

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2018 Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by DelVal and the Participants with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the 2018 Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the 2018 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, and the 2018 Bonds are exempt from personal property taxes in Pennsylvania. See "CERTAIN TAX MATTERS" herein.*



**\$215,000,000**  
**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**(Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania)**  
**Local Government Revenue Bonds, 2018 Series A, B, C, D, and E**

**Dated:** Date of Issuance

**Due:** September 1, as shown on the inside front cover

The Delaware Valley Regional Finance Authority ("DelVal" or the "Authority") is issuing \$215,000,000 aggregate principal amount of its Local Government Revenue Bonds, 2018 Series A, B, C, D, and E (collectively, the "2018 Bonds") pursuant to the Pennsylvania *Municipality Authorities Act*, a Resolution adopted on May 14, 2018, by the DelVal Board of Directors, and the Master Trust Indenture dated as of June 28, 2007, as amended and restated as of December 8, 2014, as previously amended and supplemented (the "Master Indenture") and the Fifth Supplemental Trust Indenture dated June 27, 2018 (the "Fifth Supplement") and, collectively with the Master Indenture, the "Indenture") between DelVal and TD Bank, N.A. (the "Trustee"). The 2018 Bonds will be the fourth series issued and outstanding under and secured by the Indenture. Bonds issued by DelVal prior to 2007 were not issued under the Master Indenture and are not secured thereby. DELVAL MAY ISSUE ADDITIONAL SERIES OF BONDS UNDER THE MASTER INDENTURE, AND ALL BONDS ISSUED UNDER THE MASTER INDENTURE ARE AND WILL BE SECURED EQUALLY AND RATABLY TO THE EXTENT PROVIDED THEREIN BY ALL OF THE ASSETS AND RECEIPTS OF THE TRUST ESTATE OF THE MASTER INDENTURE.

DelVal will issue the 2018 Bonds in fully registered, book-entry-only form in denominations and with interest payable on the dates as shown on the inside front cover. THE OPTIONAL AND EXTRAORDINARY MANDATORY REDEMPTION PROVISIONS ARE DESCRIBED ON THE INSIDE FRONT COVER.

**THE 2018 BONDS ARE SOLELY AND EXCLUSIVELY LIMITED, SPECIAL OBLIGATIONS OF DELVAL. DELVAL SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL, INTEREST OR REDEMPTION PRICE OF THE 2018 BONDS EXCEPT FROM THE TRUST ESTATE (HEREIN DEFINED) IN THE MANNER PROVIDED IN THE MASTER INDENTURE AND TO THE EXTENT PROVIDED IN THE COVENANT AGREEMENT (HEREIN DEFINED), AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING DELVAL, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT, INTEREST OR REDEMPTION PRICE OF THE 2018 BONDS. DELVAL HAS NO TAXING POWER.**

The Trust Estate created under the Indenture, which secures all bonds issued thereunder, includes assets and amounts receivable from: (i) Participant Notes and Loan Agreements, (ii) Participant Credit Enhancements, (iii) Swap Agreements, (iv) Investment Agreements, (v) any moneys deposited in the funds and accounts created by the Indenture, and (vi) Credit Facilities. See "SECURITY FOR THE 2018 BONDS".

THE PRINCIPAL, PURCHASE PRICE, AND REDEMPTION PRICE OF AND INTEREST ON THE 2018 BONDS AND PERIODIC INTEREST RATE SWAP PAYMENTS (THE "SWAP PAYMENTS") UNDER SWAP AGREEMENTS, HEREIN DESCRIBED, WILL BE EQUALLY AND RATABLY SECURED UNDER THE INDENTURE BY THE TRUST ESTATE. Any termination payment (a "Termination Payment") under a Swap Agreement, will be subordinate to the payment of principal, purchase price, and redemption price of and interest on the 2018 Bonds and all other bonds issued under the Master Indenture then due and payable and Swap Payments then due. Termination Payments are payable solely from moneys available in the Discretionary Fund or from Excess Funds available under the Covenant Agreement. See "INTEREST RATE SWAP AGREEMENTS".

Pursuant to the Covenant Agreement dated as of April 9, 2001, as amended and restated on August 3, 2009, as previously amended and restated, DelVal has pledged certain funds from all of its series of bonds, including bonds not issued under the Master Indenture, if available, to transfer to any other series of bonds that does not have sufficient available funds to (i) replenish any deficiency of the debt service reserve fund, (ii) pay any debt service payments and any periodic scheduled interest rate swap payments, (iii) pay any administrative expenses, including amounts necessary to maintain liquidity, and (iv) pay any Termination Payments. See "SECURITY FOR THE 2018 BONDS - COVENANT AGREEMENT".

The proceeds of the 2018 Bonds will be used to provide funds (i) to originate loans (each a "Loan") to Local Government Units or other political subdivisions (each, a "Participant"), (ii) to acquire Loans to Participants from the 2014 Bonds (herein defined), which proceeds, together with other available funds, will be used to redeem portions of the 2014 Bonds, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the 2018 Bonds. See "THE 2018 BONDS - PLAN OF FINANCE."

A loan agreement (each a "Loan Agreement") will evidence each loan between a Participant and DelVal. A PLEDGE OF THE FULL FAITH, CREDIT AND TAXING POWER OF EACH PARTICIPANT OR ITS GUARANTOR SHALL SECURE THE REPAYMENTS UNDER EACH LOAN AGREEMENT. Certain Loan Agreements may also be secured by a Participant Credit Enhancement with DelVal as the beneficiary. NO PARTICIPANT CREDIT ENHANCEMENT WILL GUARANTEE THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, OR INTEREST ON THE 2018 BONDS. See "SECURITY FOR THE 2018 BONDS."

This cover page contains information for quick reference only and is not a summary of this issue. Investors must read the entire Official Statement, including Appendices, to obtain information essential to making an informed investment decision.

The 2018 Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, of Philadelphia, Pennsylvania, to be furnished upon delivery of the 2018 Bonds. Certain legal matters will be passed upon for DelVal by its counsel, Carmen P. Belefonte, Esquire, Media, Pennsylvania; and for the Underwriters by Dilworth Paxson LLP, Philadelphia, Pennsylvania.

DelVal expects the 2018 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about June 27, 2018.

**BofA Merrill Lynch**

**PNC Capital Markets LLC**

**\$10,000,000**  
**Local Government Revenue Bonds, 2018 Series A**  
**Fixed Rate Bonds**

<u>Par amount</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP (1)</u>
\$ 10,000,000	1-Sep-33	5.000%	3.440%	118.320%	246579KY1

**\$205,000,000**  
**Local Government Revenue Bonds, 2018 Series B, C, D, and E**  
**Floating Rate Bonds**

<u>Series</u>	<u>Par amount</u>	<u>Maturity Date</u>	<u>Purchase Date (2)</u>	<u>Option Date (3)</u>	<u>Floating Rate (4)</u>			<u>Price</u>	<u>CUSIP (1)</u>
					<u>Index</u>	<u>Leverage</u>	<u>Spread</u>		
2018 B Series	\$ 50,000,000	1-Sep-48	1-Sep-22	1-Sep-21	SIFMA Index	100%	0.42%	100%	246579KZ8
2018 C Series	\$ 50,000,000	1-Sep-48	1-Sep-23	1-Sep-22	SIFMA Index	100%	0.53%	100%	246579LA2
2018 D Series	\$ 30,000,000	1-Sep-48	1-Sep-24	1-Sep-23	One-Month LIBOR	67%	0.76%	100%	246579LB0
2018 E Series	\$ 75,000,000	1-Sep-48	1-Sep-25	1-Sep-24	One-Month LIBOR	67%	0.88%	100%	246579LC8

(1) American Bankers Association CUSIP data herein are provided by CUSIP Global Services, a division of S&P Global Markets Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the 2018 Bonds, and neither DelVal nor the Underwriters makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future.

(2) The Local Government Revenue Bonds, 2018 Series B, C, D, and E (the "2018 B, C, D, and E Bonds") are subject to mandatory purchase by DelVal on their respective Purchase Dates by DelVal at par plus accrued interest.

(3) On or after the Option Date, all or a portion of the 2018 B, C, D, and E Bonds may be, at the option of DelVal, (i) extended to a new Purchase Date at a new Floating Rate or (ii) redeemed. If the option is exercised, the affected Bonds will be subject to mandatory purchase by DelVal on such date at par plus accrued interest.

(4) The Floating Rate is an Index-Based Interest Rate. The Floating Rate will never exceed the lesser of 15% or the maximum permissible rate in the Commonwealth of Pennsylvania. Initially, each monthly interest payment on the 2018 Bonds based on the One-Month LIBOR Rate will be calculated two London Business Days before the Interest Accrual Date, and each monthly interest payment on the 2018 Bonds based on the SIFMA Index will be calculated with the daily weighted average of the SIFMA Index during the calculation period. The Floating Rate will be rounded to the seventh significant digit, as calculated by DelVal's Administrator.

**Book-Entry-Only Form:** When issued, the 2018 A, B, C, D, and E Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2018 Bonds. Beneficial ownership interests in the 2018 Bonds will be recorded in book-entry-only form. Purchasers will not receive physical delivery of certificates representing their ownership interests in their respective 2018 Bonds purchased. See "BOOK-ENTRY-ONLY SYSTEM."

**Denominations:** DelVal will issue the 2018 Bonds in fully registered form in denominations of \$5,000 principal amount, or any multiple of \$5,000 in excess thereof. See "THE 2018 BONDS."

**Interest Payment Dates:** Interest on the Local Government Revenue Bonds, 2018 Series A (the "2018 A Bonds") will be paid on March 1 and September 1, commencing on September 1, 2018. Interest on the 2018 B, C, D, and E Bonds will be paid monthly on the first Business Day of the month, commencing on July 2, 2018. See "THE 2018 BONDS".

**Interest Accrual:** Interest on the 2018 Bonds will accrue from the Issuance Date to the first Interest Payment Date, and, thereafter, from each Interest Payment Date to the subsequent Interest Payment Date.

**Optional and Extraordinary Mandatory Redemption:** The 2018 A Bonds are not subject to Optional Redemption. The 2018 B, C, D, and E Bonds are subject to Optional Redemption at par, plus accrued interest, on or after their respective Option Dates. THE 2018 BONDS ARE SUBJECT TO EXTRAORDINARY MANDATORY REDEMPTION, IN WHOLE OR PART AT THE PRICES MORE FULLY DESCRIBED HEREIN. See "THE 2018 BONDS - REDEMPTION."

No dealer, broker, salesman or other person has been authorized by DelVal or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon. 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 2018 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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 any of the information set forth herein since the date hereof, or the date as of which particular information is given, if earlier. This Official Statement is not to be construed as a contract or agreement between DelVal and the purchasers or owners, from time to time, of any of the 2018 Bonds.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2018 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The Underwriters have provided the following information for inclusion in this Official Statement: The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt securities and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of DelVal. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas with respect to this securities offering or other offerings of DelVal.

This Official Statement contains certain “forward-looking statements” concerning the operations and financial condition of DelVal. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of DelVal. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. DelVal does not plan to issue any updates or revisions to these forward-looking statements if or when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur.

## Delaware Valley Regional Finance Authority

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Philadelphia, Pennsylvania  
Independent Auditor

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CALHOUN BAKER INC.  
Flourtown, Pennsylvania  
Program Administrator

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**Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE  
AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017**

**Appendix II: FORM OF BOND COUNSEL OPINION**

**Appendix III: LOANS OUTSTANDING AS OF APRIL 30, 2018**

**Appendix IV: FORM OF CONTINUING DISCLOSURE AGREEMENT**

**Appendix V: MASTER INDENTURE DATED AS OF JUNE 28, 2007, AS AMENDED AND RESTATED AS  
OF DECEMBER 8, 2014**

**Appendix VI: FIFTH SUPPLEMENTAL INDENTURE DATED JUNE 27, 2018**

**Official Statement**  
**\$215,000,000**  
**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**(Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania)**  
**Local Government Revenue Bonds, 2018 Series A, B, C, D, and E**

**INTRODUCTION**

This Official Statement, including the cover page and Appendices hereto, is provided to furnish certain information in connection with the issuance by the Delaware Valley Regional Finance Authority (“DelVal”) of its \$215,000,000 Local Government Revenue Bonds, 2018 Series A, B, C, D, and E (collectively, the “2018 Bonds”). DelVal is a body corporate and politic organized and duly existing under the Pennsylvania *Municipality Authorities Act*, 53 Pa. C.S. Ch. 56, as supplemented and amended (the “*Authorities Act*”), by Bucks, Chester, Delaware and Montgomery Counties (the “Counties”). DelVal received a Certificate of Incorporation from the Department of State of the Commonwealth of Pennsylvania on December 23, 1985. As used herein, capitalized terms used in this Official Statement and not otherwise defined shall have the respective meanings ascribed to them in the Indenture, Loan Agreement, or Swap Agreement, as applicable. See “DEFINITIONS OF CERTAIN TERMS”.

The Counties created DelVal to provide loans (each a “Loan”) to boroughs, townships, cities, school districts, counties, and other governmental entities with taxing power, each a “Local Government Unit” as defined in the *Local Government Unit Debt Act*, 53 Pa. C.S.A. §8001 et. seq. (the “*Debt Act*”) or to other political subdivisions that are guaranteed by a Local Government Unit (each, in such capacity, a “Guarantor”). The primary objectives for creating DelVal were (i) to provide loans at lower costs than borrowers (each a “Participant”) could achieve with other financing options, (ii) to provide fixed and variable rate funding options, and (iii) to improve the ability of Participants to manage their debt. See “OPERATIONS OF DELVAL – PROGRAMMATIC OBJECTIVES” herein. DelVal established the program (the “Loan Program”) to provide funds, establish credit criteria, and administer the Loans.

The Loans fund projects (each a “Project”), as authorized in the *Debt Act*, that include, but are not limited to: (i) construction, acquisition, maintenance, or repair of facilities, (ii) preliminary studies, testing, planning, or design, (iii) acquisition of land or rights in land, (iv) furnishings, machinery, and equipment, (v) revision of assessment of real property, (vi) funding of all or a portion of a reserve for liability insurance and self-insurance, (vii) funding of an unfunded actuarial liability, (viii) funding or refunding of debt incurred for any or all of the foregoing purposes, and (ix) funding a deficit or creating a revolving fund for improvements.

DelVal periodically issues bonds to fund the Loan Program. DelVal has six series of bonds issued under four indentures, currently outstanding in the aggregate principal amount of \$913 million as follows:

- \$28,000,000 Local Government Revenue Bonds, 1997 Series B and C (the “1997 Bonds” under the 1997 Indenture),
- \$300,000,000 Local Government Revenue Bonds, 1998 Series A, B and C (the “1998 Bonds” under the 1998 Indenture),
- \$125,000,000 Local Government Revenue Bonds, 2002 Series (the “2002 Bonds” under the 2002 Indenture),
- \$160,000,000 Local Government Revenue Bonds, 2007 Series A, B and C (the “2007 Bonds” under the Master Indenture and the First Supplemental Indenture),
- \$125,000,000 Local Government Revenue Bonds, 2014 Series (the “2014 Bonds” under the Master Indenture and the Third Supplemental Indenture), and
- \$175,000,000 Local Government Revenue Bonds, 2017 Series (the “2017 Bonds” under the Master Indenture and the Fourth Supplemental Indenture).

The bonds issued under the 1997 Indenture, the 1998 Indenture, and the 2002 Indenture are not issued under the Master Indenture and are herein referred to as the “Indenture Series”. The bonds issued under the Master Indenture are herein referred to as the “Master Series”. The Indenture Series and the Master Series are collectively referred to herein as the “DelVal Series”.

DelVal adopted an agreement (the “Covenant Agreement”) dated as of April 9, 2001, as amended and restated on August 3, 2009, as previously amended and restated, intended to improve the security of bondholders. Under the provisions of the Covenant Agreement, DelVal has pledged to transfer certain funds (the “Excess Funds”), if any, under the trust estate of the indenture under which any Indenture Series was issued or the Trust Estate under the Indenture to any other Indenture Series or Master Series that has experienced a deficiency. See “SECURITY FOR THE BONDS – COVENANT AGREEMENT”. The 2007 Bonds, 2014 Bonds, and 2017 Bonds were issued under a Master Indenture dated as of June 28, 2007, amended and restated as of August 3, 2009, amended and restated as of September 12, 2011, amended and restated as of April 9, 2012, amended and restated as of June 9, 2014, and amended and restated as of December 8, 2014, as previously amended and supplemented (the “Master Indenture”) and a supplemental indenture for each such Master Series. The DelVal Series issued under the Master Indenture are equally and ratably secured by all of the funds, agreements, and assets held under the trust estate of the Master Indenture, to the extent provided therein. DelVal anticipates, from time to time in the future, to issue additional parity bonds under the Master Indenture.

DelVal has entered into interest rate swap agreements (each a “Swap Agreement”) with multiple counterparties (each a “Swap Counterparty”), and DelVal has executed multiple interest rate swap transactions (each a “Swap Transaction”) to hedge its exposure to rising interest rates, to provide fixed and variable interest rate loans to Participants to reduce interest costs, and to diversify future interest rate risks. Periodic, scheduled payments due on the Swap Transactions (each a “Swap Payment”) of a DelVal Series are secured on a parity basis with payments of principal, purchase price, and redemption price of and interest on such DelVal Series (the “Debt Service”) then due and payable. Any termination payment (each a “Termination Payment”) due for the termination of a Swap Transaction of a DelVal Series is subordinate to Debt Service and Swap Payments of such DelVal Series, and any Termination Payment must be paid from Excess Funds. DelVal expects to execute multiple Swap Transactions, from time to time, related to the 2018 Bonds and the Loans pledged under or assigned to the 2018 Bonds. See “INTEREST RATE SWAP AGREEMENTS”.

The proceeds of the DelVal Series and all other moneys held under the trust estates of the DelVal Series, including the 2018 Bonds, are or may be invested in guaranteed investment contracts (each a “GIC”) and other investments permitted under the respective trust indentures of the DelVal Series. See “INVESTMENTS”.

Each Participant in the Loan Program executes a note (each a “Participant Note”) and a loan agreement (each a “Loan Agreement”) to evidence its obligation to pay the principal of and interest on its Loan. The DelVal administrator (the “Administrator”) calculates the monthly interest due on each Loan to pay its allocable share of (i) Debt Service, (ii) Swap Payments, and (iii) DelVal’s administrative costs, including the provision of liquidity for operations. EACH PARTICIPANT, OR ITS GUARANTOR, PLEDGES ITS FULL FAITH, CREDIT, AND TAXING POWER TO SECURE THE PAYMENT OF INTEREST ON AND PRINCIPAL OF THE PARTICIPANT NOTE. Each Participant, or its Guarantor, also covenants to pay its allocable share of any Termination Payment (the “Termination Charge”). See “SECURITY FOR THE 2018 BONDS – LOAN AGREEMENT” and “TAXING POWERS OF LOCAL GOVERNMENT UNITS”.

Certain Loans are from time to time insured, with DelVal as the beneficiary, by financial guaranty policies (each a “Participant Credit Enhancement”) issued by Assured Guaranty Municipal Corp. or its affiliate Municipal Assurance Corp. See “SECURITY FOR THE 2018 BONDS – LOAN AGREEMENT”.

DelVal will issue the 2018 Bonds on June 27, 2018, pursuant to the provisions of the *Authorities Act*, a resolution (the “Resolution”) adopted by the Board of Directors of DelVal on May 14, 2018, the Master Trust Indenture, and a Fifth Supplemental Trust Indenture dated June 27, 2018 (the “Fifth Supplement”, and collectively with the Master Indenture, as previously supplemented, the “Indenture”) between DelVal and TD Bank, N.A., acting as trustee, registrar, paying agent, and tender agent (collectively, the “Trustee”) for the Master Series issued under the Indenture. The corporate trust office of the Trustee is located at 1006 Astoria Boulevard, Cherry Hill, New Jersey 08034. **THIS OFFICIAL STATEMENT ONLY RELATES TO THE ISSUANCE OF THE 2018 BONDS. ANY REFERENCES TO ANY OTHER DELVAL BONDS ARE PROVIDED SOLELY FOR INFORMATIONAL PURPOSES.**

The 2018 Bonds will provide funds (i) to originate new Loans, (ii) to acquire Loans from the 2014 Bonds, which proceeds, together with other available funds, will be used to redeem portions of the 2014 Bonds, (iii) to fund

a deposit to the debt service reserve fund, and (iv) to pay the costs of issuance of the 2018 Bonds. See “THE 2018 BONDS – PLAN OF FINANCE.”

The 2018 Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee for The Depository Trust Company (the “DTC”). So long as the 2018 Bonds are held in the book-entry system, DTC or its nominee will be the registered owner of the 2018 Bonds. Unless the book-entry system for the 2018 Bonds is discontinued, prospective purchasers will acquire beneficial ownership interests in the 2018 Bonds in denominations of any multiple of \$5,000. For purposes of this Official Statement, DTC or its nominee, and its successors and assigns, are referred to as the “Securities Depository.” See “BOOK-ENTRY-ONLY SYSTEM.”

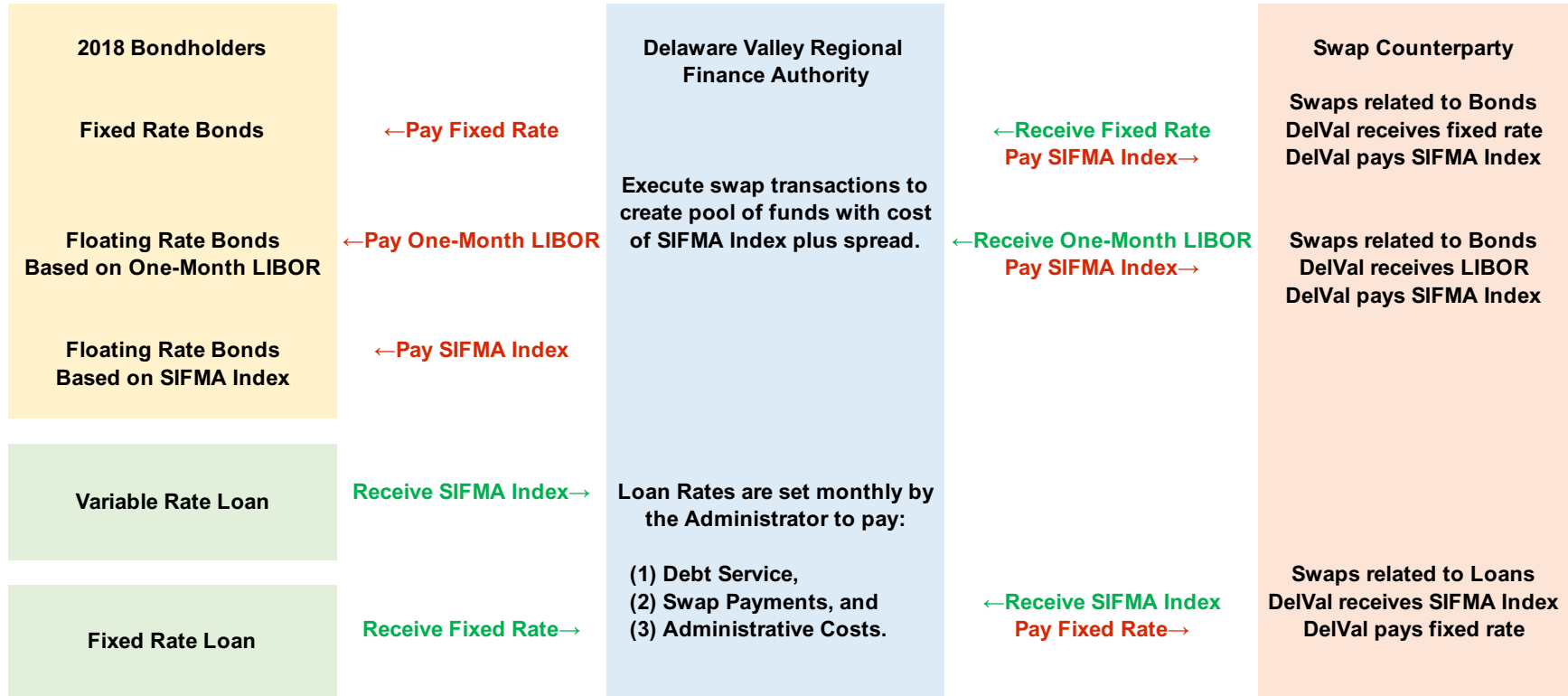
Interest on the Local Government Revenue Bonds, 2018 Series A (the “2018 A Bonds” or the “Fixed Rate Bonds”), which bear a fixed interest rate (each a “Fixed Rate”), is calculated using a 30-day month and 360-day year convention, with interest payment dates (each an “Interest Payment Date”) on March 1 and September 1 of each year, commencing on September 1, 2018. The Fixed Rate will accrue from the date of issuance (the “Issuance Date”) and thereafter from each September 1 and March 1 (each an “Interest Accrual Date”) payable on the next succeeding Interest Payment Date with no adjustment for an Interest Accrual Date that is not a Business Day. The date of maturity (“Maturity Date”) of the 2018 A Bonds will be on September 1, 2033. The 2018 A BONDS ARE NOT SUBJECT TO OPTIONAL REDEMPTION PRIOR TO MATURITY. See “THE 2018 BONDS”.

The Local Government Revenue Bonds, 2018 Series B, C, D, and E Series (the “2018 B Bonds”, the “2018 C Bonds”, “2018 D Bonds”, and the “2018 E Bonds”, respectively”) will bear interest at a floating rate (each a “Floating Rate”), for a period of time (each a “Floating Rate Period”), ending on a purchase date (each a “Purchase Date”), as shown on the inside cover of this Official Statement. On the respective Purchase Dates, the 2018 B Bonds, 2018 C Bond, 2018 D Bonds, and 2018 E Bonds (collectively, the “Floating Rate Bonds”) will be subject to mandatory purchase (each a “Mandatory Purchase”) by DelVal at 100% of the par amount plus accrued interest (the “Mandatory Purchase Price”). The failure to pay the Mandatory Purchase Price of the Floating Rate Bonds on or before their respective Purchase Dates would constitute an event of default under the Indenture. The obligation of DelVal to pay the Mandatory Purchase Price is limited to the Trust Estate under the Master Indenture. As shown on the inside cover of this Official Statement, on or after the respective option date (each an “Option Date”), DelVal can exercise its option (i) to remarket and extend (to “Remarket” or to “Extend” on the “Extension Date”) all or a portion of such Series of Floating Rate Bonds to a new Floating Rate (each a “Subsequent Floating Rate”) and a new Floating Rate Period (each a “Subsequent Floating Rate Period”) ending on a new Purchase Date (each a “Subsequent Purchase Date”) or (ii) to optionally redeem (to “Optionally Redeem” on the “Optional Redemption Date”) all or a portion of such Series of Floating Rate Bonds. If DelVal exercises its option to redeem or extend all or a portion of a Series of Floating Rate Bonds, such Bonds would be subject to Mandatory Purchase at the Mandatory Purchase Price. The Floating Rate Bonds will mature on September 1, 2048. See “THE 2018 BONDS”.

The Floating Rate for each interest payment (each a “Floating Rate Calculation Period”) will be calculated using the actual number of days in the period and calendar year, with monthly Interest Payment Dates on the first Business Day of the month, commencing on July 2, 2018. The Interest Accrual Date for the Floating Rate will be the Issuance Date and, thereafter, the first Business Day of each month. The monthly interest calculation date for a Floating Rate (the “Floating Rate Calculation Date”) based on the One-Month LIBOR Rate will be two days on which banks in London are open for business and dealing in offshore dollars (each a “London Business Day”) prior to the applicable Interest Accrual Date, calculated with the One-Month LIBOR Rate posted on such date. The Floating Rate Calculation Date for a Floating Rate based on the SIFMA Index will be the last Thursday, or if such date is not a Business Day, the next succeeding Business Day, of the Floating Rate Calculation Period, based on the daily, weighted average of the SIFMA Index posted during such Floating Rate Calculation Period.

DelVal expects that the 2018 Bonds and the related Swap Transactions will allow DelVal to create a pool of funds for Loans at a cost of funds equal to the SIFMA Index plus a spread. DelVal expects that the All-In True Interest Cost (an internal rate of return calculation that includes costs of issuance and interest payments) of variable interest rate Loans and fixed interest rate Loans will be competitive with the cost Participants would pay if they issued their own debt. See “OPERATIONS OF DELVAL”. A graph of the DelVal’s expected cash flows for debt service payment, interest rate swap payments, and Loan repayments is shown on the next page.

**Expected Cash Flows for Debt Service, Interest Rate Swaps, and Loan Repayments**



Source: Calhoun Baker Inc.

THE 2018 BONDS ARE SUBJECT TO EXTRAORDINARY MANDATORY REDEMPTION AT THE MANDATORY REDEMPTION PRICES AS DESCRIBED HEREIN. See “THE 2018 BONDS - REDEMPTION.”

THIS OFFICIAL STATEMENT ONLY PERTAINS TO THE 2018 A BONDS WHICH BEAR A FIXED INTEREST RATE AND THE 2018 B, C, D, AND E BONDS WHILE BEARING THE INITIAL FLOATING RATES.

The delivery of this Official Statement shall not, under any circumstances, create any implication that no changes have occurred in the affairs of DelVal, any Participants, or the communities or areas served by DelVal, since the date of this Official Statement or, if earlier, the dates as of which particular information contained in this Official Statement is given. The descriptions in this Official Statement of the 2018 Bonds, the Swap Agreements, the Loan Agreements, the Covenant Agreement, and the Indenture are qualified by reference to the complete text of such instruments and documents, copies of which are available at the offices of DelVal and the Trustee or, in the case of the Master Indenture and the Fifth Supplement, as attached hereto as Appendix V and Appendix VI. The descriptions in this Official Statement of certain provisions of Federal and Commonwealth statutes and regulations are qualified by reference to the complete text of such documents. Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the respective meanings ascribed to them in the Indenture, all as hereinafter defined.

## DEFINITIONS OF CERTAIN TERMS

As used herein, capitalized terms used in this Official Statement and not otherwise defined shall have the respective meanings ascribed to them in the Indenture, Loan Agreement, or Swap Agreement, as applicable. For purposes herein all references to “Bonds” shall mean the Master Series unless otherwise stated.

“**2014 Bonds**” shall mean the DelVal Local Government Revenue Bonds, 2014 Series.

“**2018 Bonds**” shall mean, collectively, the 2018 A Bonds, 2018 B Bonds, 2018 C Bonds, 2018 D Bonds, and 2018 E Bonds.

“**2018 A Bonds**” shall mean the DelVal Local Government Revenue Bonds, 2018 Series A, issued in the par amount of \$10,000,000.

“**2018 B Bonds**” shall mean the DelVal Local Government Revenue Bonds, 2018 Series B, issued in the par amount of \$50,000,000.

“**2018 C Bonds**” shall mean the DelVal Local Government Revenue Bonds, 2018 Series C, issued in the par amount of \$50,000,000.

“**2018 D Bonds**” shall mean the DelVal Local Government Revenue Bonds, 2018 Series D, issued in the par amount of \$30,000,000.

“**2018 E Bonds**” shall mean the DelVal Local Government Revenue Bonds, 2018 Series E, issued in the par amount of \$75,000,000.

“**Administrative Expenses**” means any expenditures of DelVal reasonably and necessarily incurred by reason of its issuance of bonds or for the Program, as determined by the Administrator, including, without limitation, Compliance Charges, auditing fees and expenses, Extraordinary Payments, non-asset bond costs, costs associated with rebate compliance, the fees and expenses of the Trustee, the Administrator and the Rebate Analyst, all other legal, financing and administrative expenses incurred by DelVal with respect to the Program, including the fees, costs, and expenses of any Credit Facility Provider, the maintenance of prudent levels of liquidity to provide sufficient levels of operating cash flow, as determined by the Administrator and any expenses incurred by DelVal or the Trustee to compel full and punctual performance of all the provisions of this Indenture, the Loan Agreements or the Participant Notes.

“**Administrator**” means the Program Administrator, initially Calhoun Baker Inc., and any successor Administrator (which may include DelVal) duly appointed by DelVal and acting as Administrator under the Indenture; provided, however if DelVal is the Administrator, it may delegate to any person, firm or corporation qualified to do business in

the Commonwealth of Pennsylvania as servicing agent, any of the duties and responsibilities of the Administrator hereunder, upon written notice thereof to the Trustee.

**“Authorities Act”** means the Pennsylvania *Municipality Authorities Act*, 53 Pa. C.S. §5601 *et seq.*

**“Bond Counsel”** means any law firm designated by DelVal having a reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds and which is reasonably acceptable to the Trustee.

**“Bondholder”** means, (i) in the event that the book-entry-only system of evidence and transfer of ownership is employed, Cede & Co., as nominee for DTC, or its successors, and (ii) in all other cases, the registered owner of any Bond.

**“Business Day”** means any day on which the Federal Reserve Bank of New York is open for general business.

**“Calculation Agent”** means with respect to the 2018 Bonds bearing interest at a Floating Rate, the Administrator and its permitted successors and assigns.

**“Code”** means the *Internal Revenue Code of 1986*, as amended, and the regulations promulgated or proposed thereunder.

**“Commonwealth”** means the Commonwealth of Pennsylvania.

**“Compliance Charges”** mean amounts payable by the Participants under the Loan Agreements and Participant Notes in respect of compliance with the disclosure requirements of Rules 10b-5 and 15c2-12 of the Securities and Exchange Commission.

**“Counties”** means the Counties of Bucks, Chester, Delaware, and Montgomery in the Commonwealth of Pennsylvania.

**“Covenant Agreement”** means that certain undertaking by DelVal for the benefit of all present and future outstanding bond and swap obligations of DelVal dated as of April 9, 2001, amended and restated as of April 23, 2002, amended and restated as of April 12, 2004, amended and restated as of June 28, 2007, and amended and restated as of August 3, 2009.

**“Credit Facility”** means individually and collectively, any letter of credit, standby bond purchase agreement, municipal bond insurance policy, financial guaranty policy, or similar instrument provided in connection with the issuance of any DelVal Series to guarantee the timely payment of principal of and interest on and, if required, tender purchase price of such DelVal Series optionally or mandatorily tendered for purchase.

**“Credit Facility Provider”** means any bank or financial institution that provides a Credit Facility for a DelVal Series.

**“Debt Act”** means the Pennsylvania *Local Government Unit Debt Act*, 53 Pa. C.S.A. §8001 *et seq.*

**“DelVal”** means the Delaware Valley Regional Finance Authority.

**“DelVal Series”** means any series of bonds issued by DelVal.

**“DTC”** means the Depository Trust Company, the securities depository for the book-entry only system of the applicable 2018 Bonds.

**“DTC Participant” or “DTC Participants”** means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system.

**“Event of Default”** means any of the events specified in the Indenture.

**“Excess Funds”** means the liquid assets that DelVal has accumulated under an Indenture Series or the Master Series that (i) are in excess of the liabilities and (ii) can be paid to and used by DelVal for any purpose.

**“Extend or Extension”** means the remarketing of the Floating Rate Bonds, or any Series or any portion thereof, to a Subsequent Floating Rate and a Subsequent Floating Rate Period.

**“Extension Date”** means the date, which shall be a Mandatory Purchase Date, that the Floating Rate Bonds, or any Series or any portion thereof, are remarketed to a Subsequent Floating Rate and a Subsequent Floating Rate Period.

**“Extraordinary Mandatory Redemption”** means the mandatory redemption of all or a portion of the 2018 Bonds at the redemption price due to the failure of DelVal to originate Loans or actions necessary to preserve the tax-exemption of the 2018 Bonds.

**“Extraordinary Mandatory Redemption Date”** means the date that all or a portion of the 2018 Bonds are subject Extraordinary Mandatory Redemption.

**“Favorable Opinion of Bond Counsel”** means, when used with respect to or in connection with any action, a written opinion of Bond Counsel or Special Tax Counsel to the effect that such action or failure to take action shall not adversely affect the excludability of interest paid on the DelVal Series from gross income for federal or Commonwealth income tax purposes.

**“Fifth Supplement”** means the Fifth Supplemental Indenture to the Master Indenture, dated June 27, 2018, that authorized the issuance of the 2018 Bonds, between DelVal and the Trustee.

**“Fixed Rate”** means a fixed interest rate borne by any Series of the 2018 Bonds, as established in accordance with the Fifth Supplement.

**“Fixed Rate Bonds”** means any 2018 Bonds issued at a Fixed Rate, as established in accordance with the Fifth Supplement.

**“Fixed Rate Payment Date”** means any date that interest on the 2018 Bonds bearing a Fixed Rate is paid: (i) beginning on September 1, 2018, (ii) each March 1 and September 1, thereafter, (iii) any Extraordinary Mandatory Redemption Date or the applicable Maturity Date, and (iv) in the case of (i), (ii) and (iii) above, if any such date is not a Business Day, the next succeeding Business Day.

**“Fixed Rate Period”** means the period during which a Fixed Rate is in effect. A Fixed Rate Period shall commence on the Issuance Date and shall end on, but not include, any Extraordinary Mandatory Redemption Date or the Maturity Date.

**“Floating Rate”** means a variable interest rate for a Series of Floating Rate Bonds and calculated at a rate of interest per annum by (i) multiplying an Index-Based Interest Rate by a Leverage and (ii) adding or subtracting a Spread.

**“Floating Rate Bonds”** means, collectively, the 2018 B Bonds, 2018 C Bonds, 2018 D Bonds, and 2018 E Bonds (including Remarketed Bonds) bearing a Floating Rate.

**“Floating Rate Accrual Date”** means the first day that a Floating Rate begins to accrue for the next Floating Rate Payment Date: (i) the Issuance Date or the Extension Date, as applicable, and, thereafter, (ii) the first Business Day of each succeeding Floating Rate Calculation Period prior to any Mandatory Purchase Date.

**“Floating Rate Calculation Date”** means any date on which the Index-Based Interest Rate of the Floating Rate shall be posted and the Floating Rate effective on the next Interest Accrual Date shall be calculated: (i) for any Floating Rate based on a LIBOR Rate, the date shall be two London Business Days prior to each such Interest Accrual Date, (ii) for any Floating Rate based on the SIFMA Index, the date shall be the last Thursday (or if such date is not a Business Day, the succeeding Business Day) of each Floating Rate Calculation Period, or (iii) such other date as determined by the Remarketing Agent, or as set forth in a Supplemental Indenture.

**“Floating Rate Calculation Period”** means the periods for calculation of interest payments on the Floating Rate Bonds beginning on the Interest Accrual Date of such period and ending on, but not including, the succeeding Interest Accrual Date, initially the period from the Issuance Date to, but not including, July 2, 2018, and, thereafter, (i) for the Initial Floating Rate, the periods from any monthly Interest Accrual Date to, but not including, the subsequent monthly Interest Accrual Date, ending on the applicable Mandatory Purchase Date and (ii) for any Subsequent Floating Rate, the period from the applicable Extension Date to, but not including, the subsequent monthly, quarterly, or semiannual Interest Accrual Date, as determined by the Remarketing Agent, and, thereafter, the periods from any Interest Accrual Date to, but not including, the subsequent Interest Accrual Date, ending on the applicable Mandatory Purchase Date if shorter.

**“Floating Rate Payment Date”** means any date that interest on the Floating Rate Bonds bearing a Floating Rate is paid: (i) for the Initial Floating Rate Period, July 2, 2018, and, thereafter, the first Business Day of each month prior to a Mandatory Purchase Date, and any Mandatory Purchase Date and (ii) for any Subsequent Floating Rate Period, the first Business Day after the Extension Date of a monthly, quarterly, or semiannual period, as determined by the Remarketing Agent, and, thereafter, on the first Business Day of each succeeding monthly, quarterly, or semiannual period prior to any Mandatory Purchase Date, or any Mandatory Purchase Date if shorter.

**“Floating Rate Period”** means the period during which 2018 Bonds bear a Floating Rate, with no changes in the Index-Based Interest Rate, Leverage, or Spread, beginning on the Issuance Date or the Extension Date, as applicable, and ending on the Initial Purchase Date, Subsequent Purchase Date, or Mandatory Purchase Date, as applicable, as specified in the Fifth Supplement.

**“GIC”** means Guaranteed Investment Contract.

**“Guarantor”** means a Local Government Unit that pledges its full faith, credit and taxing power to guarantee the Repayments of a Participant.

**“Indenture”** means, collectively, the Master Trust Indenture between DelVal and the Trustee, and all supplemental indentures, including the Fifth Supplement.

**“Index-Based Interest Rate”** means a rate of interest per annum determined by reference to any published index of fixed or variable interest rates, commonly accepted in the money market, fixed income, or interest rate derivatives markets, including but not limited to LIBOR Rates, the SIFMA Index, and indices of other rates recognized by SIFMA or ISDA, borne by any Series of Floating Rate Bonds from time to time and established in accordance with the Fifth Supplement.

**“Interest Accrual Date”** means the first day that an Interest Rate begins to accrue for the next Interest Payment Date.

**“Interest Payment Date”** means any date that interest is paid to the Bondholders of the 2018 Bonds.

**“Interest Rate”** means, with respect to the 2018 Bonds, a Fixed Rate or Floating Rate, as applicable.

**“Interest Rate Period”** means, with respect to the 2018 Bonds, a Fixed Rate Period or a Floating Rate Period or such other period as determined in a Supplemental Indenture.

**“Investment Agreement”** or **“Investment Agreements”** means any written investment agreement or repurchase agreement relating to a DelVal Series entered into by the Trustee at the written direction of DelVal for the purpose of investing moneys deposited under the trust estates, and subject to the approval of DelVal.

**“Issuance Date”** means the date of issuance of the 2018 Bonds, June 27, 2018.

**“Leverage”** means, in the calculation of the Floating Rate, the percentage per annum, to be multiplied by the Index-Based Interest Rate and then added to the Spread, necessary to sell or remarket the applicable Floating Rate Bonds at a price equal to 100% of the par amount of the applicable Floating Rate Bonds, as shall be determined by the Underwriter or Remarketing Agent, as applicable.

**“LIBOR Rate”** shall mean the rate for deposits in US Dollars for a designated maturity which appears on the Bloomberg Screen BTMM under the heading “LIBOR FIX BBAM<GO>” as of 11:00 A.M., London time, or any designated successor thereto, or if such rate is not reported by Bloomberg, then “LIBOR Rate” shall mean the rate then recognized by ISDA, as the replacement for the “LIBOR Rate”.

**“Loan”** means a loan of a portion of the proceeds of an Indenture Series or Master Series to a Participant pursuant to the terms of a Loan Agreement, through the purchase by DeVal of the Participant Note evidencing the Participant’s obligations to repay principal and interest on such loan.

**“Loan Documents”** means all of the approvals, agreement, certificates, and schedules required for the closing of a Loan, including the (i) the approvals of the Administrator, DeVal Board, DCED, Participant Credit Enhancer (if any), Swap Counterparty (if required), and Credit Facility Provider (if any); (ii) the Participant Ordinance or Participant Resolution; (iii) the Loan Agreement, Participant Note, Participant Continuing Disclosure Agreement, and Participant Tax Compliance Agreement; (iv) Favorable Opinion of Bond Counsel, opinion of the DeVal solicitor, opinion of the Participant’s solicitor, and, if applicable, opinion of the Guarantor’s solicitor and (v) any other certificates or schedules required by the Administrator or Bond Counsel or required under a Supplemental Indenture.

**“Loan Interest”** or **“Participant Interest”** means the interest to be paid by the Participant on a Loan, as set forth in a Loan Agreement and a Participant Note.

**“Loan Payment Date”** means the 25<sup>th</sup> day of the month or, if that date is not a Business Day, the next succeeding Business Day, unless otherwise specified in the Loan Agreement.

**“Loan Prepayment Date”** means the date that the prepayment of all or a portion of a Loan is received.

**“Loan Principal”** means the principal to be paid by the Participant on a Loan, as set forth in a Loan Agreement and a Participant Note.

**“Loan Program”** means the program established by DeVal for financing the Projects of Local Government Units by the issuance of the Bonds.

**“Local Government Unit”** means any county, county institution district, city, township, incorporated town, borough, school district, or any other similar general or limited purpose unit with taxing power located in the Commonwealth of Pennsylvania that is legally authorized to borrow money for a Project under the provisions of the *Debt Act*.

**“London Business Day”** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in London, England.

**“Mandatory Purchase”** means the obligation that DeVal purchase the applicable 2018 Bonds at par plus accrued interest on any Purchase Date, Extension Date, Option Date or Extraordinary Mandatory Redemption Date.

**“Mandatory Purchase Date”** means any date on which the applicable 2018 Bonds are subject to Mandatory Purchase and DeVal is obligated to purchase such 2018 Bonds at par plus accrued interest, including any Purchase Date, Extension Date, Option Date or Extraordinary Mandatory Redemption Date.

**“Mandatory Purchase Price”** means a price equal to 100% of the par amount plus accrued interest to the Mandatory Purchase Date.

**“Master Indenture”** means that certain Master Trust Indenture from DeVal to the Trustee dated as of June 28, 2007, as amended and restated as of September 12, 2011, as amended and restated as of April 9, 2012, as amended and restated as of June 9, 2014 and as amended and restated as of December 8, 2014, as previously amended and supplemented.

**“Master Series”** means any Series issued under and secured by the Master Indenture.

**“Maturity Date”** means the date that the 2018 Bonds mature, as shown on the inside cover of this Official Statement.

**“Maximum Rate”** means the lesser of (a) the highest interest rate that may be borne by the Loans under Commonwealth law and (b) 15% per annum.

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

**“Net Proceeds”** shall have the meaning set forth in and the amount determined pursuant to § 149(f)(2)(c) of the *Code* to which amount so determined shall be added earnings on the Net Proceeds to any applicable calculation date.

