWNIMS) report each year.

Table 3. SFY14 DWSRF Financial Indicators for Maine

	National Non-Leveraged Average	State Value
Loan Assistance Provided as a Percent of Funds Available	92%	93.4%
Federal Return on Investment	126.6%	152.8%
Disbursements as a Percent of Assistance Provided	79.6%	95.7%
Net Return under Subsidy	N/A	\$8,139,615
Net Return as a Percent of Capitalized Capital	N/A	8.1%
Self-Aided Spending Ratio	85.5%	78.1%

It is important to understand that although national target values are presented, the comparison of any one state against these values must be tempered by an understanding of the specific differences in the way in which that state's program is operated. For example, some states make direct loans and other states leverage their funds through issuance of municipal bonds. Leveraging will drastically affect the Return on the Federal Investment indicator by making it higher in a leveraged state than in a non-leveraged state. Maine has used a bond-blending

⁸ DWNIMS lines 187 and 188, respectively.

⁹ DWNIMS lines 185 and 186, respectively.

¹⁰ Annual value is the sum of DWNIMS lines 144, 145 and 146. Cumulative from "dwcsizereg" report.

¹¹ Annual value is the sum of DWNIMS lines 137, 138 and 139. Cumulative from "dwcsizereg" report.

¹² Annual value is the sum of DWNIMS lines 137, 138 and 139, divided by DWNIMS line 142. Cumulative from "dwcsizereg" report.

¹³ DWNIMS lines 193 and 194, respectively.

¹⁴ DWNIMS lines 191 and 192, respectively.

strategy in the past, but have not leveraged their funds, according to the traditional definition, since the late 1990's.

The Loan Assistance Provided as a Percent of Funds Available for indicator measures the dollar amount of executed loan agreements to the cumulative dollar amount of funds available for loans. It is one indicator which measures the *Pace* of the program, by gauging how quickly funds are made available to finance DWSRF projects. This indicator has a wide range of values and can exceed 100% for those states that have adopted an advanced loan approval approach. The advanced loan approach makes use of the lag time between the signing of loan agreements and the disbursement of monies to complete the projects. The national average for non-leveraged states for this indicator in SFY 2014 is 92% while Maine is proceeding to convert its DWSRF available funds into executed loans at a rate of 93.4%. This indicates that the state is funding DWSRF projects at a solid pace, and slightly higher than the national average.

The Disbursements as a Percent of Net Outlays (Federal Return on Investment) indicator shows how many dollars of assistance were disbursed to eligible borrowers for each Federal dollar spent. The non-leveraged state national average for this indicator in SFY 2014 is 126.6% and the State of Maine is disbursing funds at a rate of 152.8%, which is significantly higher than the national average for non-leveraged states. This indicates that for every federal dollar expended, approximately \$1.53 of assistance is disbursed through Maine's DWSRF program.

The Disbursements as a Percent of Assistance Provided indicator measures the *speed* at which projects are proceeding to completion. This indicator shows the relationship between loan disbursements and the amount of funding provided. This indicator has a wide range of values, but should not exceed 100% as that would indicate disbursing funds in excess of the funds committed. The national average for non-leveraged states for this indicator in SFY 2014 is 79.6% while Maine is proceeding at a rate of 95.7%, which shows that projects are being completed at a very fast rate, which exceeds the national average.

The Net Return after Repaying Match Bonds Excluding Subsidy indicator shows the net earnings of the DWSRF after any State Match Bonds are repaid and any Loan Principal is forgiven, thereby showing how well the DWSRF is maintaining its' invested and contributed capital. The indicator is expressed in *dollar* amounts. A positive value indicates that the revenues of the fund are meeting expenses after any state match bonds are repaid and any loan principal is forgiven. A positive value shows that the DWSRF is maintaining its contributed capital. Conversely, a negative value indicates that expenses are exceeding revenues after any state match bonds are repaid and any loan principal is forgiven. Maine does not currently use State Match Bonds to provide its 20% state matching funds. The state does use principal loan forgiveness as part of its disadvantaged community assistance program and is meeting the mandatory principal forgiveness provision for the SRF program. Maine had a net return of \$8,139,615, as of June 30, 2014. Since this measure is dependent on the size of the program, comparisons to national averages for this indicator are of limited value and not shown.

The Net Return on Contributed Capital indicator is expressed as a *percentage* showing the Net Return on the invested/contributed capital after repaying any State Match Bonds and after forgiving any Loan Principal. While the previous financial indicator was expressed in dollar amounts, this financial indicator is expressed as a percentage. This indicator estimates the growth of the DWSRF relative to the investment earnings and to the Federal and State contributed capital. A positive value indicates the Fund's growth and a negative value indicates a net loss. As of June 30, 2014, Maine has a net return of 8.1%. Again, this measure is

dependent on the size of the program, therefore comparisons to national averages for this indicator are of limited value and not shown.

The **Set-Aside Spending Rate** indicator depicts the pace of the state set-aside program by expressing, as a percent, the rate of expenditure of all of the money which has been placed into all of the set-aside accounts. The spending rate is a good indication of utilization of the allowed set-aside funds. Maine's expenditure rate is 78.1%, which is lower than the national non-leveraged rate of 85.5%. Although lower than the national average, Maine is taking the proper steps to increase their expenditure rate and we remain optimistic that they will improve their rate to be more in line with the national average.

d. Financial Audit

Audits are conducted annually to determine whether SRF financial statements are presented fairly in conformity with Generally Accepted Accounting Principles (GAAP), if there are any weaknesses in internal controls with regard to the oversight of SRF funds, and if states are in compliance with respect to laws, regulations and the provisions of SRF capitalization grants.

On September 16, 2014, Baker Newman & Noyes, LLC issued the results of the financial audit conducted on the Maine SRF programs. The state received an unqualified opinion on the financial statements for both SRF programs, and Baker Newman & Noyes, LLC also reported that there were no findings of deficiencies/weaknesses in internal controls in either program. Additionally, the audit found that the state complied with generally accepted accounting principles. The state should be commended for continued excellence in financial management and reporting.

III. ONSITE REVIEW

EPA Region 1 thanks state staff for making themselves available for interviews and meetings as established in the review schedule found in Appendix A. The information gathered during interviews with state staff was used to complete the Annual Review Checklist developed by EPA Headquarters. The following sections summarize document reviews and discussions that took place onsite.

a. Transaction Testing

In accordance with the EPA's FFY14 Oversight Plan, and the Office of the Financial Officer (OCFO) Sample List for Improper Payment Reporting, 4 shows the four (4) cash draws that were reviewed for the base SRF program. Transactions selected by OCFO are highlighted in yellow.

These transactions did not duplicate any of the transactions sampled during previous reviews and all of the items appeared to be eligible under the DWSRF program. The back-up documents associated with these payment requests were reviewed in detail to complete the transaction testing worksheets developed by EPA Headquarters. EPA Region 1 found Maine Municipal Bond Bank staff to be very cooperative in providing well-organized documentation for the draws that were requested and answering any questions asked.