**“One Month LIBOR Rate”** shall mean the rate for deposits in US Dollars for a designated maturity of one-month which appears on the Bloomberg Screen BTMM under the heading “LIBOR FIX BBAM<GO>” as of 11:00 A.M., London time, or any designated successor thereto, or if such rate is not reported by Bloomberg, then “One-Month LIBOR Rate” shall mean the rate then recognized by ISDA, as the replacement for the “One-Month LIBOR Rate”.

**“Option Date”** means a date on or after which DelVal may, optionally redeem all or a portion of the Floating Rate Bonds or Extend such Floating Rate Bonds to a Subsequent Floating Rate Period.

**“Optional Redemption Date”** means the date on which DelVal exercises its option to redeem all or a portion of the Floating Rate Bonds.

**“Participant”** means and includes (i) a Local Government Unit located in the Commonwealth, that is legally authorized to borrow money for a Project under the provisions of the *Debt Act*, that executes a Loan Agreement and Participant Note pursuant to the Indenture and that pledges its full faith, credit and taxing power to guarantee payments of Loan Principal and Loan Interest under the Participant Note and Loan Agreement in accordance with the provisions of the *Debt Act* and otherwise covenants to pay amounts due under a Loan Agreement and a Participant Note, and (ii) a political subdivision located in the Commonwealth, that is legally authorized to borrow money for a Project under the provisions of the *Debt Act or Authorities Act*, and that executes a Loan Agreement and Participant Note pursuant to the Indenture which Loan Agreement and Participant Note are guaranteed by a Guarantor, in accordance with the provisions of the *Debt Act*.

**“Participant Continuing Disclosure Agreement”** means the agreement under which a Participant and its Guarantor, if any, agrees to provide annual financial information to the municipal markets in accordance with the requirements of Rule 15c2-12 promulgated under the *Securities and Exchange Commission Act of 1934*, as amended and supplemented from time to time.

**“Participant Credit Enhancement”** means, with respect to a Loan Agreement, a municipal bond insurance policy, or a financial guaranty insurance policy, or a letter of credit, or other enhancement issued by a Participant Credit Enhancer to secure all or a portion of the Repayments of a Participant.

**“Participant Credit Enhancer”** means a municipal bond insurer or other financial institution with claims paying ability ratings (or equivalent ratings) of “Aa3” or higher by Moody’s, “AA-” or higher by S&P or Fitch, or an equivalent rating by any other NRSRO with a published rating on the Master Series that provides Participant Credit Enhancement.

**“Participant Note”** means the note executed and delivered by each Participant to evidence its obligation to make all payments under a Loan Agreement.

**“Participant Ordinance”** or **“Participant Resolution”** means the ordinance enacted or the resolution adopted by a Participant, in accordance with the provisions of the *Debt Act* or the *Authorities Act*, authorizing the issuance of the Participant Note and the sale thereof to DelVal, and approving the execution and delivery of the Participant’s Loan Agreement.

**“Participant Tax Compliance Agreement”** means a tax compliance agreement between DelVal and a Participant concerning compliance with the provisions of Section 103(a) of the *Code*, executed by a Participant in connection with its execution of a Loan Agreement.

**“Paying Agent”** means the Trustee as paying agent for the 2018 Bonds, or any successor thereto named by DelVal to act as Paying Agent or any paying agent named for a Series of Bonds in a Supplemental Indenture.

**“Political Subdivision”** means a Local Government Unit, an authority created under the *Authorities Act*, or any other entity created by statute in Pennsylvania that may incur debt with a guaranty of a Local Government Unit under the *Debt Act*.

**“Project”** means a project, as defined in the *Debt Act*, and which constitutes the acquisition, extension, erection, improvement, equipping or repair of any buildings, structures, equipment and improvements constituting a capital project of a Participant, all or a portion of the Cost of which is financed or refinanced by DelVal pursuant to the Indenture and a Loan Agreement.

**“Purchase Date”** means the date set by the Underwriter or Remarketing Agent, as applicable, to be the last day of an Interest Rate Period and, on such date, such 2018 Bonds of any Series are subject to Mandatory Purchase.

**“Purchased Bonds”** means the 2018 Bonds that have been purchased on a Mandatory Purchase Date.

**“Qualified Interest Rate Management Agreement”** or **“QIRMA”** means an interest rate swap transaction or similar contractual agreement as set forth in the *Debt Act*.

**“Rebate Analyst”** means Calhoun Baker Inc., or such other law firm or consulting firm appointed by DelVal specializing in federal arbitrage “rebate” matters under Section 148(f) of the *Code*.

**“Rebate Fund”** means the fund of that name created by the Master Indenture for funds restricted to rebate or yield reduction payments.

**“Record Date”** means for any Interest Payment Date in the 15<sup>th</sup> day of the calendar month preceding the calendar month in which such Interest Payment Date falls or, in the event an Interest Payment Date shall occur less than 15 days after the prior Interest Payment Date, said first day.

**“Remarketing Agent”** means any broker-dealer appointed by DelVal to remarket the Floating Rate Bonds or any Series thereof to a new Floating Rate and to extend such Floating Rate Bonds or any Series thereof to a Subsequent Floating Rate Period, or, for the direct placement of Floating Rate Bonds to evidence a bank loan, the Administrator, as applicable.

**“Remarketing Agreement”** means each such agreement for a Remarketing Agent with respect to any Series of the Floating Rate Bonds.

**“Remarketed Bonds”** means any Floating Rate Bonds remarketed after the Issuance Date on a Mandatory Purchase Date to a Subsequent Floating Rate for a Subsequent Floating Rate Period.

**“Repayments”** means the payments of Loan Principal of and Loan Interest on the Participant Notes.

**“Reserve Requirement”** means all amounts required to be deposited and maintained in the Debt Service Reserve Fund, as set forth in the Indenture, which is the least of (i) 10% of the par amount of the Master Series, (ii) the maximum annual debt service payment of the Master Series, and (iii) 125% of the average annual debt service payments of the Master Series.

**“Resolution”** means that certain resolution adopted by the Board of Directors of DelVal on May 14, 2018, to authorize the issuance of the 2018 Bonds.

**“Revenues”** means any Subsidy Payments and all income, revenues, issues, profits and other sums of money received by DelVal from the Loan Agreements, Participant Notes, Guarantees, Swap Agreements and Participant Credit Enhancement, including, without limitation, all Repayments, Termination Charges, Liquidation Proceeds, Optional Prepayment Prices, and Swap Receipts.

“**S&P**” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, its successors and assigns.

“**SIFMA**” means the Securities Industry and Financial Markets Association, or any designated successor thereto.

“**SIFMA Index**” or “**Municipal Swap Index**” means the index of weekly, high grade, 7-day tax-exempt variable rate demand obligations, published weekly and reset each Thursday by SIFMA, and in the event such rate is no longer determined, the replacement rate recognized by SIFMA.

“**Sinking Fund Depository**” shall mean the bank, trust company, or a bank and trust company, located and lawfully conducting business in Pennsylvania, appointed by a Local Government Unit to maintain the bank account, or sinking fund, to receive payments for debt incurred pursuant to the *Debt Act*.

“**Spread**” means, in the calculation of the Floating Rate, the percentage per annum, determined by the Underwriter or Remarketing Agent, as applicable, over the Index-Based Interest Rate multiplied by the Leverage, necessary to sell or remarket a Series of 2018 Bonds bearing a Floating Rate at a price equal to 100% of the par amount.

“**Subsequent Floating Rate**” means a variable interest rate for the Extension of Floating Rate Bonds, as determined by the Remarketing Agent, established in accordance with Section 2.05 hereof and calculated at a rate of interest per annum by (i) multiplying an Index-Based Interest Rate by a Leverage and (ii) adding or subtracting a Spread.

“**Subsequent Floating Rate Period**” means the period that any Floating Rate Bonds bear a Subsequent Floating Rate, with no changes in the Index-Based Interest Rate, Leverage, or Spread, beginning on the first day of such Subsequent Floating Rate Period and ending on the Subsequent Purchase Date.

“**Subsequent Purchase Date**” means, with respect to Floating Rate Bonds, the date set by the Remarketing Agent, as applicable, to be the last day of a Subsequent Floating Rate Period, and on such date, the Floating Rate Bonds are subject to Mandatory Purchase.

“**Subsidy Payments**” means all payments or refundable tax credits received by DelVal from the United States of America or any agency or department thereof in connection with any particular Series of Bonds issued hereunder.

“**Supplemental Indenture**” means any supplements or amendments to the Master Indenture from time to time adopted by DelVal (i) in connection with the issuance of a new Master Series or (ii) to amend provisions of the Master Indenture.

“**Swap Agreement**” means an interest rate swap agreement with a Swap Counterparty under which DelVal may execute, from time to time, Swap Transactions in order to (i) hedge DelVal’s interest rate and basis risk and (ii) reduce the interest costs, provide diversification, and enhance debt management of Participants.

“**Swap Counterparty**” means (i) individually and collectively, one or more financial institutions which execute a Swap Agreement and which, at the time of execution of the Swap Agreement, by itself or as a result of a guarantee of a Swap Guarantor, has long-term, senior, unsecured debt ratings from two or more Rating Agencies in the “AA” category (or equivalent ratings) or higher or (ii) any financial institution which (a) replaces an existing Swap Counterparty or (b) is added as an additional Swap Counterparty where the existing Swap Counterparty is not replaced, in either event, under circumstances where any existing Swap Counterparty, whether or not replaced, is unwilling or unable to execute any new Swap Transactions or in the case of (b) is added as an additional Swap Counterparty to, as determined by the Administrator, mitigate counterparty risk by limiting the exposure of DelVal to the Swap Counterparties, which in either case would affect the ability of DelVal to achieve its programmatic objectives of providing variable interest rate and fixed interest rate loans to Participants at the lowest possible cost, which additional Swap Counterparty, at the time of execution of the initial Swap Agreement between such additional Swap Counterparty and DelVal, has long term, senior unsecured debt ratings (or equivalent ratings) from the Rating Agencies which are no lower than the unsecured debt ratings on an existing Swap Counterparty (or its Swap Guarantor).

**“Swap Payment”** means, under a Swap Agreement, an amount payable to a Swap Counterparty or by a Swap Counterparty equal to the periodic scheduled payments accruing on the notional amount specified in such Swap Transaction at a variable rate or a fixed rate computed in accordance with such Swap Agreement.

**“Swap Rate”** means the rate payable by DelVal with respect to a Swap Transaction, which rate shall not exceed the Maximum Rate.

**“Swap Receipts”** means, under a Swap Agreement, the amounts payable by a Swap Counterparty as Swap Payments or Termination Payments to DelVal in accordance with such Swap Agreement.

**“Swap Transaction”** means an interest rate swap transaction executed by DelVal under a Swap Agreement.

**“Tax Compliance Certificate”** means the Tax Compliance Certificate and Agreement of DelVal dated the date of delivery of the 2018 Bonds.

**“Tender Agent”** means initially the Trustee or any successor Tender Agent.

**“Termination Charge”** means the rate or charge, determined by the Administrator, representing a Participant’s allocable share of any Termination Payment payable by DelVal to a Swap Counterparty.

**“Termination Payment”** means the amount payable by DelVal or the Swap Counterparty in compensation for the termination of one or more Swap Transactions.

**“Underwriter”** means Bank of America Merrill Lynch, acting on behalf of itself and PNC Capital Markets LLC.

**“Variable Rate Loan”** means Loans which bear interest at a variable rate, as calculated by the Administrator.

**“Yield Reduction Payment”** or **“Yield Reduction Amount”** means any amount paid to the United States to reduce the yield on Investment Property (as defined in the *Code*) for yield restriction purposes pursuant to Treas. Reg. § 1.148-5(c).

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## THE 2018 BONDS

### PLAN OF FINANCE

The 2018 Bonds will be issued to: (i) provide funds to originate new Loans to Participants, (ii) acquire Loans to Participants from the 2014 Bonds, which proceeds will be used, together with other available funds, to optionally redeem a par amount of \$105,000,000 of the 2014 Bonds, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the 2018 Bonds. The 2018 Bonds will be issued under and secured by the Master Indenture. The 2018 Bonds and all other outstanding Master Series issued under the Master Indenture are secured by the Trust Estate under the Indenture. The estimated sources and uses of funds are shown below:

#### Estimated Sources and Uses of Funds

##### *Sources of Funds*

Local Government Revenue Bonds, 2018 Series A	
Par amount	\$ 10,000,000.00
Original issue premium	1,832,000.00
Local Government Revenue Bonds, 2018 Series B	50,000,000.00
Local Government Revenue Bonds, 2018 Series C	50,000,000.00
Local Government Revenue Bonds, 2018 Series D	30,000,000.00
Local Government Revenue Bonds, 2018 Series E	<u>75,000,000.00</u>
Total sources of funds	<u>\$ 216,832,000.00</u>

##### *Uses of Funds*

Deposit to Acquisition Fund	
Deposit for acquisition of Loans from the 2014 Bonds	\$ 92,172,000.00
Deposit for origination of Loans (1)	122,169,557.02
Deposit to Debt Service Reserve Fund	1,033,000.00
Costs of issuance (1) (2)	<u>1,457,442.98</u>
Total uses of funds	<u>\$ 216,832,000.00</u>

(1) Estimated, subject to change.

(2) Includes underwriters' discount and program administration, legal, trustee, printing, accounting, rating, and other fees.

DeVal expects to execute swap transactions related to the 2018 Bonds with various Swap Counterparties to hedge its risk of changes in long-term interest rates and to provide fixed interest rate Loans to Participants. See "INTEREST RATE SWAP AGREEMENTS".

### 2018 A BONDS

The 2018 A Bonds will be issued in denominations of \$5,000 or integral multiples thereof, in book-entry only form, and the Depository Trust Company shall be the securities depository. The 2018 A Bonds will bear interest at a Fixed Rate from the Issuance Date until the stated Maturity Date, at the rates per annum, and mature in the amounts and on the dates as set forth on the inside cover of this Official Statement.

Interest Payment Dates of the 2018 A Bonds will be semiannual, commencing on September 1, 2018, and thereafter on each March 1 and September 1, until the Maturity Date or, if applicable, the Extraordinary Mandatory Redemption Date. Principal of the 2018 A Bonds is payable on the Maturity Date or, if applicable, the Extraordinary Mandatory Redemption Date. If the Interest Payment Date, Maturity Date, or Extraordinary Mandatory Redemption Date is not a Business Day, the interest on or principal of the 2018 A Bonds shall be paid on the succeeding Business Day.

Interest Accrual Dates of the 2018 A Bonds will be the Issuance Date and, thereafter, on each March 1 and September 1 prior to the Maturity Date or, if applicable, the Extraordinary Mandatory Redemption Date, with no adjustment if such dates are not Business Days. Interest shall be calculated using the day count convention of a 30-day month and 360-day year.

THE 2018 A BONDS ARE NOT SUBJECT TO OPTIONAL REDEMPTION. THE 2018 A BONDS ARE SUBJECT TO EXTRAORDINARY MANDATORY REDEMPTION. See “THE 2018 BONDS – REDEMPTION”.

## **2018 B, C, D, AND E BONDS**

The 2018 B, C, D, and E Bonds will be issued in denominations of \$5,000 or integral multiples thereof, in book-entry only form, and the Depository Trust Company shall be the securities depository. The Floating Rate Bonds will bear interest at a Floating Rate from the Issuance Date until their respective Option Dates or Purchase Dates, and mature in the amounts and on the dates as set forth on the inside cover of this Official Statement. A FAILURE TO PAY THE MANDATORY PURCHASE PRICE OF THE FLOATING RATE BONDS ON OR BEFORE THEIR RESPECTIVE PURCHASE DATES WOULD CONSTITUTE AN EVENT OF DEFAULT UNDER THE INDENTURE. The Floating Rate Bonds are subject to Optional Redemption, Extension to a Subsequent Floating Rate Period, and Extraordinary Mandatory Redemption. THE FLOATING RATE BONDS ARE SUBJECT TO MANDATORY PURCHASE AT THE MANDATORY PURCHASE PRICE ON ANY OPTIONAL REDEMPTION DATE, EXTENSION DATE, EXTRAORDINARY MANDATORY REDEMPTION DATE, OR PURCHASE DATE. See “THE 2018 BONDS – REDEMPTION”.

Floating Rate Bonds bear a variable rate of interest per annum determined by reference to a published index (each an “Index-Based Interest Rate”) of fixed or variable interest rates, commonly accepted in the money market, fixed income, or interest rate derivatives markets. The Floating Rate is calculated as an interest rate per annum by (i) multiplying the Index-Based Interest Rate by a percentage (the “Leverage”) and (ii) adding or subtracting a percentage per annum (the “Spread”). The Floating Rate shall be set at the level sufficient to sell or remarket the Floating Rate Bonds at a price equal to the par amount; however, the Floating Rate shall never exceed the Maximum Rate.

The Index-Based Interest Rate, Leverage, and Spread are set for the Floating Rate Period beginning on the Issuance Date and ending on, but not including, the Purchase Date, as set forth on the inside cover of this Official Statement. DelVal may exercise an option or after the Option Date (i) to remarket all or a portion of such Floating Rate Bonds to a Subsequent Floating Rate and to extend such Bonds to a Subsequent Floating Rate Period ending on a Subsequent Purchase Date which shall not be later than the Maturity Date or (ii) to optionally redeem all or a portion of such Floating Rate Bonds. If any Floating Rate Bonds are to be remarketed, DelVal would enter into an agreement with an agent (the “Remarketing Agent”) to remarket such Bonds bearing a Subsequent Floating Rate, which shall never exceed the Maximum Rate, determined by the Remarketing Agent, at a price of 100% of the principal amount thereof.

Interest Payment Dates for the Floating Rate Bonds will be the first Business Day of each month, beginning on July 2, 2018, and ending on the applicable Mandatory Purchase Date or, if such date is not a Business Day, the succeeding Business Day. The Interest Accrual Date for the Floating Rate will be the Issuance Date and, thereafter the first Business Day of the month until the last such date before the Mandatory Purchase Date. Floating Rate Calculation Periods will be monthly, beginning on the Interest Accrual Date and ending on, but not including, the subsequent Interest Accrual Date, with the final period ending on, but not including, the Mandatory Purchase Date.

The Floating Rate Bonds will bear a Floating Rate based on the One-Month LIBOR Rate or the SIFMA Index, with Maturity Dates, Option Dates, and Purchase Dates as set forth on the inside cover of this Official Statement. The Floating Rate Calculation Date for the Floating Rate based on the One-Month LIBOR Rate will be two London Business Days before the Interest Accrual Date based on the One-Month LIBOR Rate posted on such date. The Floating Rate Calculation Date for the Floating Rate based on the SIFMA Index shall be the final Thursday, or, if such date is not a Business Day, the succeeding Business Day, of the Floating Rate Calculation Period, based on the daily weighted average of the SIFMA Index rates posted on each day of the Floating Rate Calculation Period. The Administrator shall calculate the Floating Rates, rounded to the seventh significant digit, and send notice of the Floating Rate to the Trustee. The calculation of the Interest Payments shall be based on the actual number of days of the month and year during each Floating Rate Calculation Period.

## **REDEMPTION**

### **Optional Redemption**

The 2018 A Bonds are not subject to optional redemption.

The Floating Rate Bonds initially bearing interest at a Floating Rate are subject to redemption prior to their stated maturity, at the option of DelVal, in whole or in part on or after the Option Date, as set forth on the inside cover of this Official Statement at the Mandatory Purchase Price.

Notice of each redemption shall be mailed to each Bondholder whose Floating Rate Bonds are being redeemed, and to the Administrator by first-class mail at least 15 days but not more than 30 days before each redemption date and shall contain the information required by the Indenture. So long as DTC, or its nominee, is the sole registered owner of the Floating Rate Bonds under the book-entry-only system, redemption notices will be sent to Cede & Co.

Failure by the Trustee to give any notice of redemption as to any particular Floating Rate Bonds shall not affect the validity of the call for redemption of any Floating Rate Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Bonds shall be conclusively presumed to have been given whether or not actually received by any Bondholder.

In the event that any Floating Rate Bonds are called for optional redemption and the amounts required for payment of the Redemption Prices thereof are not on deposit with the Trustee on the date set for redemption, the Trustee shall notify the registered owners of such Floating Rate Bonds that such redemption has been rescinded and shall return any Floating Rate Bonds surrendered for redemption to the registered owners thereof, and DelVal, the Trustee and the registered owners shall be restored to their prior position.

### **Mandatory Purchase on a Purchase Date**

The Floating Rate Bonds shall be subject to Mandatory Purchase on each Purchase Date. The Trustee shall give notice of such Mandatory Purchase by mail to the Holders of the Floating Rate Bonds subject to Mandatory Purchase no less than fifteen (15) days prior to the Purchase Date. The notice shall state the Purchase Date, the Mandatory Purchase Price, and that interest on the Series of Floating Rate Bonds subject to Mandatory Purchase shall cease to accrue from and after the Purchase Date if the Mandatory Purchase Price of the Series of Floating Rate Bonds has been paid. The failure to mail such notice with respect to any Floating Rate Bond shall not affect the validity of the Mandatory Purchase of any other Floating Rate Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

### **Mandatory Purchase on an Extension Date**

The Floating Rate Bonds shall be subject to Mandatory Purchase on each Extension Date. The Trustee shall give notice by first-class mail of an Extension to a Subsequent Floating Rate Period for all or any portion of the applicable Series of Floating Rate Bonds to the Holders of such Floating Rate Bonds not more than thirty (30) days and not less than fifteen (15) days prior to the proposed effective date of such Subsequent Floating Rate Period. Such notice shall state: (i) that the interest rate on such Floating Rate Bonds shall be extended to a Subsequent Floating Rate unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to DelVal, the Trustee and the Remarketing Agent as to such Extension on the Extension Date; (ii) the proposed Extension Date; and (iii) that such Floating Rate Bonds of such Series are subject to Mandatory Purchase on such proposed Extension Date, regardless of whether any or all conditions to the Extension are met, and setting forth the applicable Mandatory Purchase Price and the place of delivery for purchase of such Floating Rate Bonds. No Extension shall take effect unless each of the following conditions, to the extent applicable, shall have been satisfied:

- i) The Trustee, the Remarketing Agent and DelVal shall have received a Favorable Opinion of Bond Counsel with respect to such Extension.
- ii) The proceeds available on the Extension Date shall not be less than the amount required to purchase all of the 2018 Bonds of such Series at the Mandatory Purchase Price.

If any condition to the Extension shall not have been satisfied, then the Floating Rate Period shall not be Extended and the Bonds of such Series shall continue to bear the Floating Rate and the Purchase Date in effect immediately prior to such proposed Extension.

**Extraordinary Mandatory Redemption**

The 2018 Bonds are subject to extraordinary mandatory redemption prior to maturity, in whole or in part, as applicable, as follows:

- i) The date that DelVal determines that it no longer reasonably expects to originate Loans under the Loan Program; or
- ii) On any date, if DelVal, as a result of direction received from Bond Counsel, is required to take remedial action so that interest on the 2018 Bonds shall remain excluded from gross income for federal income tax purposes, and in the amount determined to be necessary so that interest on the 2018 Bonds shall remain excluded from gross income for federal income tax purposes.

2018 Bonds subject to extraordinary mandatory redemption shall be redeemed as follows: (1) as to the 2018 A Bonds of any applicable Maturity Date, at a price equal to: (i) 100% of the principal amount thereof, (ii) plus the unamortized original issue premium (if any) for such applicable Maturity Date, calculated on a straight-line basis using a 30-day month and 360-day year from the Extraordinary Mandatory Redemption Date to the applicable Maturity Date, and (iii) plus accrued interest to the Extraordinary Mandatory Redemption Date; and (2) as to the 2018 B Bonds, 2018 C Bonds, 2018 D Bonds, and 2018 E Bonds, at a price equal to (i) 100% of the principal amount thereof and (ii) plus accrued interest to the Extraordinary Mandatory Redemption Date.

The occurrence of an Extraordinary Mandatory Redemption of the 2018 Bonds may result in early termination of one or more Swap Agreements requiring Termination Payments to be made by or to DelVal. Any Termination Payments received by DelVal would be applied to the Extraordinary Mandatory Redemption of the 2018 Bonds and any Termination Payments made by DelVal would be paid from moneys in the Discretionary Fund or from moneys, if available, under the Covenant Agreement.

DelVal has never redeemed any bonds due to an inability to originate loans. See “OPERATIONS OF DELVAL - LOAN PROGRAM”. IF DELVAL FAILS TO ORIGINATE SUFFICIENT LOANS FROM THE NET PROCEEDS OF THE 2018 BONDS, DELVAL MAY BE REQUIRED TO REDEEM ALL OR A PORTION OF THE 2018 BONDS.

**Selection of 2018 Bonds to Be Redeemed**

Whenever provision is made for the redemption of less than all of a Series of the 2018 Bonds, DelVal shall select the 2018 Bonds to be redeemed by lot or in any other manner which DelVal in its sole discretion shall deem appropriate and fair.

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## BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and neither DelVal nor the Underwriters make any representation or warranty or take any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the 2018 A, B, C, D, and E Bonds (the "DTC Bonds"). The DTC 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 bond certificate will be issued for each maturity of a series of the DTC Bonds as set forth on the inside front cover of this Official Statement, each in the aggregate principal amount of such series and maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the *Securities Exchange Act of 1934*. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments 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"). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of DTC Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Bonds on DTC's records. The ownership interest of each actual purchaser of each DTC 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 DTC 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 DTC Bonds, except in the event that use of the book-entry system for the DTC Bonds of a series is discontinued.

To facilitate subsequent transfers, all DTC 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 DTC Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Bonds, DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC 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 DTC Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the DTC Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture, as applicable. For example, Beneficial Owners of DTC Bonds may wish to ascertain that the nominee holding the DTC 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 bond registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the DTC Bonds of a series 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 the DTC Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 DTC Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, purchase price, premium, if any, and interest payments on the DTC 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 Paying Agent on the payment 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 Paying Agent, or DelVal, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, purchase price, premium, if any, and interest on the DTC Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

DelVal may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, applicable Bonds certificates will be printed and delivered to DTC.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE DTC BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE DTC BONDS OR REGISTERED OWNERS OF THE DTC BONDS SHALL MEAN DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE APPLICABLE DTC BONDS.

DelVal and the Paying Agent do not have any responsibility or obligation to the Direct Participants, Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (b) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal, purchase price and redemption price of and interest on the DTC Bonds; (c) the delivery or timeliness of delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner, which is required or permitted under the terms of the Indenture to be given to Holders; or (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Holders.

NEITHER DELVAL NOR THE TRUSTEE SHALL HAVE ANY OBLIGATION WITH RESPECT TO ANY DEPOSITORY PARTICIPANT OR BENEFICIAL OWNER OF THE DTC BONDS DURING SUCH TIME AS THE DTC BONDS ARE REGISTERED IN THE NAME OF A SECURITIES DEPOSITORY PURSUANT TO A BOOK-ENTRY ONLY SYSTEM OF REGISTRATION.

## SECURITY FOR THE 2018 BONDS

### THE MASTER INDENTURE

The 2018 Bonds will be issued under the Master Indenture and the Fifth Supplement, and will be equally and ratably secured, to the extent provided therein, together with all Master Series issued under the Indenture by the Trust Estate (the “Trust Estate”). The Trust Estate of the Indenture includes:

- i) the Revenues, the Participant Notes, the Loan Agreements (other than the rights of DelVal to indemnification or payment of expenses under the Loan Agreements) for Loans pledged under or assigned to the Indenture,
- ii) all right, title and interest of DelVal in and under the Swap Agreements and the Swap Receipts (other than the rights of DelVal to indemnification or payment of expenses under the Swap Agreements) for Swap Transactions related to the Master Series or Loans pledged under or assigned to the Indenture,
- iii) all right, title and interest of DelVal under the Investment Agreements (other than DelVal’s rights to indemnification or payment of expenses under the Investment Agreements) for moneys invested from accounts or funds created under the Indenture,
- iv) the right, title and interest of DelVal in any Participant Credit Enhancement for Loans pledged under or assigned to the Indenture,
- v) all moneys and securities (including investment income therefrom) and all other property of every kind and of every name and nature which are now or from time to time hereafter, pledged, assigned or transferred as security to the Trustee under the Indenture by DelVal or by anyone on its behalf, and all cash and securities now or hereafter held in the Funds under the Indenture (excluding the Revenue Fund and the Discretionary Fund to the extent of Excess Funds as provided in the Covenant Agreement), and
- vi) all right, title and interest of DelVal in all Credit Facilities securing any Master Series.

Any amounts credited to the Rebate Fund and the Discretionary Fund of a Master Series to the extent provided in the Covenant Agreement shall be free and clear of any lien under the Indenture.

Under the Master Indenture, the Swap Payments and Swap Transactions pledged under or assigned to the Master Indenture to be made by DelVal pursuant to Swap Agreements, but not Termination Payments, are equally and ratably secured by the Trust Estate. Termination Payments due from DelVal under Swap Agreements are payable only from the Discretionary Fund, and Termination Payments are subject and subordinate to payment of the principal and redemption price of and interest due and owing on the Bonds and the Swap Payments due and owing under any Swap Agreement.

### Funds and Accounts

The Master Indenture creates the following Funds and Accounts:

- i) Revenue Fund and within the Revenue Fund, a Principal Account, an Interest Account, and a Program Administration Account;
- ii) Acquisition Fund;
- iii) Recycling Fund;
- iv) Redemption Fund;
- v) Rebate Fund;
- vi) Discretionary Fund;
- vii) Debt Service Reserve Fund; and
- viii) Costs of Issuance Fund.

The Indenture authorizes the Trustee to create additional accounts and subaccounts in the Funds at the direction of the Administrator in order to segregate moneys or to accomplish any other administrative purpose and to comply with the provisions of any Supplemental Indenture authorizing issuance of a new Master Series.

### *Acquisition Fund and Recycling Fund*

The Indenture provides that all Loans will be initially originated or acquired from the Acquisition Fund. When Loans are amortized or prepaid, the repayments of Loan Principal will be deposited into the Recycling Fund.

When the Acquisition Fund is depleted, the Recycling Fund will be used to originate or acquire Loans. DelVal is required to obtain a Favorable Opinion of Bond Counsel prior to making Loans from the Acquisition Fund or Recycling Fund.

### **Revenue Fund**

The Master Indenture requires the following to be deposited into the Revenue Fund, as and when received:

- i) all Repayments and received from Participants, Guarantors, and Participant Credit Enhancers;
- ii) all Swap Receipts and Termination Payments received from a Swap Counterparty;
- iii) all earnings on Funds invested under the Indenture;
- iv) moneys transferred from other Funds under the Indenture;
- v) moneys received in connection with a Participant Default and the exercise of remedies under a Loan Agreement or Guarantee;
- vi) all moneys contributed by DelVal and all moneys transferred pursuant to the Covenant Agreement at the direction of the Administrator;
- vii) to the extent and as provided in a Supplemental Indenture, moneys representing a draw on any Credit Facility to make payment of the principal of and interest on any Master Series for which a Credit Facility has been provided, deposited in a separate account and not commingled with any other funds; and
- viii) Subsidy Payments.

The Master Indenture requires that moneys in the Revenue Fund shall be used for the following payments and transfers on the following dates and in the following order of priority; provided, however, that draws on any Credit Facility to pay principal of or interest on a Master Series shall be paid directly to the Bondholders or as provided in a Supplemental Indenture and Subsidy Payments shall be used as set forth in the Master Indenture:

- i) on each Interest Payment Date and each Swap Payment Date that is also an Interest Payment Date, to pay interest on the Master Series or, if interest on the Bonds has been paid from a draw on a Credit Facility, to reimburse the Credit Facility Provider, and to pay any Swap Payments due under any Swap Agreements;
- ii) on each Swap Payment Date that is not an Interest Payment Date, to make the Swap Payments due under any Swap Agreements;
- iii) on each Principal Payment Date, to pay the principal due on the Master Series or, if the principal due on the Bonds has been paid from a draw on a Credit Facility, to reimburse the Credit Facility Provider;
- iv) on each Loan Payment Date and Loan Prepayment Date, to the Recycling Fund (and the applicable sub-account thereof), Repayments (from whomever paid) constituting Loan Principal on Participant Notes pursuant to the Loan Agreements;
- v) on each Loan Payment Date and Loan Prepayment Date, to the Discretionary Fund, Termination Charges received;
- vi) as necessary, to pay Administrative Expenses;
- vii) as necessary, to the Debt Service Reserve Fund, to the extent required to replenish any deficiency therein;
- viii) if DelVal shall have received notice of an early termination under any Swap Agreement and notice that a Termination Payment will be due to a Swap Counterparty, the Administrator shall direct the Trustee to transfer to the Discretionary Fund, if necessary, an amount sufficient to make the Termination Payment; and
- ix) from time to time, to the Discretionary Fund in such amounts as may be directed by the Administrator.

### **Redemption Fund**

Funds will be transferred to the Redemption Fund from the Acquisition Fund or the Recycling Fund in the event of an Optional Redemption or an Extraordinary Mandatory Redemption as (i) the proceeds are no longer required for the Loan Program or (ii) redemption of 2018 Bonds is necessary to comply with the provisions of the *Code*.

### **Rebate Fund**

A rebate analyst (the "Rebate Analyst"), initially, the Administrator, will calculate the amount necessary to be deposited in the Rebate Fund to make rebate payments and/or yield reduction payments to the United States,

pursuant to Section 148 of the *Code* not later than 60 days after each fifth bond year for the Master Series and not later than 60 days after the payment in full of all outstanding Master Series. Each Participant will be notified of the amount required to be deposited in the Rebate Fund applicable to each Loan and the amount then on deposit in the Rebate Fund applicable to such Loan, and each Participant will be required to pay any deficiency to the Trustee. If such amount is not paid within five days after receipt of such notice by a Participant, the Administrator shall direct the Trustee to immediately transfer to the Rebate Fund that amount, first from the Discretionary Fund, second from the Acquisition Fund, and third from the Recycling Fund, to the extent of moneys available therein. Rebate amounts and/or yield reduction amounts with respect to amounts not loaned or otherwise attributable to Participants will also be transferred from the foregoing funds, to the extent available. Amounts credited to the Rebate Fund will be free and clear of any lien under the Indenture.

### ***Discretionary Fund***

Termination Charges received from a Participant, Guarantor, or Participant Credit Enhancer pursuant to a Loan Agreement, and amounts received pursuant to the Covenant Agreement for a Termination Payment to a Swap Counterparty, shall be deposited in the Discretionary Fund. Termination Payments shall be subject and subordinate to payments of interest, principal or redemption price of the Master Series then due and owing and to Swap Payments then due and owing. Amounts in the Discretionary Fund shall be applied to the following:

- i) Transfers to the Revenue Fund to pay interest, principal, or redemption prices on Bonds then due (or to reimburse the provider of a Credit Facility which secures a Series of Bonds and which has made a payment thereon) and to make Swap Payments when other moneys available to the Trustee are insufficient;
- ii) Termination Payments then due to Swap Counterparties;
- iii) Deposits to the Rebate Fund or Extraordinary Payments;
- iv) Transfers to the Revenue Fund to pay any Administrative Expenses under the Indenture when other moneys available to the Trustee are insufficient;
- v) Transfers to the Revenue Fund to pay the costs or expenses related to origination of any Loan funded by any Master Series;
- vi) Transfers to make a payment under the Covenant Agreement at the direction of the Administrator, provided (A) that a Termination Payment is not then due and owing and (B) that the payment will not cause the total liabilities to exceed the total assets under the Indenture; and
- vii) Transfers to DelVal, provided (A) that a Favorable Opinion of Bond Counsel is given, (B) that no Termination Payment is then due and owing, and (C) that the payment will not cause the total liabilities to exceed the total assets under the Indenture.

### ***Debt Service Reserve Fund***

A portion of the proceeds of the 2018 Bonds will be deposited into the Debt Service Reserve Fund. When, and only when, sufficient funds are not available for such purposes in the Revenue Fund or Discretionary Fund, moneys in the Debt Service Reserve Fund shall be applied (i) to make payments of principal and interest on all Master Series issued pursuant to the Master Indenture and (ii) to make Swap Payments related to the Master Series. Earnings on the Debt Service Reserve Fund are to be retained in that fund to the extent necessary for the fund to equal the Reserve Requirement, and thereafter such earnings are to be transferred to the Revenue Fund. The Reserve Requirement for the Master Series is the maximum amount permitted under the *Code*: the least of (i) 10% of the par amount of the Master Series, (ii) the maximum annual debt service payment of the Master Series, and (iii) 125% of the average annual debt service payment of the Master Series. After the issuance of the 2018 Bonds, the Reserve Requirement for the Master Series will be \$32,411,000.

### ***Special Limited Obligations***

THE 2018 BONDS ARE SOLELY AND EXCLUSIVELY LIMITED, SPECIAL OBLIGATIONS OF DELVAL. DELVAL SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL, INTEREST OR REDEMPTION PRICE OF THE 2018 BONDS EXCEPT FROM THE TRUST ESTATE (HEREIN DEFINED) IN THE MANNER PROVIDED IN THE INDENTURE AND TO THE EXTENT PROVIDED IN THE COVENANT AGREEMENT (HEREIN DEFINED), AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING

DELVAL, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT, INTEREST OR REDEMPTION PRICE OF THE 2018 BONDS. DELVAL HAS NO TAXING POWER.

## **LOAN AGREEMENT AND PARTICIPANT NOTE**

The 2018 Bonds are secured by the Trust Estate. The Participant's obligations for Repayments and Termination Charges under the Loan Agreement are guaranteed by the Participant or its Guarantor, if applicable. The Participant's obligation to repay principal (the "Loan Principal") and interest (the "Loan Interest") on the Participant Note is secured by the full faith, credit and taxing power of the Participant or its Guarantor, if applicable. Such obligations are payable from the revenues of the Participant or its Guarantor, if applicable, from whatever source derived, which revenues at the time of issuance of the Bonds include ad valorem taxes within limits provided by applicable law, levied upon all the taxable property within the boundaries of the Participant or Guarantor, if applicable. School districts no longer have unlimited power to increase ad valorem taxes or levy additional taxes. See "TAXING POWERS OF LOCAL GOVERNMENT UNITS." The issuance of each Participant Note will not occur until the Department of Community and Economic Development of the Commonwealth, pursuant to the *Debt Act*, has approved the debt evidenced by the Loan Agreement and Participant Note or the Guaranty, as applicable. Each Participant will receive the entire amount of its Loan upon the execution of its Loan Agreement and the issuance of its Participant Note.

### **Repayments**

The schedule of Loan Principal payments due on each Loan is set forth in each Participant Note. The Indenture and each Loan Agreement provide that the Administrator shall calculate the Loan Interest. For such purpose, the Administrator shall include (i) the payments of principal of and interest on the related Bonds, (ii) receipts and payments under any Swap Agreements, and (iii) each Participant's allocable share of administrative expenses ("Administrative Expenses"). Administrative Expenses include any expenditures of DelVal reasonably and necessarily incurred by reason of its issuance of DelVal Series or for the Loan Program, as determined by the Administrator, including, without limitation, charges for compliance (the "Compliance Charges") with the *Code*, auditing fees and expenses, non-asset bond costs, the fees and expenses of the Trustee, the Administrator and all other legal, financial and administrative expenses incurred by DelVal with respect to the Loan Program, the maintenance of prudent levels of liquidity to provide sufficient levels of operating cash flow, as determined by the Administrator and any expenses incurred by DelVal or the Trustee to compel full and punctual performance of all the provisions of this Indenture, the Loan Agreements or the Participant Notes. As directed by the Administrator, the Trustee bills each Participant for the amounts of the Loan Principal and Loan Interest (collectively, the "Repayments") due. Under the Loan Agreement, the Repayments are secured by a pledge of the full faith, credit and taxing power of the Participant, or its Guarantor if applicable.

### **Participant Credit Enhancement**

The Administrator requires certain Loans to be secured by a financial guaranty policy (each a "Participant Credit Enhancement"), with DelVal as the beneficiary, in order to maintain the credit quality of the Loan portfolio and to comply with rating tests of the Covenant Agreement. The provider of the Participant Credit Enhancement (each a "Participant Credit Enhancer") controls the repayment of the applicable Loan if a Participant defaults on a Loan secured by a Participant Credit Enhancement. As long as the Participant Credit Enhancer is not in default on its payment obligations to DelVal, the Loan cannot be accelerated or related Swap Transactions terminated without the consent of the Participant Credit Enhancer. The Participant Credit Enhancer would seek to enforce the remedies available under *Debt Act*.

### **Termination Charges**

In the event that DelVal incurs a Termination Payment due to the early termination of a Swap Transaction, the Administrator may calculate and assess a Termination Charge equal to the Participant's allocable share of the Termination Payment, payable on the date directed by the Administrator. Under the Loan Agreement, the Participant has a contractual obligation to pay the Termination Charge, but the payment of the Termination Charge is not secured by the pledge of the full faith, credit and taxing power of the Participant or its Guarantor, if applicable. If funds to pay the Termination Charge are not available for appropriation in its current fiscal year budget, the Participant covenants in the Loan Agreement and, if applicable, the Guarantor covenants, to include the Termination Charge in its budget in the next fiscal year. The *Debt Act* also permits a Participant or Guarantor to treat the Termination Charge as "unfunded debt" (as such term is defined in the *Debt Act*) and to issue debt to fund payment of the Termination Charge.

## **Sinking Funds of the Participants**

The *Debt Act* requires that each Local Government Unit create an account to deposit payments for any debt incurred under the *Debt Act*. This account, or sinking fund, shall be maintained by a bank, trust company, or a bank and trust company, appointed by the Local Government Unit, located and lawfully conducting business in Pennsylvania (a “Sinking Fund Depository”). The ordinance or resolution that authorizes the incurrence of a Loan by each Participant will appoint the Trustee as its Sinking Fund Depository. The Sinking Fund Depository shall transfer the Repayments received from the Participants from the sinking funds of the Participants to DelVal’s Revenue Fund.

## **Remedies under the *Debt Act***

The *Debt Act* provides that if a Local Government Unit with general taxing powers fails or refuses to make adequate provision in its budget for any fiscal year for the sums payable in receipt of bonds in that year (which for such purpose includes payments of Loan Principal and Loan Interest under the Loan Agreement) (i) then at the suit of the holder of any bond, the Court of Common Pleas shall, after a hearing held upon such notice to the Local Government Unit as the Court may direct and a finding of such failure or neglect, by order of mandamus require the treasurer of the Local Government Unit to pay into the sinking fund the first tax moneys or other available revenues or moneys thereafter received in the fiscal year by the treasurer, equally and ratably for each series for which provision has not been made, in proportion to debt service for the year on each series then outstanding and (ii) further, if a Local Government Unit fails or neglects to pay such interest and principal as the same becomes due and payable and the failure continues for 30 days, the holder thereof may, subject to certain priorities set forth in the *Debt Act*, recover the amount due in an action in the Court of Common Pleas and the judgment recovered shall have an appropriate priority upon the moneys next coming into the treasury of the Local Government Unit.

Under the *Debt Act*, if a Local Government Unit fails or refuses to budget for any fiscal year a periodic scheduled payment due in that year pursuant to the provisions of a Qualified Interest Rate Management Agreement and payable from the general revenues of the Local Government Unit, the other party to the Qualified Interest Rate Management Agreement may bring an enforcement action in a court of common pleas. After a hearing held upon notice to the Local Government Unit, if the court finds such a failure or refusal, the court may, by order of mandamus, require the treasurer of the Local Government Unit to pay to the other party out of the first tax money or other available revenue or money thereafter received in the fiscal year by the treasurer the periodic scheduled payments due pursuant to the provisions of the Qualified Interest Rate Management Agreement (subject to the *Debt Act* priority for tax anticipation notes) and § 8281(c)(8) of the *Debt Act* (relating to Qualified Interest Rate Management Agreement s). In addition, if a Local Government Unit fails to pay any amount due under a Qualified Interest Rate Management Agreement when it becomes due and payable, and such failure continues for 30 days, the other party to the Qualified Interest Rate Management Agreement may bring an action in a court of common pleas to recover the amount due, subject to certain priorities set forth in the *Debt Act* and any limitations upon rights of action properly provided in the Qualified Interest Rate Management Agreement.

## **Loan Agreements with School Districts**

Under the provisions of § 6-633 of the *Public School Code*, if any school district fails to make its required debt service payments with respect to indebtedness (such as a school district’s debt under the Participant Note and the Loan Agreement), the Secretary of Education of the Commonwealth shall notify the board of directors of its obligation and withhold, subject, in certain circumstances when the Commonwealth has not adopted a budget for the fiscal year, to compliance by the subject school district with *Act No. 85 of 2016* (P.L. 664, No. 85), from such school district, out of any Commonwealth appropriation due such school district by the Commonwealth, an amount equal to the debt service payments owed by such school district. These withholding provisions are not part of any contract with DelVal, or with the holders of DelVal’s bonds, and future legislation may amend or repeal the provisions for the withholding of debt service payments. Other withholding provisions of the *Public School Code* (e.g., the provision for the withholding of unpaid teachers’ salaries) may limit the effectiveness of the withholding provisions for debt service in § 6-633. The enforcement of § 6-633 may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. No assurance can be given that any debt service payments subject to the Section 6-633 withholding provisions will be received on the date that the debt service payments are due.

Under the provisions of the *Debt Act*, if the board of directors of a school district fails to pay or provide for the payment of periodic scheduled payments, due pursuant to a Qualified Interest Rate Management Agreement, the

Secretary of Education of the Commonwealth (if the Secretary finds that the amount due and payable by the school district has not been paid) is required to withhold out of any state appropriation due the school district an amount equal to the amount so due and pay that amount over to the party to whom it is due. Under the *Debt Act*, a Qualified Interest Rate Management Agreement is defined as an agreement entered into by a Local Government Unit fulfilling certain requirements and which, in the judgment of the Local Government Unit, is designed to manage interest rate risk or interest cost on any debt the Local Government Unit is authorized to incur under the *Debt Act*. Each Loan Agreement is intended to constitute a Qualified Interest Rate Management Agreement with respect to Repayments, contains the provisions required by the *Debt Act*, and requires the Participant to take all steps necessary to qualify the Loan Agreement as such.

The *Debt Act*, as it applies to the general obligation debt of school districts, prescribes certain other remedies in the event of a failure to make timely debt service payments. If a school district fails to pay debt service on a general obligation debt for a period of 30 days from the date when payment becomes due and payable, the holder of that debt shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas in the county in which the school district is located. The *Debt Act* also provides that any judgment shall have an appropriate priority upon moneys next coming in to the treasury of the school district. The *Debt Act* further provides that upon default in the payment of principal and interest, which continues at least 30 days, holders of at least 25% of such defaulted debt may appoint a trustee to represent them. The *Debt Act* provides certain other remedies and further qualifies the remedies described above in “Remedies under the *Debt Act*.”

All public school subsidies in the Commonwealth are subject to appropriation by the General Assembly. The Constitution of the Commonwealth provides that “...[t]he General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to service the needs of the Commonwealth...” However, the General Assembly is not legally obligated to appropriate such subsidies and no assurance can be given that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various school districts throughout the Commonwealth may be amended at any time by the General Assembly. Moreover, the Commonwealth’s ability to make such disbursements depends upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in interim borrowing by school districts pending the authorization and payment of state aid. Consequently, no assurance can be given that financial support from the Commonwealth to school districts, for either capital projects or education programs in general, will continue at present levels or that moneys will be payable to a school district if indebtedness of such school districts is not paid when due. In addition, under the *Taxpayer Relief Act*, such school districts may not increase the rate of taxes levied for the support of schools above an inflation index in order to pay the interest and principal on debt without voter approval unless the tax has been approved by the voters in a referendum or one of the other limited exemptions to such voter approval is utilized. See “TAXING POWERS OF LOCAL GOVERNMENT UNITS - *TAXPAYER RELIEF ACT OF 2006*.”

### **Participant Tax Compliance Agreement**

The Indenture requires, as a condition of closing a Loan, that each Participant enter into a written undertaking to comply with certain covenants (each a “Participant Tax Compliance Agreement”), which, based upon the advice of Bond Counsel, are believed to be sufficient in order that the interest on the 2018 Bonds remain excludible from the gross income of the holders thereof under the *Code*.

### **COVENANT AGREEMENT**

DeVal adopted the Covenant Agreement on April 9, 2001, to improve the security of the bondholders of all DeVal Series. The Covenant Agreement was amended and restated on April 23, 2002, April 12, 2004, June 28, 2007 and August 3, 2009. Under the terms of the Covenant Agreement, DeVal pledges to use, in accordance with the provisions of each Trust Indenture, any available unrestricted funds (the “Excess Funds”) to:

- 1) replenish any deficiency of a debt service reserve fund or
- 2) pay any debt service payments, periodic interest rate swap payments, administrative expenses, and interest rate swap termination payments.

Excess Funds can only be used for the purposes enumerated above so long as the Covenant Agreement is in effect. Below is a schedule of the Excess Funds for the past five years. The schedule of Excess Funds differs from the

Balance Sheet in that the amortization of non-cash items (such as original issue premium and bond insurance premiums) are not included in the schedule of Excess Funds. Investments and restricted investments are shown at their fair market values, and bonds and loans are shown at their par amounts. As of December 31, 2017, the funds held by DelVal which can be used to originate loans exceed the related principal amount of the DelVal Series by \$28.2 million. The fair market values, as of December 31 of each year, of DelVal's interest rate swap transactions are also shown on the schedule, but they are not included in the calculation of Excess Funds.

### Excess Funds for the Years Ended December 31

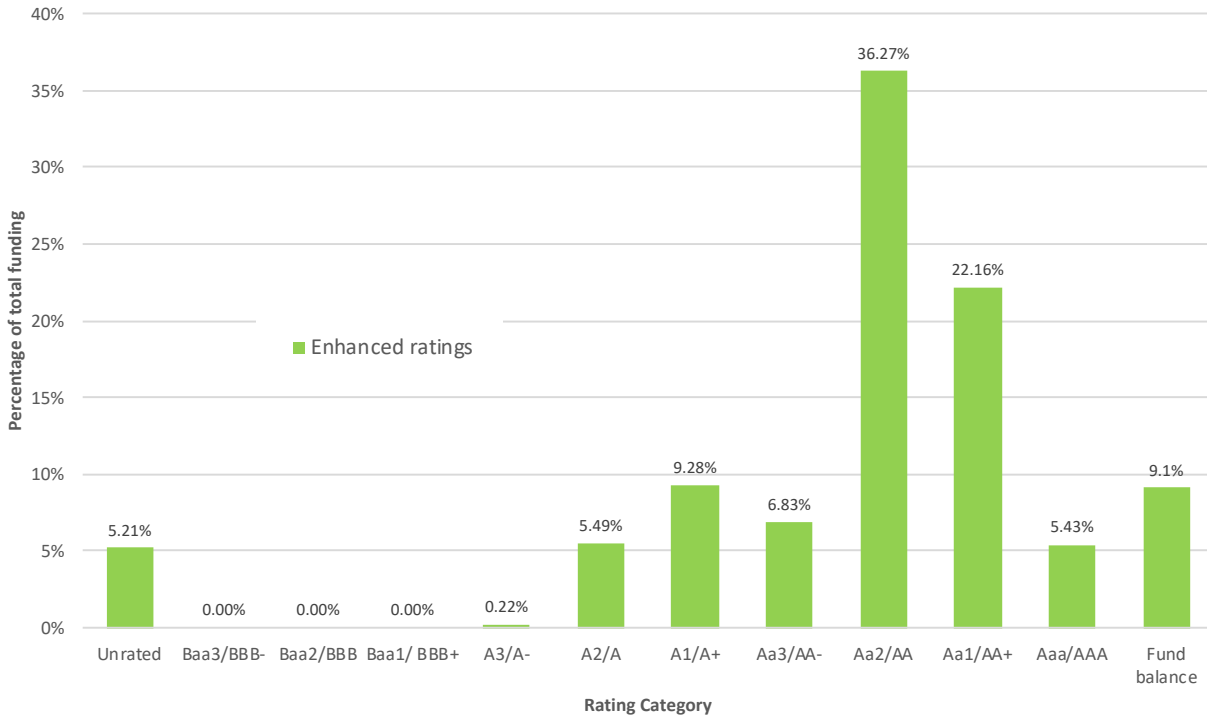
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<i>Assets</i>					
Cash and cash equivalents	\$ 55,691,173	\$ 97,713,546	\$ 92,000,708	\$ 133,714,885	\$ 79,600,862
Restricted cash and cash equivalents	63,599,750	62,000,000	63,356,000	62,000,000	45,300,000
Investments	-	19,951,187	8,027,769	1,082,063	8,760,004
Restricted investments	42,855,749	24,577,720	23,128,235	24,715,115	31,702,115
Loan interest receivable	445,947	430,309	423,266	412,880	439,298
Interest rate swaps receivable	5,570,865	5,618,294	5,645,749	5,549,923	5,641,040
Investment earnings receivable	63,885	61,524	67,662	101,475	194,162
Prepaid expenses	93,188	85,356	89,863	88,531	91,448
Loans to local governments	<u>860,059,874</u>	<u>842,213,447</u>	<u>859,610,614</u>	<u>827,562,000</u>	<u>788,294,024</u>
Total assets	<u>1,028,380,431</u>	<u>1,052,651,383</u>	<u>1,052,349,866</u>	<u>1,055,226,872</u>	<u>960,022,953</u>
<i>Liabilities and Deductions</i>					
Accrued expenses	104,140	17,399	17,607	15,225	79,995
Estimated rebate liability	140,000	101,000	145,000	200,000	70,000
Interest rate swaps payable	58,434	42,301	40,993	320,513	397,871
Bond interest payable	16,367,610	16,460,454	16,468,154	16,587,984	12,064,582
Bonds payable	<u>980,000,000</u>	<u>1,005,000,000</u>	<u>1,005,000,000</u>	<u>1,005,000,000</u>	<u>913,000,000</u>
Total liabilities	<u>996,670,184</u>	<u>1,021,621,154</u>	<u>1,021,671,754</u>	<u>1,022,123,722</u>	<u>925,612,448</u>
<i>Excess Funds</i>	<u>\$ 31,710,247</u>	<u>\$ 31,030,229</u>	<u>\$ 30,678,112</u>	<u>\$ 33,103,150</u>	<u>\$ 34,410,505</u>
<i>Fair Market Value of Interest Rate Swap Transactions</i>					
	<u>\$ 116,666,810</u>	<u>\$ 159,143,624</u>	<u>\$ 160,546,318</u>	<u>\$ 137,004,351</u>	<u>\$ 134,060,500</u>

Source: Calhoun Baker Inc.

The Covenant Agreement requires the Participant (or its Guarantor or its Participant Credit Enhancer) of a new Loan from any DelVal Series to have a published rating of "A3" or "A-" or higher (the "Rating Threshold") unless the proportion of the principal amounts of uninsured loans outstanding to Participants that are rated below the Rating Threshold to the total DelVal funds available to originate loans (the "Loan Funds") will not exceed 10% (the "Ratings Test"). Generally, DelVal requires a published rating at or above the Rating Threshold or a financial guaranty policy for any new loan of \$1 million or more, even if the Ratings Test is satisfied. DelVal does not normally require ratings or insurance for loans less than \$1 million if the Ratings Test is satisfied and the credit is approved by the Administrator. The foregoing DelVal policies are subject to change at any time.

Below is a chart that shows the Ratings Test as of April 30, 2018. Approximately 5.21% of the Loan Funds were committed to Participants who were (i) uninsured and (ii) unrated or rated below the Rating Threshold. The Ratings Test gives equal weight to the ratings of the rating agencies. Approximately, 18.53% of the Loan principal outstanding as of April 30, 2018, was insured. If the Participant or Guarantor has only one published rating, the analysis gives full weight to the published rating. If a Loan is insured, the analysis gives full weight to the higher of the rating of (i) the insurer or (ii) the Participant or Guarantor.

## Covenant Agreement Ratings Test of the Loan Portfolio as of April 30, 2018



*Source: Calhoun Baker Inc.*

UNDER THE TERMS OF THE COVENANT AGREEMENT, IN THE EVENT OF A DEFICIENCY IN THE FUNDS UNDER THE INDENTURE, INCLUDING THE 2018 BONDS, EXCESS FUNDS, IF ANY, HELD UNDER THE TRUST ESTATES OF THE INDENTURE SERIES MAY BE TRANSFERRED TO THE REVENUE FUND UNDER THE INDENTURE. CONVERSELY, IN THE EVENT OF A DEFICIENCY IN THE FUNDS OF ANY INDENTURE SERIES, MONEYS HELD IN THE DISCRETIONARY FUND UNDER THE INDENTURE (INCLUDING THE 2018 BONDS) MAY BE TRANSFERRED TO FUNDS HELD UNDER THE TRUST ESTATE OF THE INDENTURE SERIES. MONEYS THAT ARE HELD IN THE TRUST ESTATES OF THE INDENTURE SERIES ARE NOT PLEDGED TO SECURE THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE 2018 BONDS.

### **PAYMENTS TO BONDHOLDERS AND SWAP COUNTERPARTIES**

The priority of payments for debt service on the 2018 Bonds and for related Swap Payments to Swap Counterparties is from:

- i) the Revenue Fund,
- ii) the Discretionary Fund,
- iii) moneys provided pursuant to the Covenant Agreement,
- iv) any moneys available in the Debt Service Reserve Fund, and
- v) any other moneys in the Trust Estate available to the Trustee.

Termination Payments shall be paid only from Excess Funds, moneys in the Discretionary Fund or provided pursuant to the Covenant Agreement, and only after payment in full of all Debt Service and all Swap Payments then due and payable.

## INVESTMENTS

The funds held by DelVal, pending the origination of Loans and otherwise, are invested in GIC's and other investments that satisfy the requirements of the respective indentures of the DelVal Series. The terms of the GIC's end three business days prior to the maturity dates of the related DelVal Series. DelVal treats the GIC's as cash equivalents because the interest rates on the GIC's adjust weekly and DelVal can deposit or withdraw funds from the GIC's with no more than seven days of written notice. Under the terms of the GIC's, DelVal may require the providers to post collateral of cash, Treasury obligations, or certain Agency obligations to secure the principal invested, plus accrued interest, if they are downgraded below the "Aa3" or "AA-" thresholds. Citigroup Financial Products Inc. currently posts collateral to secure its GIC.

DelVal's short-term investments are generally restricted to instruments with ratings of "P-1" from Moody's and "A-1" or higher from S&P, and DelVal's long-term investments are generally restricted to instruments with ratings of "Aa3" or higher from Moody's and "AA-" or higher from S&P. Investments that mature within 90 days are treated as cash equivalents; investments with longer maturities are recorded at fair value. Most of the funds not invested in GIC's have been invested in floating rate notes, indexed to 3-Month LIBOR, with maturities ranging from one to five years. See "Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017" for additional information on DelVal's investments. A summary of the cash equivalents and investments as of April 30, 2018, is shown below.

DelVal may change the investments and the investment policies at any time so long as the investments satisfy the requirements of the respective indentures of the DelVal Series.

### Cash Equivalents and Investments as of April 30, 2018

<i>Description</i>	<i>Senior Debt Rating of Counterparty or Guarantor</i>			<i>Maturity</i>	<i>Rate (6)</i>	<i>Par Amount</i>	<i>Fair Value</i>	<i>Fair Value Concentration</i>
	<i>Moody's</i>	<i>S&amp;P</i>	<i>Fitch</i>					
<i>Floating rate notes (1)</i>								
National Australia Bank	Aa3	AA-	***	12-Jul-21	2.339%	\$ 12,000,000	\$ 12,227,400	7.463%
Bank of Nova Scotia	A1	***	AA-	7-Mar-22	2.035%	10,000,000	10,063,900	6.143%
Westpac Banking	Aa3	AA-	AA-	17-Jan-19	2.353%	6,150,000	6,169,496	3.766%
Commonwealth Bank of Australia	Aa3	AA-	AA-	10-Mar-22	2.071%	6,000,000	6,037,500	3.685%
Westpac Banking	Aa3	AA-	AA-	11-Jan-22	2.337%	3,926,000	3,975,154	2.426%
National Australia Bank	Aa3	AA-	***	10-Jan-22	2.337%	2,000,000	2,029,660	1.239%
TD Treasury Money Market	***	AAAm	***	***	0.700%	760	760	0.000%
<i>GIC's (2)</i>								
Bayerische Landesbank (3)	Aaa	***	AAA	27-Jul-28	3.380%	71,378,636	71,378,636	43.569%
Citigroup Financial Products Inc. (4)	Baa1	BBB+	A	28-May-42	2.921%	21,489,250	21,489,250	13.117%
Natixis (5)	Aa2	AA	AA	28-Jun-27	3.300%	6,619,139	6,619,139	4.040%
Natixis (5)	Aa2	AA	AA	28-Jun-32	2.920%	23,838,443	23,838,443	14.551%
Total						<u>\$ 163,402,228</u>	<u>\$ 163,829,337</u>	100.000%

(1) Notes pay a spread over 3-Month LIBOR, adjusted and paid quarterly. All Notes were rated Aa3, AA-, or higher when purchased.

(2) GIC's pay a spread over the SIFMA Index, adjusted weekly and paid monthly.

(3) Obligations guaranteed by the State of Bavaria.

(4) Obligations are collateralized and held by the Bank of New York Mellon.

(5) Obligations are guaranteed by Caisse des Dépôts et Consignations.

(6) Rate as of April 30, 2018.

*Source: Calhoun Baker Inc.*

## INTEREST RATE SWAP AGREEMENTS

DelVal has executed interest rate swap transactions after the issuance of each DelVal Series since 1997. DelVal entered into the Swap Agreements to hedge its exposure to future changes in long-term interest rates and to hedge its exposure to basis risk. The swap transactions allow DelVal to be competitive for both variable rate and fixed rate loans under all types of market conditions. DelVal enters into offsetting swap transactions when Participants request a fixed rate on all or a portion of their Loans.

DelVal entered into two master agreements with Merrill Lynch Capital Services, Inc., secured by a guaranty of Merrill Lynch & Co. that were novated to four master agreements with Bank of America, N.A. (“BANA”) as of November 12, 2009 (collectively, the “BANA Agreements”). The BANA Agreements were amended and restated in January and February of 2015 to conform to new Dodd-Frank definitions and provisions. DelVal also entered into a master interest rate swap agreement with Citibank, N.A. related to any new series of bonds issued under the Master Indenture. DelVal and Barclays Bank PLC executed a master interest rate swap agreement dated April 17, 2012, and amended and restated as of July 2, 2012.

DelVal amended and restated the Master Trust Indenture and the 2002 Series Trust Indenture as of December 8, 2014, to reduce counterparty concentration risk. The amendments allow DelVal to add new counterparties with ratings higher than the ratings of the current counterparty. Under these provisions, the BANA Agreement related to the Master Indenture was amended on January 27, 2015, and DelVal executed a new master interest rate swap agreement with PNC Bank, National Association (“PNC”) on January 28, 2015, and another master interest rate swap agreement with the Toronto-Dominion Bank (“Toronto-Dominion”) as of January 11, 2016.

BANA, PNC, and Toronto-Dominion are the Swap Counterparties that are currently active executing new swap transactions with DelVal. A summary of the outstanding transactions and their market values as of April 30, 2018, is shown below.

#### INTEREST RATE SWAP TRANSACTIONS AS OF APRIL 30, 2018

	<i>Fitch</i>	<i>Kroll</i>	<i>Moody's</i>	<i>S&amp;P</i>	<i>Notional Amount</i>	<i>Market Value 30-Apr-18</i>
<b>Bond Issues</b>						
1997 Series	***	***	A1	***	\$ 28,000,000	\$ 6,958,168
1998 Series	***	***	A1	***	600,000,000	68,077,844
2002 Series	***	***	A1	A+	125,000,000	33,011,645
2007 Series	***	***	A1	A+	110,050,000	2,418,725
2014 Series	***	***	***	***	125,000,000	93,447
2017 Series	***	***	***	***	175,000,000	(245,458)
Subtotal					<u>1,163,050,000</u>	<u>110,314,371</u>
<b>Fixed Rate Loans</b>						
1997 Series					18,676,000	(257,472)
1998 Series					161,151,000	(677,134)
2002 Series					128,687,000	516,123
2007 Series					114,275,000	2,027,538
2014 Series					101,901,000	2,611,909
2017 Series					120,182,000	1,503,885
Subtotal					<u>644,872,000</u>	<u>5,724,849</u>
TOTAL					<u>\$ 1,807,922,000</u>	<u>\$ 116,039,220</u>
<b>Counterparty</b>						
Bank of America	A+	***	Aa3	A+	\$ 1,386,793,000	\$ 109,933,139
Barclays Bank	A	***	A1	A	62,849,000	966,960
Citibank	A+	***	A1	A	110,050,000	2,418,725
PNC Bank	A+	AA	A2	A	240,425,000	2,568,396
Toronto-Dominion	***	***	Aa2	AA-	7,805,000	152,000
TOTAL					<u>\$ 1,807,922,000</u>	<u>\$ 116,039,220</u>

Source: Calhoun Baker Inc.

The DelVal Board annually adopts an Interest Rate Swap Management Policy (the “Swap Policy”). Below are the principal provisions presently in effect:

- 1) No person or entity representing DelVal or a Participant shall be compensated by a swap counterparty.
- 2) DelVal shall not execute any swap transactions to leverage payments.

- 3) DelVal shall not execute any swap transactions that provide an up-front receipt in return for future off-market payments or in return for an option that can be exercised by the counterparty.
- 4) DelVal shall not execute any swap transactions that produce a basis risk.
- 5) DelVal shall not execute any swap transactions with a forward commitment of more than one year.
- 6) Each Participant shall be required to adopt an interest rate swap management policy prior to the closing of a new loan.
- 7) The Program Administrator shall monitor the conditions in the interest rate swap market and the fair market value of the interest rate swap transactions executed by DelVal. The Program Administrator shall provide quarterly updates on the fair market value to the Board and shall publish the fair market values on the DelVal web site.

Any exceptions to the Interest Rate Swap Management Policy must be explicitly authorized by a Resolution of the Board. The Board can adopt modifications to its Interest Rate Swap Management Policy at any time.

See “Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017” for additional information about the interest rate swap transactions.

### **EARLY TERMINATION OF INTEREST RATE SWAP AGREEMENTS**

Each Swap Agreement specifies certain events of default and certain other events related to or affecting the performance or financial condition of DelVal, a Participant, a Guarantor, a Participant Credit Enhancer, or the Swap Counterparty, that could precipitate the termination of all or a portion of the Swap Transactions prior to their scheduled termination dates (each an “Early Termination”). In the event of an Early Termination, either DelVal or the Swap Counterparty could be obligated to make a Termination Payment, which could be substantial, based upon the replacement cost or gain of the terminated Swap Transactions. Events that may cause Early Termination under the Swap Agreement include, but are not limited to:

- i) failure to pay or other breach of obligations by a Swap Counterparty or DelVal;
- ii) certain events of bankruptcy, insolvency or dissolution of a Swap Counterparty or DelVal;
- iii) merger of a Swap Counterparty, DelVal, or transfer of substantially all of the assets of such entity, where the resulting, surviving or transferee entity fails to assume the obligations of its predecessor or is of materially weaker creditworthiness;
- iv) failure by DelVal to meet rating tests of the Loans to Participants (see “SECURITY FOR THE BONDS - LOAN AGREEMENT AND PARTICIPANT NOTE”, “SECURITY FOR THE BONDS – COVENANT AGREEMENT”, and “OPERATIONS OF DELVAL – LOAN PROGRAM.”);
- v) defaults, bankruptcy, insolvency, or dissolution affecting \$12 million or more of the Loans;
- vi) the withdrawal, suspension or reduction of the credit rating below certain thresholds of a Swap Counterparty or DelVal (See “Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017 – NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS;”
- vii) the failure of a Swap Counterparty or DelVal to post collateral when required; and
- viii) failure of DelVal to originate Loans.

THE FOREGOING DESCRIPTION OF EARLY TERMINATION IS NOT AN EXHAUSTIVE SUMMARY OF THE EARLY TERMINATION PROVISIONS OF THE SWAP AGREEMENTS RELATED TO

THE MASTER SERIES AND OTHER DELVAL SERIES. THE SWAP AGREEMENTS ARE ON FILE AT THE OFFICES OF DELVAL AND POSTED AT [HTTP://WWW.DELVAL.US](http://www.delval.us), BUT NOT INCORPORATED HEREIN. THE ABOVE ORDER OF EVENTS WHICH COULD CAUSE EARLY TERMINATION IS NOT INTENDED TO SUGGEST ANY LEVEL OF IMPORTANCE OF ONE EVENT OVER ANOTHER, AND NO INFERENCE SHOULD BE DRAWN TO THAT EFFECT.

**PAYMENTS UNDER INTEREST RATE SWAP AGREEMENTS**

Under the Master Indenture, Swap Receipts are pledged to the payment of the Debt Service of the Master Series and any related Swap Payments of the Master Series and shall be deposited in the Revenue Fund. Any Termination Payment that is paid by a Swap Counterparty related to an Early Termination shall be deposited in the Revenue Fund. Notwithstanding the foregoing, the agreement by a Swap Counterparty under a Swap Agreement to pay certain amounts to DelVal will not affect the obligation of DelVal under the Master Indenture to pay the Debt Service on the Master Series. Neither the holders of the Master Series nor any other person other than DelVal will have any rights under any Swap Agreement or against any Swap Counterparty.

The obligation of DelVal to make Swap Payments to a Swap Counterparty is secured by the Trust Estate on a parity basis with the Master Series and is payable from the Revenue Fund. All other payment obligations of DelVal to a Swap Counterparty, including any Termination Payment related to an Early Termination, are payable solely from moneys available in the Discretionary Fund or from Excess Funds available under the Covenant Agreement and are subject and subordinate to the payment of principal, purchase price, and redemption price of and interest on the Master Series then due and payable and Swap Payments. The obligation of DelVal to make Swap Payments is not secured by credit enhancement.

The (i) principal, purchase price, and redemption price of and interest on the Master Series, (ii) all amounts owing to a Credit Facility Provider on the Master Series, and (iii) periodic interest rate swap payments under Swap Agreements related to the Master Series, will be equally and ratably secured under the Master Indenture, to the extent provided therein, by all right, title, and interest of DelVal in and under (i) the Revenues, the Participant Notes, and Loan Agreements; (ii) the Swap Agreements and the Swap Receipts; (iii) the GIC's; (iv) all Participant Credit Enhancements; (v) all moneys and securities (including the investment income therefrom) and all other property of every kind and of every name and nature pledged to the Trustee as security under the Indenture (excluding the Rebate Fund and the Discretionary Fund to the extent provided in the Covenant Agreement; and (vi) all right, title, and interest of DelVal in all Credit Facilities. Termination Payments under Swap Agreements are secured by moneys in the Discretionary Fund, subject and subordinate to the payment of principal, purchase price, and redemption price of and interest on the Master Series then due and payable and Swap Payments, except as otherwise provided in connection with the issuance of any additional Master Series.

IN THE EVENT OF AN EARLY TERMINATION, NO ASSURANCE CAN BE GIVEN THAT (i) DELVAL WILL RECEIVE A TERMINATION PAYMENT PAYABLE TO IT BY A SWAP COUNTERPARTY, (ii) DELVAL WILL HAVE SUFFICIENT AMOUNTS IN THE DISCRETIONARY FUND OR AVAILABLE UNDER THE COVENANT AGREEMENT TO MAKE A TERMINATION PAYMENT PAYABLE TO A SWAP COUNTERPARTY, OR (iii) DELVAL WILL BE ABLE TO OBTAIN A REPLACEMENT SWAP AGREEMENT ON COMPARABLE TERMS.

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## TAXING POWERS OF LOCAL GOVERNMENT UNITS

A Local Government Unit may levy an annual ad valorem tax on all taxable real estate to pay debt service on indebtedness, such as Repayments under a Loan Agreement, incurred pursuant to the *Debt Act*. Under the *Local Tax Enabling Act*, certain Local Government Units may also assess other taxes that can be used to pay debt service. However, under the *Taxpayer Relief Act*, school districts must not increase ad valorem taxes in excess of an inflation index or impose any new tax without voter approval in a referendum. See “SECURITY FOR THE BONDS – LOAN AGREEMENT AND PARTICIPANT NOTE – Loan Agreements with School Districts.”

### **LOCAL TAX ENABLING ACT**

Under the *Local Tax Enabling Act*, additional taxes may be levied by cities of the second class, cities of the second class A, cities of the third class, boroughs, towns, townships of the first class, townships of the second class, school districts of the second, third and fourth classes (subject to division among political subdivisions authorized to levy similar taxes on the same person, subject, business, transactions or privilege) subject to the following limitations:

<u>Type of Tax</u>	<u>Limit</u>
Per Capita Tax	\$10.00
Wages, salaries, commissions and other earned income of individuals	1%
Sales involving the transfer of title of real property	1%
Local Services Tax	\$52.00
Flat rate occupation and occupational privilege tax	\$10.00
Admissions (1)	10%
Tax on Occupations (if millage or percentage is used as a basis)	no limit (2)

- (1) Except to motion picture theaters in cities other than of the second class.  
 (2) Subject to the overall limit set by the *Local Tax Enabling Act*.

The aggregate amount of taxes under the *Local Tax Enabling Act* shall not, in the case of any political subdivision, exceed an amount equal to the product obtained by multiplying 12 mills by the latest market value of real estate as determined by the board for the assessment and revision of taxes or any similar board established by the assessment laws which determine market values of real estate within the political subdivision, or, if no such board has determined such values, then the values as certified by the State Tax Equalization Board of the Commonwealth of Pennsylvania shall be used. The limitation for certain independent school districts is an amount equal to the product obtained by multiplying 15 mills by the latest market value of real estate determined as described above.

### **TAXPAYER RELIEF ACT OF 2006**

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together “The Taxpayer Relief Act” or “Act 1”), a school district (other than Philadelphia, Pittsburgh and Scranton) may not levy any tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act, or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by Pennsylvania Department of Education (“PDE”):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 (“Act 72”), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 (as in the case of the School District); to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;

2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30.

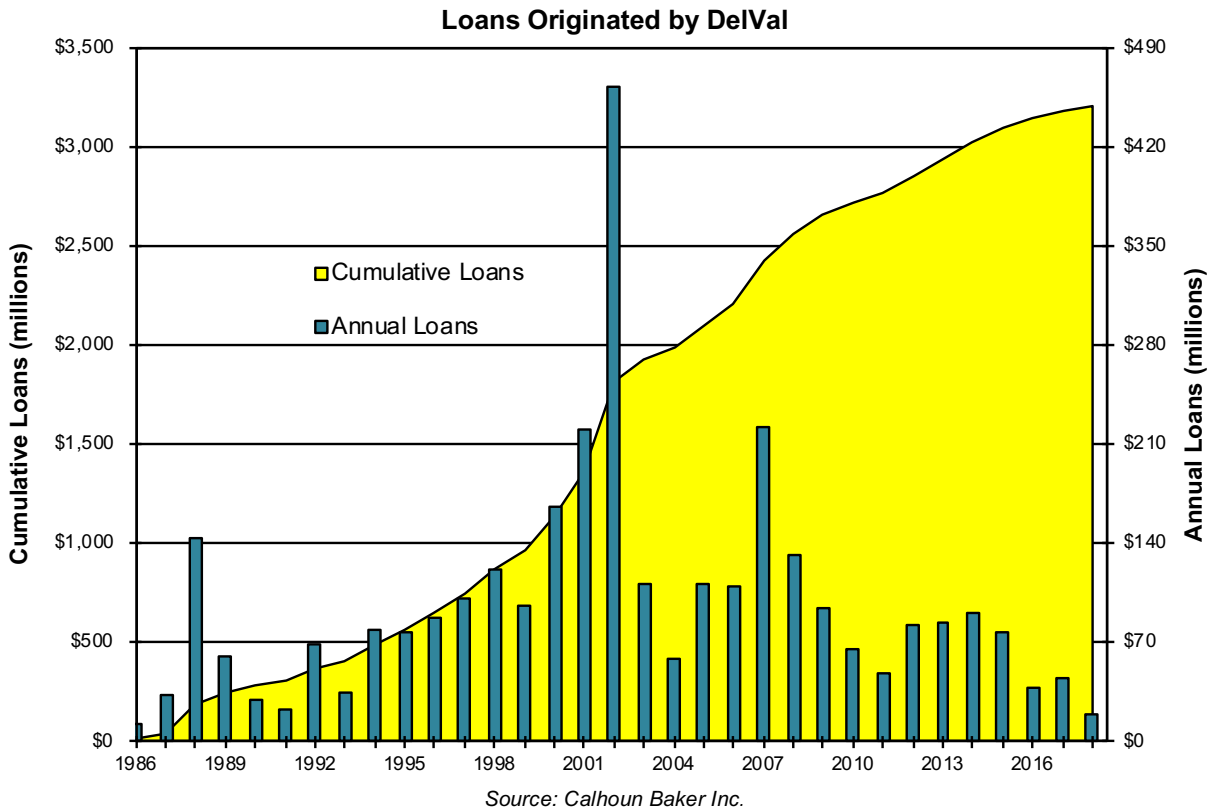
The requirement of voter approval for tax increases by school districts may adversely impact the ability of those school districts to increase taxes, irrespective of the actual level of state funding made available to that school district. School districts no longer have the power to levy taxes in an unlimited amount. However, the Taxpayer Relief Act does not alter the provisions of the *Debt Act* that provide remedies upon the failure of a Local Government Unit (including a school district) to meet its payment obligations under a Loan Agreement with DelVal (see "SECURITY FOR THE BONDS – REMEDIES UNDER THE *DEBT ACT*") or the provisions of the *Public School Code* requiring the withholding of state appropriations for payment of defaulted school district loan payments. Payments by the state to school districts under the *Taxpayer Relief Act*, like the real property taxes they replace, would not be appropriations subject to withholding under Section 6-663 of the Public School Code. See "SECURITY FOR THE BONDS – LOAN AGREEMENT AND PARTICIPANT NOTE".

THE SUMMARY OF ACT 1 ABOVE IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 1 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 1. A PROSPECTIVE PURCHASER OF THE 2018 BONDS SHOULD REVIEW THE FULL TEXT OF ACT 1 AS A PART OF ANY DECISION TO PURCHASE THE 2018 BONDS.

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## OPERATIONS OF DELVAL

The Delaware Valley Regional Finance Authority is a body corporate and politic jointly formed by Bucks, Chester, Delaware, and Montgomery Counties, Pennsylvania (collectively, the “Counties”) pursuant to the provisions of the *Authorities Act* on December 23, 1985. The Counties created DelVal to provide loans for Projects of Local Government Units and other political subdivisions (collectively, the “Political Subdivisions”). Since its creation in 1985, DelVal has provided 515 Loans with an aggregate principal amount of \$3.21 billion to 196 different Participants located in 16 different counties of Pennsylvania. Currently, 257 Loans, in the aggregate principal amount of \$787 million, are outstanding to 126 Participants located in 13 different counties. Each Loan is secured by the pledge of the full faith, credit, and taxing power of a Local Government Unit, either the Participant or the Guarantor.



The governing body of DelVal consists of a Board of Directors of five members appointed by the Counties. Each year, at the first meeting in January on a rotating basis, one of the Counties appoints a new member for a five-year term to fill the vacancy created by the expiration of the term of appointment of a Board member. The current members of the Board of DelVal are set forth below.

### DelVal Board of Directors

<u>Member</u>	<u>Office</u>	<u>Appointed by:</u>	<u>Term Expires</u>
John P. McBlain, Esq.	Chairman	Delaware County	2019
Joseph E. Brion, Esq.	Vice Chairman	Chester County	2020
Patricia K. Poprik	Secretary	Bucks County	2022
James H. Shacklett, III	Treasurer	Montgomery County	2021
Robert G. Loughery	Secretary/Treasurer	Bucks County	2018

DelVal has no employees. The operations of DelVal are conducted by the Administrator, the Solicitor, and the Trustee. The Administrator, Calhoun Baker Inc., is responsible for operations, including the marketing of the loan programs, credit review of applicants, investment of funds, administration of the loan portfolio, issuance of debt, and execution of interest rate swap transactions. Calhoun Baker Inc. has served as the Administrator since 1989. DelVal’s Solicitor, Carmen P. Belefonte, Esq., is responsible for the preparation of loan documents, resolutions, and contracts.

Mr. Belefonte has served as Solicitor since the creation of DelVal. TD Bank, N.A. and Wells Fargo Bank, N.A. serve as Trustee for the DelVal Series. The Trustee holds all of the funds and assets of DelVal. The Trustee prepares bills to the Participants and collect the Repayments. Most of the Participants make Repayments through Automated Clearing House debit transactions. The Trustee makes all payments for debt service on bonds, interest rate swap transactions, and administrative expenses pursuant to the applicable indenture or pursuant to the authorization of a requisition approved by the DelVal Board.

## **PROGRAMMATIC OBJECTIVES**

DelVal's primary objectives for its Loan Programs are to:

- 1) provide funding with a lower all-in true interest cost (taking into consideration costs of issuance, interest costs, and administrative costs) than the Participants could achieve on their own,
- 2) provide variable rate and fixed rate funding options that would not ordinarily be available to Participants, and
- 3) improve the ability and flexibility of Participants to manage their liabilities.

DelVal seeks to accomplish these objectives by realizing economies of scale, utilizing a revolving loan pool structure, issuing bonds in modes to minimize interest costs and to diversify exposure in future markets, and entering into interest rate swap agreements. DelVal generally issues bonds in an aggregate principal amount sufficient to fund 20 to 50 loans to Participants. By issuing in large principal amounts, DelVal realizes lower costs of issuance than would have been realized if each of the Participants issued a separate bond issue. DelVal uses a revolving loan structure to further reduce the effect of the costs of issuance. When loans are repaid, the repayments are used to originate new loans. This structure spreads the costs of issuance over a larger base of loans. DelVal issues bonds in different types of fixed rate and variable rate modes to reduce interest costs and to create loan programs that can be competitive in the future under rising and falling interest rate conditions. DelVal enters into interest rate swap agreements to minimize costs, to provide both fixed and variable rate loan options to Participants, and to hedge its exposure to future changes of interest rates.

## **LOAN PROGRAM**

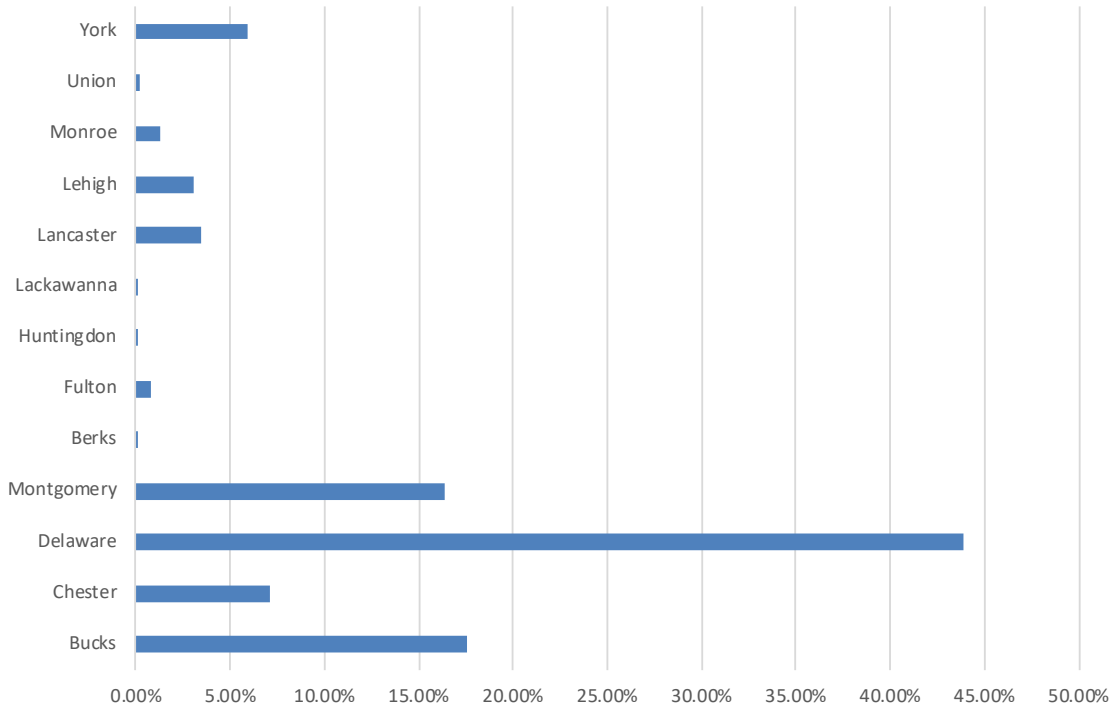
Loans from DelVal are limited to Projects permitted under the *Debt Act*. Loans from DelVal are subject to the following additional limitations:

- 1) DelVal may not provide a loan that would constitute a "Tax and Revenue Anticipation Note" under the *Debt Act*.
- 2) DelVal may not provide any loans to institutions of health or higher education.
- 3) Loans from DelVal must be secured or guaranteed by the full faith, credit and taxing power of a Local Government Unit.

Loans must receive approvals from (i) the Administrator, (ii) the Board of DelVal, and, if applicable, (iii) the credit enhancer for the Loan.

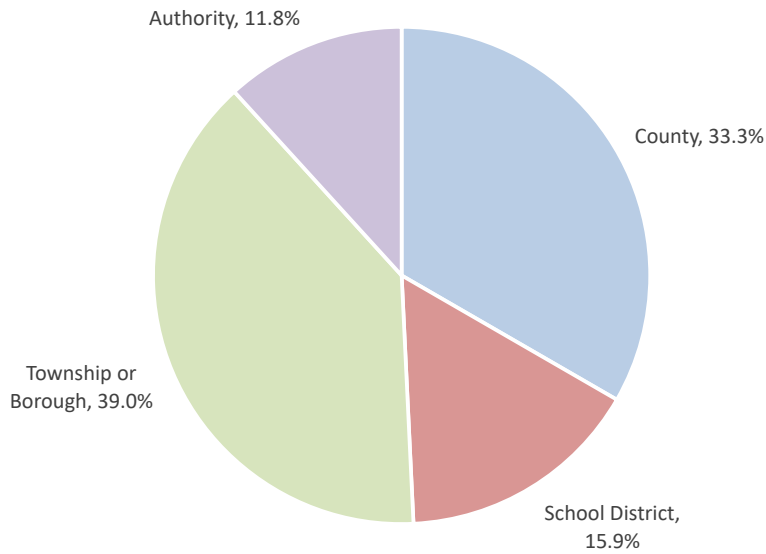
The primary market area of DelVal is in the Counties. The Counties encompass an area of approximately 2,060 square miles and a population of more than 2.5 million people. The Counties contain more than 420 Political Subdivisions. DelVal initially restricted its lending activities to Political Subdivisions located in the Counties. In 2002, in order to provide geographic diversification to its loan portfolio, DelVal began lending to Political Subdivisions in Pennsylvania located outside the Counties. Currently, 84.95% of the Loans outstanding have been originated to Participants located in the Counties. Charts of the Loan principal outstanding by county and type of Political Subdivision are shown below.

**Loan Principal Outstanding by County of the Participant**



Source: Calhoun Baker Inc.

**Loan Principal Outstanding by Type of Political Subdivision**

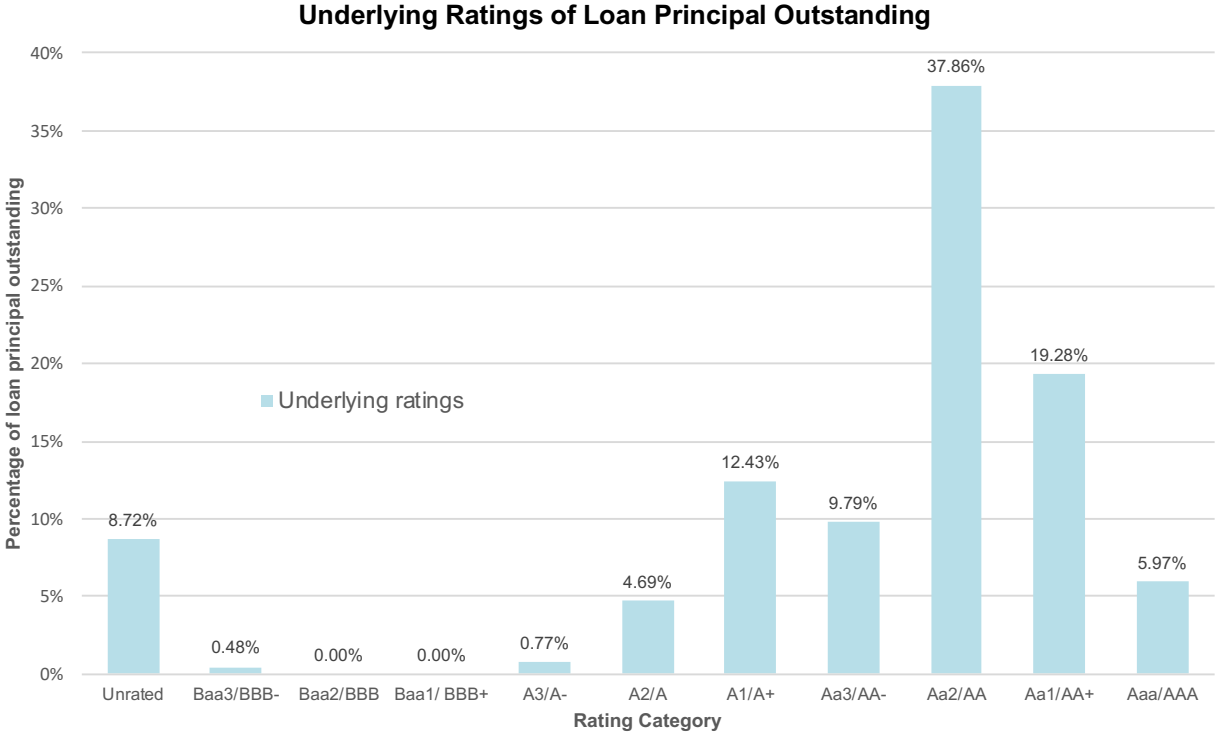


Source: Calhoun Baker Inc.

Loans to school districts also benefit from the provisions of Section 6-633 of the *Public School Code* and Section 8283(c) of the *Debt Act*. Under Section 6-633 of the *Public School Code*, if any school district fails to make its required debt service payments on the loans on the date such payments are due under a Loan Agreement, the Secretary of Education of the Commonwealth is required to withhold, subject in the case where the Commonwealth has not adopted a budget for such fiscal year, to compliance by the subject school district with Act No. 85 of 2016

(P.L. 664, No. 85), from any subsidy payment of any type due the school district by the Commonwealth, an amount equal to such debt service payments owed by the school district. Under Section 8283(c) of the *Debt Act*, if a school district fails to pay or provide for the payment of periodic scheduled payments, not including any termination payments, due pursuant to a Qualified Interest Rate Management Agreement (which would include Repayments due under the Loan Agreement), DeIVal as a party to the Loan Agreement must notify the Secretary of Education (the “Secretary”) of such failure and, upon such notice, the Secretary will notify the Department of Community and Economic Development and the offending board of school directors, and if the Secretary finds that the amount due and payable by the school district has not been paid, the Secretary shall withhold out of any state appropriation due the school district an amount equal to the amount due and will pay over the amount so withheld to DeIVal. The foregoing withholding provisions are not part of any contract with DeIVal, or with the holders of the 2018 Bonds, and future legislation may amend or repeal the provisions for the withholding of debt service payments. Other withholding provisions of the *Public School Code* or the *Debt Act* may limit the effectiveness of the withholding provisions for debt service and periodic scheduled payments, and enforcement may also be limited by bankruptcy, insolvency, or other laws of equitable principles affecting the enforcement of creditors’ rights generally. No assurance can be given that any debt service payments subject to the *Public School Code* and the *Debt Act* withholding provisions, respectively, will be received on the date that the debt service payments or periodic scheduled payments are due. See “SECURITY FOR THE BONDS – LOAN AGREEMENTS AND PARTICIPANT NOTES – Loan Agreements with School Districts” for further discussion.