Table 4. Cash draws selected for transaction testing

Date of Cash Draw	Amount of Cash Draw	Description of Transaction
9/25/2014	\$187,759.27	Set-aside, admin and loan draw from grant #FS99108012
4/11/2014	\$106,164.74	Loan draw from grant #FS9910812
4/18/2014	\$80,166.32	Set-aside and admin draw from grant #FS9910812
5/20/2014	\$120,565.61	Admin and set-aside draw from grant #FS9910812

Review of the above transactions determined that each cash draw transaction occurred within a timely manner and there were no improper payments.

b. State Match

Maine has secured the required 20% state match for all DWSRF capitalization grants up through its FY13 grant. Maine P.L. 2013, Chapter 269 (LD1555), 6/14/13, *An Act to Strengthen Maine's Hospitals and To Provide for a New Spirits Contract*, identifies a 10-year revenue source for future SRF program state match. As of the date of the review, the state had deposited into the DWSRF \$619,630 in state matching funds towards the required amount of \$1,769,000 for the FY14 capitalization grant. The remaining amount of state match for the FY14 grant was deposited on March 27, 2015. The state informed EPA that at present, the cumulative amount of DWSRF state match provides a starting amount of \$150,360 toward the FY15 DWSRF capitalization grant. The state anticipates that the balance of the FY15 state match will be secured by July 1, 2015. The state should keep EPA apprised of the funding for the FY15 state match as soon as deposit information becomes available.

c. Unliquidated Obligations

The timely and expeditious use of funds has become increasingly important in the current budget climate. EPA evaluates a state's progress towards the timely and expeditious use of DWSRF funds by reviewing a program's unliquidated obligations (ULOs). ULOs are funds that have been awarded or obligated to the state and have not yet been drawn down or used for their intended purposes. For the DWSRF program, this includes both funds that have been reserved for construction projects and funds that have been reserved for set-aside activities. As of June 1, 2015, the total ULO for the Maine DWSRF program was \$15,030,805.86, which is comprised of balances from the FFY 2011, FFY 2012 and FFY 2013 capitalization grants. Details are shown in Table 5.

Table 5. Maine DWSRF unliquidated obligations (ULOs) as of June 1, 2015

Capitalization Grant	Balance of Funds as of June 1, 2015		
	Total	Set-aside	Unexpended
FFY 2011	\$194,343.07	\$0	\$194,343.07
FFY 2012	\$6,415,462.79	\$3,940,111.42	\$2,475,351.37
FFY 2013	\$8,421,000	\$6,085,723	\$2,335,277
Totals ULOs	\$15,030,805.86	\$10,025,834.42	\$5,004,971
Total Obligations (to date)	\$168,066,900	\$130,021,153	\$38,045,747
ULO percentage¹⁵	8.9%	7.7%	13.2%
Regional Average ULO Percentage	8.2%	8%	8.6%
National Average ULO Percentage	9.1%	8.6%	11.6%

In an effort to reduce ULOs in the DWSRF program, EPA Headquarters has set an unofficial goal that FFY2013 and prior capitalization grants be fully expended by state programs by September 30, 2016. Furthermore, FFY 2014 and subsequent capitalization grants should be expended within two years of their award date.

The Maine DWSRF program ULO percentages for set-aside funding are slightly higher than the average for the nation and the region. EPA discussed ULO goals and methods to reduce the program ULO levels with the drinking water program, and the staff was very receptive to reviewing their program, in order to uncover actions where they could bring greater efficiency to the process. The goal of more efficient process – to draw down federal funds more quickly and reduce their ULO levels.

EPA Region 1 believes that the Maine DWSRF program is making adequate progress towards that goal. The program will have to maintain this focus thru September 30, 2016, in order to meet the short-term goal of expending all legacy funds prior to 9/30/2016. The following strategies have been identified to further reduce their ULO balance:

- The program will no longer prescribe what type of funds are funding a particular project. This will allow the program more flexibility to draw down federal funds first with faster moving projects;
- The program has determined that some set-aside funds should be banked and transferred.

d. Project File Reviews

In accordance with the EPA's FFY14 Oversight Plan, Project File Review Checklists were completed for the following two (2) base SRF projects:

¹⁵ The ULO percentage is calculated by dividing the total ULO dollar amount by the total obligated funds since the inception of the program and multiplying that value by 100.

- **Brewer Water Department**
Total Loan Amount: \$1.1 million
Project Description: Install UV treatment to come into compliance with the federal LT2 rule.
 GPR – portion of project was categorical (UV disinfection) for \$876,839
 Business case for water efficiency portion – \$670,000
- **Hampden Water Department**
Total Loan Amount: \$580,000
Project Description: Water main replacement project.

Both project files were well documented, orderly and complete. The program is doing a good job reviewing projects and overseeing them during construction.

e. FFATA Reporting, Green Project Reserve (GPR), and Additional Subsidy Requirements

Certain capitalization grants have special provisions associated with them. EPA must verify that all grant conditions are met before closing any grant, including requirements for reporting under the Federal Funding Accountability and Transparency Act (FFATA), funding green projects through the Green Project Reserve (GPR), and providing subsidy within a prescribed range. Progress towards meeting these requirements was reviewed for cap grants issued through June 30, 2014, which included all cap grants up to FY 2013 capitalization grants.

1. FFATA

FFATA applies to all federal funding awarded after October 1, 2010. FFATA requirements are considered met when loan, contract, and set-aside activity has been reported to www.fsrs.gov in an amount equivalent to the full capitalization grant. The state has satisfied FFATA reporting amounts, for all cap grants through FY 2013, at the time of the review, as shown in Table 6.

Table 6. FFATA Requirements

Grant	Required Amount	Already Reported	Left to be Reported
FY 2013	\$8,421 million	\$8,421 million	\$0

2. GPR

The state has met all GPR requirements up to FY 2011, when a minimum of 10% for each cap grant was required. Starting in FY 2012, funding GPR has been optional. While the state continues to fund GPR projects, they no longer track GPR information.

3. Additional Subsidy

EPA would like to commend the State on providing detailed disbursement information on additional subsidy on projects that were counted towards the capitalization grants as of March 2015. Additional subsidy requirements have been met for all cap grants prior to FY 2013. See Table 7 for details on the FY 2013 cap grant.

Table 7. Additional Subsidy Disbursements for Open Grants

Grant	Requirement	Committed as of 2013	Disbursed as of 2013
2013	Minimum - \$ Maximum - \$	\$1,918,970	\$1.52 million

f. Set-Aside Summary

The Program continues to utilize set-asides in a timely manner. There was been a slight delay in outlays, due to the time delay in receiving their cap grant state match. The state is working diligently to expend funds once the match has been received. The program is also working on a plan to move funds from the set-aside funds to the project funds if their ULO numbers do not fall in a timely manner.

IV. CONCLUSIONS

Overall, the state is implementing a well-organized, well-managed, efficient and effective DWSRF program. EPA commends the Maine Department of Health and Human Services staff for working diligently to meet their commitments under the base program. The state's goals of addressing risks to public health through the development and implementation of the DWSRF Program appear to have been met while running the program in accordance with pertinent 40 CFR Part 31 administrative requirements for grants to state and local governments.

a. Follow Up from Last Year's PER

There are no issues to follow up from last year.

b. Action Items and Recommendations for this Review

EPA will continue to track the ULO expenditures. The program recently updated their strategy, and EPA supports the programs strategy for meeting their ULO goals. EPA is pleased that the program is working proactively to discuss issues with EPA, including eligibility issues, their ULO strategy and other issues as they arise.

V. ANNUAL REVIEW PARTICIPANTS

Table 8. List of Annual Review Participants

Name and Affiliation	Role/Responsibility	Participation		
		Entrance	Interview	Exit
ME DHHS - DWP				
Shane Costigan		X		X
Roger Crouse		X		X
Norm Lamie		X		X
Nate Saunders		X		X
David Welch		X		X
ME - DEP				
Tim McMillan		X		X
John True		X	X	X
MMBB				
Carol Welch-Croone		X	X	X
Rob Nadeau		X	X	X
EPA – Region I				
James Bourne, EPA R1	DWSRF Project Officer	X		X
Katie Marrese, EPA R1	CWSRF Project Officer	X		X
Phyllis Nelson, EPA R1	DWSRF Financial Reviewer	X		X
Mark Spinale, EPA R1	CWSRF Financial Analyst, Manager	X		X
Nancy Zhou, EPA R1	DWSRF Financial Reviewer	X		X

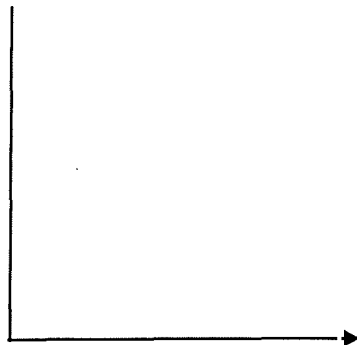


Making a Difference for Maine Communities

FINANCIAL APPLICATION

for Municipal Borrowers

Low-Interest Loans for



Drinking Water

Improvement

Projects

Rob Nadeau, Program Officer

e-mail: rpn@mmbb.com

127 Community Drive, P.O. Box 2268, Augusta, Maine 04338-2268

1-800-821-1113 207-622-9386 Fax: 207-623-5359

MAINE MUNICIPAL BOND BANK

SRF - DRINKING WATER PROGRAM APPLICATION

FOR MUNICIPAL BORROWERS

Borrower Type: This application is designed for the purpose of obtaining financial information from eligible public water systems, water districts, municipalities and other governmental units. As a result, different information will be required for each type of unit. In certain cases it may be appropriate to note that a particular section is not applicable to the specific district or town. The following is a brief summary of the sections that are applicable to a specific type of borrower:

MUNICIPALITIES/GOVERNMENTAL UNITS: The application should be filled out with information concerning the specific municipality and/or governmental unit. If the system has any stand-alone debt, it should be reflected as part of the debt information. The same would hold true for any stand-alone system financial information. In most instances, the municipal applicant will complete the *Municipal Borrower* "Financial Information" section only.

WATER DISTRICTS: If the district or system debt is backed by a General Obligation pledge of the municipality or municipalities in the district, both district and municipal financial information will be required. Each municipality being served by the system must provide their financial information so that the district can complete pages 11, 12 and 13. The district will complete pages 14 and 15. If the district stands on its own (*without a General Obligation pledge*), the district will leave pages 11, 12 and 13 blank, turn to, and complete pages 14 and 15 entitled "District Financial Information". The debt information will be handled in the same manner.

Repayment Source: Loan applications and supporting financial information will be reviewed for evidence of a dedicated source of revenue that is sufficient to cover repayment of the proposed loan, plus all existing indebtedness and operating costs of the borrower. Where the dedicated source of repayment is anticipated to be an increase in existing user charges, please note that new rates must be in place prior to the execution of a binding loan agreement. **IT IS RECOMMENDED THAT RATE CASES BE FILED WITH THE MPUC AS SOON AS PRACTICABLE IN ORDER TO FACILITATE THE CLOSING OF THE LOAN IN ACCORDANCE WITH THE BORROWER'S TIMING NEEDS.**

DHHS Approval: The Department of Health and Human Services must authorize this borrowing. This Authorization must be completed and signed by DHHS before the Bond Bank can provide financing to the applicant. Before completing the application, please contact DHHS - Drinking Water Program at 207-287-5295 to determine tentative project eligibility.

If DHHS determines the project to be eligible, complete the SRF - Drinking Water Program application and

- 1) Mail a copy of the application to: Department of Health and Human Services, Office of Water at 11 State House Station, Augusta, Maine 04333-0011.
- 2) Mail the original application and supporting documentation listed on the "Statement of Default" page of the Application to: Rob Nadeau, SRF – Drinking Water Program Officer, Maine Municipal Bond Bank, 127 Community Drive, P.O. 2268, Augusta, Maine 04338-2268.

Once the project is approved, DHHS will forward a signed "Project Authorization" form to the Bond Bank. The Bond Bank will begin its review of the financing request once the Authorization is received.

Application Instructions: When completing the application, please use black ink or a typewriter. To obtain the most current version of the SRF - Drinking Water application and line-by-line instructions, please visit our website: www.mmbb.com. The application and instructions can be downloaded to your PC by using the Adobe Acrobat Reader. There is also an Excel fillable application on the website.

Careful completion of the application will contribute to quick processing of your loan request. Please bring to our attention any additional information that is not disclosed in the Application or the supporting documentation. If you have any questions or need help completing the application form, please contact Rob Nadeau at 1-800-821-1113, 207-622-9386 (*Augusta*) or rpn@mmbb.com.

The undersigned Public Water Unit or Governmental Unit hereby requests the Maine Municipal Bond Bank to purchase the following described obligation of the applicant. This application shall not constitute a contract or commitment to enter into a contract.

GENERAL INFORMATION

Name of Applicant: _____

Mailing Address: _____

Physical Address: _____

Type of Unit: ☐ Municipality ☐ District ☐ Other

	Chief Administrative Officer	Contact Person (<i>if different</i>)	Project Engineer
Name:			
Title:			
Telephone:			
Fax:			
Email:			
Mailing Address:			

Purpose of Borrowing: _____

Status of the Project:

Are the engineering specifications completed? ☐ Yes ☐ No

If no, what date will they be complete? _____ / _____ / _____

Have construction bids been awarded? ☐ Yes ☐ No

If no, what is the projected bid date? _____ / _____ / _____

NOTE: Attached to this application is a blank Project Authorization form. Please mail the form and a copy of the completed application to your SRF Project Manager at the Department of Health and Human Services.