Below is a chart that shows the underlying ratings of the Loan principal outstanding as of April 30, 2018. The analysis gives equal weight to the published ratings of the rating agencies. If the Participant or Guarantor has only one published rating, the analysis gives full weight to that published rating. The Participant or Guarantor of 72.9% of the Loan principal outstanding held a published rating of “Aa3”, “AA-”, or higher.



Source: Calhoun Baker Inc.

DeIVal is also the beneficiary of financial guaranty policies issued by Assured Guaranty Municipal Corp. (“AGM”) and its affiliate Municipal Assurance Corp. (“MAC”) that secure loans equal to 18.53% of the Loan principal outstanding as of April 30, 2018. AGM is rated “A2” with a stable outlook by Moody’s, “AA” with a stable outlook by S&P, and “AA+” with a stable outlook by Kroll Bond Rating Agency (“Kroll”). MAC was rated “AA+” by Kroll and “AA” by S&P.

Loans are amortized over a period that approximates the useful life of the projects. The amortization period of a Loan cannot exceed the maturity of the DelVal Series that funds the Loan. The Administrator monitors the adequacy of the Loan amortization to produce sufficient funds for principal payments on the DelVal Series, and the Administrator confirms that the cash flow will be sufficient before any new Loan is originated. A schedule of the projected annual amortization of Loans outstanding as of April 30, 2018, is set forth below.

**Annual Amortization of Loans Outstanding as of April 30, 2018**

<u>Year</u>	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
2018	\$ 2,172,000	\$ 14,572,000	\$ 4,849,000	\$ 19,795,000	\$ 41,388,000
2019	4,887,000	21,868,000	7,220,000	30,016,500	63,991,500
2020	5,316,000	24,350,000	10,056,000	27,709,500	67,431,500
2021	1,574,000	27,926,000	10,606,000	21,686,000	61,792,000
2022	1,444,000	37,938,000	10,722,000	26,817,000	76,921,000
2023	1,418,000	21,841,000	12,046,000	32,442,000	67,747,000
2024	1,369,000	20,751,000	12,225,000	32,097,000	66,442,000
2025	1,263,000	20,556,000	11,426,000	32,563,000	65,808,000
2026	1,016,000	17,436,000	10,546,000	19,310,000	48,308,000
2027	939,000	16,014,000	9,629,000	19,387,000	45,969,000
2028	-	13,289,000	9,629,000	17,133,000	40,051,000
2029	-	-	6,094,000	19,970,000	26,064,000
2030	-	-	5,747,000	20,296,000	26,043,000
2031	-	-	4,461,000	18,177,000	22,638,000
2032	-	-	4,116,000	15,771,000	19,887,000
2033	-	-	-	11,972,000	11,972,000
2034	-	-	-	8,762,000	8,762,000
2035	-	-	-	8,511,000	8,511,000
2036	-	-	-	4,408,000	4,408,000
2037	-	-	-	4,089,000	4,089,000
2038	-	-	-	2,603,000	2,603,000
2039	-	-	-	1,545,000	1,545,000
2040	-	-	-	1,388,000	1,388,000
2041	-	-	-	1,320,000	1,320,000
2042	-	-	-	980,000	980,000
2043	-	-	-	514,000	514,000
2044	-	-	-	193,000	193,000
2045	-	-	-	199,000	199,000
<b>Total</b>	<b>\$ 21,398,000</b>	<b>\$236,541,000</b>	<b>\$129,372,000</b>	<b>\$399,654,000</b>	<b>\$786,965,000</b>
Weighted Average Maturity (years):	3.15	4.78	6.57	7.89	6.61

Source: Calhoun Baker Inc.

The ten Participants or Guarantors with the highest concentration of Loans is shown in the schedule below. The ten highest concentrations comprise 52.26% of the Loans outstanding as of April 30, 2018. Delaware County has the highest concentration with 27.044% of the principal amount of the Loans outstanding as of April 30, 2018. The Comprehensive Annual Financial Report, Year Ended December 31, 2016, for Delaware County is posted on the website of the Municipal Securities Rulemaking Board, the Electronic Municipal Market Access (“EMMA”) website at <https://emma.msrb.org/EP1014454-EP786465-EP1188156.pdf>. DelVal gives no assurance of the accuracy, completeness, or timeliness of the information posted on EMMA by Delaware County.

### Concentration of the Loan Program as of April 30, 2018

<u>No.</u>	<u>Borrower</u>	<u>County</u>	<u>Participant or Guarantor Ratings</u>			<u>Total Outstanding 30-Apr-18</u>	<u>Insured (1) Loan Principal</u>	<u>Concentration</u>	
			<u>Kroll</u>	<u>Moody's</u>	<u>S&amp;P</u>			<u>Borrower</u>	<u>Cumulative</u>
1	Delaware County (2)	Delaware	--	Aa1	AA	\$212,823,000	\$ 13,065,000	27.044%	27.044%
2	Bucks County (2)	Bucks	--	Aaa	AAA	28,395,000	-	3.608%	30.652%
3	Bensalem Township	Bucks	--	Aa2	--	27,378,000	-	3.479%	34.131%
4	Upper Dublin Township (2)	Montgomery	--	Aa2	--	25,093,000	-	3.189%	37.319%
5	Allentown School District	Lehigh	--	--	A	24,375,000	9,820,000	3.097%	40.417%
6	Lancaster County	Lancaster	--	Aa3	--	23,044,000	23,044,000	2.928%	43.345%
7	Bristol Township	Bucks	--	Aa3	--	20,363,000	-	2.588%	45.932%
8	Ridley Township	Delaware	--	--	A+	17,800,000	-	2.262%	48.194%
9	Gamet Valley School District	Delaware	--	--	AA	16,410,000	7,940,000	2.085%	50.279%
10	Aston Township	Delaware	--	--	AA	15,586,000	-	1.981%	52.260%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") or its affiliate Municipal Assurance Corp. ("MAC") with DelVal as the beneficiary. AGM is rated "A2" by Moody's, "AA" by S&P, and "AA+" by Kroll. MAC is rated "AA" by S&P and "AA+" by Kroll.

(2) Figures include financial guaranties of DelVal loans to component units.

*Source: Calhoun Baker Inc.*

Financial information for individual Participants or Guarantors is not included in this Official Statement. Many Participants or Guarantors have continuing disclosure agreements for bonds or notes that were issued in public sales, and they are obligated to post the financial information specified in their continuing disclosure agreements on EMMA, none of which is incorporated herein by reference. DelVal requires all Participants to enter into continuing disclosure agreements (each a "Participant Continuing Disclosure Agreement") with DelVal pursuant to which they agree to provide financial information and other notices to DelVal. See "PARTICIPANT CONTINUING DISCLOSURE" herein. The annual financial statements of the Participants or Guarantors for the five most recent fiscal years are posted on the DelVal website: [www.DelVal.US](http://www.DelVal.US), none of which is incorporated herein by reference. The website is updated by DelVal, from time to time, as the financial statements are received from Participants or Guarantors. See "Appendix III: LOANS OUTSTANDING AS OF APRIL 30, 2018" for a complete listing of Participants in the Loan Program.

A summary of the Loan origination for the past year is shown below. Origination was restricted in 2016 and 2017 due to the maturity of the \$125 million 2002 B Bonds and the \$42 million 1997 B Bonds on July 1, 2017. Loan Principal payments prior to that maturity date were deposited in the respective bond redemption funds and were not available to originate new Loans. The closing of the 2017 Bonds on May 1, 2017, provided funding for new Loans that was exhausted with the Loan closings on February 26, 2018. Origination since then has been restricted due to the maturity of the \$50 million 1998 B and C Bonds on August 1, 2018. Loan Principal repayments have been deposited in the bond redemption fund, and funding for new Loans has been limited.

### Loans Closed for the Year Ended April 30, 2018

<u>No.</u>	<u>Loans Closed</u>	<u>Kroll</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Amount</u>	<u>Closing</u>
1	Bucks County Community College Authority	--	Aaa	AAA	\$ 7,500,000	10-May-17
2	Bucks County Airport Authority	--	Aaa	AAA	660,000	25-Sep-17
3	Bristol Township	--	Aa3	--	10,000,000	25-Sep-17
4	Nether Providence Township	--	--	--	113,000	25-Sep-17
5	Norwood Borough	--	--	--	740,000	25-Oct-15
6	Bridgeport Borough	--	A2	--	510,000	10-Nov-17
7	Ridley Township	--	Aa3	A+	10,000,000	27-Nov-17
8	Upper Dublin Township	--	Aa2	--	9,000,000	15-Dec-17
9	Gamet Valley School District	--	Aa2	AA	1,250,000	15-Dec-17
10	Upper Dublin Township Municipal Authority	--	Aa2	--	6,000,000	26-Feb-18
11	Aston Township	--	--	AA	12,250,000	26-Feb-18
12	Chalfont Borough	--	--	--	1,260,000	27-Apr-18
	Total closings				<u>\$ 59,283,000</u>	

*Source: Calhoun Baker Inc.*

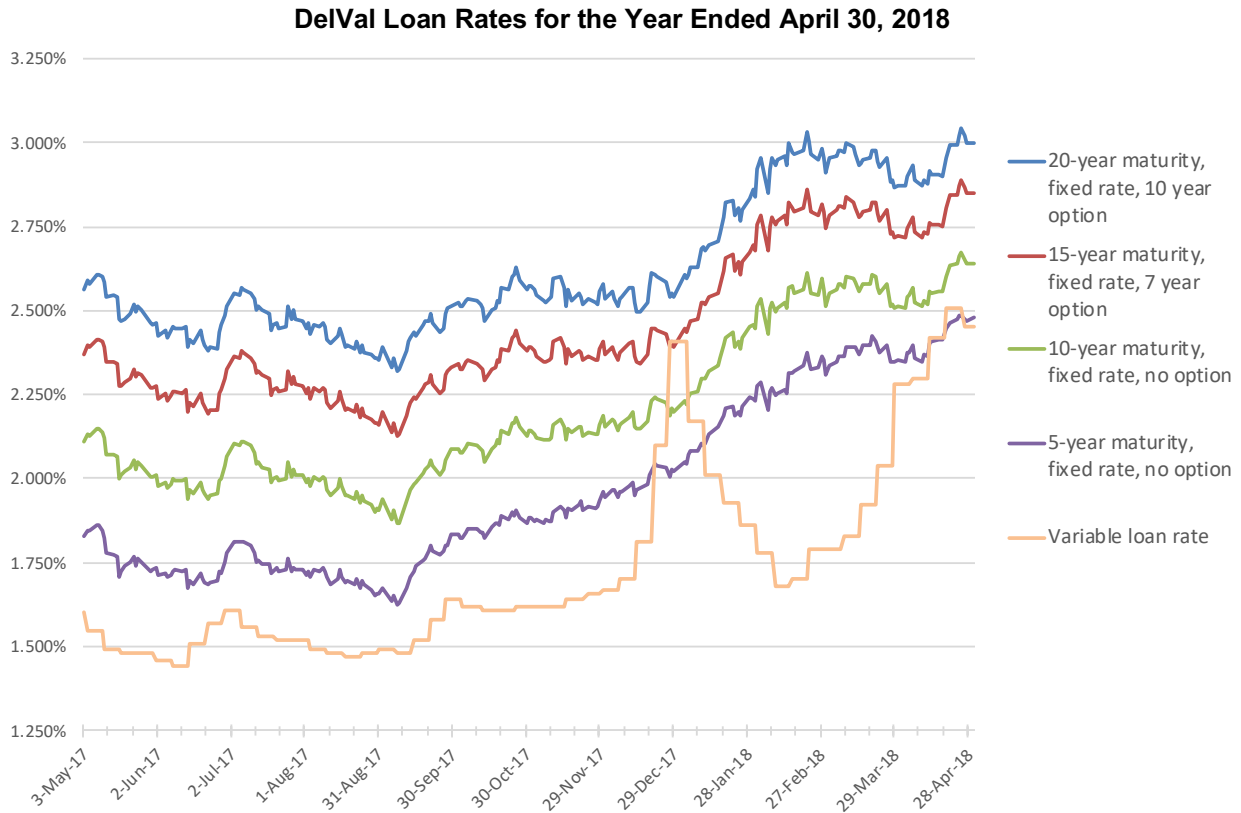
## Competitive Advantages of DeVal's Loans

DeVal believes that its Loan Program has been successful due to the low issuance costs, administrative fees, and interest rates of the Loans. Currently, DeVal assesses an origination fee equal to 0.50% of the principal amount of the Loan. The additional costs that Participants presently incur are the fees for their solicitors or advisors to review documents, advertising costs, and application fees to the Commonwealth for approval of the debt of the Participant or its Guarantor. If required for approval of the Loan by the Administrator, the Participant would also be responsible for any rating fees or premiums for a financial guaranty policy.

The rate on each Loan is set monthly by the Administrator to provide funds sufficient to pay its allocable share of:

- 1) Debt Service,
- 2) Swap Payments, and
- 3) Administrative Costs.

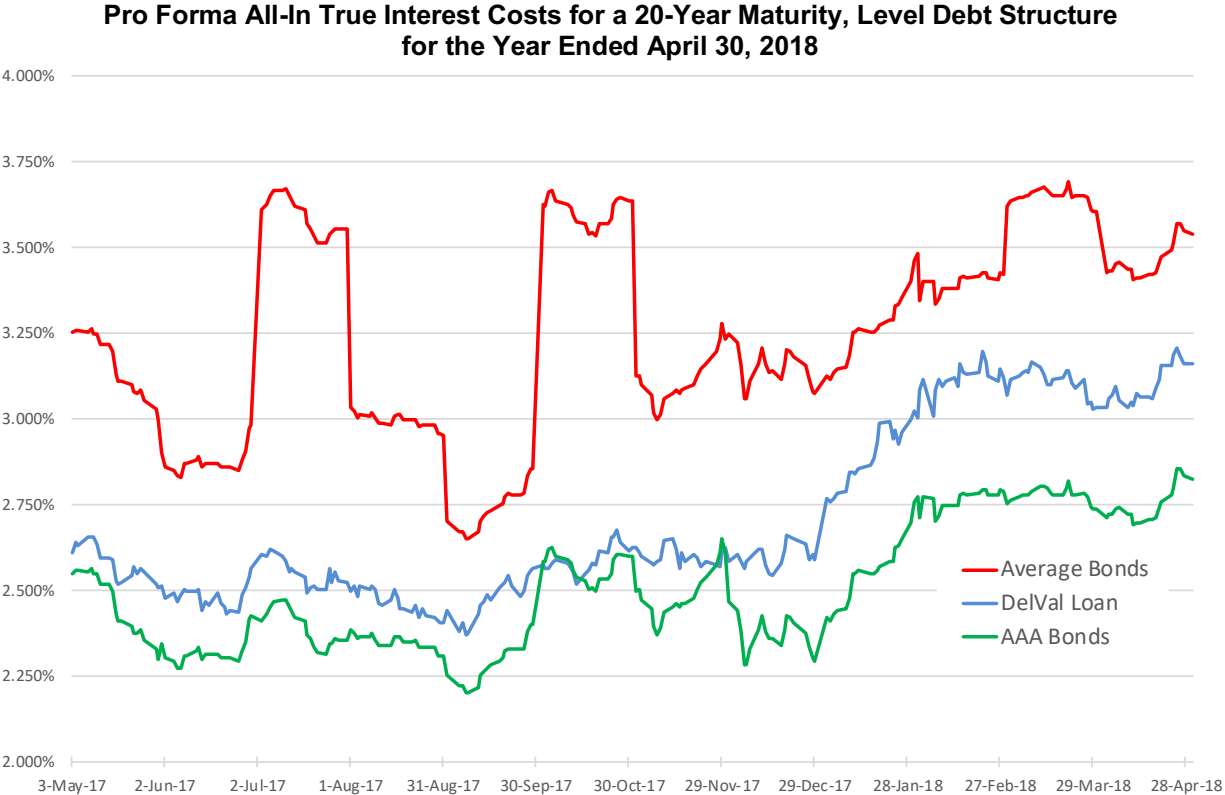
Below is a chart of certain Loan rates over the year ended April 30, 2018.



<u>Loan Option</u>	<u>Average for the Past Year</u>	<u>Rate as of 30-Apr-18</u>
20-year maturity, fixed rate, 10 year option	2.624%	2.998%
15-year maturity, fixed rate, 7 year option	2.448%	2.848%
10-year maturity, fixed rate, no option	2.207%	2.641%
5-year maturity, fixed rate, no option	1.971%	2.478%
Variable rate loan	1.734%	2.450%

Source: Calhoun Baker Inc.

The Administrator tracks the tax-exempt bond issues sold in DelVal’s primary market area (the “Market Area”) in the eastern and south-central areas of Pennsylvania. A pro forma comparison for the year ended April 30, 2018, of the All-In True Interest Costs (the “All-In TIC”) of (i) the average bond issue (the “Average Bonds”) in the Market Area, (ii) AAA general obligation bonds (the “AAA Bonds”), and (iii) a DelVal Loan is shown below. The interest rates of the AAA Bonds are based on the Bloomberg AAA General Obligation Bond Indices (the “AAA Indices”); the AAA Indices are based on non-callable rates. The interest rates of the Average Bonds are based on the actual spreads of the bonds issued in the Market Area over (under) the AAA Indices on their sale dates, calculated monthly. The costs of issuance of the Average Bonds are based on the actual costs of issuance of bonds sold in the Market Area, calculated monthly. The DelVal Loan rates and costs of issuance are based on the actual daily rates and costs, including the cost of a 5-year option. Over this period, DelVal’s All-In TIC averaged 0.574% lower than the Average Bonds.



<u>Bond Issues in DelVal's Market Area</u>	<u>Year Ended 30-Apr-18</u>
Number of issues	81
Average gross proceeds	\$ 18,566,737
Weighted average rating	AA
Weighted average maturity (years)	12.36
Weighted average costs of issuance	1.43%
Weighted average All-In TIC	3.26%
Debt service costs over (under):	
Bloomberg AAA General Obligation	\$ 1,890,816
Comparable DelVal Loan	\$ 1,470,605
All-In True Interest Costs over (under):	
Bloomberg AAA General Obligation	0.803%
Comparable DelVal Loan	0.574%

*Source: Calhoun Baker Inc.*

**Demand Survey**

The Administrator conducted a survey (the “Demand Survey”) to assess potential interest in the Loan Program. The Administrator contacted current and former Participants in the Loan Program. The respondents (each, a “Respondent”) answered the questions contained in the survey in telephone calls, emails, or faxes. The Demand Survey does not include estimates of refunding requirements. The results of the Demand Survey are shown below.

**Demand Survey of Estimated Capital Expenditures**

	Survey Responses	Amount of Expected Capital Expenditures				Total
		2018	2019	2020	2021	
Location of Respondent						
Bucks County	10	\$ 26,000,000	\$ 39,475,000	\$13,200,000	\$ 6,200,000	\$ 84,875,000
Chester County	8	-	-	-	-	-
Delaware County	10	19,782,088	58,563,500	58,244,000	25,105,000	161,694,588
Montgomery County	11	2,950,000	20,450,000	26,250,000	1,250,000	50,900,000
Other Counties	6	-	-	-	-	-
Total	<u>45</u>	<u>\$ 48,732,088</u>	<u>\$ 118,488,500</u>	<u>\$97,694,000</u>	<u>\$32,555,000</u>	<u>\$ 297,469,588</u>
Type of Respondent						
Counties	3	\$ 38,900,000	\$ 88,415,000	\$64,905,000	\$ 8,525,000	\$ 200,745,000
School Districts	6	-	1,250,000	1,250,000	1,250,000	3,750,000
Other	36	9,832,088	28,823,500	31,539,000	22,780,000	92,974,588
Total	<u>45</u>	<u>\$ 48,732,088</u>	<u>\$ 118,488,500</u>	<u>\$97,694,000</u>	<u>\$32,555,000</u>	<u>\$ 297,469,588</u>
Applications received	<u>6</u>	<u>\$ 38,300,000</u>	<u>\$ 20,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,300,000</u>

Source: Calhoun Baker Inc.

Based upon the applications for new Loans, expressions of interest in new Loans, analysis of financings during the last three years, results of the Demand Survey, and DelVal’s history of Loan origination, the Administrator reasonably expects that the demand for the Loan Program will be sufficient to utilize the net proceeds of the 2018 Bonds during the next three years. The DelVal Board has authorized Loan commitments for the \$58.3 million of Loan applications that were received as of June 11, 2018. DelVal does not have sufficient funds for the projected demand for Loans in the three-year period beginning on June 27, 2018, without the issuance of the 2018 Bonds.

DelVal expects to continue to be successful in originating new Loans; however, DelVal can give no assurance that it will continue to enjoy the competitive advantages of origination costs, administrative costs, and interest rates that have made the Loan Program an attractive financing option.

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## FINANCIAL OPERATIONS

DelVal's principal sources of revenues are (i) interest payments and origination fees on Loans, (ii) investment earnings, and (iii) Swap Receipts. DelVal's principal expenses are (i) interest on the DelVal Series, (ii) Swap Payments, and (iii) administrative costs, including credit facility fees and remarketing fees. DelVal has utilized available unrestricted fund balances to pay a portion of the issuance costs of new DelVal Series and to provide liquidity for the Loan Program. DelVal expects to continue this practice in the future. In 2016 and 2017, DelVal received a total of \$4.1 million in class action suit settlements related to bid rigging and manipulation of indices. Comparative statements of revenues, expenses, and changes in net position are shown below. See "Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017" for additional information.

### Delaware Valley Regional Finance Authority Comparative Statements of Revenues, Expenses, and Changes in Net Position Information Years Ended December 31

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Loan interest	\$ 18,110,888	\$ 17,749,385	\$ 17,079,635	\$ 17,735,608	\$ 17,169,131
Interest rate swap	29,770,791	29,809,618	30,542,865	30,245,859	27,063,208
Interest on investments and cash equivalents	<u>1,901,631</u>	<u>1,984,579</u>	<u>2,682,752</u>	<u>3,191,161</u>	<u>4,298,627</u>
Total revenues	<u>49,783,310</u>	<u>49,543,582</u>	<u>50,305,252</u>	<u>51,172,628</u>	<u>48,530,966</u>
Expenses:					
Interest expense:					
Bonds	35,923,919	35,982,085	37,032,563	37,936,069	35,314,903
Interest rate swaps	11,437,064	11,265,185	10,975,606	11,347,594	10,561,961
Costs of issuance	-	254,442	-	-	431,449
Credit or liquidity facility fees	503,062	473,186	144,189	120,425	229,010
Administrative expenses	<u>988,813</u>	<u>1,079,198</u>	<u>1,006,444</u>	<u>995,237</u>	<u>946,735</u>
Total expenses	<u>48,852,858</u>	<u>49,054,096</u>	<u>49,158,802</u>	<u>50,399,325</u>	<u>47,484,058</u>
Revenues over expenses	<u>930,452</u>	<u>489,486</u>	<u>1,146,450</u>	<u>773,303</u>	<u>1,046,908</u>
Other revenues (expenses):					
Increase of estimated rebate liability	(74,681)	39,000	(44,000)	(55,000)	130,000
Class action settlement	-	-	-	2,750,724	1,386,991
Unrealized gain (loss) on investments and restricted investments	<u>(311,014)</u>	<u>73,159</u>	<u>(172,903)</u>	<u>241,174</u>	<u>25,128</u>
Total other revenues (expenses), net	<u>(385,695)</u>	<u>112,159</u>	<u>(216,903)</u>	<u>2,936,898</u>	<u>1,542,119</u>
Increase in net position	544,757	601,645	929,547	3,710,201	2,589,027
Net position, beginning	<u>19,570,730</u>	<u>20,115,487</u>	<u>20,717,132</u>	<u>21,646,679</u>	<u>25,356,880</u>
Net position, ending	<u>\$ 20,115,487</u>	<u>\$ 20,717,132</u>	<u>\$ 21,646,679</u>	<u>\$ 25,356,880</u>	<u>\$ 27,945,907</u>

Comparative balance sheets are shown below. Cash, cash equivalents, and restricted cash equivalents are principally deposits in the GIC's. Investments and restricted investments are principally investments in floating rate notes. The debt service reserve funds constitute the restricted cash equivalents and restricted investments. See "INVESTMENTS" for additional information. Cash equivalent, restricted cash equivalent, investment, and restricted investment balances increased in 2014 due to the issuance of the 2014 Bonds. The cash equivalent balance increased at the end of 2016 as DelVal accumulated funds for the \$167 million of bond principal payable in 2017. Cash equivalent balances remained relatively high in 2017 due to the issuance of the 2017 Bonds and the accumulation of funds for the \$50 million of bonds payable in 2018. See "Appendix I: FINANCIAL STATEMENTS OF THE

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017”  
for additional information.

**Delaware Valley Regional Finance Authority  
Comparative Balance Sheet Information  
as of December 31**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 55,691,173	\$ 97,713,546	\$ 92,000,708	\$ 133,714,885	\$ 79,600,862
Restricted cash equivalents	63,599,750	62,000,000	63,356,000	62,000,000	45,300,000
Investments	-	999,590	5,603,584	-	-
Accrued interest receivable:					
Loans	445,947	430,309	423,266	412,880	439,298
Interest rate swaps	6,152,589	6,200,019	6,229,068	6,131,648	6,222,764
Cash equivalents and investments	63,885	61,524	67,662	101,475	194,162
Prepaid expenses	93,188	85,356	89,863	88,531	91,448
Loans to local governments	<u>57,722,427</u>	<u>59,104,833</u>	<u>64,113,614</u>	<u>66,028,500</u>	<u>62,185,024</u>
Total current assets	<u>183,768,959</u>	<u>226,595,177</u>	<u>231,883,765</u>	<u>268,477,919</u>	<u>194,033,558</u>
<b>NONCURRENT ASSETS:</b>					
Investments	-	18,951,597	2,424,185	1,082,063	8,760,004
Restricted investments	42,855,749	24,577,720	23,128,235	24,715,115	31,702,115
Loans to local governments	802,337,447	783,108,614	795,497,000	761,533,500	726,109,000
Unamortized prepaid interest rate swap expense	7,906,676	7,324,951	6,741,632	6,159,907	5,578,183
Fair value of derivative transactions	<u>101,831,519</u>	<u>144,563,675</u>	<u>146,708,033</u>	<u>124,514,286</u>	<u>122,352,200</u>
Total other assets	<u>954,931,391</u>	<u>978,526,557</u>	<u>974,499,085</u>	<u>918,004,871</u>	<u>894,501,502</u>
<b>TOTAL</b>	<u><b>\$1,138,700,350</b></u>	<u><b>\$1,205,121,734</b></u>	<u><b>\$1,206,382,850</b></u>	<u><b>\$1,186,482,790</b></u>	<u><b>\$1,088,535,060</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accrued expenses	\$ 104,140	\$ 17,399	\$ 17,607	\$ 15,225	\$ 79,995
Bond principal payable	-	-	-	167,000,000	50,000,000
Estimated rebate liability	-	-	-	150,000	-
Accrued interest payable:					
Interest rate swaps	58,434	42,301	40,993	320,513	397,871
Bonds	<u>18,230,997</u>	<u>18,323,842</u>	<u>18,336,646</u>	<u>18,057,121</u>	<u>12,915,262</u>
Total current liabilities	<u>18,393,571</u>	<u>18,383,542</u>	<u>18,395,246</u>	<u>185,542,859</u>	<u>63,393,128</u>
<b>LONG TERM LIABILITIES:</b>					
Bonds payable, net	998,219,773	1,021,356,385	1,019,487,892	851,018,765	874,773,825
Estimated rebate liability	<u>140,000</u>	<u>101,000</u>	<u>145,000</u>	<u>50,000</u>	<u>70,000</u>
Total long term liabilities	<u>998,359,773</u>	<u>1,021,457,385</u>	<u>1,019,632,892</u>	<u>851,068,765</u>	<u>874,843,825</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Accumulated increase in fair value of hedging derivatives	<u>101,831,519</u>	<u>144,563,675</u>	<u>146,708,033</u>	<u>124,514,286</u>	<u>122,352,200</u>
Total liabilities and deferred inflows of resources	1,118,584,863	1,184,404,602	1,184,736,171	1,161,125,910	1,060,589,153
<b>NET POSITION</b>	<u>20,115,487</u>	<u>20,717,132</u>	<u>21,646,679</u>	<u>25,356,880</u>	<u>27,945,907</u>
<b>TOTAL</b>	<u><b>\$1,138,700,350</b></u>	<u><b>\$1,205,121,734</b></u>	<u><b>\$1,206,382,850</b></u>	<u><b>\$1,186,482,790</b></u>	<u><b>\$1,088,535,060</b></u>

Comparative statements of cash flows are shown below. Cash flows from investing and financing activities are treated as “operating” activities. The issuance of the 2014 Bonds and 2017 Bonds and the accumulation of funds for bond principal payments affected the cash flows. Optional redemptions and maturities of the DelVal Series used

\$200 million of cash in 2014 and \$267 million in 2017, and the issuance of Master Series provided \$225 million of cash in 2014 and \$175 million in 2017. See “Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017” for additional information.

**Delaware Valley Regional Finance Authority  
Comparative Statement of Cash Flows Information  
Years Ended December 31**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Cash flows from operating activities					
Interest received on loans to local governments and interest rate swap agreements	\$ 47,871,490	\$ 47,448,919	\$ 47,531,185	\$ 48,054,453	\$ 44,074,644
Payment of interest on bonds and interest rate swap agreements	(48,693,368)	(48,452,223)	(49,283,441)	(50,169,476)	(51,604,580)
Loans to local governments	(83,208,000)	(92,533,000)	(77,857,000)	(38,301,000)	(44,773,000)
Principal repayments of loans to local governments	83,878,279	110,379,427	60,459,833	70,349,614	84,040,976
Loan origination fees received	34,315	78,292	70,903	33,226	40,160
Administrative expenses paid	(963,285)	(1,127,830)	(1,010,743)	(994,125)	(945,530)
Interest received on investments and cash equivalents	1,804,107	2,012,149	2,676,614	3,157,348	4,205,940
Credit or liquidity facility fees paid	(502,946)	(503,462)	(144,189)	(122,587)	(168,361)
Proceeds of bond issues	-	225,000,000	-	-	175,000,000
Transfers from restricted accounts	95,105	19,854,543	-	-	9,698,147
Class action settlement	-	-	-	2,750,724	1,386,991
Bond issuance costs	-	(254,442)	-	-	(431,450)
Redemption (purchase) of investments	(126,933)	(19,880,000)	11,844,000	6,956,000	(7,637,960)
Payment of bond principal	-	(200,000,000)	-	-	(267,000,000)
	<u>188,764</u>	<u>42,022,373</u>	<u>(5,712,838)</u>	<u>41,714,177</u>	<u>(54,114,023)</u>
Increase (decrease) in cash and cash equivalents					
Cash and cash equivalents, beginning	<u>55,502,409</u>	<u>55,691,173</u>	<u>97,713,546</u>	<u>92,000,708</u>	<u>133,714,885</u>
Cash and cash equivalents, ending	<u>\$ 55,691,173</u>	<u>\$ 97,713,546</u>	<u>\$ 92,000,708</u>	<u>\$ 133,714,885</u>	<u>\$ 79,600,862</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Change in net position	<u>\$ 544,757</u>	<u>\$ 601,645</u>	<u>\$ 929,547</u>	<u>\$ 3,710,201</u>	<u>\$ 2,589,027</u>
Adjustments for other revenues, expenses, and transfers					
Increase (decrease) of estimated rebate liability	74,681	(39,000)	44,000	55,000	(130,000)
Unamortized prepaid interest rate swap expense	581,724	581,725	583,319	581,725	581,724
Unrealized loss (gain) on restricted investments	184,081	(1,721)	93,485	(230,880)	(66,747)
Transfer from restricted assets	-	19,879,500	-	-	9,779,747
Adjustments for changes in assets and liabilities					
(Increase) decrease in:					
Investments	-	(19,951,187)	11,923,418	6,945,706	(7,677,941)
Accrued interest receivable:					
Loans	33,772	15,638	7,043	10,386	(26,418)
Interest rate swaps	(9,645)	(47,430)	(29,049)	97,420	(91,116)
Cash equivalents and investments	(2,419)	2,361	(6,138)	(33,813)	(92,687)
Prepaid expenses	(570)	7,832	(4,507)	1,332	(2,917)
Loans to local governments	670,279	17,846,427	(17,397,167)	32,048,614	39,267,976
Increase (decrease) in:					
Accrued expenses	26,214	(86,741)	208	(2,382)	64,770
Accrued interest payable:					
Interest rate swaps	(47,122)	(16,133)	(1,308)	279,520	77,358
Bonds	(3,601)	92,845	12,804	(279,525)	(5,141,859)
Bonds payable	(1,863,387)	23,136,612	(1,868,493)	(1,469,127)	(93,244,940)
Total adjustments	<u>(355,993)</u>	<u>41,420,728</u>	<u>(6,642,385)</u>	<u>38,003,976</u>	<u>(56,703,050)</u>
Net cash provided by (used in) operating activities	<u>\$ 188,764</u>	<u>\$ 42,022,373</u>	<u>\$ (5,712,838)</u>	<u>\$ 41,714,177</u>	<u>\$ (54,114,023)</u>

## FINANCING ACTIVITIES

DelVal provides funds for the Loan Program from the proceeds of the DelVal Series. Each DelVal Series is solely and exclusively a limited, special obligation of DelVal, and each DelVal Series funds a debt service reserve fund at the maximum permissible amount. For each DelVal Series except the 2007 B Bonds, 2018 B Bonds, and 2018 C Bonds, DelVal has executed or will execute an interest rate swap transaction under which DelVal's Swap Receipts are the same basis as the related Debt Service; DelVal's net payments are the SIFMA Index plus a spread. See "Note 6. Derivative Financial Instruments" in "Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017". After the issuance of the 2018 Bonds, DelVal's cost of funds, after Debt Service, Swap Receipts, and Swap Payments, will be equal to the SIFMA Index plus 0.531%. A summary of the outstanding DelVal Series after issuance of the 2018 Bonds and partial redemption of the 2014 Bonds is shown below.

### Outstanding DelVal Series after Issuance of the 2018 Bonds

Series	Par Amount	Debt Service Reserve Fund (1)	Option Date (2)	Purchase or Remarketing Date	Termination of Letter of Credit	Maturity Date	Basis Rate	Related Swap Transaction	
								DelVal Receives	DelVal Pays
1997 B Series	\$ 18,000,000		No option	---	---	1-Jul-27	Fixed	Fixed	SIFMA Index
1997 C Series	10,000,000		No option	---	---	1-Jul-27	Fixed	Fixed	SIFMA Index
Total 1997 Series	<u>28,000,000</u>	\$ 2,800,000							
1998 A Series	250,000,000		No option	---	---	1-Aug-28	Fixed	Fixed	SIFMA Index
1998 B Series	25,000,000		No option	---	---	1-Aug-18	Fixed	Fixed	SIFMA Index
1998 C Series	25,000,000		No option	---	---	1-Aug-18	Fixed	Fixed	SIFMA Index
Total 1998 Series	<u>300,000,000</u>	30,000,000							
2002 Series	125,000,000	12,500,000	No option	---	---	1-Jul-32	Fixed	Fixed	SIFMA Index
2007 A Series	10,000,000		No option	---	---	1-Jun-37	Fixed	Fixed	SIFMA Index
2007 B Series	50,000,000		Any date	Weekly	1-May-20	1-Jun-42	7-day	---	---
2007 C Series	50,000,000		1-Jun-17	---	---	1-Jun-27	3M LIBOR	3M LIBOR	SIFMA Index
2007 D Series	50,000,000		1-Jun-17	---	---	1-Jun-37	3M LIBOR	3M LIBOR	SIFMA Index
2014 B Series (3) (5)	20,000,000		Any date	1-Dec-20	---	1-Dec-49	1M LIBOR	1M LIBOR	SIFMA Index
2017 A Series (3) (5)	75,000,000		Any date	3-May-21	---	1-May-52	1M LIBOR	1M LIBOR	SIFMA Index
2017 B Series (4) (5)	25,000,000		Any date	3-May-21	---	1-May-52	1M LIBOR	1M LIBOR	SIFMA Index
2017 C Series (4) (5)	25,000,000		Any date	3-May-22	---	1-May-52	1M LIBOR	1M LIBOR	SIFMA Index
2017 D Series (4) (5)	25,000,000		Any date	1-May-23	---	1-May-52	1M LIBOR	1M LIBOR	SIFMA Index
2017 E Series (4) (5)	25,000,000		Any date	1-May-24	---	1-May-52	1M LIBOR	1M LIBOR	SIFMA Index
2018 A Series	10,000,000		No option	---	---	1-Sep-33	Fixed	Fixed	SIFMA Index
2018 B Series	50,000,000		1-Sep-21	1-Sep-22	---	1-Sep-48	SIFMA Index	---	---
2018 C Series	50,000,000		1-Sep-22	1-Sep-23	---	1-Sep-48	SIFMA Index	---	---
2018 D Series	30,000,000		1-Sep-23	1-Sep-24	---	1-Sep-48	1M LIBOR	1M LIBOR	SIFMA Index
2018 E Series	75,000,000		1-Sep-24	1-Sep-25	---	1-Sep-48	1M LIBOR	1M LIBOR	SIFMA Index
Total Master Series (6)	<u>570,000,000</u>	<u>32,411,000</u> (7)							
Total	<u>\$ 1,023,000,000</u>	<u>\$ 77,711,000</u>							

(1) The Debt Service Reserve Funds are the maximum permissible amounts, the least of (i) 10% of the par amount, (ii) the maximum annual debt service payment, and (iii) 125% of average annual debt service.

(2) Options can be exercised at a price of 100% of the principal amount, plus accrued interest. Exercise of the option to redeem or remarket requires 30 days of notice to Bondholders.

(3) Series evidences the direct placement of a loan from Bank of America, N.A.

(4) Series evidences the direct placement of a loan from TD Bank, N.A.

(5) The bank may assess additional charges due to changes in law, excluding changes in income tax rates, or regulations that adversely affect costs to carry or hold the loan. Any such charges would be subordinate to any debt service obligation on any DelVal Series.

(6) This schedule reflects the optional redemption of \$30 million of the 2014 B Bonds and all \$75 million of the 2014 D Bonds on June 27, 2018.

(7) Held under the Master Indenture.

Source: Calhoun Baker Inc.

The 2014 Bonds and 2017 Bonds were both issued to evidence the direct placement of loans from Bank of America, N.A., PNC Bank, National Association, and TD Bank, N.A. (collectively, the "Banks"). The loans provide that the Banks may assess incremental charges to DelVal if future changes in law, excluding changes in income tax rates, or regulations adversely affect the Banks' cost to hold the loans. Any such charges would be subordinate to Debt Service and Swap Payments, payable solely from Excess Funds. The Banks have never assessed incremental charges.

DeIVal will redeem \$105 million of the 2014 Bonds with receipts from the acquisition of Loans by the 2018 Bonds, together with other available funds, on June 27, 2018. A principal payment of \$50 million of the 1998 Bonds is due on August 1, 2018. DeIVal has provided for this payment from principal repayments of Loans and other available funds.

All of the DeIVal Series employ a revolving loan structure. When Participants repay the principal of their Loans, the funds become available to originate new Loans.

The estimated total debt service payments of DeIVal are set forth in the schedule below. See “Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017” for additional information.

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**Estimated Debt Service Payments after Issuance of the 2018 Bonds\***

Year	1997 Series		1998 Series		2002 Series		Master Series*		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ -	\$ 1,801,000	\$ 50,000,000	\$ 16,500,000	\$ -	\$ 7,187,500	\$105,000,000	\$ 8,658,882	\$ 155,000,000	\$ 34,147,382	\$ 189,147,382
2019	-	1,801,000	-	13,750,000	-	7,187,500	-	9,997,502	-	32,736,002	32,736,002
2020	-	1,801,000	-	13,750,000	-	7,187,500	-	9,997,502	-	32,736,002	32,736,002
2021	-	1,801,000	-	13,750,000	-	7,187,500	-	9,997,502	-	32,736,002	32,736,002
2022	-	1,801,000	-	13,750,000	-	7,187,500	-	9,997,502	-	32,736,002	32,736,002
2023	-	1,801,000	-	13,750,000	-	7,187,500	-	9,997,502	-	32,736,002	32,736,002
2024	-	1,801,000	-	13,750,000	-	7,187,500	-	9,997,502	-	32,736,002	32,736,002
2025	-	1,801,000	-	13,750,000	-	7,187,500	-	9,997,502	-	32,736,002	32,736,002
2026	-	1,801,000	-	13,750,000	-	7,187,500	-	9,997,502	-	32,736,002	32,736,002
2027	28,000,000	1,801,000	-	13,750,000	-	7,187,500	50,000,000	9,587,502	78,000,000	32,326,002	110,326,002
2028	-	-	250,000,000	13,750,000	-	7,187,500	-	9,176,502	250,000,000	30,114,002	280,114,002
2029	-	-	-	-	-	7,187,500	-	9,176,502	-	16,364,002	16,364,002
2030	-	-	-	-	-	7,187,500	-	9,176,502	-	16,364,002	16,364,002
2031	-	-	-	-	-	7,187,500	-	9,176,502	-	16,364,002	16,364,002
2032	-	-	-	-	125,000,000	7,187,500	-	9,176,502	125,000,000	16,364,002	141,364,002
2033	-	-	-	-	-	-	10,000,000	9,051,502	10,000,000	9,051,502	19,051,502
2034	-	-	-	-	-	-	-	8,676,502	-	8,676,502	8,676,502
2035	-	-	-	-	-	-	-	8,676,502	-	8,676,502	8,676,502
2036	-	-	-	-	-	-	-	8,676,502	-	8,676,502	8,676,502
2037	-	-	-	-	-	-	60,000,000	8,241,502	60,000,000	8,241,502	68,241,502
2038	-	-	-	-	-	-	-	7,530,502	-	7,530,502	7,530,502
2039	-	-	-	-	-	-	-	7,530,502	-	7,530,502	7,530,502
2040	-	-	-	-	-	-	-	7,530,502	-	7,530,502	7,530,502
2041	-	-	-	-	-	-	-	7,530,502	-	7,530,502	7,530,502
2042	-	-	-	-	-	-	50,000,000	7,530,502	50,000,000	7,530,502	57,530,502
2043	-	-	-	-	-	-	-	6,920,502	-	6,920,502	6,920,502
2044	-	-	-	-	-	-	-	6,920,502	-	6,920,502	6,920,502
2045	-	-	-	-	-	-	-	6,920,502	-	6,920,502	6,920,502
2046	-	-	-	-	-	-	-	6,920,502	-	6,920,502	6,920,502
2047	-	-	-	-	-	-	-	6,920,502	-	6,920,502	6,920,502
2048	-	-	-	-	-	-	205,000,000	6,040,376	205,000,000	6,040,376	211,040,376
2049	-	-	-	-	-	-	20,000,000	3,369,000	20,000,000	3,369,000	23,369,000
2050	-	-	-	-	-	-	-	3,033,000	-	3,033,000	3,033,000
2051	-	-	-	-	-	-	-	3,033,000	-	3,033,000	3,033,000
2052	-	-	-	-	-	-	175,000,000	1,011,000	175,000,000	1,011,000	176,011,000
<b>Total</b>	<b>\$28,000,000</b>	<b>\$18,010,000</b>	<b>\$300,000,000</b>	<b>\$154,000,000</b>	<b>\$125,000,000</b>	<b>\$107,812,500</b>	<b>\$675,000,000</b>	<b>\$276,172,816</b>	<b>\$1,128,000,000</b>	<b>\$ 555,995,316</b>	<b>\$1,683,995,316</b>

\*Projections of interest on variable rate debt is estimated with the first rate effective in 2018.

Source: Calhoun Baker Inc.

## STRESS TESTS

DelVal periodically prepares projections of operating results for the rating agencies to test the ability of DelVal to withstand changes of future market conditions. The schedules project loan principal and interest payments, swap receipts and payments, investment earnings, origination fees, bond principal and interest payments, and administrative expenses. The coverage of available funds over the bond principal and interest payments is calculated, including debt service reserve funds, but ignoring accumulated fund balances.

Three scenarios are considered:

- 1) “Scheduled”, debt is repaid as scheduled,
- 2) “Run-off”, the DelVal Series that can be redeemed at par are redeemed when permitted by cash flows, and
- 3) “New debt”, new DelVal Series are issued to extend the life of the Loan Program.

For each of these scenarios, four different interest rate regimes are analyzed:

- 1) SIFMA Index increases to 1.50% in 2023,
- 2) SIFMA Index increases to 3.00% in 2023,
- 3) SIFMA Index increases to 5.00% in 2023 and
- 4) SIFMA Index increases to 8.00% in 2023.