Have you obtained all permits and authorizations required for this project? NOTE: DHHS technical staff will provide you with a list of the permits and authorizations needed for your project.

	Yes	No	N/A	Date Obtained	Date Expected
DHHS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
DEP (if required)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
U.S. Corp of Engineers (if required)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
Local Planning Board (if required)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
Public Utilities Commission (issuance of securities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____
Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____ / ____ / ____	____ / ____ / ____

Are there additional state or local approvals required? ☐ Yes ☐ No

If yes, please describe: _____

GENERAL INFORMATION (continued)

☐ No☐ No

If you have interim financing please provide the following information:

Amount	Maturity	Rate	Lender
\$ -	/ /	%	

\$

Form of Authorization: ☐ Referendum ☐ Council ☐ Town Meeting ☐ Other

Authorized Amount \$ - Date Authorized / /

NOTE: SRF Program issuance costs, from the table below, must be factored into the authorization amount, in addition to the other costs of construction.

☐ Yes ☐ No

NOTE: Requested funds in Box A below should include bond issuance costs, origination fee, and the Bond Bank loan amount, including any anticipated principal forgiveness.

A current listing of approved Bond Counsel can be found on our website under program information.

Bond Counsel: _____

Telephone: _____ Fax: _____

Mailing Address: _____

Source of Funds			Project Cost Breakdown *	
Amount Requested from Bond Bank (this application)	A		Land	\$
Federal grant or loan- specify	\$		Design	\$
State grant or loan- specify	\$		Engineering	\$
Applicant's share	\$		Contractors	\$
Other Specify	\$		Contingency	\$
	\$		Other Specify	\$
	\$			\$
	\$			\$
Total Source of Funds	B \$ -		Sub-Total of Project Costs	C \$ -

* Please attach project budget.

GENERAL INFORMATION *(continued)*

Issuance Costs and Origination Fees				
DHHS Project Mngmnt Fee	Bond Bank Loan Amount	\$	-	x 1%*
Other - Specify		\$		
Other - Specify		\$		
Total Issuance Costs/Fees				D
		\$		-

Sub-Total of Project Costs (C)

\$ -

Plus Total Issuance Costs/Fees (D)

\$ -

Total Project and Issuance Costs (B)

\$ -

*NOTE: The costs of issuance and origination fee are estimates only and they may not apply in all cases. Upon review of your application, the DW-SRF Program Officer will contact you with a more accurate cost estimate associated with your borrowing.

ISSUANCE INFORMATION

Since your last Annual Report or Audited Financial Statement

Have you issued/authorized any:

New long-term debt?

☐ Yes ☐ No

Notes or loans for operating purposes?

☐ Yes ☐ No

Bond Anticipation Notes?

☐ Yes ☐ No

Grant Anticipation Notes? (Federal or State)

☐ Yes ☐ No

If you answered yes to any of the above questions, please provide the following information:

Type of Debt	Issue Date	Amount	Rate	Maturity	Lender
	/ /		%	/ /	
	/ /		%	/ /	
	/ /		%	/ /	
	/ /		%	/ /	

Check off any factors that have occurred since the date of your last Audited Financial Statements or Annual Report that would significantly affect your revenue, expenditures or overall financial condition, such as:

☐ Pending litigation in excess of \$10,000. *If checked, we will need a statement from your local legal counsel about any such lawsuit.*

☐ In place or pending before the governing body, a limitation on the ability of the governmental unit to raise, through taxes or rates or expend from revenues, funds necessary to pay the costs incurred if you issue the debt called for in this application. *If checked please provide a copy of the ordinance or proposed governmental unit action explaining the possible limitation.*

☐ Other-please explain

Is there any reason that the Bond Bank could not take a mortgage or first lien pledge of the general revenue of the system?

☐ Yes ☐ No

Type of debt requested:

☐ General Obligation

☐ Revenue

☐ Combination

State Dedicated source(s) of revenue for repayment of the Bond Bank loan:

☐ General Taxes

☐ User Charges

☐ Special Assessments

Do you have long-term take out from another source?

☐ Yes ☐ No

If yes, please explain:

Do you wish to capitalize interest on the Bond Bank loan, once construction is complete?

☐ Yes ☐ No

If yes, how long:

(a maximum of 12 months)

Are there any limitations (e.g., local ordinance, statutory, or regulation) governing the amount of bonded or general obligation debt that you may incur?

☐ Yes ☐ No

If yes, please explain:

How many years do you wish to have to repay this loan?

Payments should commence in what year?

NOTE: The maximum repayment term is twenty (20) years. However, disadvantaged systems are eligible for 30 year loans.

ISSUANCE INFORMATION *(continued)*

Maturity Schedule of Applicant's Proposed Bond Issue*

Year	Principal	Year	Principal	Year	Principal

** The Bond Bank can provide assistance in completing this.*

ECONOMIC INFORMATION

Fiscal Year End: / /

When are the charges for services due and payable?

☐ Monthly

☐ Quarterly

☐ Semi-Annually

☐ Annually

What is the interest rate penalty for late payments?

 %

List all the cities and/or towns your system serves:

Town/City	Estimated # of People Being Served (<i>Customers</i>)

Populations:

2010 Census: people

Most Recent Estimate: people

List any significant users or potential users who utilize more than 5% of the system with approximate percentage of capacity attributed to each user.

Name of Individual/Business	Annual User Charge	Percentage of Capacity
		%
		%
		%
		%
		%
		%
		%

Facility and Rate Information for the Current and Past 5 years

	Previous Year	Previous Year	Previous Year	Previous Year	Previous Year	Current Year
<i>Enter Year ==></i>						
# of Facility Service Connections						
# of Employees (operating the facility)						
Rate Schedule (may attach approved schedule for current year)	c.f.	c.f.	c.f.	c.f.	c.f.	c.f.
Planned Rate Increases (during the next 2 years)						

ECONOMIC INFORMATION *(continued)*

Ten Largest Taxpayers of Municipality

Taxpayer	Type of Business	Current Year Assessed Value	% of Total Levy (taxpayer assessed value divided by town/city's total assessed value)
			%
			%
			%
			%
			%
			%
			%
			%
			%
			%

Are you anticipating any changes in the largest taxpayer? ☐ Yes ☐ No

If yes, why? _____

Five Largest Employers in your Community

Employer	Type of Business	# of Employees

Are any of these employers expected to make major changes in workforce or operations? ☐ Yes ☐ No

If yes, why? _____

DEBT INFORMATION

Debt Statement - Most current as of: / /

GENERAL OBLIGATION BONDS		Principal Amount Outstanding
	Issued Through the Bond Bank	
		\$ -
		\$ -
	Other Issuances, outside the Bond Bank	
		\$ -
		\$ -
LOAN REQUESTS		Principal Amount Outstanding
	Loan amount being requested through the Bond Bank	
		\$ -
		\$ -
	Loan amount being requested through other sources	
		\$ -
		\$ -

Total Direct Debt \$ -

Overlapping Debt

List all governmental units that have overlapping jurisdiction (county, school district, town, fire district, water, sewer, utility, etc.) with your own unit and the amount of debt owed by each. Please indicate the amount and percent of outstanding debt for which your community is liable.