The most recent projections, incorporating the 2017 results of operations, show that coverage of debt service is not sensitive to changes in the scenarios. The results reflect that (i) the Loan Program is over-collateralized by \$28,215,250, (ii) each DelVal Series has a Debt Service Reserve Fund funded from proceeds, and (iii) the amortization of new loans is structured to ensure that sufficient funds from loan principal payments will be available to pay principal on the DelVal Series when the payments are due. The test of the adequacy of the cash flows of loan principal repayments is required under the Trust Indentures and the Covenant Agreement. If sufficient funds would not be available for principal repayments of the DelVal Series, the loan would not be originated. The projections also demonstrate that the Loan Program is not sensitive to changes in interest rates. Increased debt service and interest rate swap costs from higher interest rates are offset by increased revenues from interest rate swaps, investments, and loans.

Projected coverage of debt service declines in the years that large principal payments are due, particularly the \$250 million maturity of the 1998 Series in 2028 and the \$125 million maturity of the 2002 Series in 2032. In these years, the magnitude of the funds available for coverage is expected to exceed \$65 million in 2028 and \$62 million in 2032. DelVal projects that it would have sufficient funds to cover the debt service payments if:

- 1) Every Participant defaulted on principal and interest payments for a year, or
- 2) Every swap counterparty defaulted on payments for more than two years, or
- 3) Every investment counterparty defaulted on interest payments for more than three years.

A schedule that compares the coverage ratios under the different scenarios is shown below. The years in which scheduled principal payments are due are highlighted.

### Stress Test Comparison of Debt Service Coverage Percentages

Year	Scheduled (1)				Run-Off (2)				New Debt (3)			
	SIFMA Index in 2023				SIFMA Index in 2023				SIFMA Index in 2023			
	1.50%	3.00%	5.00%	8.00%	1.50%	3.00%	5.00%	8.00%	1.50%	3.00%	5.00%	8.00%
2018	213%	213%	213%	213%	213%	213%	213%	213%	345%	345%	345%	345%
2019	452%	443%	432%	418%	234%	234%	233%	232%	430%	420%	408%	392%
2020	451%	436%	417%	394%	233%	233%	232%	232%	447%	425%	400%	371%
2021	449%	426%	401%	373%	233%	235%	236%	238%	478%	442%	406%	368%
2022	449%	419%	389%	358%	257%	260%	262%	266%	478%	431%	389%	349%
2023	447%	411%	377%	344%	283%	286%	290%	295%	475%	420%	374%	333%
2024	508%	471%	437%	402%	314%	317%	321%	328%	475%	420%	374%	333%
2025	739%	667%	599%	531%	995%	949%	899%	840%	622%	547%	483%	424%
2026	948%	842%	741%	640%	1208%	1144%	1075%	994%	828%	708%	608%	518%
2027	345%	340%	334%	326%	360%	361%	364%	367%	346%	337%	326%	315%
2028	129%	130%	132%	134%	124%	126%	128%	131%	138%	140%	142%	145%
2029	568%	462%	383%	317%	1051%	938%	828%	716%	587%	461%	376%	312%
2030	677%	555%	462%	384%	1393%	1234%	1080%	921%	587%	461%	377%	312%
2031	964%	766%	617%	494%	1701%	1501%	1308%	1106%	798%	615%	491%	397%
2032	146%	146%	146%	146%	146%	147%	148%	150%	164%	164%	164%	164%
2033	803%	558%	420%	327%	160%	162%	163%	166%	745%	520%	398%	318%
2034	803%	558%	420%	327%	187%	189%	193%	199%	745%	520%	398%	318%
2035	804%	558%	420%	327%	154%	157%	161%	167%	745%	520%	398%	318%
2036	945%	653%	488%	376%	4771%	4855%	4965%	5153%	745%	520%	398%	318%
2037	186%	183%	180%	175%	376%	383%	391%	403%	219%	213%	207%	199%
2038	1012%	688%	509%	390%	***	***	***	***	846%	582%	441%	349%
2039	1012%	688%	509%	390%	***	***	***	***	846%	582%	441%	349%
2040	1008%	686%	508%	389%	***	***	***	***	843%	579%	439%	347%
2041	1122%	762%	562%	427%	***	***	***	***	841%	578%	438%	347%
2042	193%	190%	186%	180%	***	***	***	***	233%	225%	217%	208%
2043	909%	616%	453%	345%	***	***	***	***	789%	542%	411%	325%
2044	909%	615%	453%	344%	***	***	***	***	789%	542%	410%	324%
2045	909%	615%	453%	344%	***	***	***	***	789%	542%	410%	324%
2046	1517%	979%	682%	484%	***	***	***	***	790%	542%	411%	325%
2047	2148%	1365%	931%	643%	***	***	***	***	906%	613%	457%	357%
2048	2796%	1766%	1196%	816%	***	***	***	***	1512%	968%	680%	494%
2049	170%	166%	162%	156%	***	***	***	***	185%	181%	176%	171%
2050	3667%	2284%	1526%	1023%	***	***	***	***	2170%	1339%	906%	630%
2051	4737%	2966%	1997%	1353%	***	***	***	***	2934%	1797%	1203%	822%
2052	122%	124%	127%	131%	***	***	***	***	185%	184%	184%	182%
2053	***	***	***	***	***	***	***	***	175%	175%	175%	175%
2054	***	***	***	***	***	***	***	***	130%	132%	135%	139%

- (1) Assumes the principal maturing after 2017 is paid on the scheduled maturity dates.
- (2) Assumes the Bonds that can be optionally redeemed at par are run-off as funds become available.
- (3) Assumes \$125 million of Bonds are issued in 2018 and another \$125 million in 2019.

## INVESTMENT CONSIDERATIONS

The purchase of the 2018 Bonds involves certain investment considerations that are described in this Official Statement. Each prospective purchaser of any 2018 Bonds should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the risks associated with the purchase of investments such as the 2018 Bonds. CERTAIN OF THESE INVESTMENT CONSIDERATIONS ARE SET FORTH IN THIS SECTION FOR CONVENIENCE AND ARE NOT INTENDED TO SUBSTITUTE FOR AN INDEPENDENT EVALUATION OF THE INFORMATION PRESENTED IN THIS OFFICIAL STATEMENT.

Limited Obligations. The 2018 Bonds are solely and exclusively limited, special obligations of DelVal, payable from and secured solely by the Trust Estate (See "SECURITY FOR THE BONDS."). DELVAL HAS NO TAXING POWER.

Loan Origination. DelVal and the Administrator reasonably expect that Loans will be originated with the proceeds of the 2018 Bonds; however, neither DelVal nor the Administrator can give any assurance that such Loans will be originated. See "THE 2018 BONDS – REDEMPTION", "INTEREST RATE SWAP AGREEMENTS", and "OPERATIONS OF DELVAL – LOAN PROGRAM".

Swap Agreements. DelVal reasonably expects to make Swap Payments and to receive Swap Receipts as provided in the Swap Transactions and Swap Agreements, and DelVal reasonably expects to execute other Swap Transactions in the future with respect to the 2018 Bonds and the Loans. DelVal can give no assurance that any Swap Counterparty will not default on its obligations thereunder or that any Swap Transaction or any Swap Agreement will not be subject to Early Termination and the payment by DelVal of a Termination Payment in connection therewith. See "INTEREST RATE SWAP AGREEMENTS."

LIBOR Rates. The LIBOR Rates that are the basis of rates for certain outstanding Master Series, including certain 2018 Bonds, and the related, effective Swap Transactions may not be posted in the future. The impact of the replacement of the LIBOR Rates on DelVal and the affected 2018 Bondholders is uncertain.

Participant Credit Enhancement and Ratings of Participants. Under the Swap Agreements, the failure to comply with certain thresholds based upon the ratings of the Participants and Participant Credit Enhancers may be an Early Termination event. The Indenture and the Covenant Agreement require DelVal to secure Participant Credit Enhancements or published ratings for Participants or Guarantors to satisfy the Ratings Test. No assurance can be given that DelVal will be able to secure the requisite Participant Credit Enhancements or published ratings of Participants or Guarantors necessary to satisfy the Ratings Test. See "SECURITY FOR THE 2018 BONDS - LOAN AGREEMENT AND PARTICIPANT NOTE - Participant Credit Enhancement", "SECURITY FOR THE 2018 BONDS – COVENANT AGREEMENT", and "OPERATIONS OF DELVAL – LOAN PROGRAM."

Participants and Guarantors. This Official Statement is not intended to, and does not, contain sufficient information with respect to any Participant or Guarantor that would enable a purchaser of the 2018 Bonds to make a judgment about the creditworthiness of any such Participant or Guarantor. DelVal reasonably expects a Participant (or Guarantor, if applicable) to make all Repayments due under its Loan Agreement and to comply with all covenants in the Loan Agreement; however, DelVal can give no assurance that a Participant (or Guarantor, if applicable) will not default or breach the covenants under the Loan Agreement (See "SECURITY FOR THE 2018 BONDS" and "OPERATIONS OF DELVAL – LOAN PROGRAM.").

GIC's and Investments. DelVal reasonably expects to receive all payments of principal of and interest on its investments and GIC's; however, DelVal can give no assurance that an obligor or guarantor of an investment or GIC will not default on its obligations thereunder. See "INVESTMENTS."

Tax Compliance. In order for the interest on the 2018 Bonds to remain excludible from the gross income of the holders thereof under the Code, DelVal must comply with the relevant tax covenants in the Indenture and all of the Participants (and Guarantors, if applicable) must comply with the relevant tax covenants in their respective Participant Tax Compliance Agreements. Failure of DelVal or any one Participant (or Guarantor, if applicable) to comply with the tax covenants could jeopardize the tax-exempt status on all 2018 Bonds, possibly on a retroactive

basis. See “SECURITY FOR THE 2018 BONDS – LOAN AGREEMENT AND PARTICIPANT NOTE” and “CERTAIN TAX MATTERS.”

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO THEIR MAKING OF AN INFORMED INVESTMENT DECISION. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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## CERTAIN TAX MATTERS

### FEDERAL

***Exclusion of Interest from Gross Income.*** In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2018 Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Authority and the Participants with the requirements of the *Code*. Interest on the 2018 Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering its opinion, Bond Counsel has assumed compliance by the Authority with its covenants contained in the Indenture, the covenants of Participants in the Loan Agreements, and the representations and covenants in the Tax Compliance Agreement executed by the Authority on the date of issuance of the 2018 Bonds relating to actions to be taken or caused to be taken, by the Authority or by the Participants after the issuance of the 2018 Bonds necessary to effect or maintain the exclusion from gross income of the interest on the 2018 Bonds for federal income tax purposes. These covenants and representations relate to, *inter alia*, the use and investment of proceeds of the 2018 Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the 2018 Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the 2018 Bonds.

***Other Federal Tax Matters.*** Ownership or disposition of the 2018 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individuals who otherwise qualify for the earned income credit and taxpayers who have an initial basis in the 2018 Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2018 Bonds.

**Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the caption “Exclusion of Interest from Gross Income” above and expressly stated in the Proposed Form of Opinion of Bond Counsel included as “APPENDIX II” to this Official Statement. Purchasers of the 2018 Bonds should consult their independent tax advisors with regard to all federal tax matters.**

### PENNSYLVANIA

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, interest on the 2018 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, and the 2018 Bonds are exempt from personal property taxes in Pennsylvania; however, under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the 2018 Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

### OTHER

The 2018 Bonds and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth of Pennsylvania under applicable state or local tax laws.

**Purchasers of the 2018 Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.**

## **LEGAL MATTERS**

The issuance of the 2018 Bonds will be subject to approval of legality by Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for DelVal by Carmen P. Belefonte, Esq., Media, Pennsylvania, Solicitor to DelVal and for the Underwriters by Dilworth Paxson LLP, Philadelphia, Pennsylvania.

## **LEGALITY FOR INVESTMENT**

Applicable laws of the Commonwealth of Pennsylvania provide that the 2018 Bonds are legal investments for funds held by, among others, banks, savings banks, trust companies, insurance companies or associations and fiduciaries. The Bonds are authorized security for deposits of funds of the Commonwealth of Pennsylvania and any political subdivision thereof.

## **LIMITATION OF REMEDIES UNDER THE FEDERAL BANKRUPTCY LAWS**

Enforcement of the rights of the holders of the 2018 Bonds may be limited by and subject to the provisions of Federal bankruptcy laws, as now or hereafter enacted, or to other laws or equitable principles which may affect enforcement of creditors' rights.

## **NO LITIGATION AFFECTING THE 2018 BONDS**

No litigation or legal proceeding of any nature is now pending or, to the knowledge of DelVal, threatened that (i) seeks to restrain or enjoin the issuance of the 2018 Bonds, (ii) contests the validity of the 2018 Bonds or any actions of DelVal with respect to the remarketing of the 2018 Bonds, (iii) contests the pledge or application of any moneys or security provided for the payment of the 2018 Bonds, or (iv) contests the existence of DelVal or the powers of DelVal to accomplish the purposes for which the 2018 Bonds are being issued.

## **FINANCIAL STATEMENTS OF DELVAL**

Appendix I hereto contains the audited financial statements of DelVal for the year ended December 31, 2017, together with a report thereon by Baker Tilly Virchow Krause, LLP, independent accountants. Such financial statements and report are included herein with the consent of Baker Tilly Virchow Krause, LLP.

## **ADDITIONAL INFORMATION**

Additional information concerning DelVal may be found by accessing DelVal's website at [www.DelVal.US](http://www.DelVal.US) or by contacting DelVal's Program Administrator:

Calhoun Baker Inc.  
Program Administrator  
Delaware Valley Regional Finance Authority  
1811 Bethlehem Pike  
Flourtown Commons, Suite 350  
Flourtown, PA 19031  
Telephone: (215) 402-0270  
[L.Calhoun@DelVal.US](mailto:L.Calhoun@DelVal.US)

## **ADMINISTRATOR AND FINANCIAL ADVISOR**

DelVal has retained Calhoun Baker Inc. ("CalBak") to serve as its Administrator and financial advisor. CalBak is an independent financial consulting firm, and it is not owned by or affiliated with any broker-dealer, investment bank, commercial bank, or other consulting firm. CalBak does not trade or distribute securities. CalBak is registered as a "Municipal Advisor" by the Securities and Exchange Commission and the Municipal Securities

Rulemaking Board. CalBak serves as the “qualified independent representative” (as such term is defined in the Business Conduct Standards for Swap Dealers with Counterparties promulgated by the Commodity Futures Trading Commission) to advise DelVal on its Swap Agreements and Swap Transactions.

## **RATINGS AND OUTLOOKS**

Moody’s has assigned a rating of “A1” with a “stable outlook” to the 2018 Bonds as of June 1, 2018, and S&P has assigned a rating of “A+” with a “stable outlook” to the 2018 Bonds as of June 5, 2018. Any explanation of these ratings may only be obtained from the rating agencies. Generally, rating agencies base their ratings on such information and on their own investigations, studies and assumptions. No assurance can be given that such ratings will be maintained for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the 2018 Bonds.

## **UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting on its own behalf and as representative of PNC Capital Markets LLC (collectively the “Underwriters”), has agreed to purchase from DelVal the 2018 Bonds at a purchase price of \$216,013,889.02 (representing the aggregate principal amount of the 2018 Bonds, plus original issue premium of \$1,832,000, less an underwriters’ discount of \$818,110.98). The Underwriters will be obligated to purchase all 2018 Bonds if any are purchased. The initial public offering prices of the 2018 Bonds set forth on the inside front cover page of this Official Statement may be changed from time to time by the Underwriters without any requirement of prior notice. The Underwriters reserve the right to join with other dealers in offering the 2018 Bonds to the public. The 2018 Bonds may be offered and sold to other dealers (including 2018 Bonds for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriters) at prices other than the public offering prices stated on the inside front cover page of this Official Statement.

The Underwriters and their 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/or brokerage services. The Underwriters and their affiliates, from time to time, have performed and may perform various commercial banking and investment banking services for DelVal, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit 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 DelVal.

The Underwriters and their 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.

DelVal expects to use a portion of the proceeds from the offering of the 2018 Bonds to acquire Loans of the 2014 Bonds, which proceeds, together with other available funds, will be used to redeem portions of the 2014 Bonds. To the extent the Underwriters or any affiliate thereof is an owner or holder of any of the 2014 Bonds, the Underwriters, or their affiliates, as applicable, would receive a portion of the proceeds from the issuance of the 2018 Bonds contemplated herein in connection with such transactions.

DelVal has recommended and the Underwriters have engaged Dilworth Paxson, LLP as counsel to the Underwriters in connection with the purchase of the 2018 Bonds.

## CERTAIN RELATIONSHIPS

Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania, is serving as Bond Counsel to DelVal in connection with the issuance of the 2018 Bonds. Dilworth Paxson LLP, Philadelphia, Pennsylvania, is serving as counsel to the Underwriters in connection with the issuance of the 2018 Bonds. Each firm represents the Underwriters in matters unrelated to the issuance of the 2018 Bonds and may represent DelVal and the Underwriters and/or their respective affiliates in the future on various matters unrelated to the 2018 Bonds.

Calhoun Baker Inc., which serves as Administrator and Municipal Advisor to DelVal, also provides municipal advisory services, from time to time, to other governmental clients, including some Participants in the Loan Program: Delaware County, the Lower Perkiomen Valley Regional Sewer Authority, Aston Township, Nether Providence Township, and the Lower Providence Township Sewer Authority.

## CONTINUING DISCLOSURE

DelVal will execute a Continuing Disclosure Agreement (the “CDA”) dated June 27, 2018, to provide annual financial information to the municipal markets in accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated under the *Securities and Exchange Commission Act of 1934*, as amended and supplemented from time to time. DelVal has covenanted, for the benefit of the beneficial owners of the 2018 Bonds, to provide to the Municipal Securities Rulemaking Board (“MSRB”) (i) annual audited financial statements presented in conformity with generally accepted accounting principles, together with updates of certain information contained in this Official Statement which financial statements and tabular information are to be provided by June 30 following the end of each fiscal year and (ii) annual audited financial statements for any fiscal year of any Participant or Guarantor with aggregate Loans or Guaranties equal to twenty percent (20%) or more of the total Loan principal outstanding as of December 31 of such fiscal year (each a “Material Participant”). Currently, Delaware County is the only Material Participant. See “Appendix IV: FORM OF THE CONTINUING DISCLOSURE AGREEMENT” for additional information.

During the previous five years, DelVal failed to provide annual financial statements and the updates of financial and operational data for the 2012 fiscal year within 180 days as required by the CDA. DelVal subsequently posted the annual financial statements and the related financial and operational data on EMMA and filed an event notice that it had failed to post the information in a timely manner as required by the CDA. The annual financial and operational data is contained in the Management’s Discussion and Analysis section of the annual financial statements. DelVal also failed to post notices of rating upgrades of the Adjustable Rate Local Government Revenue Bonds, 1985 Series and the 2007 B Bonds in 2014 and 2015 following upgrades of the related Credit Facility Provider, Bayerische Landesbank, within 5 days as required by the CDA. DelVal subsequently posted notices of the upgrades and failures to provide notices of the upgrades on EMMA.

## PARTICIPANT CONTINUING DISCLOSURE

Each Loan Agreement entered into with a Participant requires the Participant, at the time of the delivery of the Loan Agreement and the Participant Note, to execute and deliver to DelVal a Participant Continuing Disclosure Agreement (each a “Participant CDA”). The Participant CDA requires such Participant to provide to DelVal annual financial statements and notice of the following events:

- 1) principal and interest payment delinquencies;
- 2) non-payment related defaults, if material;
- 3) unscheduled draws on debt service reserves reflecting financial difficulties;
- 4) unscheduled draws on credit enhancements reflecting financial difficulties;
- 5) substitution of credit or liquidity providers, or their failure to perform;
- 6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Loan or Guaranty, or other material events affecting the tax status of the Loan or Guaranty;
- 7) modifications to the rights of DelVal, if material;
- 8) Loan calls, if material, and tender offers;

- 9) defeasances;
- 10) release, substitution or sale of property securing repayment of the Loan or Guaranty, if material;
- 11) rating changes;
- 12) bankruptcy, insolvency, receivership or similar proceeding of the Participant,\*
- 13) the consummation of a merger, consolidation, or acquisition involving the Participant, the sale of all or substantially all of the assets of the Participant, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- 14) appointment of a successor or additional Paying Agent, or the change of name of a Paying Agent, if material.

Participants have failed from time to time to provide annual financial statements and notices of rating changes as required by the Participant CDAs. DelVal has posted event notices on EMMA of the failure of the Participants to provide the information, and DelVal has or will contact Participants regarding any failures, of which it is aware, to provide such information.

## UNDERLYING DOCUMENTS

The descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference should be made to each document for complete details of all terms and conditions. Copies of such documents not otherwise appended hereto are available for inspection during normal business hours at the principal corporate trust office or the Trustee in Cherry Hill, New Jersey. All statements herein are qualified in their entirety by the terms of each such document.

## MISCELLANEOUS

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reasonable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not representations of fact.

The Board of Directors of DelVal has duly authorized the execution, delivery, and distribution of this Official Statement.

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY



By:  
JOHN P. MCBLAIN  
CHAIRMAN

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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**Appendix I:**  
**FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017**

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**DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY**

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2017  
&  
INDEPENDENT AUDITORS' REPORT  
&  
ADDITIONAL INFORMATION

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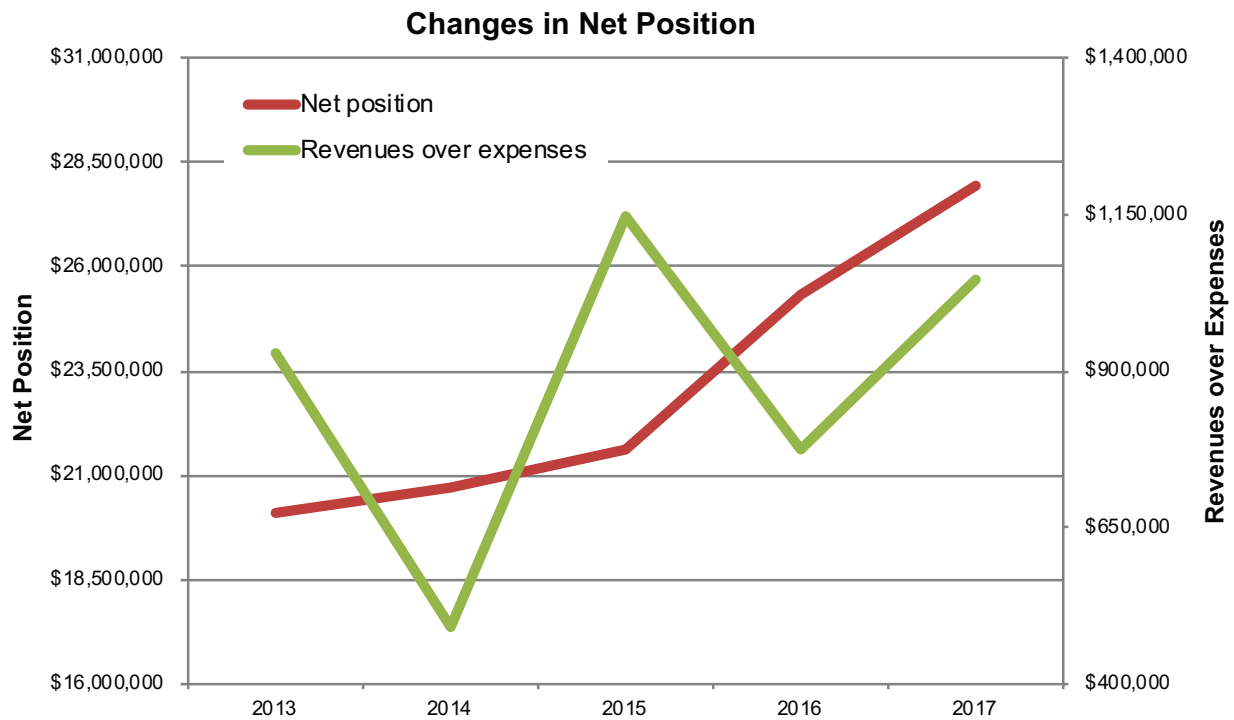


**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

**SUMMARY OF 2017 RESULTS**

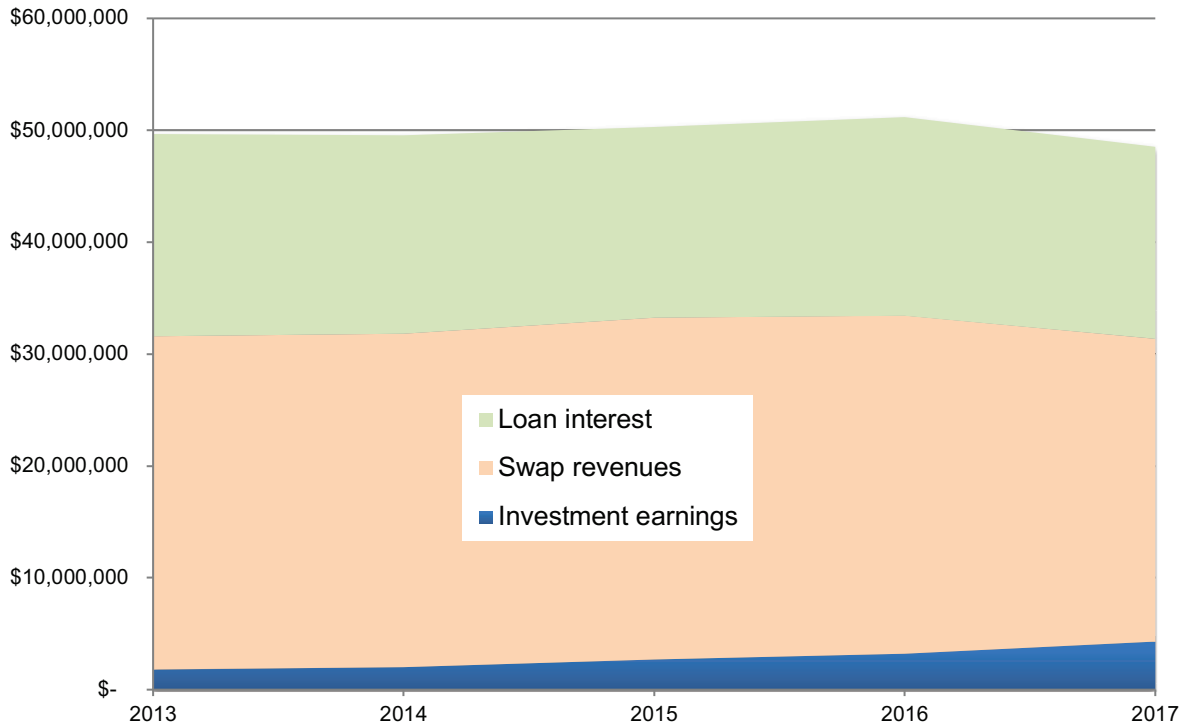
The net position of the Delaware Valley Regional Finance Authority (“DelVal”) in 2017 continued its upward trend, increasing by 10% to more than \$27.9 million. Approximately 54% of the increase is attributable to a \$1.4 million settlement received from a class action lawsuit on bid rigging of investments and interest rate swap transactions. Revenues over expenses increased by 35% to \$1,047,000, principally due to higher investment balances and earnings.

**Trend of Net Position and Revenues over Expenses**



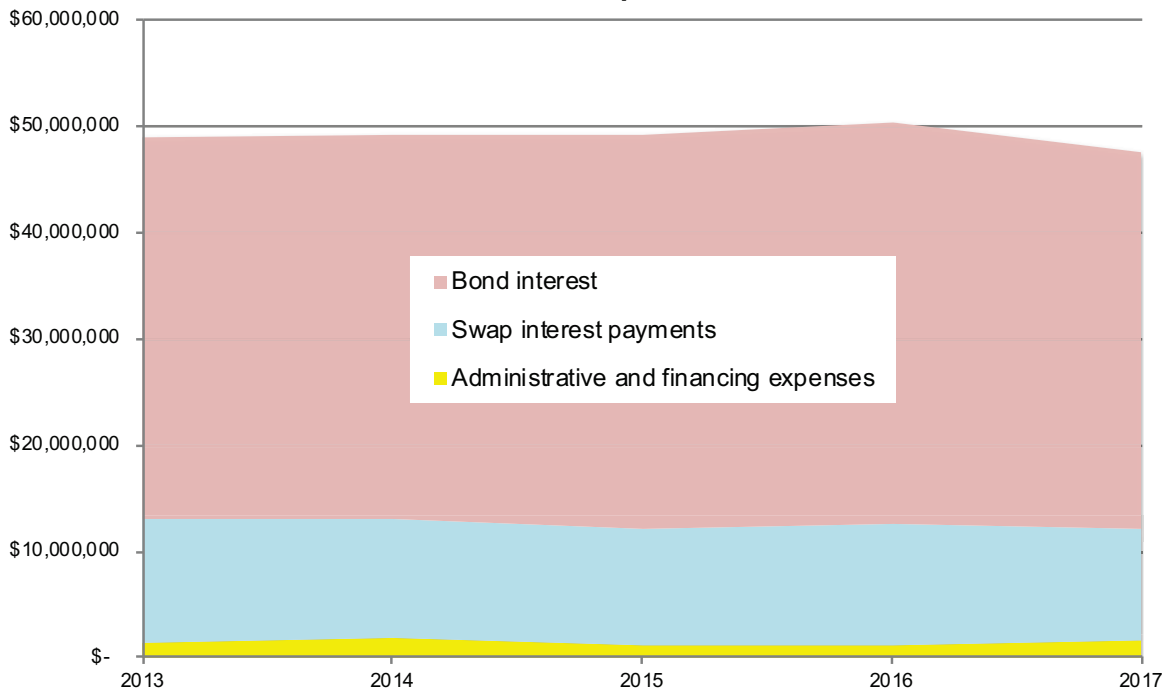
Operating revenues declined by 5% to \$48.5 million, principally due to the net \$82 million reduction of the funding of the loan program resulting from the scheduled maturities of bonds. Investment earnings increased by approximately \$1.1 million due to the investment of the \$167 million of funds accumulated in the bond redemption funds for the bond maturities on July 1, 2017. Swap revenues declined by \$3.2 million due to the scheduled terminations of swap transactions related to the bonds that matured. Loan interest declined by \$566,000 due to the limitation on the ability to originate new loans necessitated by the accumulation of funds for the bond maturities.

### Trend of Revenues



Operating expenses declined by 5.8% in 2017 to \$47.5 million. Administrative expenses consisting of letter of credit fees and costs of issuance for a new series of bonds increased by \$492,000. Swap interest expenses declined by \$786,000 and debt service declined by \$2.6 million due to the maturity of \$167 million of bonds and the scheduled terminations of the related interest rate swap transactions.

### Trend of Expenses



DelVal originated 10 loans with an aggregate principal amount of approximately \$44.8 million in 2017. Origination was constrained by the limited availability of funds for new loans. Generally, DelVal requires any borrower (each a “Participant”) without a published rating applying for a loan of \$1,000,000 or more to secure a published rating. If the Participant does not receive a rating of “A-”, “A3”, or higher, or if insurance is a condition for approval by the Program Administrator, DelVal will require the Participant to secure a financial guaranty policy. A schedule of the loan activity as of December 31, 2017 is shown below.

**Loans Originated and Loans in Process**

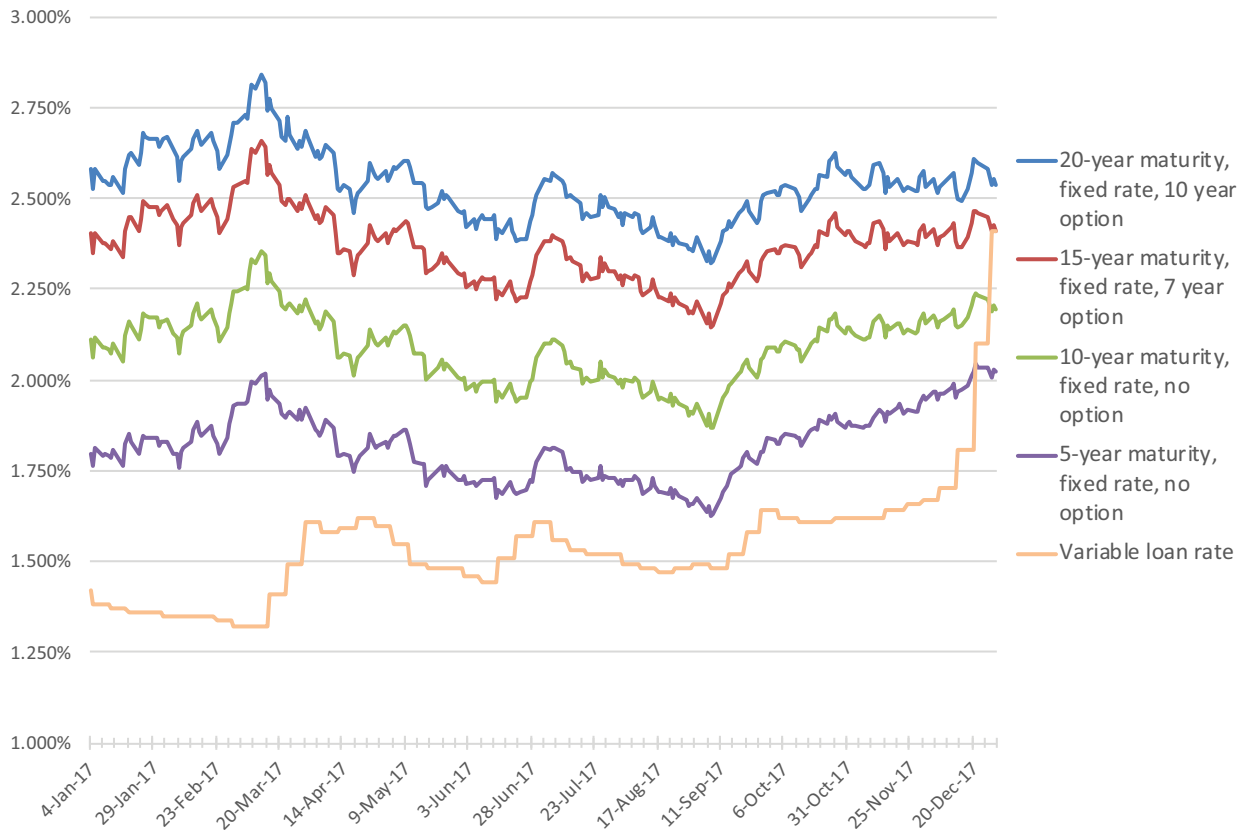
<u>No.</u>		<u>Borrower or Guarantor Ratings</u>		<u>Amount</u>	<u>Closing</u>
		<u>Moody's</u>	<u>S&amp;P</u>		
<u>Loans Closed</u>					
1	Bensalem Township	Aa2	--	\$ 5,000,000	27-Feb-17
2	Bucks County Community College Authority	Aaa	AAA	7,500,000	10-May-17
3	Bucks County Airport Authority	Aaa	AAA	660,000	25-Sep-17
4	Bristol Township	Aa3	--	10,000,000	25-Sep-17
5	Nether Providence Township	--	--	113,000	25-Sep-17
6	Norwood Borough	--	--	740,000	25-Oct-15
7	Bridgeport Borough	A2	--	510,000	10-Nov-17
8	Ridley Township	Aa3	A+	10,000,000	27-Nov-17
9	Upper Dublin Township	Aa2	--	9,000,000	15-Dec-17
10	Garnet Valley School District	Aa2	AA	1,250,000	15-Dec-17
	Total closings			<u>44,773,000</u>	
<u>Loans in Process</u>					
1	Upper Dublin Township Municipal Authority	Aa2	--	6,000,000	26-Feb-18
2	Aston Township	--	AA	12,250,000	26-Feb-18
3	Chalfont Borough	--	--	1,260,000	27-Apr-18
4	Delaware County	Aa1	AA	25,000,000	
5	Bucks County	Aaa	AAA	35,000,000	
	Total loans in process			<u>79,510,000</u>	
	Total			<u>\$ 124,283,000</u>	

Source: Calhoun Baker Inc.

The DelVal Loan Program has been successful due to the low cost of funds and the flexibility of the Loan Program. Currently, DelVal assesses an origination fee equal to 0.50% of the principal amount of the loans. DelVal utilizes interest rate swaps to tailor a loan in any fashion that a Participant requests. All or a portion of a DelVal loan can be variable rate or fixed rate, and a fixed rate can be set for a period shorter than the maturity date. Even the smallest Participants can reduce their interest costs, avoid unnecessary refunding costs, and manage their exposure to future changes of interest rates.

Long-term rates floated in a 0.25% trading range during 2017, virtually unchanged from the 2016 year-end levels. Short-term rates averaged 0.30% higher than 2016, and short-term rates began to exhibit the seasonal volatility that was normal before the 2008 financial melt-down. A chart of certain DelVal loan rates in 2017 is shown below.

### Trend of DelVal Loan Rates, Level Debt Amortization



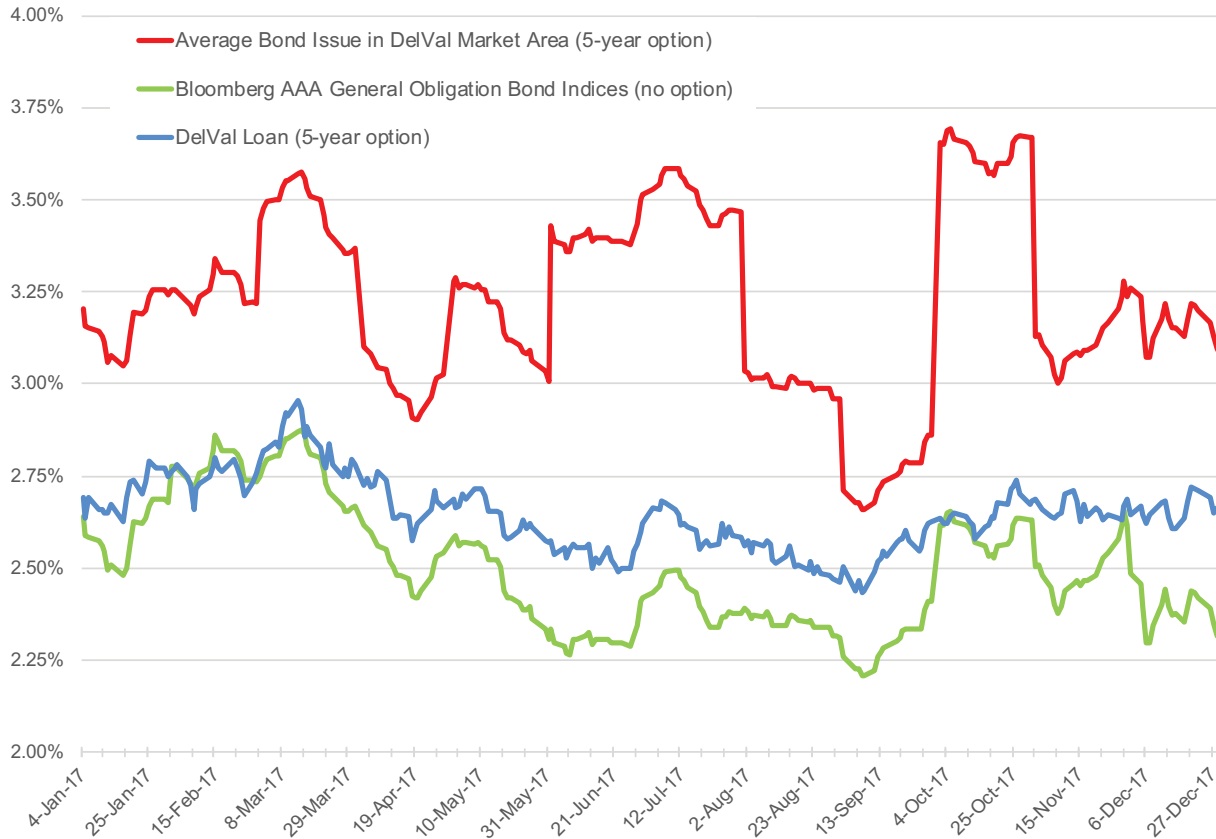
<u>Loan Option</u>	<u>Average Rate in 2017</u>	<u>Rate as of 29-Dec-17</u>
20-year maturity, fixed rate, 10 year option	2.538%	2.539%
15-year maturity, fixed rate, 7 year option	2.369%	2.412%
10-year maturity, fixed rate, no option	2.092%	2.197%
5-year maturity, fixed rate, no option	1.819%	2.023%
Variable rate loan	1.536%	2.410%

Source: Calhoun Baker Inc.

DelVal’s loan rates continued to compare favorably with bond issue rates. In 2017, DelVal’s costs of issuance averaged about 60% less than the average costs of issuance of bonds issued in DelVal’s market area and the All-In True Interest Costs (the “All-In TIC”) averaged more than 0.56% below the average of bonds issued in DelVal’s market area.

A pro forma comparison of a 20-year level debt structure, among a DelVal Loan, “AAA” General Obligation Bond issue (the “AAA Bond”), and the average bond issue in the DelVal Market Area (the “Average Bond”) is shown in the chart below. The calculations of All-In TIC incorporate all costs of issuance and interest payments. The interest rates of the AAA Bond are based on the published Bloomberg AAA General Obligation Bond Indices (the “AAA Indices”). The interest rates of the Average Bond are based on the actual spreads of the bonds issued over the AAA Indices on the dates of the sales, calculated monthly, and the costs of issuance are based on the actual sales, calculated monthly. The DelVal Loan rates are based on actual end-of-day rates and include the price of a 5-year option and all costs of issuance.

### All-In True Interest Cost, 20-Year Maturity, Level Debt Amortization



#### Bond Issues in DelVal's Market Area in 2017

Number of issues	95
Average par amount	\$ 17,936,579
Weighted average rating	AA
Weighted average maturity (years)	11.27
Weighted average underwriting fee	0.664%
Weighted average other costs of issuance	0.869%
Weighted average All-In True Interest Cost over:	
Bloomberg AAA General Obligation Bond indices	0.752%
Comparable DelVal Loan	0.562%
Average debt service payments over:	
Bloomberg AAA General Obligation Bond indices	\$ 1,698,169
Comparable DelVal Loan	\$ 1,369,643

Source: Calhoun Baker Inc.

**THE AUTHORITY**

Bucks, Chester, Delaware, and Montgomery Counties, Pennsylvania (the “Counties”) formed DelVal under the provisions of the Pennsylvania *Municipality Authorities Act* (the “*Authorities Act*”) on December 23, 1985. The Counties created DelVal to provide loans for capital projects (the “Loan Program”) to townships, boroughs, school districts, counties, and authorities located in the Commonwealth of Pennsylvania. DelVal currently has outstanding six series of bonds, in the aggregate principal amount of \$913 million, to provide funding for the Loan Program.

The governing body of DelVal consists of a Board of Directors of five members appointed by the Counties. Each year, normally at the first meeting in January, on a rotating basis, one of the Counties appoints a member to a five-year term. The members of the Board for 2017 are listed below.

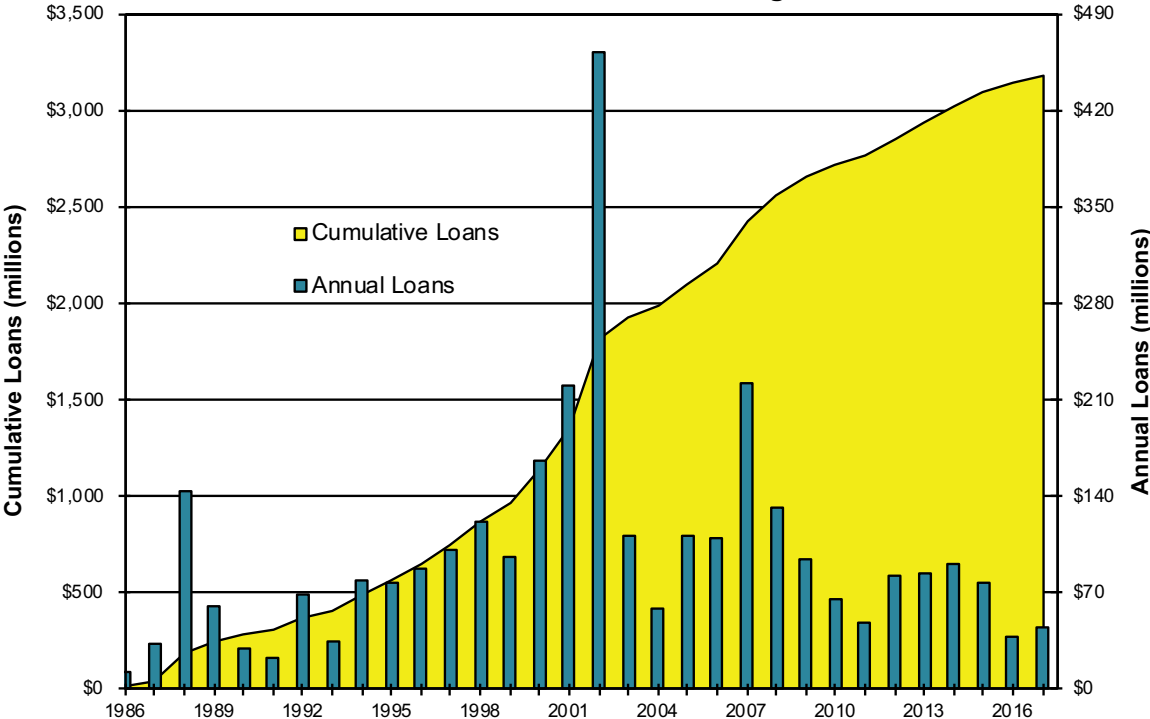
**Members of the Board of Directors**

<u>Member</u>	<u>Office</u>	<u>Appointed by:</u>	<u>Term Expires*</u>
Robert G. Loughery	Chairman	Bucks County	2018
John P. McBlain, Esq.	Vice Chairman	Delaware County	2019
Joseph E. Brion, Esq.	Secretary	Chester County	2020
James H. Shacklett, III	Treasurer	Montgomery County	2021
Patricia K. Poprik	Secretary/Treasurer	Bucks County	2022

\*Terms expire on the second Monday of January.