Name of Governmental Unit	Outstanding Bonded Debt	Your % of	Your \$ share of
	\$ -	%	\$ -
	\$ -	%	\$ -
	\$ -	%	\$ -
	\$ -	%	\$ -
	\$ -	%	\$ -

Total Overlapping Debt \$ -

Total Direct Debt and Overlapping Debt \$ -

Do you belong to the Maine State Retirement System?

☐ Yes ☐ No

If yes, what is the amount of the unfunded liability?

\$ -

If no, does the system provide a retirement program?

☐ Yes ☐ No

If yes, please provide the most current estimate of any unfunded pension liability

\$ -

FINANCIAL INFORMATION (Tax Rate & Tax Collections)

NOTE: If the District or system debt is backed by a General Obligation pledge of the Municipality or Municipalities in the District, please complete this page for each municipality. If the District stands on its own, leave pages 12, 13 and 14 blank, turn to and complete pages 15 and 16 entitled "District Financial Information".

Tax Rate and Tax Collections

			Collected by End of Fiscal Year		Collected by End of Second Year	
Fiscal Year	Tax Rate (Per \$1,000 of Assessed Value)	Total Taxes Billed	Dollar Amount	% of Tax Levy	Dollar Amount	% of Tax Levy
	\$ -	\$ -	\$ -	%	\$ -	%
	\$ -	\$ -	\$ -	%	\$ -	%
	\$ -	\$ -	\$ -	%	\$ -	%
	\$ -	\$ -	\$ -	%	\$ -	%
	\$ -	\$ -	\$ -	%	\$ -	%
	\$ -	\$ -	\$ -	%	\$ -	%

Property Valuations

Year Ending (Most Recent Year)	Local Assessed Value (Real Estate + Personal Property)	State Assessed Value
/ /	\$ -	\$ -

Date of Last Re-evaluation: / /

Composition of Tax Base: Please provide current fiscal year estimates for the following:

% Commercial and Industrial % % Residential %

Tax Due Dates: 1st / / 2nd / /

Penalties and/or interest charged on overdue taxes: _____

Basis of Accounting (check one) ☐ Cash ☐ Modified Accrual ☐ Full Accrual

TOWN/CITY FINANCIAL INFORMATION

Summary of Balance Sheet for Last Three Fiscal Years and Two Years Projected (*General Fund Only*)

ASSETS

<i>Enter Year==></i>	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
Cash and Cash Equivalents					
Investments					
Accounts Receivable (<i>Net</i>)					
Allowances for uncollectibles					
Taxes Receivables (<i>Net</i>)					
Allowances for uncollectibles					
Due from other funds					
Due from other governments					

TOTAL ASSETS: \$ - \$ - \$ - \$ - \$ -

LIABILITIES

Bonds Payable					
Accounts Payable					
Due to other funds					
Other- <i>Explain</i>					
Deferred Revenue					
Reserve					

TOTAL LIABILITIES: \$ - \$ - \$ - \$ - \$ -

FUND BALANCE

Designated					
Undesignated					

TOTAL FUND BALANCE \$ - \$ - \$ - \$ - \$ -

**TOTAL LIABILITIES
AND FUND BALANCE** \$ - \$ - \$ - \$ - \$ -

TOWN/CITY FINANCIAL INFORMATION (continued)

**Summary Statement of Revenue and Expenditures for General Fund
For Last Three Years and for Two Years Projected (*General Fund Only*)**

REVENUES

	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
<i>Enter Year==></i>					
Local Tax Revenues					
Licenses & Permits					
Federal Revenue Sharing					
State Subsidy for Schools					
Charges for Services					
Other State Subsidies					
Other- <i>Explain</i>					
Investment Income					

TOTAL REVENUES: \$ - \$ - \$ - \$ -

EXPENDITURES

All Departments <i>Operations</i>					
Debt Service					
Other- <i>Explain</i>					

TOTAL EXPENDITURES:	\$	-	\$	-	\$	-	\$	-	\$	-
----------------------------	----	---	----	---	----	---	----	---	----	---

Excess of Revenues Over/Under Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses)					
*Operating Transfer In:					
*Operating Transfer Out:					

**BEGINNING
FUND BALANCE**

	\$	-	\$	-	\$	-	\$	-
--	----	---	----	---	----	---	----	---

*PRIOR PERIOD ADJUSTMENTS	\$	-	\$	-	\$	-	\$	-	\$	-
---------------------------	----	---	----	---	----	---	----	---	----	---

**ENDING
FUND BALANCE:**

\$	-	\$	-	\$	-	\$	-
----	---	----	---	----	---	----	---

***Please Explain:**

BUDGETED EXPENDITURES FOR LAST THREE FISCAL YEARS

Gross Budgeted Dollars	\$ -	\$ -	\$ -
------------------------	------	------	------

DISTRICT FINANCIAL INFORMATION

Summary of Balance Sheet for Last Three Fiscal Years and Two Years Projected

ASSETS

<i>Enter Year==></i>	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
Cash and Cash Equivalents					
Investments					
Accounts Receivable (<i>Net</i>)					
Property, Plant & Equipment					
Other- <i>Explain</i>					

TOTAL ASSETS	\$	-	\$	-	\$	-	\$	-
---------------------	----	---	----	---	----	---	----	---

LIABILITIES

Bonds Payable					
Accounts Payable					
Notes Payable					
Other- <i>Explain</i>					

TOTAL LIABILITIES	\$	-	\$	-	\$	-	\$	-
--------------------------	----	---	----	---	----	---	----	---

FUND BALANCE

Contribution in aid of construction					
Retained Earnings					
Other- <i>Explain</i>					

TOTAL FUND BALANCE	\$	-	\$	-	\$	-	\$	-
---------------------------	----	---	----	---	----	---	----	---

TOTAL LIABILITIES AND FUND BALANCE	\$	-	\$	-	\$	-	\$	-
---	----	---	----	---	----	---	----	---

DISTRICT FINANCIAL INFORMATION *(continued)*

Summary Statement of Revenue and Expenditures for last three years and for two years projected

REVENUES

<i>Enter Year==></i>	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
Residential					
Commercial					
Deferred Charges					
Other					

TOTAL REVENUES	\$	-	\$	-	\$	-	\$	-
-----------------------	----	---	----	---	----	---	----	---

EXPENDITURES

Operations & Maintenance					
Depreciation & Amortization					
Other					

TOTAL EXPENDITURES	\$	-	\$	-	\$	-	\$	-
---------------------------	----	---	----	---	----	---	----	---

TOTAL OPERATING INCOME	\$	-	\$	-	\$	-	\$	-
-----------------------------------	----	---	----	---	----	---	----	---

OTHER INCOME

Interest					
Other					

TOTAL OTHER INCOME	\$	-	\$	-	\$	-	\$	-
---------------------------	----	---	----	---	----	---	----	---

INCOME DEDUCTIONS

Interest on Debt					
Debt Retired					
Other					

TOTAL INCOME DEDUCTIONS	\$	-	\$	-	\$	-	\$	-
------------------------------------	----	---	----	---	----	---	----	---

NET OPERATING INCOME	\$	-	\$	-	\$	-	\$	-
-----------------------------	----	---	----	---	----	---	----	---

STATEMENT OF DEFAULT

We hereby certify that (system name) _____ has not defaulted on any payment of matured Principal and/or Interest. If default has occurred, please provide details on a separate page.