DelVal has provided 512 loans with an aggregate principal amount of approximately \$3.19 billion to 195 different local governments in 16 counties in Pennsylvania since its creation in 1985. Each loan is secured by the pledge of the full faith, credit, and taxing power, or the equivalent contractual obligation, of the Participant or its guarantor (each a “Guarantor”) if the Participant is an authority. DelVal has never experienced a default on a loan repayment.

**Annual and Cumulative Loans Originated**



Loans from DelVal are limited to funding capital projects permitted under the Pennsylvania *Local Government Unit Debt Act* (the “*Debt Act*”). DelVal’s charter prohibits any loan that would constitute a “Tax and Revenue Anticipation Note” under the *Debt Act* and any loan to health or higher education institutions. The Program Administrator, the Board of DelVal, and, if applicable, the credit facility provider must approve any new loan.

The primary objectives of the Loan Program are:

- 1) to provide funding with a lower all-in true interest cost (taking into consideration costs of issuance, interest costs, and annual administrative costs) than the Participants could achieve on their own,
- 2) to provide variable rate and fixed rate funding options, and
- 3) to improve the ability and flexibility of Participants to manage their debt.

DelVal accomplishes these objectives by realizing economies of scale, utilizing a revolving loan pool structure, and entering into interest rate swap transactions.

DelVal generally issues bonds or notes (collectively, the “DelVal Series”) in an aggregate principal amount sufficient to fund 20 to 50 loans to Participants. By issuing in large principal amounts, DelVal realizes lower costs of issuance than would have been realized if each of the Participants issued a separate bond issue. When loans are repaid, the repayments are used to originate new loans. DelVal uses this revolving loan structure to further reduce the allocation of the costs of issuance. Six series issued by DelVal were outstanding as of December 31, 2017:

- 1) \$28,000,000 Local Government Revenue Bonds, 1997 Series B and C (the “1997 Series”),
- 2) \$300,000,000 Local Government Revenue Bonds, 1998 Series A, B and C (the “1998 Series”),
- 3) \$125,000,000 Local Government Revenue Bonds, 2002 Series (the “2002 Series”),
- 4) \$160,000,000 Local Government Revenue Bonds, 2007 Series A, B and C (the “2007 Series”),
- 5) \$125,000,000 Local Government Revenue Bonds, 2014 Series (the “2014 Series”), and
- 6) \$175,000,000 Local Government Revenue Bonds, 2017 Series (the “2017 Series”).

Prior to 1996, all of DelVal’s bond issues were 7-day, variable rate demand bonds (“VRDB’s”). In 1997, DelVal began issuing fixed rate bonds and entering into interest rate swap agreements to hedge the exposure of the Loan Program to future changes of interest rates. This approach reduced DelVal’s exposure to the vicissitudes of the letter of credit market. The utilization of interest rate swaps also allowed DelVal to offer fixed rate loan options without taking market risk on changes in long-term interest rates. As of December 31, 2017, DelVal had four master interest rate swap agreements outstanding with the Bank of America, N.A. (“BANA”) and four other master agreements with Barclays Bank PLC (“Barclays”), Citibank, N.A. (“Citibank”), PNC Bank, National Association (“PNC”), and the Toronto-Dominion Bank (“T-D”). Currently, the active counterparties are BANA, PNC, and T-D.

Prior to 2007, the DelVal Series were special limited obligations, each secured by a pledge of the assets and revenues of the trust estate of that Series. DelVal executed the Covenant Agreement in 2001 to enhance the security of the bondholders of the outstanding Series. Under the terms of the Covenant Agreement, in the event of a deficiency in the funds of any DelVal Series, excess funds held under any other Series would be transferred to cure the deficiency. The Trust Indentures of the 1997 and 1998 Series were amended to incorporate the Covenant Agreement, and the Trust Indenture of the 2002 Series was executed incorporating the Covenant Agreement.

The 2007 Series, 2014 Series, and 2017 Series (collectively, the “Master Series”) were all issued under the Master Trust Indenture and supplemental indentures. All future parity bonds issued by DelVal will

be issued under the Master Trust Indenture and a new supplemental indenture. All of the bonds issued under the Master Trust Indenture are and will be equally and ratably secured by all of the assets under the trust estate of the Master Trust Indenture. As long as the 1997, 1998, or 2002 Series are outstanding, the Covenant Agreement will apply to all of the bonds issued under the Master Trust Indenture. When the DelVal Series issued prior to 2007 have been redeemed, the Covenant Agreement will be redundant and will be terminated (See "COVENANT AGREEMENT" for additional information.).

DelVal has no employees. The operations of DelVal are conducted by the Program Administrator, the Solicitor, the Bond Counsel, and the trustees of the DelVal Series, TD Bank, N.A. and Wells Fargo Bank, N.A. (collectively, the "Trustees"). The Program Administrator, Calhoun Baker Inc., is responsible for the credit review of applications, the origination of loans, the investment of DelVal's funds, the calculation of the loan rates, and the execution of interest rate swap transactions. The Solicitor, Carmen P. Belefonte, Esq., directs DelVal's legal affairs and prepares closing documents for loans. Bond Counsel (principally, Eckert Seamans Cherin & Mellott, LLC) renders opinions related to the issuance of bonds, the execution of interest rate swap agreements, and the closings of loans. The Trustees invoice and collect the loan repayments, principally through Automated Clearing House ("ACH") debits of the Participants' demand deposit accounts. The Trustees hold all of the funds of DelVal and make all disbursements. Each disbursement must be authorized by a requisition approved by the Board or authorized under the Trust Indentures of the DelVal Series.

The DelVal loan rate is set by the Program Administrator each month to fund:

- 1) the debt service payments on the DelVal Series,
- 2) the payments due under DelVal interest rate swap agreements, and
- 3) all other administrative costs and liquidity requirements necessary for the operation of the Loan Program.

## SUMMARIES OF FINANCIAL STATEMENTS

The five-year Comparative Statements of Revenues, Expenses, and Changes in Net Position Information are set forth below. Costs of issuance are treated as an “operating” expense; costs of issuance were treated as an “other” expense prior to 2014. DelVal received payments of \$2,750,724 in 2016 and \$1,386,991 in 2017 from settlements of a class action lawsuit on bid rigging of investments and interest rate swap transactions.

### Delaware Valley Regional Finance Authority Comparative Statements of Revenues, Expenses, and Changes in Net Position Information Years Ended December 31

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Loan interest	\$ 18,110,888	\$ 17,749,385	\$ 17,079,635	\$ 17,735,608	\$ 17,169,131
Interest rate swap	29,770,791	29,809,618	30,542,865	30,245,859	27,063,208
Interest on investments and cash equivalents	<u>1,901,631</u>	<u>1,984,579</u>	<u>2,682,752</u>	<u>3,191,161</u>	<u>4,298,627</u>
Total revenues	<u>49,783,310</u>	<u>49,543,582</u>	<u>50,305,252</u>	<u>51,172,628</u>	<u>48,530,966</u>
Expenses:					
Interest expense:					
Bonds	35,923,919	35,982,085	37,032,563	37,936,069	35,314,903
Interest rate swaps	11,437,064	11,265,185	10,975,606	11,347,594	10,561,961
Costs of issuance	-	254,442	-	-	431,449
Credit or liquidity facility fees	503,062	473,186	144,189	120,425	229,010
Administrative expenses	<u>988,813</u>	<u>1,079,198</u>	<u>1,006,444</u>	<u>995,237</u>	<u>946,735</u>
Total expenses	<u>48,852,858</u>	<u>49,054,096</u>	<u>49,158,802</u>	<u>50,399,325</u>	<u>47,484,058</u>
Revenues over expenses	<u>930,452</u>	<u>489,486</u>	<u>1,146,450</u>	<u>773,303</u>	<u>1,046,908</u>
Other revenues (expenses):					
Increase of estimated rebate liability	(74,681)	39,000	(44,000)	(55,000)	130,000
Class action settlement	-	-	-	2,750,724	1,386,991
Unrealized gain (loss) on investments and restricted investments	<u>(311,014)</u>	<u>73,159</u>	<u>(172,903)</u>	<u>241,174</u>	<u>25,128</u>
Total other revenues (expenses), net	<u>(385,695)</u>	<u>112,159</u>	<u>(216,903)</u>	<u>2,936,898</u>	<u>1,542,119</u>
Increase in net position	544,757	601,645	929,547	3,710,201	2,589,027
Net position, beginning	<u>19,570,730</u>	<u>20,115,487</u>	<u>20,717,132</u>	<u>21,646,679</u>	<u>25,356,880</u>
Net position, ending	<u>\$ 20,115,487</u>	<u>\$ 20,717,132</u>	<u>\$ 21,646,679</u>	<u>\$ 25,356,880</u>	<u>\$ 27,945,907</u>

Comparative Balance Sheet Information for the past five years is set forth below. “Bonds payable, net” is recorded net of the unamortized bond insurance premium and the unamortized original issue premium.

**Delaware Valley Regional Finance Authority  
Comparative Balance Sheet Information  
as of December 31**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 55,691,173	\$ 97,713,546	\$ 92,000,708	\$ 133,714,885	\$ 79,600,862
Restricted cash equivalents	63,599,750	62,000,000	63,356,000	62,000,000	45,300,000
Investments	-	999,590	5,603,584	-	-
Accrued interest receivable:					
Loans	445,947	430,309	423,266	412,880	439,298
Interest rate swaps	6,152,589	6,200,019	6,229,068	6,131,648	6,222,764
Cash equivalents and investments	63,885	61,524	67,662	101,475	194,162
Prepaid expenses	93,188	85,356	89,863	88,531	91,448
Loans to local governments	57,722,427	59,104,833	64,113,614	66,028,500	62,185,024
Total current assets	<u>183,768,959</u>	<u>226,595,177</u>	<u>231,883,765</u>	<u>268,477,919</u>	<u>194,033,558</u>
<b>NONCURRENT ASSETS:</b>					
Investments	-	18,951,597	2,424,185	1,082,063	8,760,004
Restricted investments	42,855,749	24,577,720	23,128,235	24,715,115	31,702,115
Loans to local governments	802,337,447	783,108,614	795,497,000	761,533,500	726,109,000
Unamortized prepaid interest rate swap expense	7,906,676	7,324,951	6,741,632	6,159,907	5,578,183
Fair value of derivative transactions	101,831,519	144,563,675	146,708,033	124,514,286	122,352,200
Total other assets	<u>954,931,391</u>	<u>978,526,557</u>	<u>974,499,085</u>	<u>918,004,871</u>	<u>894,501,502</u>
<b>TOTAL</b>	<u><b>\$1,138,700,350</b></u>	<u><b>\$1,205,121,734</b></u>	<u><b>\$1,206,382,850</b></u>	<u><b>\$1,186,482,790</b></u>	<u><b>\$1,088,535,060</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accrued expenses	\$ 104,140	\$ 17,399	\$ 17,607	\$ 15,225	\$ 79,995
Bond principal payable	-	-	-	167,000,000	50,000,000
Estimated rebate liability	-	-	-	150,000	-
Accrued interest payable:					
Interest rate swaps	58,434	42,301	40,993	320,513	397,871
Bonds	18,230,997	18,323,842	18,336,646	18,057,121	12,915,262
Total current liabilities	<u>18,393,571</u>	<u>18,383,542</u>	<u>18,395,246</u>	<u>185,542,859</u>	<u>63,393,128</u>
<b>LONG TERM LIABILITIES:</b>					
Bonds payable, net	998,219,773	1,021,356,385	1,019,487,892	851,018,765	874,773,825
Estimated rebate liability	140,000	101,000	145,000	50,000	70,000
Total long term liabilities	<u>998,359,773</u>	<u>1,021,457,385</u>	<u>1,019,632,892</u>	<u>851,068,765</u>	<u>874,843,825</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Accumulated increase in fair value of hedging derivatives	101,831,519	144,563,675	146,708,033	124,514,286	122,352,200
Total liabilities and deferred inflows of resources	1,118,584,863	1,184,404,602	1,184,736,171	1,161,125,910	1,060,589,153
<b>NET POSITION</b>	<u>20,115,487</u>	<u>20,717,132</u>	<u>21,646,679</u>	<u>25,356,880</u>	<u>27,945,907</u>
<b>TOTAL</b>	<u><b>\$1,138,700,350</b></u>	<u><b>\$1,205,121,734</b></u>	<u><b>\$1,206,382,850</b></u>	<u><b>\$1,186,482,790</b></u>	<u><b>\$1,088,535,060</b></u>

The Comparative Statement of Cash Flows Information for the past five years is set forth below. Cash flows from investing and financing activities are treated as “operating” activities.

**Delaware Valley Regional Finance Authority  
Comparative Statement of Cash Flows Information  
Years Ended December 31**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Cash flows from operating activities					
Interest received on loans to local governments and interest rate swap agreements	\$ 47,871,490	\$ 47,448,919	\$ 47,531,185	\$ 48,054,453	\$ 44,074,644
Payment of interest on bonds and interest rate swap agreements	(48,693,368)	(48,452,223)	(49,283,441)	(50,169,476)	(51,604,580)
Loans to local governments	(83,208,000)	(92,533,000)	(77,857,000)	(38,301,000)	(44,773,000)
Principal repayments of loans to local governments	83,878,279	110,379,427	60,459,833	70,349,614	84,040,976
Loan origination fees received	34,315	78,292	70,903	33,226	40,160
Administrative expenses paid	(963,285)	(1,127,830)	(1,010,743)	(994,125)	(945,530)
Interest received on investments and cash equivalents	1,804,107	2,012,149	2,676,614	3,157,348	4,205,940
Credit or liquidity facility fees paid	(502,946)	(503,462)	(144,189)	(122,587)	(168,361)
Proceeds of bond issues	-	225,000,000	-	-	175,000,000
Transfers from restricted accounts	95,105	19,854,543	-	-	9,698,147
Class action settlement	-	-	-	2,750,724	1,386,991
Bond issuance costs	-	(254,442)	-	-	(431,450)
Redemption (purchase) of investments	(126,933)	(19,880,000)	11,844,000	6,956,000	(7,637,960)
Payment of bond principal	-	(200,000,000)	-	-	(267,000,000)
	<u>188,764</u>	<u>42,022,373</u>	<u>(5,712,838)</u>	<u>41,714,177</u>	<u>(54,114,023)</u>
Increase (decrease) in cash and cash equivalents					
Cash and cash equivalents, beginning	<u>55,502,409</u>	<u>55,691,173</u>	<u>97,713,546</u>	<u>92,000,708</u>	<u>133,714,885</u>
Cash and cash equivalents, ending	<u>\$ 55,691,173</u>	<u>\$ 97,713,546</u>	<u>\$ 92,000,708</u>	<u>\$ 133,714,885</u>	<u>\$ 79,600,862</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Change in net position	<u>\$ 544,757</u>	<u>\$ 601,645</u>	<u>\$ 929,547</u>	<u>\$ 3,710,201</u>	<u>\$ 2,589,027</u>
Adjustments for other revenues, expenses, and transfers					
Increase (decrease) of estimated rebate liability	74,681	(39,000)	44,000	55,000	(130,000)
Unamortized prepaid interest rate swap expense	581,724	581,725	583,319	581,725	581,724
Unrealized loss (gain) on restricted investments	184,081	(1,721)	93,485	(230,880)	(66,747)
Transfer from restricted assets	-	19,879,500	-	-	9,779,747
Adjustments for changes in assets and liabilities					
(Increase) decrease in:					
Investments	-	(19,951,187)	11,923,418	6,945,706	(7,677,941)
Accrued interest receivable:					
Loans	33,772	15,638	7,043	10,386	(26,418)
Interest rate swaps	(9,645)	(47,430)	(29,049)	97,420	(91,116)
Cash equivalents and investments	(2,419)	2,361	(6,138)	(33,813)	(92,687)
Prepaid expenses	(570)	7,832	(4,507)	1,332	(2,917)
Loans to local governments	670,279	17,846,427	(17,397,167)	32,048,614	39,267,976
Increase (decrease) in:					
Accrued expenses	26,214	(86,741)	208	(2,382)	64,770
Accrued interest payable:					
Interest rate swaps	(47,122)	(16,133)	(1,308)	279,520	77,358
Bonds	(3,601)	92,845	12,804	(279,525)	(5,141,859)
Bonds payable	<u>(1,863,387)</u>	<u>23,136,612</u>	<u>(1,868,493)</u>	<u>(1,469,127)</u>	<u>(93,244,940)</u>
Total adjustments	<u>(355,993)</u>	<u>41,420,728</u>	<u>(6,642,385)</u>	<u>38,003,976</u>	<u>(56,703,050)</u>
Net cash provided by (used in) operating activities	<u>\$ 188,764</u>	<u>\$ 42,022,373</u>	<u>\$ (5,712,838)</u>	<u>\$ 41,714,177</u>	<u>\$ (54,114,023)</u>

## COVENANT AGREEMENT

DelVal originally adopted the Covenant Agreement on April 9, 2001, to improve the security of the bondholders of the DelVal Series. Under the terms of the Covenant Agreement, DelVal pledges to use, in accordance with the provisions of each Trust Indenture, any available unrestricted funds (the “Excess Funds”) to cure any deficiency in any trust estate. The Excess Funds may be used to:

- 1) replenish any deficiency of a debt service reserve fund or
- 2) pay any debt service payments, interest rate swap payments, administrative expenses, and interest rate swap termination payments.

The Covenant Agreement was amended and restated on April 23, 2002, April 12, 2004, June 28, 2007, and August 3, 2009.

Excess Funds can only be used for the purposes enumerated above so long as the Covenant Agreement is effective. Below is a schedule of the trend of Excess Funds for the past five years. The Excess Funds differ from the Balance Sheet in that the amortization of non-cash items (such as original issue premium and bond insurance premiums) are not included. Investments and restricted investments are shown at their fair market values, and bonds and loans are shown at their par amounts. The Recycling Funds, the funds held by DelVal to originate new loans, are over-collateralized by \$28.2 million. The fair market values, as of December 31 of each year, of DelVal’s interest rate swap transactions are also shown on the schedule, but they are not included in the calculation of excess funds.

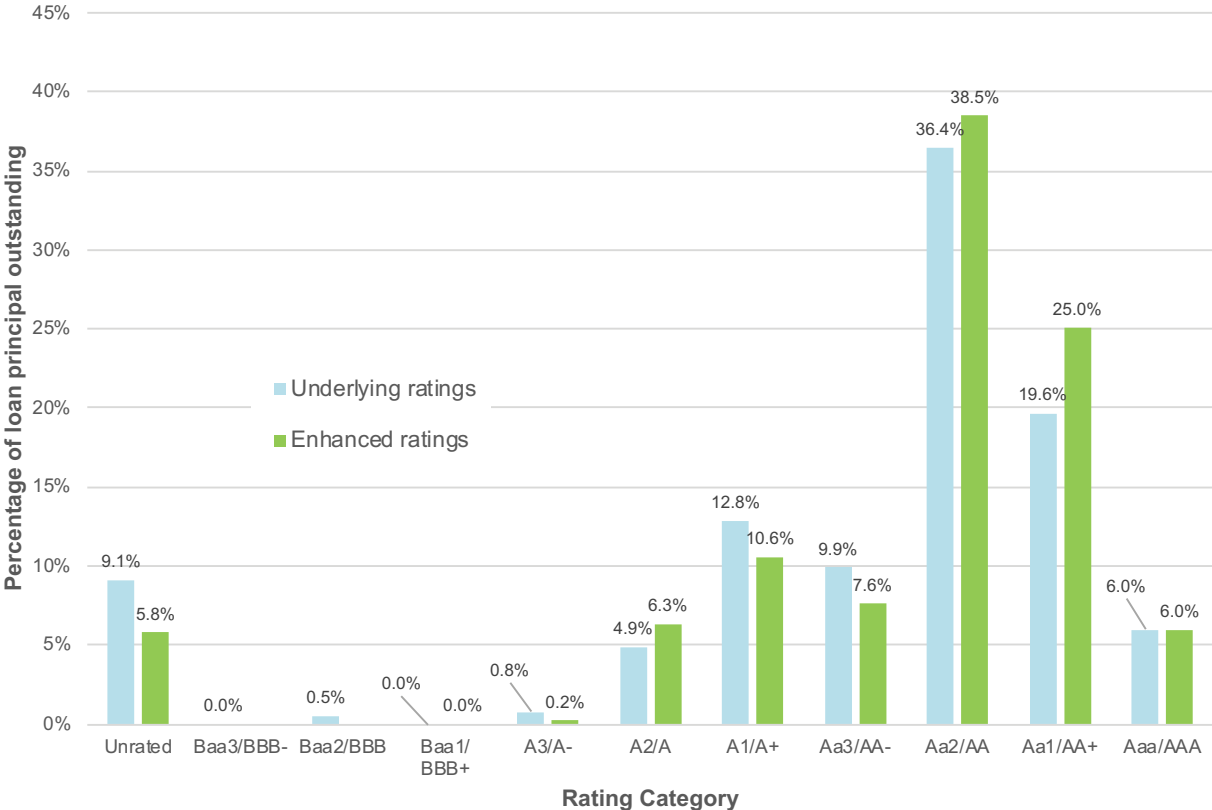
### Comparative Statement of Excess Funds Available to Transfer to Any Trust Estate in the Event of a Deficiency for the Years Ended December 31

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<i>Assets</i>					
Cash and cash equivalents	\$ 55,691,173	\$ 97,713,546	\$ 92,000,708	\$ 133,714,885	\$ 79,600,862
Restricted cash and cash equivalents	63,599,750	62,000,000	63,356,000	62,000,000	45,300,000
Investments	-	19,951,187	8,027,769	1,082,063	8,760,004
Restricted investments	42,855,749	24,577,720	23,128,235	24,715,115	31,702,115
Loan interest receivable	445,947	430,309	423,266	412,880	439,298
Interest rate swaps receivable	5,570,865	5,618,294	5,645,749	5,549,923	5,641,040
Investment earnings receivable	63,885	61,524	67,662	101,475	194,162
Prepaid expenses	93,188	85,356	89,863	88,531	91,448
Loans to local governments	<u>860,059,874</u>	<u>842,213,447</u>	<u>859,610,614</u>	<u>827,562,000</u>	<u>788,294,024</u>
Total assets	<u>1,028,380,431</u>	<u>1,052,651,383</u>	<u>1,052,349,866</u>	<u>1,055,226,872</u>	<u>960,022,953</u>
<i>Liabilities and Deductions</i>					
Accrued expenses	104,140	17,399	17,607	15,225	79,995
Estimated rebate liability	140,000	101,000	145,000	200,000	70,000
Interest rate swaps payable	58,434	42,301	40,993	320,513	397,871
Bond interest payable	16,367,610	16,460,454	16,468,154	16,587,984	12,064,582
Bonds payable	<u>980,000,000</u>	<u>1,005,000,000</u>	<u>1,005,000,000</u>	<u>1,005,000,000</u>	<u>913,000,000</u>
Total liabilities	<u>996,670,184</u>	<u>1,021,621,154</u>	<u>1,021,671,754</u>	<u>1,022,123,722</u>	<u>925,612,448</u>
<i>Excess Funds</i>	<u>\$ 31,710,247</u>	<u>\$ 31,030,229</u>	<u>\$ 30,678,112</u>	<u>\$ 33,103,150</u>	<u>\$ 34,410,505</u>
<i>Fair Market Value of Interest Rate Swap Transactions</i>	<u>\$ 116,666,810</u>	<u>\$ 159,143,624</u>	<u>\$ 160,546,318</u>	<u>\$ 137,004,351</u>	<u>\$134,060,500</u>

The Covenant Agreement requires the Participant (or its Guarantor) of a new loan to have a published rating of “A3” or “A-” or higher (the “Rating Threshold”) unless the proportion of the principal amounts of uninsured loans outstanding to Participants that are rated below the Rating Threshold to the total DelVal funds available to originate loans (the “Loan Funds”) will not exceed 10% (the “Ratings Test”). Generally, DelVal requires a published rating at or above the Rating Threshold or a financial guaranty policy for any new loan of \$1 million or more, even if the Ratings Test is satisfied. DelVal does not normally require ratings or insurance for loans less than \$1 million if the Ratings Test is satisfied and the credit is approved by the Program Administrator. Approximately, 5.27% of the Loan Funds were committed to Participants who were uninsured and rated below the Rating Threshold as of December 31, 2017.

Below is a chart that shows the Ratings Test as of December 31, 2017. The Ratings Test gives equal weight to the ratings of the rating agencies. If the Participant or Guarantor has only one published rating, the analysis gives full weight to the published rating. If a loan is insured, the analysis gives full weight to the higher of the rating of (i) the insurer or (ii) the Participant or Guarantor.

**Covenant Agreement Ratings Test of the Loan Portfolio**



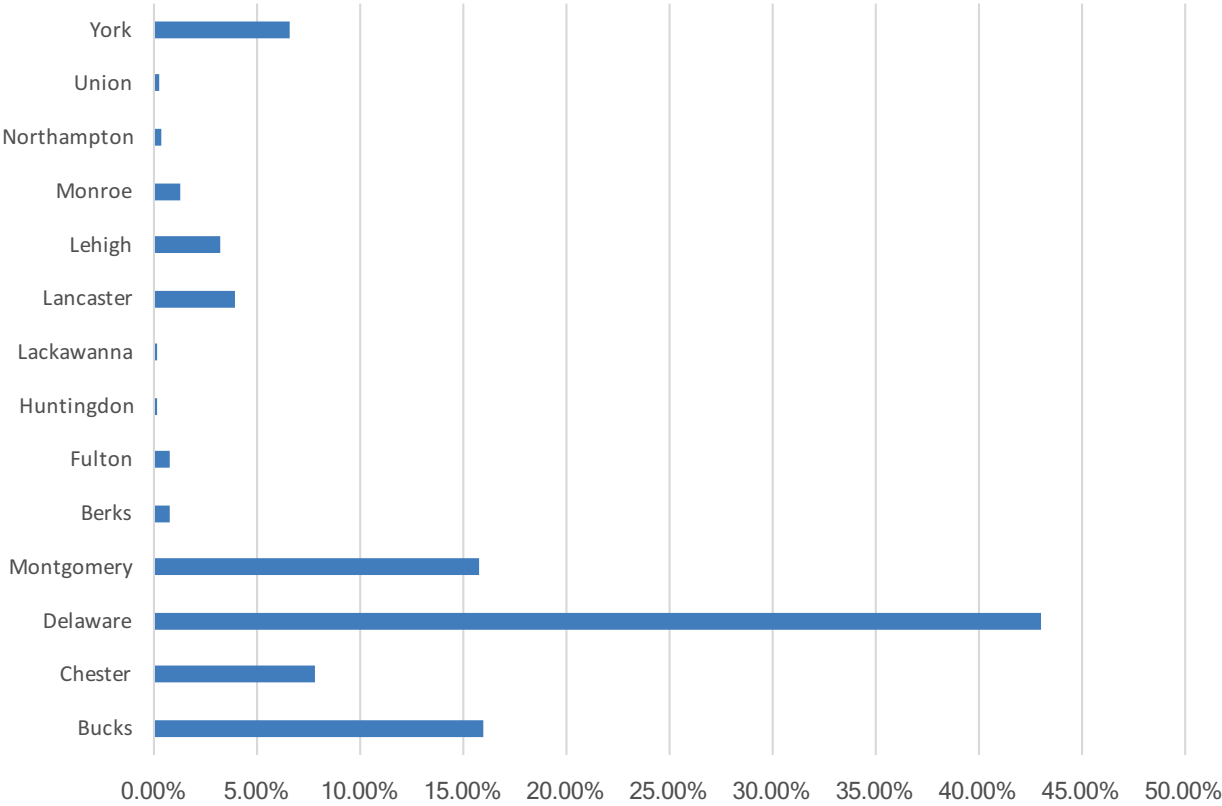
DelVal is the beneficiary of financial guaranty policies issued by Assured Guaranty Municipal Corp. (“AGM”) and its affiliate Municipal Assurance Corp. (“MAC”) that secure loans equal to 19.45% of the loan principal outstanding as of December 31, 2017. AGM was assigned ratings of “A2” with a stable outlook by Moody’s Investors Service (“Moody’s”), “AA” with a stable outlook by S&P Global Ratings (“S&P”), and “AA+” with a stable outlook by Kroll Bond Rating Agency (“Kroll”). MAC was rated “AA+” by Kroll and “AA” by S&P. If a rating downgrade of AGM, MAC, or any other insurer causes DelVal to “fail” the Ratings Test, DelVal has covenanted to take actions necessary to regain compliance with the Ratings Test, including securing ratings of unrated Participants and replacing financial guaranty policies. As of December 31, 2017, DelVal would have complied with the Ratings Test even if AGM and MAC were downgraded below the

Rating Threshold. Only 9.6% of the Loan Funds were originated to Participants or Guarantors that were unrated or rated below the Rating Threshold. The Participants or Guarantors of more than 71.9% of the loan principal outstanding have underlying ratings of “Aa3”, “AA-”, or higher.

**LOAN PORTFOLIO**

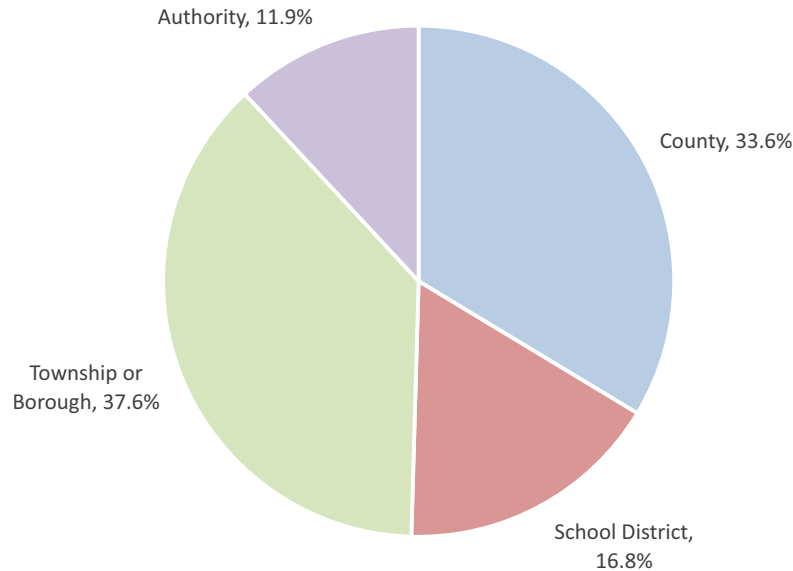
The primary market area of DelVal is in the Counties. The Counties encompass an area of approximately 2,060 square miles and a population of approximately 2.5 million people. The primary market area contains more than 420 counties, cities, townships, boroughs, school districts, and authorities (each a “Political Subdivision”). DelVal, as a matter of policy of the Board, limited its lending activities to Political Subdivisions located in the Counties until 2002. Then, in order to provide geographic diversification to its loan portfolio, DelVal began lending to Political Subdivisions in Pennsylvania located outside the Counties. DelVal’s portfolio of loans outstanding as of December 31, 2017, consisted of 252 loans to 125 Participants located in 13 different counties in the aggregate principal amount of \$788.3 million. Approximately 84.0% of the principal amounts of the loans outstanding were committed to Participants located in the Counties.

**Percentage of Loan Principal Outstanding by County**



The DelVal loans outstanding are diversified by type of Political Subdivision. Loans to authorities have become a larger proportion of DelVal’s loans outstanding over time. A chart with the percentage of loan principal outstanding by type of Political Subdivision is shown below.

### Percentage of Loan Principal Outstanding by Type of Political Subdivision



Loans to school districts benefit from the provisions of the *Public School Code* and the *Debt Act* that authorize an “intercept” of state funding. If any school district fails to make its required debt service payments on the loans on the date such payments are due under a Loan Agreement, the Secretary of Education of the Commonwealth is required to withhold, from any subsidy payment of any type due to the school district by the Commonwealth, an amount equal to the debt service payments owed. The withholding provisions are not part of any contract with DeVal, and future legislation may amend or repeal the provisions of the *Public School Code* or the *Debt Act*. Enforcement may also be limited by bankruptcy, insolvency, or other laws of equitable principles affecting the enforcement of creditors’ rights generally.

Below is a schedule of the ten Participants with the highest concentration levels of loans and financial guaranties as of December 31, 2017. Delaware County accounted for 27.039% of the loan principal outstanding, and the ten highest accounted for 52.017% of the loan principal outstanding. A complete listing of the loans outstanding as of December 31, 2017 is attached as “EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2017.”

#### Ten Participants with the Highest Concentration of Loans

<u>No.</u>	<u>Borrower</u>	<u>County</u>	<u>Participant or Guarantor Ratings</u>		<u>Total Outstanding 31-Dec-17</u>	<u>Insured (1) Loan Principal</u>	<u>Concentration</u>	
			<u>Moody's</u>	<u>S&amp;P</u>			<u>Borrower</u>	<u>Cumulative</u>
1	Delaware County (2)	Delaware	Aa1	AA	\$ 213,148,000	\$14,697,000	27.039%	27.039%
2	Bensalem Township	Bucks	Aa2	---	29,218,000	-	3.706%	30.746%
3	Bucks County (2)	Bucks	Aaa	AAA	28,418,000	-	3.605%	52.017%
4	Allentown School District	Lehigh	---	A	25,730,000	11,175,000	3.264%	37.615%
5	Lancaster County	Lancaster	Aa3	---	23,044,000	23,044,000	2.923%	40.538%
6	Bristol Township	Bucks	Aa3	---	20,635,000	-	2.618%	43.156%
7	Upper Dublin Township	Montgomery	Aa2	---	19,260,000	-	2.443%	45.599%
8	Ridley Township	Delaware	---	A+	18,503,000	-	2.347%	47.946%
9	Gamet Valley School District	Delaware	---	AA	16,924,000	7,940,000	2.147%	50.093%
10	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	Aa1	AA-	15,168,000	-	1.924%	52.017%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") or its affiliate Municipal Assurance Corp. ("MAC") with DeVal as the beneficiary. AGM is rated "A2" by Moody's. AGM and MAC are rated "AA" by S&P and "AA+" by Kroll.

(2) Includes financial guaranties for DeVal loans to component units.

DelVal operates the Loan Program of the six outstanding DelVal Series as one program. Funding for loans is often split among two or more Series. Periodically, DelVal assigns loans from one Series to another to facilitate the origination of new loans and to provide for the payment of principal on the DelVal Series. Loans are amortized over a period that approximates the useful life of the projects funded from the loans. The amortization period cannot exceed the maturity of the related DelVal Series used to fund the loan. A schedule of the projected annual amortization of DelVal's loans outstanding as of December 31, 2017, is set forth below.

### Loan Amortization Schedule as of December 31, 2017

<u>Year</u>	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
2018	\$ 2,482,000	\$ 19,458,000	\$ 7,085,000	\$ 33,160,024	\$ 62,185,024
2019	4,887,000	21,915,000	7,166,000	29,836,500	63,804,500
2020	5,316,000	24,399,000	10,001,000	27,243,500	66,959,500
2021	1,574,000	26,434,000	10,551,000	22,753,000	61,312,000
2022	1,444,000	36,390,000	10,666,000	27,930,000	76,430,000
2023	1,418,000	20,222,000	12,015,000	33,618,000	67,273,000
2024	1,369,000	19,049,000	12,165,000	33,343,000	65,926,000
2025	1,263,000	18,775,000	11,365,000	33,880,000	65,283,000
2026	1,016,000	15,564,000	10,483,000	20,532,000	47,595,000
2027	939,000	14,043,000	9,565,000	20,686,000	45,233,000
2028	-	11,164,000	9,629,000	18,206,000	38,999,000
2029	-	-	6,094,000	18,889,000	24,983,000
2030	-	-	5,747,000	19,186,000	24,933,000
2031	-	-	4,461,000	17,035,000	21,496,000
2032	-	-	4,116,000	14,597,000	18,713,000
2033	-	-	-	10,764,000	10,764,000
2034	-	-	-	7,521,000	7,521,000
2035	-	-	-	7,236,000	7,236,000
2036	-	-	-	3,096,000	3,096,000
2037	-	-	-	2,741,000	2,741,000
2038	-	-	-	1,216,000	1,216,000
2039	-	-	-	1,253,000	1,253,000
2040	-	-	-	1,088,000	1,088,000
2041	-	-	-	1,011,000	1,011,000
2042	-	-	-	663,000	663,000
2043	-	-	-	188,000	188,000
2044	-	-	-	193,000	193,000
2045	-	-	-	199,000	199,000
Total	<u>\$21,708,000</u>	<u>\$227,413,000</u>	<u>\$131,109,000</u>	<u>\$408,064,024</u>	<u>\$788,294,024</u>

Weighted average  
maturity (years):

3.45

4.92

6.81

7.67

6.62

### FINANCING ACTIVITIES

DelVal issued the \$175 million Local Government Revenue Bonds, 2017 Series on May 1, 2017. The 2014 A and C Series, \$100 million aggregate principal amount, were redeemed on the same date with proceeds from the acquisition of loans by the 2002 Series, 2007 Series, and 2017 Series and from other available funds. The 2014 A and C Series and the 2017 Series evidence direct placements of loans from TD and BANA. The redemption of the 2014 A and C Series reduced DelVal's debt service costs by \$340,000 over the period ending on May 1, 2021. The 2017 Series also replaced a portion of the funding of the Loan Funds that were reduced with the maturities of the \$42 million 1997 B Series and \$125 million 2002 B Series Bonds on July 1, 2017.

DelVal replaced the BayernLB letter of credit (the “BayernLB LOC”) that secured the \$50 million 2007 B Series with a letter of credit issued by PNC (the “PNC LOC”) and replaced the remarketing agent of the 2007 B Series with PNC Capital Markets LLC on May 1, 2017. The BayernLB LOC was scheduled to terminate on June 28, 2017. The PNC LOC is scheduled to terminate on May 1, 2020. The fees of the PNC LOC will be higher than those of BayernLB LOC, but the remarketing premium to the SIFMA Index will be lower. The net effect will be to increase DelVal’s annual costs by approximately \$108,000 over prior year levels.

Moody’s upgraded the rating of the 2007 B Series to “Aa3/VMIG 1” on April 13, 2017, when it upgraded BayernLB’s rating to “Aa3”. The ratings of the 2007 B Series as of May 1, 2017, the effective date of the PNC LOC, were “A1/VMIG 1” by Moody’s, “AA+/A-1” by S&P, and “A+/F1” by Fitch Ratings (“Fitch”). The short-term ratings were all based on PNC’s short-term ratings. The long-term rating of Fitch was also based solely on the long-term rating of PNC. The Moody’s long-term rating was based on DelVal’s long-term rating. The S&P long-term rating was based on the joint probability of a default by both DelVal and PNC.

The 2007 B Series are remarketed weekly. The spread of the remarketing rate of the 2007 B Series plummeted after the substitution with the PNC LOC. The remarketing spread averaged 0.036% over the SIFMA Index for 2017. A chart of the spread to the SIFMA Index in 2017 is shown below.

**Spread of the 2007 B Series Remarketing Rate over (under) the SIFMA Index in 2017**

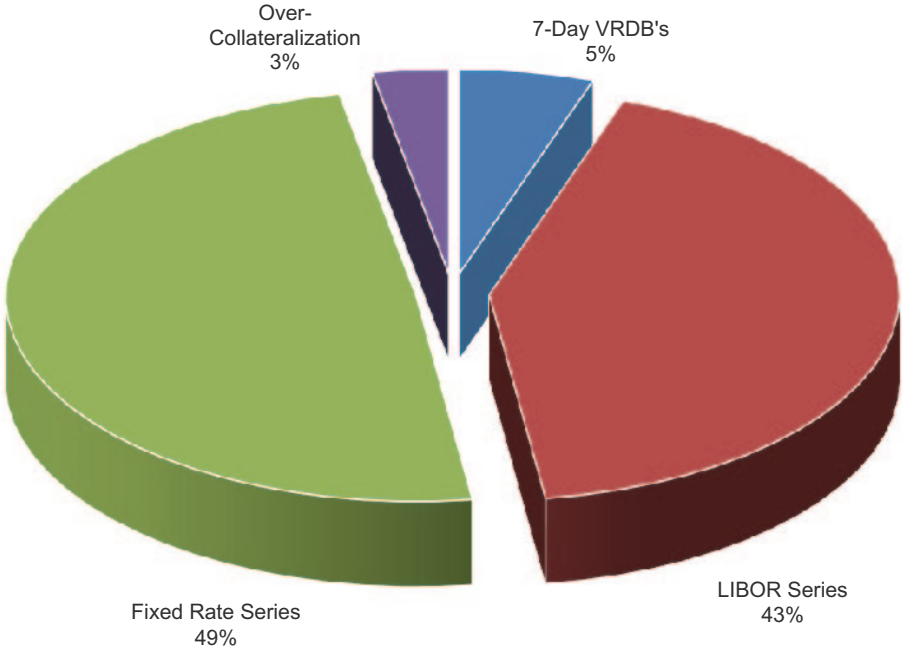


The interest rates on the 2014 B and D Series and the 2017 Series are set at spreads to 67% of 1-Month LIBOR, adjusted monthly. The \$50 million 2014 B Series issued to evidence a loan from BANA will be remarketed on December 1, 2020, and the \$75 million 2014 D Series issued to evidence a loan from PNC will be remarketed on April 1, 2022. The \$75 million 2017 A Series issued to evidence a loan from BANA will be remarketed on May 1, 2021, and the 2017 B, C, D, and E Series, \$25 million par amount

each, issued to evidence a loan from TD will be remarketed on May 1, 2021, 2022, 2023, and 2024, respectively. The 2014 Series and 2017 Series may be optionally redeemed at par on any monthly interest payment date. The 2014 Series and 2017 Series may also be remarketed in a different variable rate or fixed rate mode.

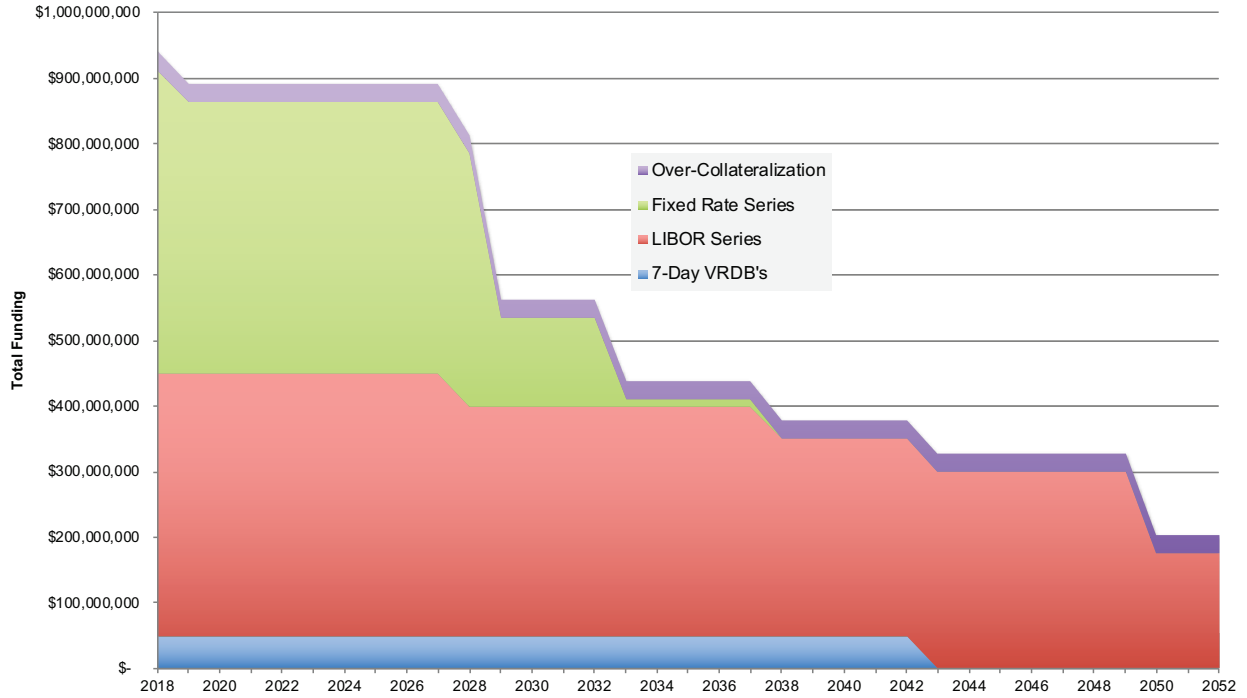
The total funding for the Loan Program, including the over-collateralization of \$28,215,250 is currently \$913 million. The \$50 million 2007 B Series is a VRDB. The \$100 million 2007 C Series is a floating rate obligation with rates indexed to 3-Month LIBOR, the \$125 million 2014 B and D Series and the \$175 million 2017 Series are floating rate obligations with rates indexed to 1-Month LIBOR. The remaining Series are fixed rate obligations.

**Composition of the Funding for the DeVal Loan Program**



Below is a chart projecting the composition of the funding of the Loan Program based upon the scheduled maturities of the DeVal Series and assuming that none of the Series are converted to other interest rate modes.

### Projection of the Composition of Funding of the Loan Program



The DelVal Board adopts annually a Post Issuance Compliance Policy, and under the policy, the Program Administrator monitors and reports any compliance issues to the Board. DelVal expects to issue new DelVal Series in the period from 2018 to 2020 to replace the funding lost as tranches of the 1997 Series, 1998 Series, and 2002 Series mature. The estimated debt service payment schedule for DelVal, assuming that none of the DelVal Series are optionally redeemed or converted to other interest rate modes, is shown on the following page. Interest on variable rate Series are based on the last rate resets in 2017.

**Delaware Valley Regional Finance Authority  
Estimated Debt Service Payments**

Year	1997 Series		1998 Series		2002 Series		Master Series		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ -	\$ 1,801,000	\$ 50,000,000	\$ 16,500,000	\$ -	\$ 7,187,500	\$ -	\$ 7,902,000	\$ 50,000,000	\$ 33,390,500	\$ 83,390,500
2019	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2020	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2021	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2022	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2023	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2024	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2025	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2026	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2027	28,000,000	1,801,000	-	13,750,000	-	7,187,500	50,000,000	7,492,000	78,000,000	30,230,500	108,230,500
2028	-	-	250,000,000	13,750,000	-	7,187,500	-	7,081,000	250,000,000	28,018,500	278,018,500
2029	-	-	-	-	-	7,187,500	-	7,081,000	-	14,268,500	14,268,500
2030	-	-	-	-	-	7,187,500	-	7,081,000	-	14,268,500	14,268,500
2031	-	-	-	-	-	7,187,500	-	7,081,000	-	14,268,500	14,268,500
2032	-	-	-	-	125,000,000	7,187,500	-	7,081,000	125,000,000	14,268,500	139,268,500
2033	-	-	-	-	-	-	-	7,081,000	-	7,081,000	7,081,000
2034	-	-	-	-	-	-	-	7,081,000	-	7,081,000	7,081,000
2035	-	-	-	-	-	-	-	7,081,000	-	7,081,000	7,081,000
2036	-	-	-	-	-	-	-	7,081,000	-	7,081,000	7,081,000
2037	-	-	-	-	-	-	60,000,000	6,646,000	60,000,000	6,646,000	66,646,000
2038	-	-	-	-	-	-	-	5,935,000	-	5,935,000	5,935,000
2039	-	-	-	-	-	-	-	5,935,000	-	5,935,000	5,935,000
2040	-	-	-	-	-	-	-	5,935,000	-	5,935,000	5,935,000
2041	-	-	-	-	-	-	-	5,935,000	-	5,935,000	5,935,000
2042	-	-	-	-	-	-	50,000,000	5,935,000	50,000,000	5,935,000	55,935,000
2043	-	-	-	-	-	-	-	5,325,000	-	5,325,000	5,325,000
2044	-	-	-	-	-	-	-	5,325,000	-	5,325,000	5,325,000
2045	-	-	-	-	-	-	-	5,325,000	-	5,325,000	5,325,000
2046	-	-	-	-	-	-	-	5,325,000	-	5,325,000	5,325,000
2047	-	-	-	-	-	-	-	5,325,000	-	5,325,000	5,325,000
2048	-	-	-	-	-	-	-	5,325,000	-	5,325,000	5,325,000
2049	-	-	-	-	-	-	125,000,000	5,134,000	125,000,000	5,134,000	130,134,000
2050	-	-	-	-	-	-	-	3,033,000	-	3,033,000	3,033,000
2051	-	-	-	-	-	-	-	3,033,000	-	3,033,000	3,033,000
2052	-	-	-	-	-	-	175,000,000	1,011,000	175,000,000	1,011,000	176,011,000
<b>Total</b>	<b>\$ 28,000,000</b>	<b>\$ 18,010,000</b>	<b>\$ 300,000,000</b>	<b>\$ 154,000,000</b>	<b>\$ 125,000,000</b>	<b>\$ 107,812,500</b>	<b>\$460,000,000</b>	<b>\$222,821,000</b>	<b>\$913,000,000</b>	<b>\$502,643,500</b>	<b>\$1,415,643,500</b>

## INVESTMENTS

The funds held by DelVal are invested in Guaranteed Investment Contracts (“GIC’s”) and other investments that satisfy the requirements of the respective Trust Indentures. The terms of the GIC’s end three business days prior to the maturity dates of the related bond series. DelVal treats the GIC’s as cash equivalents because the interest rates on the GIC’s adjust weekly and DelVal can deposit or withdraw funds from the GIC’s with no more than seven days written notice. Under the terms of the GIC’s, DelVal may require the providers to post collateral of cash, Treasury obligations, or certain Agency obligations to secure the principal invested, plus accrued interest, if they are downgraded below the “Aa3” or “AA-” thresholds. Citigroup Financial Products Inc. currently posts collateral to secure its GIC.

DelVal’s short-term investments are generally restricted to instruments with ratings of “P-1” from Moody’s and “A-1” or higher from S&P, and DelVal’s long-term investments are generally restricted to instruments with ratings of “Aa3” or higher from Moody’s and “AA-” or higher from S&P. Investments that mature within 90 days are treated as cash equivalents; investments with longer maturities are recorded at fair value. Most of the funds not invested in GIC’s have been invested in floating rate notes, indexed to 3-Month LIBOR, with maturities ranging from one to five years. See “NOTE 2. CASH, CASH EQUIVALENTS, INVESTMENTS, RESTRICTED CASH EQUIVALENTS, AND RESTRICTED INVESTMENTS” for more information on DelVal’s investments. A summary of the cash equivalents and investments as of December 31, 2017 is shown below.

### Cash Equivalents and Investments as of December 31, 2017

<i>Description</i>	<i>Senior Debt Rating of Counterparty or Guarantor</i>			<i>Maturity</i>	<i>Rate (6)</i>	<i>Par Amount</i>	<i>Fair Value</i>	<i>Fair Value Concentration</i>
	<i>Moody's</i>	<i>S&amp;P</i>	<i>Fitch</i>					
<i>Floating rate notes (1)</i>								
National Australia Bank	Aa3	AA-	***	12-Jul-21	1.357%	\$ 12,000,000	\$ 12,213,120	7.386%
Bank of Nova Scotia	A1	***	AA-	7-Mar-22	1.515%	10,000,000	10,030,200	6.066%
Westpac Banking	Aa3	AA-	AA-	17-Jan-19	1.353%	6,150,000	6,176,384	3.735%
Commonwealth Bank of Australia	Aa3	AA-	AA-	10-Mar-22	1.536%	6,000,000	6,036,780	3.651%
Westpac Banking	Aa3	AA-	AA-	11-Jan-22	1.356%	3,926,000	3,977,155	2.405%
National Australia Bank	Aa3	AA-	***	10-Jan-22	1.350%	2,000,000	2,028,480	1.227%
TD Treasury Money Market	***	AAAm	***	***	0.250%	30,800	30,800	0.019%
<i>GIC's (2)</i>								
BayemLB (3)	Aaa	***	AAA	27-Jul-28	3.340%	79,184,368	79,184,368	47.885%
CFPI (4)	Baa1	BBB+	A	28-May-42	2.881%	12,628,833	12,628,833	7.637%
Natixis (5)	Aa2	AA	AA	28-Jun-27	3.260%	7,238,696	7,238,696	4.377%
Natixis (5)	Aa2	AA	AA	28-Jun-32	2.880%	25,818,165	25,818,165	15.613%
Total						<u>\$ 164,976,862</u>	<u>\$ 165,362,981</u>	100.000%

(1) Notes pay a spread over 3-Month LIBOR, adjusted and paid quarterly. All Notes were rated Aa3, AA-, or higher when purchased.

(2) GIC's pay a spread over the SIFMA Index, adjusted weekly and paid monthly.

(3) Obligations guaranteed by the State of Bavaria.

(4) Obligations are collateralized and held by the Bank of New York Mellon.

(5) Obligations are guaranteed by Caisse des Dépôts et Consignations.

(6) Rate as of December 31, 2017.

## INTEREST RATE SWAP AGREEMENTS

DelVal has entered into interest rate swap transactions after the issuance of each DelVal Series since 1997. DelVal entered into the swap agreements to hedge its exposure to future changes in long-term interest rates. The swap transactions allow DelVal to be competitive for both variable rate and fixed rate loans under all types of market conditions. DelVal enters into offsetting swap transactions when Participants request a fixed rate on all or a portion of their loans.

DelVal has executed master interest rate swap agreements with four counterparties. DelVal has four master agreements with BANA (collectively, the “BANA Swap Agreement”) related to:

- the 1997 Series (the “1997 Swap Agreement”),
- the 1998 Series (the “1998 Swap Agreement”),
- the 2002 Series (the “2002 Swap Agreement”), and
- the Master Series (the “2007 Swap Agreement”).

DelVal also entered into master interest rate swap agreements with Citibank in 2007, with Barclays in 2012, with PNC in 2015, and T-D in 2016. DelVal expects to enter into additional master agreements with new counterparties in the future.

A summary of the outstanding transactions and their market values as of December 31, 2017, is shown below.

### Interest Rate Swap Transactions as of December 31, 2017

	<i>Fitch</i>	<i>Kroll</i>	<i>Moody's</i>	<i>S&amp;P</i>	<i>Notional Amount</i>	<i>Market Value 31-Dec-17</i>
<b>Bond Issues</b>						
1997 Series	***	***	A1	***	\$ 28,000,000	\$ 8,385,000
1998 Series	***	***	A1	***	600,000,000	84,818,100
2002 Series	***	***	A1	A+	125,000,000	41,325,800
2007 Series	***	***	A1	A+	110,050,000	4,174,000
2014 Series	***	***	***	***	125,000,000	465,600
2017 Series	***	***	***	***	<u>175,000,000</u>	<u>587,800</u>
Subtotal					<u>1,163,050,000</u>	<u>139,756,300</u>
<b>Fixed Rate Loans</b>						
1997 Series					18,871,000	(485,600)
1998 Series					165,107,000	(3,109,500)
2002 Series					130,424,000	(1,841,900)
2007 Series					115,270,000	(90,800)
2014 Series					105,775,000	396,700
2017 Series					<u>108,326,500</u>	<u>(564,700)</u>
Subtotal					<u>643,773,500</u>	<u>(5,695,800)</u>
Total					<u>\$ 1,806,823,500</u>	<u>\$ 134,060,500</u>
<b>Counterparty</b>						
Bank of America	A+	***	Aa3	A+	\$ 1,379,062,000	\$ 128,467,100
Barclays Bank	A	***	A1	A	65,157,000	(308,000)
Citibank	A+	***	A1	A	110,050,000	4,174,000
PNC Bank	A+	AA	A2	A	241,911,000	1,611,900
Toronto-Dominion	***	***	Aa2	AA-	<u>10,643,500</u>	<u>115,500</u>
Total					<u>\$ 1,806,823,500</u>	<u>\$ 134,060,500</u>

The DelVal Board annually adopts an Interest Rate Swap Management Policy (the “Swap Policy”). Any exceptions to Swap Policy must be explicitly authorized by a Resolution of the Board. See “NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS” and “NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS” for more information

## STRESS TESTS

DelVal periodically prepares projections of operating results for the rating agencies to test the ability of DelVal to withstand changes of future market conditions. The schedules project loan principal and interest payments, swap receipts and payments, investment earnings, origination fees, bond principal and interest payments, and administrative expenses. The coverage of available funds over the bond principal and interest payments is calculated, including debt service reserve funds, but ignoring accumulated fund balances.

Three scenarios are considered:

- 1) “Scheduled”, debt is repaid as scheduled,
- 2) “Run-off”, the DelVal Series that can be redeemed at par are redeemed when permitted by cash flows, and
- 3) “New debt”, new DelVal Series are issued to extend the life of the Loan Program.

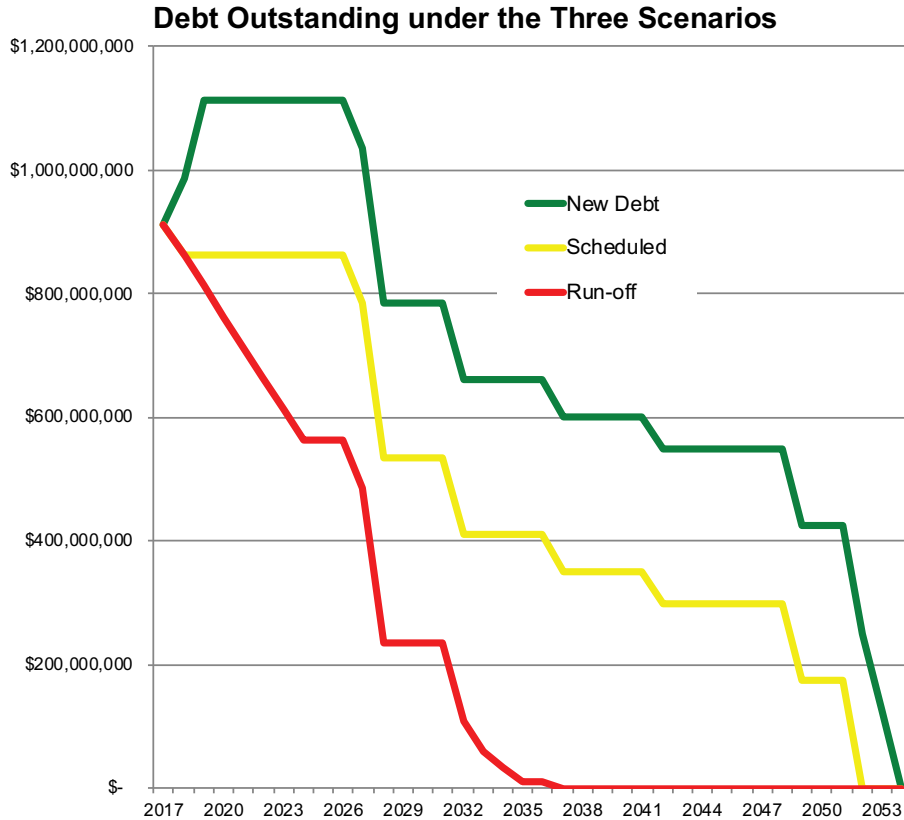
For each of these scenarios, four different interest rate regimes are analyzed:

- 1) SIFMA Index increases to 1.50% in 2023,
- 2) SIFMA Index increases to 3.00% in 2023,
- 3) SIFMA Index increases to 5.00% in 2023 and
- 4) SIFMA Index increases to 8.00% in 2023.

The projections, incorporating the 2017 results of operations, show that coverage of debt service is not sensitive to changes in the scenarios. The results are robust because (i) the Loan Program is over-collateralized by \$28,215,250, (ii) each series of DelVal’s bond issues has a Debt Service Reserve Fund funded from proceeds, and (iii) the amortization of new loans is structured to ensure that sufficient funds from loan principal payments will be available to pay principal on the DelVal Series when the payments are due. The test of the adequacy of the cash flows of loan principal repayments is required under the Trust Indentures and the Covenant Agreement. If sufficient funds would not be available for principal repayments of the DelVal Series, the loan would not be originated. The projections also demonstrate that the Loan Program is not sensitive to changes in interest rates. Increased debt service and interest rate swap costs from higher interest rates are offset by increased revenues from interest rate swaps, investments, and loans.

The only circumstances under which coverage would be inadequate would be under (i) a cataclysmic market failure that would cause DelVal’s swap or investment counterparties to default on their obligations for a prolonged period or (ii) a cataclysmic economic disruption in Pennsylvania that would cause a large number of Participants to default on their debt obligations for a prolonged period.

A chart that compares the debt outstanding under the three scenarios is shown below. Under the “Scheduled” scenario, DelVal’s outstanding Series are repaid on their respective maturity dates. Under the “New Debt” scenario, DelVal issues \$125 million of new bonds, with 35-year maturities, in 2018 and 2019. Under the “Run-Off” scenario, DelVal Series that can be redeemed at par are redeemed as funds become available.



Coverage of debt service is tightest in 2028, due to the \$250 million maturity of the 1998 Series, and 2032, due to the \$125 million maturity of the 2002 Series. In these years, the magnitude of the funds available for coverage exceeds \$65 million in 2028 and \$62 million in 2032. DelVal would have sufficient funds to cover the debt service payments if:

- 1) Every Participant defaulted on principal and interest payments for a year, or
- 2) Every swap counterparty defaulted on payments for more than two years, or
- 3) Every investment counterparty defaulted on payments for more than three years.

Schedules that compare the coverage ratios and the magnitude of the coverage under the different scenarios are shown below.

## Comparison of Debt Service Coverage Percentages

Year	Scheduled (1)				Run-Off (2)				New Debt (3)			
	SIFMA Index in 2023				SIFMA Index in 2023				SIFMA Index in 2023			
	1.50%	3.00%	5.00%	8.00%	1.50%	3.00%	5.00%	8.00%	1.50%	3.00%	5.00%	8.00%
2018	213%	213%	213%	213%	213%	213%	213%	213%	345%	345%	345%	345%
2019	452%	443%	432%	418%	234%	234%	233%	232%	430%	420%	408%	392%
2020	451%	436%	417%	394%	233%	233%	232%	232%	447%	425%	400%	371%
2021	449%	426%	401%	373%	233%	235%	236%	238%	478%	442%	406%	368%
2022	449%	419%	389%	358%	257%	260%	262%	266%	478%	431%	389%	349%
2023	447%	411%	377%	344%	283%	286%	290%	295%	475%	420%	374%	333%
2024	508%	471%	437%	402%	314%	317%	321%	328%	475%	420%	374%	333%
2025	739%	667%	599%	531%	995%	949%	899%	840%	622%	547%	483%	424%
2026	948%	842%	741%	640%	1208%	1144%	1075%	994%	828%	708%	608%	518%
2027	345%	340%	334%	326%	360%	361%	364%	367%	346%	337%	326%	315%
2028	129%	130%	132%	134%	124%	126%	128%	131%	138%	140%	142%	145%
2029	568%	462%	383%	317%	1051%	938%	828%	716%	587%	461%	376%	312%
2030	677%	555%	462%	384%	1393%	1234%	1080%	921%	587%	461%	377%	312%
2031	964%	766%	617%	494%	1701%	1501%	1308%	1106%	798%	615%	491%	397%
2032	146%	146%	146%	146%	146%	147%	148%	150%	164%	164%	164%	164%
2033	803%	558%	420%	327%	160%	162%	163%	166%	745%	520%	398%	318%
2034	803%	558%	420%	327%	187%	189%	193%	199%	745%	520%	398%	318%
2035	804%	558%	420%	327%	154%	157%	161%	167%	745%	520%	398%	318%
2036	945%	653%	488%	376%	4771%	4855%	4965%	5153%	745%	520%	398%	318%
2037	186%	183%	180%	175%	376%	383%	391%	403%	219%	213%	207%	199%
2038	1012%	688%	509%	390%	***	***	***	***	846%	582%	441%	349%
2039	1012%	688%	509%	390%	***	***	***	***	846%	582%	441%	349%
2040	1008%	686%	508%	389%	***	***	***	***	843%	579%	439%	347%
2041	1122%	762%	562%	427%	***	***	***	***	841%	578%	438%	347%
2042	193%	190%	186%	180%	***	***	***	***	233%	225%	217%	208%
2043	909%	616%	453%	345%	***	***	***	***	789%	542%	411%	325%
2044	909%	615%	453%	344%	***	***	***	***	789%	542%	410%	324%
2045	909%	615%	453%	344%	***	***	***	***	789%	542%	410%	324%
2046	1517%	979%	682%	484%	***	***	***	***	790%	542%	411%	325%
2047	2148%	1365%	931%	643%	***	***	***	***	906%	613%	457%	357%
2048	2796%	1766%	1196%	816%	***	***	***	***	1512%	968%	680%	494%
2049	170%	166%	162%	156%	***	***	***	***	185%	181%	176%	171%
2050	3667%	2284%	1526%	1023%	***	***	***	***	2170%	1339%	906%	630%
2051	4737%	2966%	1997%	1353%	***	***	***	***	2934%	1797%	1203%	822%
2052	122%	124%	127%	131%	***	***	***	***	185%	184%	184%	182%
2053	***	***	***	***	***	***	***	***	175%	175%	175%	175%
2054	***	***	***	***	***	***	***	***	130%	132%	135%	139%

(1) Assumes the principal maturing after 2017 is paid on the scheduled maturity dates.

(2) Assumes the Bonds that can be optionally redeemed at par are run-off as funds become available.

(3) Assumes \$125 million of Bonds are issued in 2018 and another \$125 million in 2019.

**Comparison of Debt Service Coverage Amounts**  
(millions)

Year	Scheduled (1)				Run-Off (2)				New Debt (3)			
	SIFMA Index in 2023				SIFMA Index in 2023				SIFMA Index in 2023			
	1.50%	3.00%	5.00%	8.00%	1.50%	3.00%	5.00%	8.00%	1.50%	3.00%	5.00%	8.00%
2018	\$ 96	\$ 96	\$ 96	\$ 96	\$ 96	\$ 96	\$ 96	\$ 96	\$ 210	\$ 210	\$ 210	\$ 210
2019	113	114	116	119	110	111	113	115	118	120	123	127
2020	113	116	120	125	108	111	114	119	130	133	139	146
2021	114	118	123	131	107	111	117	126	143	149	157	168
2022	114	120	127	138	124	130	139	152	143	151	162	178
2023	114	121	130	143	143	151	161	177	143	154	167	187
2024	134	145	158	177	165	172	183	199	143	154	167	187
2025	210	221	234	253	237	243	252	266	200	215	233	260
2026	279	289	300	317	293	300	308	321	279	292	310	335
2027	270	279	289	304	270	276	285	299	284	296	312	335
2028	80	86	93	103	65	70	77	88	110	118	129	147
2029	76	78	81	85	94	95	97	100	106	111	118	129
2030	94	98	103	110	128	129	131	133	106	111	118	129
2031	141	144	148	154	158	159	161	164	152	158	167	180
2032	65	67	70	76	62	64	66	70	94	100	107	118
2033	64	66	69	72	32	33	35	38	94	99	106	116
2034	64	66	69	72	23	24	26	28	94	99	106	116
2035	64	66	69	72	14	15	16	18	94	99	106	116
2036	77	80	83	88	26	26	27	28	94	99	106	116
2037	59	61	64	67	28	29	30	31	88	93	100	110
2038	59	60	63	66	-	-	-	-	88	93	100	110
2039	59	60	63	66	-	-	-	-	88	93	100	110
2040	58	60	62	66	-	-	-	-	88	93	100	110
2041	66	68	71	74	-	-	-	-	87	93	99	109
2042	53	54	56	59	-	-	-	-	82	87	93	102
2043	52	53	54	56	-	-	-	-	81	86	91	100
2044	52	53	54	55	-	-	-	-	81	86	91	99
2045	52	53	54	55	-	-	-	-	81	86	91	99
2046	91	90	89	87	-	-	-	-	81	86	91	100
2047	132	130	127	123	-	-	-	-	95	99	105	114
2048	173	171	167	163	-	-	-	-	167	168	170	174
2049	91	89	86	82	-	-	-	-	116	117	117	119
2050	131	129	126	122	-	-	-	-	187	186	185	184
2051	170	169	167	165	-	-	-	-	256	255	253	251
2052	39	43	48	55	-	-	-	-	155	157	160	166
2053	-	-	-	-	-	-	-	-	96	99	101	105
2054	-	-	-	-	-	-	-	-	38	41	45	51

- (1) Assumes the principal maturing after 2017 is paid on the scheduled maturity dates.  
(2) Assumes the Bonds that can be optionally redeemed at par are run-off as funds become available.  
(3) Assumes \$125 million of Bonds are issued in 2018 and another \$125 million in 2019.

## OUTLOOK

DelVal expects to receive settlements from two or more class action lawsuits that allege manipulation of index and derivative transactions. The amounts and the timing of the payments are not known at this time.

Loan origination, fueled by the proceeds of the 2017 Series, will increase over the 2017 levels. The \$50 million 1998 B and C Series will mature on August 1, 2018. After making provision for that payment and the loans that have been approved and scheduled to close in 2018, only \$11.1 million of funds were available as of December 31, 2017, to originate new loans. DelVal expects to receive \$62.2 million of scheduled loan principal repayments in 2018 that will allow DelVal to originate the remaining loans that are in queue for origination. Commitments for additional loans will require the issuance of a new Series. DelVal expects to issue a new Series prior to August 1, 2018.



Calhoun Baker Inc.

Program Administrator

Delaware Valley Regional Finance Authority

May 3, 2018

## EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2017

(Continued on the next page)

No.	Borrower	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 31-Dec-17	Insured (1) Loan Principal	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			Borrower	Cumulative
1	Allentown School District	Lehigh	--	--	A	\$ -	\$ -	\$ -	\$ 25,730,000	\$ 25,730,000	\$ 11,175,000	3.264%	3.264%
2	Aston Township	Delaware	--	--	AA	-	-	3,516,000	59,000	3,575,000	-	0.454%	3.718%
3	Bensalem Township	Bucks	--	Aa2	--	-	20,253,000	-	8,965,000	29,218,000	-	3.706%	7.424%
4	Benton Township	Lackawanna	--	--	--	-	-	-	119,000	119,000	-	0.015%	7.439%
5	Bethel Township	Delaware	A+	--	--	-	-	-	236,000	236,000	-	0.030%	7.469%
6	Bethel Township Sewer Authority	Delaware	A+	--	--	-	-	-	1,415,000	1,415,000	-	0.180%	7.649%
7	Birmingham Township	Chester	--	--	--	160,000	-	-	-	160,000	-	0.020%	7.669%
8	Brandywine Heights Area School District	Berks	--	--	--	-	-	-	3,375,000	3,375,000	3,375,000	0.428%	8.097%
9	Bridgeport Borough	Montgomery	--	A2	--	461,000	-	5,552,000	510,000	6,523,000	5,552,000	0.827%	8.924%
10	Bristol Borough	Bucks	A+	--	--	-	786,000	-	5,779,000	6,565,000	-	0.833%	9.757%
11	Bristol Borough Water & Sewer Authority	Bucks	A+	--	--	-	-	-	3,082,000	3,082,000	-	0.391%	10.148%
12	Bristol Township	Bucks	--	Aa3	--	-	-	2,341,000	18,294,000	20,635,000	-	2.618%	12.766%
13	Bristol Township School District	Bucks	--	A3	--	385,000	-	-	-	385,000	-	0.049%	12.815%
14	Brookhaven Borough	Delaware	--	--	AA-	-	-	2,594,000	-	2,594,000	-	0.329%	13.144%
15	Bucks County	Bucks	--	Aaa	AAA	-	-	-	14,549,000	14,549,000	-	1.846%	14.989%
16	Bucks County Airport Authority	Bucks	--	Aaa	AAA	63,000	-	300,000	1,639,000	2,002,000	-	0.254%	15.243%
17	Bucks County Community College	Bucks	--	Aaa	AAA	-	4,737,000	-	-	4,737,000	-	0.601%	15.844%
18	Bucks County Community College Authority	Bucks	--	Aaa	AAA	-	-	-	7,130,000	7,130,000	-	0.904%	16.749%
19	Chadds Ford Township Sewer Authority	Delaware	--	--	--	120,000	-	-	-	120,000	-	0.015%	16.764%
20	Chalfont Borough	Bucks	--	--	--	15,000	-	-	266,000	281,000	-	0.036%	16.800%
21	Chester City	Delaware	--	--	--	-	-	2,328,000	1,403,000	3,731,000	-	0.473%	17.273%
22	Collegeville Borough	Montgomery	--	--	--	-	-	-	408,000	408,000	-	0.052%	17.325%
23	Concord Township	Delaware	--	Aa1	--	-	-	-	4,160,000	4,160,000	-	0.528%	17.852%
24	Delaware County	Delaware	--	Aa1	AA	-	51,841,000	42,567,000	110,349,000	204,757,000	13,065,000	25.975%	43.827%
25	Delaware County Solid Waste Authority	Delaware	--	Aa1	AA	-	-	8,391,000	-	8,391,000	1,632,000	1.064%	44.892%
26	Dover Area School District	York	--	A1	--	-	13,506,000	-	-	13,506,000	-	1.713%	46.605%
27	Doylestown Borough	Bucks	AA	--	--	-	-	-	2,666,000	2,666,000	-	0.338%	46.943%
28	East Bradford Township	Chester	--	--	AA	-	-	1,118,000	1,098,000	2,216,000	2,216,000	0.281%	47.224%
29	East Goshen Municipal Authority	Chester	AAA	Aaa	--	-	-	6,927,000	2,118,000	9,045,000	6,927,000	1.147%	48.372%
30	East Goshen Township	Chester	AAA	Aaa	--	89,000	2,575,000	-	-	2,664,000	-	0.338%	48.710%
31	East Rockhill Township	Bucks	--	--	--	-	660,000	-	-	660,000	-	0.084%	48.793%
32	East Vincent Township	Chester	--	--	AA	-	-	817,000	-	817,000	817,000	0.104%	48.897%
33	Eddystone Borough	Delaware	--	--	--	-	-	2,363,000	366,000	2,729,000	-	0.346%	49.243%
34	Forbes Road School District	Fulton	--	--	A+	-	-	-	6,516,000	6,516,000	6,516,000	0.827%	50.070%
35	Franconia Township	Montgomery	--	--	AA-	3,974,000	-	1,031,000	-	5,005,000	1,537,000	0.635%	50.705%
36	Franklin Township	Chester	--	A2	--	108,000	-	-	2,916,000	3,024,000	-	0.384%	51.088%
37	Gamet Valley School District	Delaware	--	--	AA	-	7,940,000	-	8,984,000	16,924,000	7,940,000	2.147%	53.235%
38	Glenolden Borough	Delaware	--	--	AA-	-	460,000	290,000	-	750,000	290,000	0.095%	53.330%
39	Hatfield Borough	Montgomery	--	--	--	-	1,520,000	-	-	1,520,000	-	0.193%	53.523%
40	Hatfield Township	Montgomery	AA-	--	--	-	2,530,000	1,484,000	1,410,000	5,424,000	-	0.688%	54.211%
41	Highland Township	Chester	--	--	--	-	713,000	-	-	713,000	-	0.090%	54.302%
42	Kennett Square Borough	Chester	--	A3	--	-	557,000	-	-	557,000	-	0.071%	54.372%
43	Lampeter-Strasburg School District	Lancaster	--	--	AA	-	2,516,000	-	2,701,000	5,217,000	5,217,000	0.662%	55.034%
44	Lancaster County	Lancaster	--	Aa3	--	-	-	-	23,044,000	23,044,000	23,044,000	2.923%	57.957%
45	Lansdowne Borough	Delaware	A+	--	--	-	563,000	-	2,130,000	2,693,000	-	0.342%	58.299%

## EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2017

(Continued on the next page)

No.	Borrower	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding	Insured (1) Loan	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series	31-Dec-17	Principal	Borrower	Cumulative
46	Limerick Township	Montgomery	--	--	AAA	-	3,701,000	-	-	3,701,000	-	0.469%	58.769%
47	London Britain Township	Chester	--	--	--	370,000	-	-	595,000	965,000	-	0.122%	58.891%
48	London Grove Township	Chester	--	--	AA	245,000	-	-	5,579,000	5,824,000	-	0.739%	59.630%
49	London Grove Township Municipal Authority	Chester	--	--	AA	-	-	3,138,000	2,796,000	5,934,000	-	0.753%	60.383%
50	Lower Makefield Township	Bucks	--	Aa1	--	-	6,805,000	-	3,470,000	10,275,000	3,470,000	1.303%	61.686%
51	Lower Oxford Township	Chester	--	--	AA	590,000	-	-	1,051,000	1,641,000	-	0.208%	61.894%
52	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	--	Aa1	AA-	-	15,168,000	-	-	15,168,000	-	1.924%	63.818%
53	Lower Pottsgrove Township Authority	Montgomery	--	--	AA	-	-	7,178,000	859,000	8,037,000	-	1.020%	64.838%
54	Lower Providence Township	Montgomery	--	Aa2	--	-	-	2,385,000	1,952,000	4,337,000	2,921,000	0.550%	65.388%
55	Lower Providence Township Sewer Authority	Montgomery	--	Aa2	--	-	-	-	3,561,000	3,561,000	-	0.452%	65.840%
56	Lower Salford Township	Montgomery	--	Aa2	--	-	3,958,000	-	-	3,958,000	-	0.502%	66.342%
57	Malvern Borough	Chester	--	Aa3	--	-	-	1,158,000	186,000	1,344,000	1,158,000	0.170%	66.512%
58	Marcus Hook Borough	Delaware	--	--	--	1,008,000	-	-	216,000	1,224,000	-	0.155%	66.668%
59	Marple Township	Delaware	--	--	AA	-	-	1,602,000	7,205,000	8,807,000	-	1.117%	67.785%
60	Milford Township	Bucks	--	--	AA	-	-	-	419,000	419,000	-	0.053%	67.838%
61	Montgomery County	Montgomery	--	Aa1	--	-	-	-	7,713,024	7,713,024	-	0.978%	68.816%
62	Morrisville Borough School District	Bucks	--	--	A	571,000	-	67,000	-	638,000	-	0.081%	68.897%
63	Morton Borough	Delaware	--	--	--	150,000	-	-	-	150,000	-	0.019%	68.916%
64	Mount Union Area School District	Huntingdon	--	--	A	-	-	-	804,000	804,000	-	0.102%	69.018%
65	Nether Providence Township	Delaware	--	--	--	173,000	-	1,869,000	1,592,000	3,634,000	2,740,000	0.461%	69.479%
66	New Britain Township	Bucks	--	--	--	1,519,000	-	-	-	1,519,000	-	0.193%	69.672%
67	New Garden Township Sewer Authority	Chester	--	--	--	-	656,000	-	-	656,000	-	0.083%	69.755%
68	New Hanover Township	Montgomery	--	--	--	-	3,493,000	-	-	3,493,000	-	0.443%	70.198%
69	New Hanover Township Authority	Montgomery	--	--	--	-	-	-	891,000	891,000	891,000	0.113%	70.311%
70	Newtown Township	Delaware	--	Aa1	--	-	-	-	3,256,000	3,256,000	-	0.413%	70.725%
71	North Coventry Township	Chester	--	--	AA	-	1,887,000	-	723,000	2,610,000	723,000	0.331%	71.056%
72	North Coventry Water Authority	Chester	--	--	AA	-	-	-	838,000	838,000	838,000	0.106%	71.162%
73	Northeastern York County Sewer Authority	York	--	--	A+	-	-	771,000	13,335,000	14,106,000	4,167,000	1.789%	72.951%
74	Northeastern York School District	York	--	--	A+	-	-	4,671,000	-	4,671,000	-	0.593%	73.544%
75	Norwood Borough	Delaware	--	--	--	-	-	-	740,000	740,000	-	0.094%	73.638%
76	Parquesburg Borough	Chester	--	--	--	-	-	-	647,000	647,000	647,000	0.082%	73.720%
77	Penn del Borough	Bucks	--	--	--	586,000	-	-	412,000	998,000	-	0.127%	73.846%
78	Pennsbury Township	Chester	AA	--	--	-	-	-	3,527,000	3,527,000	-	0.447%	74.294%
79	Perkasie Borough	Bucks	--	--	--	-	3,851,000	-	476,000	4,327,000	476,000	0.549%	74.843%
80	Pocopson Township	Chester	--	Aa2	--	-	-	1,496,000	1,000,000	2,496,000	1,000,000	0.317%	75.159%
81	Pottstown School District	Montgomery	--	A1	A+	-	9,184,000	-	640,000	9,824,000	640,000	1.246%	76.406%
82	Prospect Park Borough	Delaware	--	--	--	-	-	-	1,330,000	1,330,000	-	0.169%	76.574%
83	Quakertown Community School District	Bucks	--	Aa3	A+	-	4,000,000	-	2,927,000	6,927,000	-	0.879%	77.453%
84	Ridley School District	Delaware	--	--	AA-	-	-	-	1,428,000	1,428,000	-	0.181%	77.634%
85	Ridley Township	Delaware	--	--	A+	905,000	-	-	17,598,000	18,503,000	-	2.347%	79.981%
86	Rockledge Borough	Montgomery	--	--	--	343,000	-	-	67,000	410,000	-	0.052%	80.033%
87	Rose Tree Media School District	Delaware	--	--	AA	6,565,000	7,890,000	-	-	14,455,000	-	1.834%	81.867%
88	Royersford Borough	Montgomery	--	--	--	-	-	-	2,955,000	2,955,000	2,955,000	0.375%	82.242%
89	Rutledge Borough	Delaware	--	--	--	-	-	-	113,000	113,000	-	0.014%	82.256%
90	Sadsbury Township	Chester	--	--	--	572,000	542,000	-	1,377,000	2,491,000	1,377,000	0.316%	82.572%

### EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2017

No.	Borrower	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 31-Dec-17	Insured (1) Loan Principal	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			Borrower	Cumulative
91	Schwenksville Borough	Montgomery	--	--	--	-	-	45,000	-	45,000	-	0.006%	82.578%
92	Solebury Township	Bucks	--	Aa2	--	-	3,753,000	-	-	3,753,000	-	0.476%	83.054%
93	South Coventry Township	Chester	--	--	--	906,000	-	-	-	906,000	-	0.115%	83.169%
94	South Eastern School District	York	--	--	AA	-	3,600,000	-	-	3,600,000	3,600,000	0.457%	83.626%
95	Southeast Delco School District	Delaware	--	--	A	339,000	-	-	-	339,000	-	0.043%	83.669%
96	Southern Delaware County Authority	Delaware	--	--	--	385,000	-	-	-	385,000	-	0.049%	83.718%
97	Springfield Township	Delaware	--	--	--	-	2,994,000	-	-	2,994,000	-	0.380%	84.097%
98	Springfield Township, York County, Sewer Authority	York	--	--	--	-	-	6,085,000	-	6,085,000	6,085,000	0.772%	84.869%
99	Stroudsburg Area School District	Monroe	--	A1	A+	-	7,689,000	-	2,316,000	10,005,000	10,005,000	1.269%	86.139%
100	Swarthmore Borough	Delaware	--	--	--	188,000	1,092,000	-	432,000	1,712,000	476,000	0.217%	86.356%
101	Tinicum Township (Bucks)	Bucks	A+	--	--	-	-	-	6,598,000	6,598,000	-	0.837%	87.193%
102	Tinicum Township (Delaware)	Delaware	--	--	--	-	1,467,000	2,098,000	-	3,565,000	2,098,000	0.452%	87.645%
103	Towamencin Township	Montgomery	--	--	AA+	-	1,694,000	-	8,148,000	9,842,000	3,525,000	1.249%	88.893%
104	Union County	Union	--	--	AA	-	-	1,972,000	-	1,972,000	-	0.250%	89.144%
105	Upland Borough	Delaware	A-	--	--	-	-	-	790,000	790,000	-	0.100%	89.244%
106	Upper Chichester Township	Delaware	--	A3	--	-	148,000	-	384,000	532,000	384,000	0.067%	89.311%
107	Upper Darby Township	Delaware	--	--	AA	-	3,455,000	-	567,000	4,022,000	567,000	0.510%	89.822%
108	Upper Dublin Township	Montgomery	--	Aa2	--	411,000	6,012,000	-	12,837,000	19,260,000	-	2.443%	92.265%
109	Upper Pottsgrove Township	Montgomery	--	A2	--	-	1,376,000	-	-	1,376,000	-	0.175%	92.439%
110	Upper Providence Township (Delaware)	Delaware	--	--	AA	65,000	537,000	-	-	602,000	-	0.076%	92.516%
111	Upper Providence Township Sewer Authority	Delaware	--	--	AA	-	2,496,000	-	9,556,000	12,052,000	-	1.529%	94.045%
112	Upper Salford Township	Montgomery	--	--	AA	-	-	284,000	630,000	914,000	-	0.116%	94.161%
113	Upper Southampton Municipal Authority	Bucks	AA	Aa3	--	-	924,000	6,345,000	2,763,000	10,032,000	-	1.273%	95.433%
114	Upper Southampton Township	Bucks	AA	Aa3	--	-	1,687,000	307,000	1,259,000	3,253,000	750,000	0.413%	95.846%
115	Uwchlan Township	Chester	--	--	--	-	863,000	-	-	863,000	-	0.109%	95.955%
116	Wallingford-Swarthmore School District	Delaware	--	--	AA	-	-	-	567,000	567,000	-	0.072%	96.027%
117	West Chester Borough	Chester	--	--	AA	262,000	-	-	-	262,000	-	0.033%	96.060%
118	West Fallowfield Township	Chester	--	--	--	-	477,000	-	-	477,000	-	0.061%	96.121%
119	West Goshen Township	Chester	AA+	--	--	-	-	5,435,000	-	5,435,000	-	0.689%	96.810%
120	West Grove Borough	Chester	--	--	--	180,000	366,000	-	-	546,000	-	0.069%	96.880%
121	West Sadsbury Township	Chester	--	--	--	-	601,000	-	-	601,000	-	0.076%	96.956%
122	Whitemarsh Township	Montgomery	--	--	--	-	5,374,000	-	4,960,000	10,334,000	4,960,000	1.311%	98.267%
123	Whitpain Township	Montgomery	--	Aaa	--	-	3,189,000	-	-	3,189,000	-	0.405%	98.671%
124	Yeadon Borough	Delaware	--	--	--	-	-	2,584,000	272,000	2,856,000	-	0.362%	99.034%
125	York City School District	York	--	Baa2	A-	-	5,327,000	-	2,290,000	7,617,000	7,617,000	0.966%	100.000%
Total loans outstanding						<u>21,708,000</u>	<u>227,413,000</u>	<u>131,109,000</u>	<u>408,064,024</u>	<u>788,294,024</u>	<u>\$ 153,373,000</u>	100.000%	
Funds designated for bond redemption (2)						2,413,000	42,587,000	-	-	45,000,000			
Funds designated for scheduled loan closings						-	-	-	19,510,000	19,510,000			
Funds available to originate new loans						<u>1,079,000</u>	<u>-</u>	<u>8,950,250</u>	<u>1,107,226</u>	<u>11,136,476</u>			
Acquisition and recycling fund balance						<u>3,492,000</u>	<u>42,587,000</u>	<u>8,950,250</u>	<u>20,617,226</u>	<u>75,646,476</u>			
Total funding available for loans						<u>\$ 25,200,000</u>	<u>\$ 270,000,000</u>	<u>\$ 140,059,250</u>	<u>\$ 428,681,250</u>	<u>\$ 863,940,500</u>			

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") or its affiliate Municipal Assurance Corp. ("MAC") with the Delaware Valley Regional Finance Authority as the beneficiary. AGM is rated "A2" by Moody's, "AA" by S&P, and "AA+" by Kroll. MAC is rated "AA" by S&P and "AA+" by Kroll.

(2) Preliminary, loans will be assigned among the Series to provide the funds necessary for bond redemption and facilitate the origination of new loans.

## **Independent Auditors' Report**

Board of Directors  
Delaware Valley Regional Finance Authority  
Flourtown, Pennsylvania:

We have audited the accompanying financial statements of the Delaware Valley Regional Finance Authority ("DelVal"), which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Valley Regional Finance Authority as of December 31, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 1 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Baker Tilly Virchow Krause, LLP*

Philadelphia, Pennsylvania  
May 3, 2018

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**BALANCE SHEET**  
**DECEMBER 31, 2017**

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 79,600,862
Restricted cash equivalents	45,300,000
Accrued interest receivable:	
Loans	439,298
Interest rate swaps	6,222,764
Cash equivalents and investments	194,162
Prepaid expenses	91,448
Loans to local governments	<u>62,185,024</u>
Total current assets	<u>194,033,558</u>
NONCURRENT ASSETS:	
Investments	8,760,004
Restricted investments	31,702,115
Loans to local governments	726,109,000
Unamortized prepaid interest rate swap expense	5,578,183
Fair value of derivative transactions	<u>122,352,200</u>
Total other assets	<u>894,501,502</u>
TOTAL	<u><u>\$ 1,088,535,060</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES:	
Accrued expenses	\$ 79,995
Bond principal payable	50,000,000
Accrued interest payable:	
Interest rate swaps	397,871
Bonds	<u>12,915,262</u>
Total current liabilities	<u>63,393,128</u>
LONG TERM LIABILITIES:	
Bonds payable, net	874,773,825
Estimated rebate liability	<u>70,000</u>
Total long term liabilities	<u>874,843,825</u>
DEFERRED INFLOWS OF RESOURCES:	
Accumulated increase in fair value of hedging derivatives	<u>122,352,200</u>
Total liabilities and deferred inflows of resources	1,060,589,153
NET POSITION	<u>27,945,907</u>
TOTAL	<u><u>\$ 1,088,535,060</u></u>

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See Notes to Financial Statements

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2017**

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Revenues:	
Loan interest	\$ 17,169,131
Interest rate swap	27,063,208
Interest on investments and cash equivalents	<u>4,298,627</u>
Total revenues	<u>48,530,966</u>
Expenses:	
Interest expense:	
Bonds	35,314,903
Interest rate swaps	10,561,961
Costs of issuance	431,449
Credit or liquidity facility fees	229,010
Administrative expenses	<u>946,735</u>
Total expenses	<u>47,484,058</u>
Revenues over expenses	<u>1,046,908</u>
Other revenues:	
Increase of estimated rebate liability	130,000
Class action settlement	1,386,991
Unrealized gain on investments and restricted investments	<u>25,128</u>
Total other revenues, net	<u>1,542,119</u>
Increase in net position	2,589,027
Net position, beginning	<u>25,356,880</u>
Net position, ending	<u>\$ 27,945,907</u>

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See Notes to Financial Statements

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

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Cash flows from operating activities	
Interest received on loans to local governments and interest rate swap agreements	\$ 44,074,644
Payment of interest on bonds and interest rate swap agreements	(51,604,580)
Loans to local governments	(44,773,000)
Principal repayments of loans to local governments	84,040,976
Loan origination fees received	40,160
Administrative expenses paid	(945,530)
Interest received on investments and cash equivalent	4,205,940
Credit or liquidity facility fees paid	(168,361)
Proceeds of bond issues	175,000,000
Transfers from restricted accounts	9,698,147
Class action settlement proceeds	1,386,991
Bond issuance costs	(431,450)
Redemption (purchase) of investments	(7,637,960)
Payment of bond principal	<u>(267,000,000)</u>
Decrease in cash and cash equivalents	(54,114,023)
Cash and cash equivalents, beginning	<u>133,714,885</u>
Cash and cash equivalents, ending	<u><u>\$ 79,600,862</u></u>

RECONCILIATION OF CHANGE IN NET POSITION  
TO NET CASH USED BY OPERATING ACTIVITIES

Change in net position	<u>\$ 2,589,027</u>
Adjustments for other revenues, expenses, and transfers	
Decrease of estimated rebate liability	(130,000)
Unamortized prepaid interest rate swap expense	581,724
Unrealized gain on restricted investments	(66,747)
Transfer from restricted assets	9,779,747
Adjustments for changes in assets and liabilities	
(Increase) decrease in:	
Investments	(7,677,941)
Accrued interest receivable:	
Loans	(26,418)
Interest rate swaps	(91,116)
Cash equivalents and investments	(92,687)
Prepaid expenses	(2,917)
Loans to local governments	39,267,976
Increase (decrease) in:	
Accrued expenses	64,770
Accrued interest payable:	
Interest rate swaps	77,358
Bonds	(5,141,859)
Bonds payable	<u>(93,244,940)</u>
Total adjustments	<u>(56,703,050)</u>
Net cash used by operating activities	<u><u>\$ (54,114,023)</u></u>

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See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

The Delaware Valley Regional Finance Authority (“DelVal”) was formed in 1985 by Bucks, Chester, Delaware, and Montgomery Counties in Pennsylvania (the “Counties”). The purpose of DelVal is to provide funds for capital projects to local governments within the Commonwealth of Pennsylvania. Eligible borrowers include school districts, townships, boroughs, cities, counties, and authorities. DelVal has issued \$913 million of bonds (each a “DelVal Series”) that are currently outstanding to fund its loan program:

- 1) \$28,000,000 Local Government Revenue Bonds, 1997 Series B and C (the “1997 Series”),
- 2) \$300,000,000 Local Government Revenue Bonds, 1998 Series A, B and C (the “1998 Series”),
- 3) \$125,000,000 Local Government Revenue Bonds, 2002 Series B and C (the “2002 Series”),
- 4) \$160,000,000 Local Government Revenue Bonds, 2007 Series A, B and C (the “2007 Series”),
- 5) \$125,000,000 Local Government Revenue Bonds, 2014 Series B and D (the “2014 Series”), and
- 6) \$175,000,000 Local Government Revenue Bonds, 2017 Series A, B, C, D, and E (the “2017 Series”).