Is the system under any regulatory or court compliance order? ☐ Yes ☐ No

If yes, please describe on a separate page, including issuance and compliance requirement date.

The applicant must enclose the following documentation with the completed application. *Please indicate whether it is enclosed or not applicable.*

Enclosed

N/A

☐☐

One copy of District's Charter, with amendments, if any.

☐☐

One copy of each of the last three annual Audited Financial Statements unless previously submitted to the Bond Bank. If there is no operational history, please submit an analysis demonstrating financial feasibility.

☐☐

If the latest Audited Financial Statement is more than 12 months old, please submit the most recent unaudited financial statement (e.g., trial balance, balance sheets, statement of revenue and expenditures).

☐☐

One copy of the latest Budget.

☐☐

Schedule of current and/or proposed rates required for financing the project under consideration, and a schedule for adopting those rates, if they are not in place.

☐☐

Most recent copy of proposed construction drawdown schedule.

For Land Acquisition Projects:

☐☐

A copy of purchase and sale agreement.

☐☐

A copy of the appraisal of land to be purchased.

Any material facts that amplify the financial effect on the community, not requested in this application, should be noted here:

The facts and representations in this application form are from the official records of this unit and are correct in all material aspects to the best of our knowledge.

Chief Administrative Officer:

(name)

(title)

Signature: _____

Treasurer: _____

Date: _____

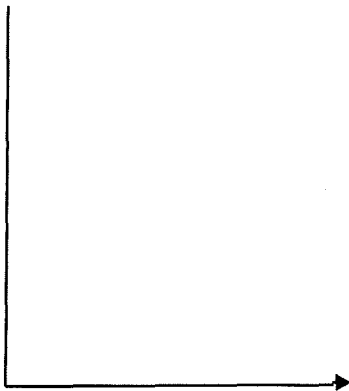


Making a Difference for Maine Communities

FINANCIAL APPLICATION

for Private Borrowers

Low-Interest Loans for



Drinking Water

Improvement

Projects

Rob Nadeau, Program Officer

e-mail: rpn@mmbb.com

127 Community Drive, P.O. Box 2268, Augusta, Maine 04338-2268

1-800-821-1113

207-622-9386

Fax: 207-623-5359

MAINE MUNICIPAL BOND BANK

SRF - DRINKING WATER PROGRAM APPLICATION

FOR PRIVATE BORROWERS

Borrower Type: This application is designed for the purpose of obtaining financial information from private for-profit and non-profit entities including private water companies, associations, and other non-governmental entities.

Refinance: The Maine Bond Bank is significantly limited in its ability to refinance the debt of a private water system through the State Drinking Water Revolving Loan Program. Please call us immediately if you are, or think you may be, requesting funds to refinance existing debt so that we may discuss any available options.

Repayment Source: Loan applications and supporting financial information will be reviewed for evidence of a dedicated source of revenue that is sufficient to cover repayment of the proposed loan, plus all existing indebtedness and operating costs of the borrower. Where the dedicated source of repayment is anticipated to be an increase in existing user charges, please note that the approval of rates by the PUC must be in place prior to the execution of a binding loan agreement. **IT IS RECOMMENDED THAT RATE CASES BE FILED WITH THE MPUC AS SOON AS PRACTICABLE IN ORDER TO FACILITATE THE CLOSING OF THE LOAN IN ACCORDANCE WITH THE BORROWER'S TIMING NEEDS.**

DHHS Approval: Attached to the back page of this Application is a Project Authorization form to be signed by the Department of Health and Human Services. This Authorization must be completed and signed by DHHS before the Bond Bank can provide financing to the applicant. Before completing the application, please contact the SRF Project Manager at the DHHS --telephone number 207-287-5295-- to determine tentative project eligibility.

If DHHS determines the project is eligible, the applicant will complete the SRF - Drinking Water Program application and

1) Mail a copy and the blank Project Authorization form to: SRF Project Manager, Department of Health and Human Services, Division of Health and Engineering at 11 State House Station, Augusta, Maine 04333-0011.

2) Mail the original application and supporting documentation listed on the "Statement of Default" page of the Application to: Rob Nadeau, SRF – Drinking Water Program Officer, Maine Municipal Bond Bank, 127 Community Drive, P.O. 2268, Augusta, Maine 04338-2268.

Once the project is approved, DHHS will forward the signed Project Authorization form to the Bond Bank. The Bond Bank will begin its review of the financing request once the Authorization is received.

Application Instructions: Line-by-line instructions to help you fill out the SRF - Drinking Water application are available. To obtain the most current version of the SRF - Drinking Water application and line-by-line instructions, please visit our website: www.mmabb.com. The application and instructions can be downloaded to your PC by using the Adobe Acrobat Reader. There is also an Excel fillable application on the website.

Careful completion of the application will contribute to quick processing of your loan request. Please bring to our attention any additional information that is not disclosed in the Application or the supporting documentation provided. If you have any questions or need help completing the application form, please call Rob Nadeau at 1-800-821-1113 or 207-622-9386 (*Augusta*).

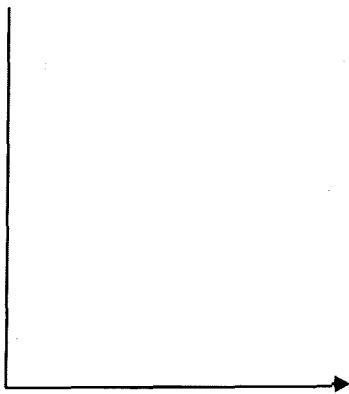


Making a Difference for Maine Communities

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for Private Borrowers

Low-Interest Loans for



Drinking Water

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MAINE MUNICIPAL BOND BANK

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Repayment Source: Loan applications and supporting financial information will be reviewed for evidence of a dedicated source of revenue that is sufficient to cover repayment of the proposed loan, plus all existing indebtedness and operating costs of the borrower. Where the dedicated source of repayment is anticipated to be an increase in existing user charges, please note that the approval of rates by the PUC must be in place prior to the execution of a binding loan agreement. IT IS RECOMMENDED THAT RATE CASES BE FILED WITH THE MPUC AS SOON AS PRACTICABLE IN ORDER TO FACILITATE THE CLOSING OF THE LOAN IN ACCORDANCE WITH THE BORROWER'S TIMING NEEDS.

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Careful completion of the application will contribute to quick processing of your loan request. Please bring to our attention any additional information that is not disclosed in the Application or the supporting documentation provided. If you have any questions or need help completing the application form, please call Rob Nadeau at 1-800-821-1113 or 207-622-9386 (*Augusta*).

The undersigned water system hereby requests the Maine Municipal Bond Bank to purchase the following described obligation. This application shall not constitute a contract or commitment to enter into a contract.

GENERAL INFORMATION

Name of Applicant:

Mailing Address:

Physical Address:

Type of Unit:

☐ Water Company

☐ Association

☐ Other

	Chief Administrative Officer	Contact Person (if different)	Project Engineer
Name:			
Title:			
Telephone:			
Fax:			
Email:			
Mailing Address:			

Purpose of Borrowing:

Status of the Project:

Are the engineering specifications completed?

☐ Yes ☐ No

If no, what date will they be completed?

____/____/____

Have construction bids been awarded?

☐ Yes ☐ No

If no, what is the projected bid date?

____/____/____

Note: Attached to this application is a blank Project Authorization form. Please mail the form and a copy of the completed application to your SRF Project Manager at the Department of Health and Human Services.

Have you obtained all permits and authorizations required for this project? NOTE: DHHS technical staff will provide you with a list of the permits and authorizations needed for your project.

	Yes	No	N/A	Date Obtained	Date Expected
DHHS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____/____/____	____/____/____
DEP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____/____/____	____/____/____
U.S. Corp of Engineers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____/____/____	____/____/____
Local Planning Board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____/____/____	____/____/____
Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____/____/____	____/____/____
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	____/____/____	____/____/____

Are you applying as a disadvantaged community system?

☐ Yes ☐ No

Are there additional state or local approvals required?

☐ Yes ☐ No

What is the expected project completion date?

____/____/____

Do you have interim financing?

☐ Yes ☐ No

If no, do you need interim financing?

☐ Yes ☐ No

If you have interim financing, please provide the following information:

Amount	Maturity	Rate	Lender
\$ -	____/____/____	%	

GENERAL INFORMATION *(continued)*

Are any of the costs to be included in the loan for the refinance of an existing obligation? ☐ Yes ☐ No

* Private borrowers are not eligible to receive funding to refinance existing debt. If you checked yes on the question above, please contact the bank immediately to discuss possible options.

Has the water system's governing body approved this borrowing? ☐ Yes ☐ No

Authorized Amount: \$ _____ - Date Authorized: ____/____/____

NOTE: SRF Program issuance costs, from the table below, must be factored into the authorization amount, in addition to the other costs of construction.

A current listing of approved Bond Counsel can be found on our website under program information.

Bond Counsel: _____
 Telephone: _____ Fax: _____
 Mailing Address: _____

SOURCE OF FUNDS/COST BREAKDOWN FOR PROJECT

Source of Funds	
Amount Requested from Bond Bank (this application)	\$ _____ A
Federal grant or loan- <i>Specify</i>	\$ _____
State grant or loan- <i>Specify</i>	\$ _____
Applicant's share	\$ _____
Other: <i>Specify</i>	\$ _____
Other: <i>Specify</i>	\$ _____
Other: <i>Specify</i>	\$ _____
Other: <i>Specify</i>	\$ _____
Total Source of Funds	\$ _____ B

Project Cost Breakdown	
Land	\$ _____
Design	\$ _____
Engineering	\$ _____
Contractors	\$ _____
Contingency	\$ _____
Other: <i>Specify</i>	\$ _____
Other: <i>Specify</i>	\$ _____
Other: <i>Specify</i>	\$ _____
Sub-Total of Project Costs	\$ _____ C

Issuance Costs and Origination Fees

Cost of Bond Issuance	Bond Bank Loan Amount	\$ _____	x 2%*	\$ _____
Origination Fees	Bond Bank Loan Amount	\$ _____	x 1%*	\$ _____
Other- <i>Specify</i>				\$ _____
Other- <i>Specify</i>				\$ _____
Total Issuance Costs/Fees			D	\$ _____

Sub-Total of Project Costs (C)	\$ _____
Plus Total Issuance Costs/Fees (D)	\$ _____
Total Project and Issuance Costs (B)	\$ _____

*NOTE: The costs of issuance and origination fee are estimates only and they may not apply in all cases. Upon review of your application, the DW-SRF Program Officer will contact you with a more accurate cost estimate associated with your borrowing.

ISSUANCE INFORMATION

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

NOTE: The maximum repayment term is twenty (20) years, unless approved for a disadvantaged loan, in which case the term may be up to thirty (30) years..

[illegible]

* *The Bond Bank can provide assistance in completing this.*

☐ Yes ☐ No If yes, please explain: _____

If yes, please explain:

If yes, for how long?

a maximum of 12 months

1. The first step in the process of creating a new product is to identify a market need. This involves conducting market research to understand the preferences and behaviors of potential customers. Once a need is identified, the next step is to develop a concept that addresses this need. This concept should be unique, valuable, and feasible. The third step is to create a prototype, which is a preliminary model of the product. This allows the team to test the concept and make necessary adjustments. The fourth step is to conduct a feasibility study, which evaluates the technical, financial, and operational aspects of the product. Finally, the product is launched into the market, and the team monitors its performance and customer feedback to make further improvements.

Since the date of your last Audited Financials

☐ Pending litigation in excess of \$10,000. *If checked, we will need a statement from your local legal counsel about*

-

☐ Yes ☐ No If yes, Amount: \$ - Date of Maturity / /

Date of Maturity / /

Date of Issue / /

REVENUE INFORMATION

COMPANY STRUCTURE & ORGANIZATION

COMPANY STRUCTURE & ORGANIZATION (continued)

Years

Provide a general description of your company’s service, including service area. List all cities and towns the system serves, competition and other relevant information. For trailer parks, a brief history of the park should be included here.

List any significant users or potential users who utilize more than 5% of the system, with approximate percentage of capacity attributed to each user.

Name of Individual Business	Annual User Charge	Percentage of Capacity
		%
		%
		%
		%
		%
		%
		%

Facility and Rate information for the Current and Past 5 years

	Previous Year	Previous Year	Previous Year	Previous Year	Previous Year	Current Year
<i>Enter Year ==></i>						
# of Facility Customers <i>(hook-ups)</i>						
# of Employees <i>(operating the facility)</i>						
Rate Schedule <i>(may attach PUC approved schedule for current year)</i>	c.f.	c.f.	c.f.	c.f.	c.f.	c.f.
Planned Rate Increases <i>(during the next 2 years)</i>						

*** If user rates do not apply to your water system, please provide a similar history with respect to the revenue source that will be dedicated to the repayment of this loan.**

DEBT INFORMATION

Debt Statement - Most current as of: / /

GENERAL OBLIGATION BONDS		Principal Amount Outstanding
	Issued Through the Bond Bank	
		\$ -
		\$ -
	Other Issuances, outside the Bond Bank <i>(list principal & interest on next page)</i>	
		\$ -
		\$ -
LOAN REQUESTS		Principal Amount Outstanding
	Loan amount being requested through the Bond Bank <i>(this application)</i>	
		\$ -
		\$ -
	Loan amount being requested through other sources <i>(e.g., USDA)</i>	
		\$ -
		\$ -

Total Direct Debt \$ -

Please indicate the total amount of direct debt secured by the business assets of the system.

Bonds \$ - Other Debt \$ - Total \$ -

Lines Of Credit Payment Information

Line of Availability	Current Balance	Fixed/Variable Rate	Maturity Date
	\$ -		/ /
	\$ -		/ /
	\$ -		/ /
	\$ -		/ /
	\$ -		/ /

Please describe any reasons why the Bond Bank could not take a first or parity position mortgage/lien on the business assets of the system?

If the Bond Bank can not take a first or parity position mortgage/lien on all business assets of the system, what additional collateral and/or guaranties will the system provide as security for the proposed borrowing?

OUTSTANDING DEBT NOT WITH THE BOND BANK

Combined Debt Service Payment Schedule

List all of the system's outstanding long term debt that **is not** with the Maine Municipal Bond Bank. Provide a schedule of all future principal and interest payments, by year, until debt is retired, or attach a copy of the amortization schedule for each outstanding loan of the system.

[illegible]

Total principal payments should equal "Other Issuances", outside the Bond Bank under Debt Information on previous page.

FINANCIAL INFORMATION

Summary of Balance Sheet for Last Three Fiscal Years and Two Years Projected

ASSETS

	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
<i>Enter Year==></i>					
Cash and Cash Equivalents					
Investments					
Accounts Receivable (Net)					
Property, Plant & Equipment					
Other Fixed Assets					

TOTAL ASSETS	\$	-	\$	-	\$	-	\$	-	\$	-
---------------------	-----------	----------	-----------	----------	-----------	----------	-----------	----------	-----------	----------

LIABILITIES

Short Term Notes/LOC					
Accounts Payable					
Long Term Notes Payable					
Other- <i>Explain</i>					

TOTAL LIABILITIES	\$	-	\$	-	\$	-	\$	-	\$	-
--------------------------	-----------	----------	-----------	----------	-----------	----------	-----------	----------	-----------	----------

FUND BALANCE

Preferred Stock					
Common Stock					
Paid-In-Capital					
Treasury Stock					
Retained Earnings					

TOTAL NET WORTH	\$	-	\$	-	\$	-	\$	-	\$	-
------------------------	-----------	----------	-----------	----------	-----------	----------	-----------	----------	-----------	----------

TOTAL LIABILITIES						
AND NET WORTH	\$	-	\$	-	\$	-

FINANCIAL INFORMATION *(continued)*

Summary Statement of Revenue and Expenditures For Last Three Years and for Two Years Projected

REVENUES

	Enter Year	Enter Year	Enter Year	Enter Year	Enter Year
<i>Enter Year==></i>					
User Charge Revenue					
Other: <i>Explain</i>					

TOTAL REVENUES

\$ - \$ - \$ - \$ - \$ -

EXPENDITURES

All Department Operations					
Depreciation					
Interest					
Other: <i>Explain</i>					

TOTAL EXPENDITURES

\$ - \$ - \$ - \$ - \$ -

TOTAL OPERATING PROFIT

\$ - \$ - \$ - \$ - \$ -

Income Taxes					
Dividends					
Other: <i>Explain</i>					

NET PROFIT AFTER TAXES & DIVIDEND

\$ - \$ - \$ - \$ - \$ -

BEGINNING RETAINED EARNINGS

\$ - \$ - \$ - \$ - \$ -

ENDING RETAINED EARNINGS

\$ - \$ - \$ - \$ - \$ -

STATEMENT OF DEFAULT

We hereby certify that (*applicant's name*) _____ has not defaulted on any payment of matured Principal and/or Interest. If default has occurred, please provide details on a separate page.

Is the system under any regulatory or court compliance order? ☐ Yes ☐ No

If yes, please describe on a separate page, including issuance and compliance requirement date.

The applicant must enclose the following documentation with the completed application. *Please indicate whether it is enclosed or not applicable.*

Enclosed N/A

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | One copy of corporate indenture, by-laws, or other governing authority for the system. |
| <input type="checkbox"/> | <input type="checkbox"/> | One copy of each of the last three annual Audited Financial Statements. If there is no operational history, please submit an analysis demonstrating financial feasibility. |
| <input type="checkbox"/> | <input type="checkbox"/> | If the latest Audited Financial Statement is more than 12 months old, please submit the most recent unaudited financial statement (<i>i.e.</i> ; <i>trial balance, balance sheets, statement of revenue and expenditures</i>). |
| <input type="checkbox"/> | <input type="checkbox"/> | One copy of the latest Budget. |
| <input type="checkbox"/> | <input type="checkbox"/> | Schedule of current and/or proposed rates required for financing the project under consideration, or a schedule for adopting those rates, if they are not in place. |
| <input type="checkbox"/> | <input type="checkbox"/> | Most recent copy of proposed construction drawdown schedule. |

For Land Acquisition Projects – Please also include the following documentation for the property being purchased:

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | A copy of the purchase and sale agreement. |
| <input type="checkbox"/> | <input type="checkbox"/> | A copy of the appraisal. |

Any material facts that amplify the financial effect on the system not requested in this application should be noted here:

The facts and representations in this application form are from the official records of this unit and are correct in all material respects to the best of our knowledge.

Chief Administrative Officer: _____
Name Printed

Title

Signature: _____

/ /

Date

PROJECT AUTHORIZATION

Attach this Project Authorization form to a copy of the completed Drinking Water Loan Application and mail to:

DWSRF - Project Manager
State of Maine Department of Health and Human Services
Division of Health and Engineering
11 State House Station
Augusta, Maine 04333-0011

The State of Maine Department of Health and Human Services hereby certifies the following:

- That the applicant is entitled to immediate financing or assistance through the State Revolving Fund – Drinking Water Program for the amount requested; and
- That the project to be financed is listed on the most current Department of Health and Human Services Project Priority List; and

FOR DESIGN/CONSTRUCTION PROJECTS

- That the applicant has addressed the capitalization grant requirements and review, as outlined on the Department of Health and Human Services checklist.

Applicant's Name	Project Number	Total Eligible Costs
		\$ -

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Authorized Signature

TITLE

DATE