The 1997, 1998, and 2002 Series are secured by the loan agreements, funds, and other assets related to each respective series. The 2007, 2014, and 2017 Series (collectively, the “Master Series”) were all issued under the same master indenture (the “Master Indenture”), and they are equally and ratably secured by all of the assets under the Master Indenture. Each loan agreement is secured by a full faith, credit, and taxing power pledge of a local government.

The Board of Directors of DelVal is comprised of five members appointed by the Counties. Each year, on a rotating basis, one of the Counties appoints one Director to a term of five years. The Board appoints the program administrator, solicitor, bond counsel, remarketing agents, credit facility providers, and trustees who manage the daily operations of DelVal and its loan programs.

#### Basis of Accounting

Operations of DelVal are intended to be self-supporting, primarily from loan repayments, investment earnings, and interest rate swap revenues. Accordingly, DelVal is accounted for as a special-purpose government, business-type activity and utilizes the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when incurred. DelVal maintains its accounting in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

#### Cash, Cash Equivalents, Restricted Cash Equivalents, Investments, and Restricted Investments

DelVal considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents or restricted cash equivalents. DelVal also considers Guaranteed Investment Contracts and debt instruments that can be redeemed or tendered at par within 90 days or less to be highly liquid debt instruments and cash equivalents or restricted cash equivalents. Investments and restricted investments purchased that mature in more than 90 days and cannot be redeemed or tendered at par within 90 days are recorded at fair value.

### **Loans to Local Governments**

Loans, which DelVal has the intent and ability to hold for the foreseeable future or until maturity or early redemption, are stated at their outstanding unpaid principal balances. Origination fees consist of the revenues received by DelVal at the closing of the loans. The origination fees are recognized as loan interest income when the fees have been received.

### **Bonds Payable**

The DelVal Series are stated at their unpaid principal balances net of unamortized bond insurance premiums and unamortized original issue premium. Bond issuance costs (consisting of underwriting fees, professional fees, and all other costs except bond insurance premiums incurred in connection with issuance of the various DelVal Series) are recognized as an expense when the costs are paid. Bond insurance premiums and original issue premiums are amortized to bond interest expense using the straight-line method over the terms of the related DelVal Series, which approximates the effective interest method.

### **Estimated Rebate Liability**

The *Internal Revenue Code* obligates DelVal to yield restrict or to rebate to the United States Treasury investment earnings in excess of the bond yield of each respective DelVal Series. The estimated excess investment earnings are recorded as a liability, and the annual change in the estimated excess investment earnings is recorded as a non-operating expense or revenue.

### **Derivative Financial Instruments**

Effective January 1, 2010, DelVal adopted the Governmental Accounting Standards Board (“GASB”) Statement No. 53 (“GASB 53”), *Accounting and Financial Reporting for Derivative Instruments*, which requires the fair value of interest rate swap agreements to be reported on the balance sheet. DelVal utilizes the accrual method to record interest rate swap expenses and revenues. Prepaid swap expenses are amortized using the straight-line method over the terms of the related swap transactions. Swap revenues and expenses and the amortization of prepaid swap expenses for the year ended December 31, 2017, are reflected in the statement of revenues, expenses, and changes in net position. Changes in the fair value of the swap transactions are shown in “NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS” and “NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS,” but they are not reflected as income or expense in the financial statements because the transactions meet the definition of hedging derivative transactions under GASB 53.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. CASH, CASH EQUIVALENTS, INVESTMENTS, RESTRICTED CASH EQUIVALENTS, AND RESTRICTED INVESTMENTS**

DelVal’s cash, cash equivalents, and investments are used to originate loans and to pay the costs of operations of DelVal’s loan program. Restricted cash equivalents and restricted investments are held as security for debt service payments on the DelVal Series. All cash, cash equivalents, investments, restricted cash equivalents, and restricted investments are held by the trustees of DelVal’s bond issues. Under the terms of the Covenant Agreement, as long as any DelVal Series is outstanding, the deposits are restricted to use in DelVal’s loan programs.

DelVal’s cash is invested in U.S. Treasury and Agency money market funds. DelVal’s cash equivalents and restricted cash equivalents are comprised of investments with maturities of 90 days or less and the Guaranteed Investment Contracts (each a “GIC”). The GIC’s are treated as cash equivalents and restricted cash equivalents because the interest rates are adjusted weekly and because DelVal can withdraw funds at par with no more than 7 days of notice. The investments and restricted investments are invested in floating rate notes (each an “FRN”) with interest rates indexed to 3-Month LIBOR adjusted quarterly. DelVal’s cash, cash equivalents, investments, restricted cash equivalents, and restricted investments on December 31, 2017, are set forth below.

**Cash Equivalents, Investments, Restricted Cash Equivalents, and Restricted Investments as of December 31, 2017**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Cash equivalents	\$ 4,438,696	\$ 49,184,368	\$ 13,318,165	\$ 12,659,633	\$ 79,600,862
Investments (1)	-	-	-	8,760,004	8,760,004
Total	<u>\$ 4,438,696</u>	<u>\$ 49,184,368</u>	<u>\$ 13,318,165</u>	<u>\$ 21,419,637</u>	<u>\$ 88,360,866</u>
Restricted accounts					
Cash equivalents	\$ 2,800,000	\$ 30,000,000	\$ 12,500,000	\$ -	\$ 45,300,000
Investments (1)	-	-	-	31,702,115	31,702,115
Total	<u>\$ 2,800,000</u>	<u>\$ 30,000,000</u>	<u>\$ 12,500,000</u>	<u>\$ 31,702,115</u>	<u>\$ 77,002,115</u>

(1) Recorded at fair value.

All of DelVal’s cash, cash equivalents, investments, restricted cash equivalents, and restricted investments are held by the Trustee under the Trust Estates of the DelVal Series for the benefit of the bondholders. The DelVal Board of Directors has not adopted a formal investment policy; however, the Indentures of the DelVal Series serve the same purpose. The Indentures restrict DelVal to investments in certain types of securities which include (i) obligations issued or guaranteed by the federal government, (ii) time deposits of banks with a minimum rating in the two highest categories of a rating agency with ratings on the DelVal Series (each a “Rating Agency”), (iii) commercial paper with a minimum rating of “P-1,” “A-1,” “F1,” or the equivalent rating of a Rating Agency, (iv) obligations of state or local governments with a minimum rating in the two highest categories of a Rating Agency, (v) repurchase agreements collateralized with obligations issued or guaranteed by the federal government, (vi) mutual funds that invest in obligations issued or guaranteed by the federal government, (vii) guaranteed investment contracts with financial institutions or obligations of financial institutions with a minimum rating in the two highest categories of a Rating Agency, and (viii) obligations of non-financial, domestic, United States corporations, with a maturity not exceeding five years, with a minimum rating in the two highest categories of a Rating Agency.

The Indentures require the Program Administrator to approve any investment and require the Trustee to hold the investment. The cash, cash equivalents, investments, restricted cash equivalents, and restricted investments are not collateralized by the Trustee and are not insured by the Federal Deposit Insurance Corporation.

Ambac Assurance Corporation (“Ambac”) issued bond insurance policies that secure the 1997 Series and 1998 Series, and Ambac requires DelVal to invest all of the funds under the trust estates of the 1997 Series and 1998 Series in GIC’s approved by Ambac. Natixis Funding Corp. (“Natixis”), owned by Groupe Caisse d’Epargne and Groupe Banque Populaire, provides the GIC’s for the 1997 Series. The Natixis GIC’s are guaranteed by Caisse des Dépôts et Consignations (“CDC”). Bayerische Landesbank (“BayernLB”) provides the GIC’s for the 1998 Series. The obligations of BayernLB under the GIC’s for the 1998 Series are guaranteed by the Free State of Bavaria and the Association of Bavarian Savings Banks. Natixis and BayernLB pay DelVal an investment rate equal to a spread over the Securities Industry and Financial Markets Association Municipal Swap Index (the “SIFMA Index”). If the ratings applicable to the Natixis GIC’s or the BayernLB GIC’s drop below “Aa3” or “AA-,” Ambac may direct Natixis or BayernLB (i) to collateralize its obligations under the respective GIC with cash, U.S. Treasury obligations, or certain Agency securities or (ii) to terminate the respective GIC and to pay DelVal the principal and accrued interest due. If Ambac directs collateralization, the collateral must be held by a third party, segregated, and marked to market at least weekly. On December 31, 2017, the Natixis obligations guaranteed by CDC were rated “Aa2” by Moody’s Investors Service (“Moody’s”), “AA” by Standard & Poor’s Ratings Services (“S&P”), and “AA” by Fitch Ratings (“Fitch”). The BayernLB obligations with the guaranty of the Free State of Bavaria were rated “Aaa” by Moody’s and “AAA” by Fitch. S&P rates the Free State of Bavaria as “AAA”, but S&P does not rate any BayernLB obligations. The Natixis GIC terminates on June 28, 2027, three business days prior to the scheduled maturity date of the 1997 Series. The BayernLB GIC terminates on July 27, 2028, three business days prior to the scheduled maturity date of the 1998 Series.

The funds of the loan program of the 2002 Series are invested in two GIC’s provided by Natixis and guaranteed by CDC. Natixis pays DelVal an investment rate equal to a spread over the SIFMA Index. If the ratings of CDC drop below “Aa3” by Moody’s or “AA-” by S&P, DelVal may direct Natixis to provide collateral to secure its obligations under the GIC’s with cash, U.S. Treasury obligations, or certain Agency securities. If the ratings of CDC drop below “A3” or “A-” by Moody’s and S&P, respectively, DelVal may terminate the GIC’s and require the provider to pay DelVal the principal and accrued interest due. The collateral must be held by a third party, segregated, and marked to market at least weekly. On December 31, 2017, the Natixis obligations guaranteed by CDC were rated “Aa2” by Moody’s, “AA” by S&P, and “AA” by Fitch. The Natixis GIC terminates on June 28, 2032, three business days prior to the scheduled maturity date of the 2002 Series.

Most of the funds of the loan program of the Master Series except the Debt Service Reserve Fund are invested in a GIC provided by Citigroup Financial Products Inc. (“CFPI”). The obligations of CFPI are secured by guaranty of Citigroup Inc. (“Citigroup”). CFPI pays DelVal an investment rate equal to a spread over the SIFMA Index. If the ratings of Citigroup are reduced below “Aa3” by Moody’s or “AA-” by S&P, DelVal may require CFPI to post collateral with a third party, and if the ratings of Citigroup are reduced below “A3” by Moody’s or “A-” by S&P, DelVal may terminate the CFPI GIC. Citigroup was downgraded below the “AA” threshold in 2009, and DelVal has required CFPI to post collateral of cash, U.S. Treasury obligations, or certain Agency securities, with the Bank of New York Mellon to secure its obligations under the GIC. As of December 31, 2017, Citigroup was rated “Baa1” by Moody’s, “BBB+” by S&P, and “A” by Fitch. The CFPI GIC terminates on May 28, 2042, three business days prior to the scheduled maturity date of the 2007 Series. The Debt Service Reserve Funds and certain other funds were invested in FRNs permitted under the Master Indenture as of December 31, 2017.

Cash, cash equivalents, and investments include funds held to originate loans and redeem bonds in the future and all of DelVal’s operating funds. Funds held to originate new loans were provided originally from the proceeds of DelVal’s bond issues. Other funds were provided from DelVal’s operations. DelVal’s cash, cash equivalents, and investments as of December 31, 2017, allocated by use are set forth below.

**Cash, Cash Equivalents, and Investments by Use of Funds as of December 31, 2017**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Deposits to originate loans and repay bonds (1)	\$ 3,492,000	\$ 42,587,000	\$ 9,550,000	\$ 11,919,226	\$ 67,548,226
Available for any purpose	<u>946,696</u>	<u>6,597,368</u>	<u>3,768,165</u>	<u>740,407</u>	<u>12,052,636</u>
Total	<u>\$ 4,438,696</u>	<u>\$ 49,184,368</u>	<u>\$ 13,318,165</u>	<u>\$ 12,659,633</u>	<u>\$ 79,600,862</u>

(1) The funds to originate loans are over-collateralized by \$28,215,250.

The fair value of the instruments that constitute the cash equivalents, investments, restricted cash equivalents, and restricted investments held by DelVal on December 31, 2017, are summarized below. DelVal records the fair value of the cash equivalents and restricted cash equivalents at par because the instruments either mature or can be redeemed at par within 90 days. DelVal records investments and restricted investments at fair value. As of December 31, 2017, the concentration of cash equivalents, restricted cash equivalents, investments, and restricted investments in the obligations of the Bank of Nova Scotia, National Australia Bank, WestPac Banking, BayernLB, CFPI, and Natixis exceeded 5%.

**Cash Equivalents, Investments, Restricted Cash Equivalents,  
and Restricted Investments as of December 31, 2017**

<i>Description</i>	<i>Senior Debt Rating of Counterparty or Guarantor</i>			<i>Maturity</i>	<i>Rate (6)</i>	<i>Cash Equivalents</i>	<i>Restricted Cash Equivalents</i>	<i>Investments</i>	<i>Restricted Investments</i>	<i>Fair Value</i>	<i>Fair Value Concentration</i>
	<i>Moody's</i>	<i>S&amp;P</i>	<i>Fitch</i>								
<i>Floating rate notes (1)</i>											
National Australia Bank	Aa3	AA-	***	12-Jul-21	1.357%	\$ -	\$ -	\$ -	\$ 12,213,120	\$ 12,213,120	7.386%
Bank of Nova Scotia	A1	***	AA-	7-Mar-22	1.515%	-	-	-	10,030,200	10,030,200	6.066%
Westpac Banking	Aa3	AA-	AA-	17-Jan-19	1.353%	-	-	6,176,384	-	6,176,384	3.735%
Commonwealth Bank of Australia	Aa3	AA-	AA-	10-Mar-22	1.536%	-	-	-	6,036,780	6,036,780	3.651%
Westpac Banking	Aa3	AA-	AA-	11-Jan-22	1.356%	-	-	555,140	3,422,015	3,977,155	2.405%
National Australia Bank	Aa3	AA-	***	10-Jan-22	1.350%	-	-	2,028,480	-	2,028,480	1.227%
TD Treasury Money Market	***	AAAm	***	***	0.250%	30,800	-	-	-	30,800	0.019%
<i>GIC's (2)</i>											
BayemLB (3)	Aaa	***	AAA	27-Jul-28	3.340%	49,184,368	30,000,000	-	-	79,184,368	47.885%
CFPI (4)	Baa1	BBB+	A	28-May-42	2.881%	12,628,833	-	-	-	12,628,833	7.637%
Natixis (5)	Aa2	AA	AA	28-Jun-27	3.260%	4,438,696	2,800,000	-	-	7,238,696	4.377%
Natixis (5)	Aa2	AA	AA	28-Jun-32	2.880%	13,318,165	12,500,000	-	-	25,818,165	15.613%
Total						<u>\$ 79,600,862</u>	<u>\$ 45,300,000</u>	<u>\$ 8,760,004</u>	<u>\$ 31,702,115</u>	<u>\$ 165,362,981</u>	100.000%

(1) Notes pay a spread over 3-Month LIBOR, adjusted and paid quarterly. All Notes were rated Aa3, AA-, or higher when purchased.

(2) GIC's pay a spread over the SIFMA Index, adjusted weekly and paid monthly.

(3) Obligations guaranteed by the State of Bavaria.

(4) Obligations are collateralized and held by the Bank of New York Mellon.

(5) Obligations are guaranteed by Caisse des Dépôts et Consignations.

(6) Rate as of December 31, 2017.

**3. LOANS TO LOCAL GOVERNMENTS**

DelVal originates loans to local governments (each a “Participant”) to fund various capital projects pursuant to the terms, conditions, covenants and restrictions contained in the respective Trust Indentures, Promissory Notes, and Loan Agreements. Pledges of the full faith, credit, and taxing power, or an equivalent contractual commitment, of local government units secure the Loan Agreements. Principal on the loans is paid in accordance with amortization schedules established at closing. The interest rates on variable rate loans vary with market conditions. The average interest rate on variable rate loans during 2017 was 1.536% and interest rates on fixed rate loans ranged from 0.773% to 5.827% for periods of one to thirty years.

Participants may prepay their loans in whole or part with 30 days notice to DelVal. Participants with fixed rate loans may incur a prepayment penalty if they prepay prior to the option date or scheduled termination date of the interest rate swap transaction executed by DelVal to provide the fixed rate. If DelVal incurs a cost to terminate the transaction, that cost would be passed onto the Participant as a prepayment penalty. Variable rate loans can be prepaid with no penalty.

DelVal had 252 loans with a principal amount of \$788.3 million outstanding with 125 different Participants located in 13 counties as of December 31, 2017. Loans to Delaware County accounted for 25.972% of the total loan principal outstanding.

Given the general obligation pledge that secures every loan and the high credit quality of DelVal’s market area, DelVal does not reasonably expect to suffer any defaults. If a borrower did default, DelVal, the trustee, and any credit enhancer would exercise their legal rights to remedy the default; however, the enforcement of these legal rights may be limited by and subject to the provisions of the federal bankruptcy laws or other laws of equitable principles which may affect enforcement of the creditor’s rights.

DelVal assesses and collects loan origination fees at the closing of the loans. These fees are recognized as income when they are collected at the closing of the loans.

A schedule of the loans outstanding as of December 31, 2017, is shown below.

**Loans Outstanding on December 31, 2017**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Principal outstanding	\$ 21,708,000	\$ 227,413,000	\$ 131,109,000	\$ 408,064,024	\$788,294,024
Less current amount	<u>(2,482,000)</u>	<u>(19,458,000)</u>	<u>(7,085,000)</u>	<u>(33,160,024)</u>	<u>(62,185,024)</u>
Net amount	<u>\$19,226,000</u>	<u>\$207,955,000</u>	<u>\$124,024,000</u>	<u>\$374,904,000</u>	<u>\$726,109,000</u>

Interest on the loans from DelVal’s loan program is payable monthly. Principal on the loans is paid according to an amortization schedule established at the closing of each loan, typically annual payments to provide level annual debt service. Interest rates of fixed and variable rate loans are calculated by the program administrator to provide funds sufficient to pay (i) debt service due on DelVal’s bonds, (ii) amounts due under interest rate swap agreements, and (iii) administrative expenses, including liquidity requirements, incurred to operate the loan program.

The minimum payments of the principal outstanding due from loans to Participants are set forth below.

**Loan Principal Amortization Schedule**

<i>Year</i>	<i>1997 Series</i>	<i>1998 Series</i>	<i>2002 Series</i>	<i>Master Series</i>	<i>Total</i>
2018	\$ 2,482,000	\$ 19,458,000	\$ 7,085,000	\$ 33,160,024	\$ 62,185,024
2019	4,887,000	21,915,000	7,166,000	29,836,500	63,804,500
2020	5,316,000	24,399,000	10,001,000	27,243,500	66,959,500
2021	1,574,000	26,434,000	10,551,000	22,753,000	61,312,000
2022	1,444,000	36,390,000	10,666,000	27,930,000	76,430,000
Thereafter	<u>6,005,000</u>	<u>98,817,000</u>	<u>85,640,000</u>	<u>267,141,000</u>	<u>457,603,000</u>
Total	<u>\$21,708,000</u>	<u>\$227,413,000</u>	<u>\$131,109,000</u>	<u>\$408,064,024</u>	<u>\$788,294,024</u>

**Covenant Agreement**

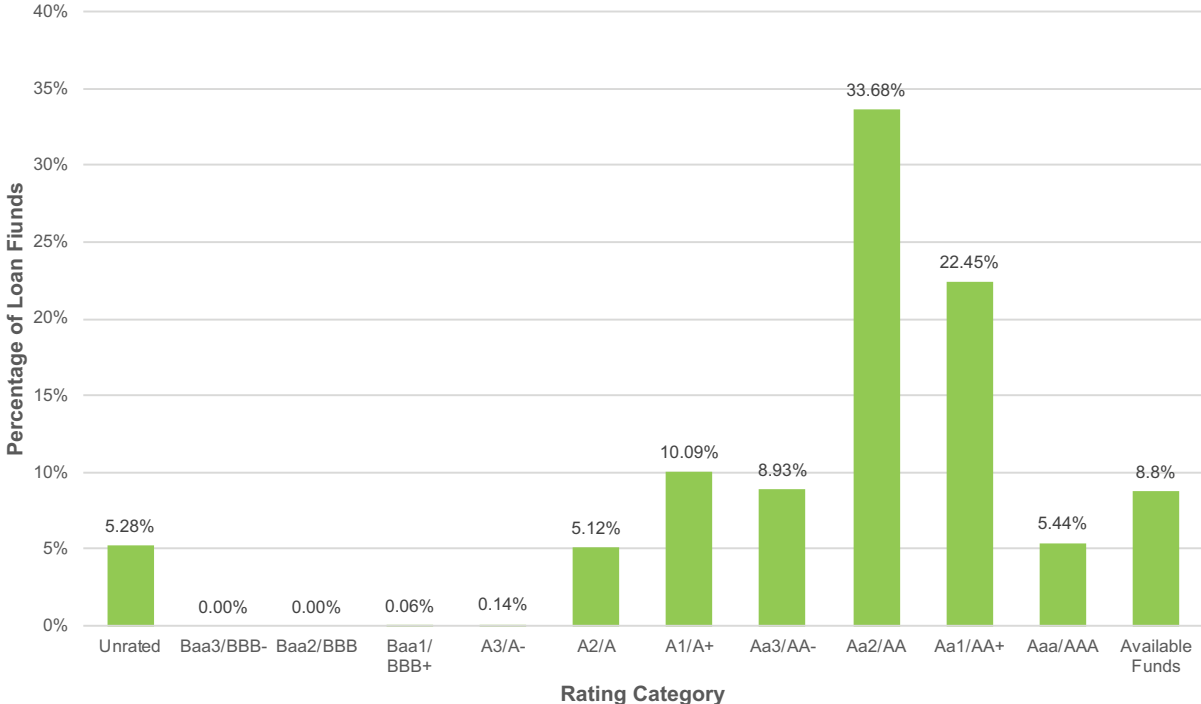
DelVal adopted the Covenant Agreement in 2001 to improve the security of the bondholders of the DelVal Series. Under the terms of the Covenant Agreement, DelVal pledged to use any available unrestricted funds (the “Excess Funds”) to cure any deficiency in any trust estate. Excess Funds can only be used for the loan program as long as any DelVal Series remains outstanding.

The Covenant Agreement was amended and restated in 2009 to further improve the security of the bondholders. The amendment requires the Participant (or its Guarantor) of a new loan to have a published rating of “A3” or “A-” or higher (the “Rating Threshold”) unless the proportion of the principal amounts of uninsured loans outstanding to Participants that are rated below the Rating Threshold to the total DelVal funds available to originate loans (the “Loan Funds”) will not exceed 10% (the “Ratings Test”). Generally, DelVal requires a published rating at or above the Rating Threshold or a financial guaranty policy for any new loan of \$1 million or more, even if the Ratings Test is satisfied. DelVal does not normally require ratings or insurance for loans less than \$1 million if the Ratings Test is satisfied and the credit is approved by the Program Administrator.

Assured Guaranty Municipal Corp. (“AGM”), currently rated “A2” by Moody’s, “AA” by S&P, and “AA+” by Kroll Bond Rating Agency, has issued financial guaranty policies, with DelVal as the beneficiary, for the repayment of certain loans. The AGM policies have been reinsured by its affiliate, Municipal Assurance Corp. (“MAC”), rated “AA+” by Kroll and “AA” by S&P. As of December 31, 2017, the repayment of 19.45% of the loan principal outstanding has been insured.

The Ratings Test shown in the chart below gives equal weight to the ratings of the rating agencies. If the Participant or Guarantor has only one published rating, the analysis gives full weight to the published rating. If a loan is insured, the analysis gives full weight to the higher of the rating of (i) the insurer or (ii) the Participant or Guarantor. As of December 31, 2017, 5.34% of the Loan Funds had been originated without insurance to Participants who were unrated or rated below the Rating Threshold.

**Ratings Test as of December 31, 2017**



**4. BONDS PAYABLE**

DelVal has issued bonds periodically to provide funds (a) to lend to Participants to finance and refinance the costs of projects; (b) to create debt service reserve funds; and (c) to pay all or a portion of the costs of issuance of the bonds. The 1997, 1998, and 2002 Series are limited obligations of DelVal, payable from and secured solely by the assets and revenues of each respective trust estate. DelVal has no taxing power. The trust estate consists of the assets and revenues derived from unexpended proceeds of the bonds, debt service reserve funds, loan agreements, interest rate swap agreements, and investments. The Covenant Agreement provides additional security to all of the bonds issued, and to be issued, by DelVal as long as any of the 1997, 1998, and 2002 Series remain outstanding. Under the terms of the Covenant Agreement, in the event of a deficiency under any of the trust estates of DelVal’s bonds, DelVal pledges to transfer excess funds under any of the other trust estates to cure the deficiency.

On June 28, 2007, DelVal executed the Master Indenture under which all future parity bonds would be issued. Any series issued under the Master Indenture is secured equally and ratably by all of the assets and revenues held under the trust estate of the Master Indenture. Since then, three issues that are currently outstanding were issued under the Master Indenture and a supplemental indenture. The 2007 Series was issued under the First Supplemental Indenture on June 28, 2007; the 2014 Series was issued under the Third Supplemental Indenture on December 1, 2014; and the 2017 Series was issued under the Fourth Supplemental Indenture on May 1, 2017.

Below is a schedule that reconciles the par amounts of the DelVal Series outstanding to the net amounts on the Balance Sheet.

**Net Amounts of DelVal Series Outstanding on December 31, 2017**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Final maturity	1-Jul-2027	1-Aug-2028	1-Jul-2032	1-May-2052	
Par amount outstanding	\$ 28,000,000	\$ 300,000,000	\$ 125,000,000	\$ 460,000,000	\$ 913,000,000
Unamortized amounts					
Insurance premium	(348,541)	(577,567)	-	-	(926,108)
Original issue premium	805,403	6,997,758	4,056,499	840,273	12,699,933
Net amount	<u>\$ 28,456,862</u>	<u>\$ 306,420,191</u>	<u>\$ 129,056,499</u>	<u>\$ 460,840,273</u>	<u>\$ 924,773,825</u>

Below is a schedule of the issuance and redemption of debt in 2017. DelVal expects to issue a new DelVal Series in 2018.

**Debt Issued or Redeemed in 2017**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Beginning par amount	\$ 70,000,000	\$ 300,000,000	\$ 250,000,000	\$ 385,000,000	\$ 1,005,000,000
Par amount issued	-	-	-	175,000,000	175,000,000
Par amount redeemed	<u>(42,000,000)</u>	<u>-</u>	<u>(125,000,000)</u>	<u>(100,000,000)</u>	<u>(267,000,000)</u>
Ending par amount	<u>\$ 28,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 125,000,000</u>	<u>\$ 460,000,000</u>	<u>\$ 913,000,000</u>

The DelVal Board has adopted a Post Issuance Compliance Policy, and under the policy, the Program Administrator monitors and reports any compliance issues to the Board.

The principal amortization schedules and the estimated interest payments of the DelVal Series outstanding as of December 31, 2017, are shown on the following page. Estimates of the interest payments on the variable rate bonds are based on the final rate resets in 2017. Letter of credit and remarketing expenses are not included in the estimates.

**Bond Principal Amortization Schedules and Estimated Interest Payments**

Year	<u>1997 Series</u>		<u>1998 Series</u>		<u>2002 Series</u>		<u>Master Series</u>		<u>Total Debt Service</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,801,000	\$ 50,000,000	\$ 16,500,000	\$ -	\$ 7,187,500	\$ -	\$ 7,902,000	\$ 50,000,000	\$ 33,390,500	\$ 83,390,500
2019	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2020	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2021	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2022	-	1,801,000	-	13,750,000	-	7,187,500	-	7,902,000	-	30,640,500	30,640,500
2023 to 2027	28,000,000	9,005,000	-	68,750,000	-	35,937,500	50,000,000	39,100,000	78,000,000	152,792,500	230,792,500
2028 to 2032	-	-	250,000,000	13,750,000	125,000,000	35,937,500	-	35,405,000	375,000,000	85,092,500	460,092,500
2033 to 2037	-	-	-	-	-	-	60,000,000	34,970,000	60,000,000	34,970,000	94,970,000
2038 to 2042	-	-	-	-	-	-	50,000,000	29,675,000	50,000,000	29,675,000	79,675,000
2043 to 2047	-	-	-	-	-	-	-	26,625,000	-	26,625,000	26,625,000
2048 to 2052	-	-	-	-	-	-	300,000,000	17,536,000	300,000,000	17,536,000	317,536,000
Total	<u>\$ 28,000,000</u>	<u>\$ 18,010,000</u>	<u>\$ 300,000,000</u>	<u>\$ 154,000,000</u>	<u>\$ 125,000,000</u>	<u>\$ 107,812,500</u>	<u>\$ 460,000,000</u>	<u>\$ 222,821,000</u>	<u>\$ 913,000,000</u>	<u>\$ 502,643,500</u>	<u>\$ 1,415,643,500</u>

### 1997 Series

The 1997 Series were issued in three series with a total par amount of \$140,000,000. The 1997 Series are secured by a municipal bond insurance policy issued by Ambac. The \$70,000,000 Local Government Revenue Bonds, 1997 Series A were redeemed on June 28, 2007, with a portion of the proceeds of the 2007 Series. The Local Government Revenue Bonds, 1997 Series B (the “1997 B Series”) were issued at 5.60% for the \$42,000,000 July 1, 2017, maturity and 5.70% for the \$18,000,000 July 1, 2027, maturity. The \$10,000,000 Local Government Revenue Bonds, 1997 Series C (the “1997 C Series”) were issued with a 7.75% coupon, maturing on June 1, 2027. Interest on the 1997 Series is payable semiannually, and principal is payable annually. The 1997 C Series were issued at an original issue premium of \$2,842,400.

Moody’s and S&P originally rated the 1997 Series based solely upon the municipal bond insurance policy of Ambac. Following the filing by Ambac Financial Group, Inc. (Ambac’s parent) for relief under Chapter 11 of the *United States Bankruptcy Code*, S&P withdrew its rating of the 1997 Series. Moody’s assigned a rating of “A2” to the 1997 Series based solely upon the long term rating of DelVal. On January 15, 2016, Moody’s upgraded DelVal’s rating and the rating of the 1997 Series to “A1”.

The 1997 B Series and the 1997 C Series are not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 1997 Series may be subject to extraordinary redemption. In the event of such an extraordinary redemption, the 1997 B Series would be redeemed before the 1997 C Series. The 1997 B Series would be redeemed at par; the 1997 C Series would be redeemed at the premiums set forth in the Trust Indenture.

DelVal entered into a master interest rate swap agreement related to the 1997 Series and executed interest rate swap transactions for each series of the 1997 Series. Under the terms of the interest rate swap transactions, DelVal pays a rate indexed to the SIFMA Index and receives fixed rate payments for the 1997 B Series and 1997 C Series. The interest rate swap transactions related to the 1997 B Series and 1997 C Series terminate on their respective maturity dates. The interest rate swap transactions allow DelVal to create a variable rate loan program comparable to one funded with 7-day variable rate demand bonds (“VRDB’s”). The ability to execute new, offsetting swap transactions enable DelVal to also provide fixed rate loans to Participants at competitive levels without exposing the program to market risk.

The 1997 Series funds a revolving loan pool program. When loans are repaid, the repayments are used to fund new loans to Participants.

### 1998 Series

The 1998 Series were issued in three series with a total par amount of \$300,000,000. The 1998 Series are secured by a municipal bond insurance policy issued by Ambac. The interest rate on the \$250,000,000 Local Government Revenue Bonds, 1998 Series A (the “1998 A Series”) is set at a fixed rate of 5.50%, and interest is paid semiannually. The 1998 A Series mature on August 1, 2028. The aggregate interest on the \$25,000,000 Local Government Revenue Bonds, 1998 Series B (the “1998 B Series”) and the \$25,000,000 Local Government Revenue Bonds, 1998 Series C (the “1998 C Series”) is equal to a fixed rate of 5.50%. The 1998 B Series and 1998 C Series mature on August 1, 2018. At issuance, the holders of the 1998 B Series received interest payments every four weeks, and the interest rate was determined by an auction held one business day prior to the first day of the new interest period. The amount of semiannual interest paid to the holders of the 1998 C Series equaled (a) 5.50% on the aggregate par amount of the 1998 B Series and 1998 C Series less (b) the fees related to the auction and less (c) the amount of interest paid,

or accrued for payment, to the holders of the 1998 B Series. Holders could convert equal par amounts of the 1998 B Series and 1998 C Series to the equivalent of a 5.50% fixed rate bond. As of April 22, 2015, the last remaining principal amounts of the 1998 B Series and 1998 C Series were converted to the equivalent 5.50% fixed rate bond. The 1998 A Series were issued at an original issue premium of \$18,060,000, and the 1998 B Series and 1998 C Series were issued at an aggregate premium of \$3,785,000.

Moody's and S&P originally rated the 1998 Series solely upon the municipal bond insurance policy of Ambac. Following the filing by Ambac Financial Group, Inc. (Ambac's parent) for relief under Chapter 11 of the *United States Bankruptcy Code*, S&P withdrew its rating of the 1998 Series. Moody's assigned a rating of "A2" to the 1998 Series based solely upon the long term rating of DelVal. On January 15, 2016, Moody's upgraded DelVal's rating and the rating of the 1998 Series to "A1".

The 1998 Series is not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 1998 Series may be subject to extraordinary redemption at the premiums set forth in the Trust Indenture.

DelVal entered into interest rate swap transactions for each Series of the 1998 Series; the transactions terminate on the maturity dates of the related 1998 Series. Under the terms of the interest rate swap transactions, DelVal pays amounts indexed to the SIFMA Index and receives fixed payments. The interest rate swap transactions allow DelVal to create a variable rate loan program comparable to one funded with VRDB's. The ability to execute new, offsetting swap transactions enable DelVal to also provide fixed rate loans to Participants at competitive levels without exposing the program to market risk.

The 1998 Series funds a revolving loan pool program. When loans are repaid, the repayments are used to fund new loans to Participants.

## **2002 Series**

The 2002 Series were issued in three series with a total par amount of \$375,000,000. The interest rate on the \$125,000,000 Local Government Revenue Bonds, 2002 Series A (the "2002 A Series") maturing on July 1, 2012, was set at a fixed rate of 5.50%. The interest rate on the \$125,000,000 Local Government Revenue Bonds, 2002 Series B (the "2002 B Series") maturing on July 1, 2017, was set at 5.75%. The interest rate on the \$125,000,000 Local Government Revenue Bonds, 2002 Series C (the "2002 C Series") maturing on July 1, 2032, was set at 5.75%. Interest is paid semiannually to the holders of the 2002 Series. The 2002 A Series was issued at an original issue premium of \$10,845,000, the 2002 B Series at an original issue premium of \$11,767,500, and the 2002 C Series at an original issue premium of \$9,391,250. The 2002 Series was rated "A2" by Moody's and "A+" by S&P. On January 15, 2016, Moody's upgraded DelVal's rating and the rating of the 2002 Series to "A1".

The 2002 Series is not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 2002 Series may be subject to extraordinary redemption at the premiums set forth in the Trust Indenture.

DelVal entered into a master interest rate swap agreement related to the 2002 Series and executed an interest rate swap transaction related to each series of the 2002 Series. The transactions terminate on the respective maturity dates of the related Series. The interest rate swap transactions allow DelVal to create a variable rate loan program comparable to one funded with VRDB's. The ability to execute new, offsetting swap transactions enable DelVal to also provide fixed rate loans to Participants at competitive levels without exposing the program to market risk.

The 2002 Series funds a revolving loan pool program. When loans are repaid, the repayments are used to fund new loans to Participants.

### **2007 Series**

The Local Government Revenue Bonds, 2007 Series (the “2007 Series”) were issued in three Series with a total par amount of \$160,000,000. The interest rate on the \$10,000,000 2007 Series A (the “2007 A Series”) maturing on June 1, 2037, was set at a fixed rate of 5.50%. Interest is paid semiannually. The 2007 A Series were issued at an original issue premium of \$1,365,600. The 2007 A Series are not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 2007 A Series may be subject to extraordinary redemption at the premiums set forth in the First Supplemental Indenture.

The \$50,000,000 2007 Series B Bonds (the “2007 B Series”) maturing on June 1, 2042, are currently remarketed in a weekly rate mode, secured by a letter of credit issued by PNC Bank, National Association. The PNC letter of credit replaced a letter of credit issued by Bayerische Landesbank (“BayernLB”) on May 1, 2017. The remarketing agent, currently PNC Capital Markets LLC, resets the interest rates on the 2007 B Series effective every Wednesday. The interest rates are set at the minimum rate of interest, in the opinion of the remarketing agent, necessary to remarket the bonds in a secondary market transaction at par. The maximum interest rate, as defined in the First Supplemental Indenture, is 15%. Interest on weekly rate bonds is paid monthly. Holders of the 2007 B Series may, with seven days of notice, tender the bonds to the tender agent at par. The 2007 B Series are subject to optional redemption, in whole or part, and purchase by DelVal at par. The 2007 B Series are also subject to mandatory redemption and purchase at par if the rating of the bonds is reduced as a consequence of the substitution of the letter of credit or if DelVal elects to switch to another interest rate mode as permitted in the First Supplemental Indenture. See “Note 5. Credit Facilities” for additional information.

The \$100,000,000 Series C Bonds (the “2007 C Series”) are set at an interest rate indexed to the 3-Month LIBOR rate. A principal amount of \$50,000,000 matures on June 1, 2027, and a principal amount of \$50,000,000 matures on June 1, 2037. The interest rate is reset quarterly, and interest is paid to the holders of the 2007 C Series quarterly. The 2007 C Series are subject to optional redemption, in whole or part, and purchase by DelVal at the premiums set forth in the First Supplemental Indenture prior to June 1, 2017, and at par on or after June 1, 2017. DelVal may convert the 2007 C Series to a different interest rate mode as permitted in the First Supplemental Indenture.

The 2007 A Series and the 2007 C Series were assigned ratings of “A2” by Moody’s and “A+” by S&P as of December 31, 2015. On January 15, 2016, Moody’s upgraded DelVal’s rating and the rating of the 2007 A Series and 2007 C Series to “A1”. As of May 1, 2017, following the substitution of the BayernLB letter of credit with the PNC letter of credit, the 2007 B Series were rated “A1/VMIG 1” by Moody’s, “AA+/A-1” by S&P, and “A+/F1” by Fitch.

The 2007 Series are subject to extraordinary mandatory redemption under certain circumstances defined in the First Supplemental Indenture, principally the inability to originate loans for a protracted period of time, at the purchase prices and premiums set forth in the First Supplemental Indenture.

DelVal entered into a master interest rate swap agreement related to the 2007 Series and executed interest rate swap transactions related to the 2007 A Series and the 2007 C Series that terminate on the respective maturity dates of the Series. Under the terms of the interest rate swap transactions, DelVal pays

amounts indexed to the SIFMA Index and receives fixed payments for the 2007 A Series and payments indexed to the 3-Month LIBOR rate for the 2007 C Series. The interest rate swap transactions allow DelVal to create a variable rate loan program comparable to one of VRDB's. The ability to execute new, offsetting swap transactions enable DelVal to also provide fixed rate loans to Participants at competitive levels without exposing the program to market risk.

The 2007 Series funds a revolving loan pool program. When loans are repaid, the repayments are used to fund new loans to Participants.

### **2014 Series**

On December 1, 2014, DelVal issued the 2014 Series under the Master Indenture and the Third Supplemental Indenture in the principal amount of \$225,000,000. A portion of the proceeds of the 2014 Series, were used to acquire loans from the 1985 Series and the 2012 Series, which together with proceeds from the acquisition of loans by other DelVal Series and other available funds, were used to redeem the Adjustable Rate Local Government Revenue Bonds, 1985 Series (the "1985 Series") and the Local Government Revenue Notes, 2012 Series (the "2012 Series"). Proceeds of the 2014 Series were also used to fund a Debt Service Reserve Fund and provide additional funds for loans. The costs of issuance of the 2014 Series were paid from DelVal's unrestricted funds. Interest on the 2014 Series is indexed to 1-Month LIBOR and is payable monthly. The 2014 Series will mature on December 1, 2049. The 2014 Series was issued as direct placements of loans to three banks, and the 2014 Series is not rated. The Series can be prepaid at any time on or after December 1, 2016, with no penalty.

The \$50,000,000 2014 A Series was issued to evidence a loan from TD Bank, N.A. ("TD"), and the \$50,000,000 2014 C Series was issued to evidence a loan from Bank of America, N.A. ("BANA"). The 2014 A and C Series were redeemed on May 1, 2017, with proceeds from the acquisition of loans by other DelVal Series and other available funds. The \$50,000,000 2014 B Series was issued to evidence a loan from BANA and will be remarketed on December 1, 2021. The \$75,000,000 2014 D Series was issued to evidence a loan from PNC and will be remarketed on April 1, 2022. On the respective remarketing dates, the 2014 Series can be remarketed as direct placements of bank loans, VRDB's, fixed rate bonds, or variable rate securities based on an index.

DelVal executed a \$75,000,000 notional swap transaction with Barclays Bank PLC ("Barclays") to hedge basis risk related to the 2012 Series. That transaction was assigned to the 2014 Series when the 2012 Series was redeemed on December 1, 2014. DelVal executed a \$150,000,000 swap transaction with BANA to hedge the remaining basis risk of the 2014 Series. Under the terms of these transactions, DelVal pays amounts indexed to the SIFMA Index and receives payments indexed to 1-Month LIBOR. The interest rate swap transactions allow DelVal to create a variable rate loan program comparable to one of VRDB's. The ability to execute new, offsetting swap transactions enable DelVal to also provide fixed rate loans to Participants at competitive levels without exposing the program to market risk.

With the redemption of the 2014 A and C Series, DelVal terminated the Barclays transaction on April 28, 2017, and DelVal received a termination payment of \$79,500 from Barclays. DelVal assigned \$25,000,000 of the BANA transaction to the 2017 Series to hedge a portion of the basis risk of the 2017 Series.

The 2014 Series funds a revolving loan pool program. When loans are repaid, the repayments are used to fund new loans to Participants.

## **2017 Series**

On May 1, 2017, DelVal issued the 2017 Series under the Master Indenture and the Fourth Supplemental Indenture in the principal amount of \$175,000,000. A portion of the proceeds of the 2017 Series was used to acquire loans from the 2014 Series, which together with proceeds from the acquisition of loans by other DelVal Series and other available funds, were used to redeem the 2014 A and C Series. Proceeds of the 2017 Series were also used to fund a Debt Service Reserve Fund and provide additional funds for loans. The costs of issuance of the 2017 Series were paid from DelVal's unrestricted funds. Interest on the 2017 Series is indexed to 1-Month LIBOR and is payable monthly. The 2017 Series will mature on May 1, 2052. The 2017 Series was issued as direct placements of loans to two banks, and the 2017 Series is not rated. The Series can be prepaid on any interest payment date with no penalty.

The \$75,000,000 2017 A Series was issued to evidence a loan from BANA and will be remarketed on May 1, 2021. The 2017 B, C, D, and E Series, each in the par amount of \$25,000,000, were issued to evidence a loan from TD and will be remarketed on May 1, 2021, 2022, 2023, and 2024, respectively. On the respective remarketing dates, the 2017 Series can be remarketed as direct placements of bank loans, VRDB's, fixed rate bonds, or variable rate securities based on an index.

In order to hedge basis risk, DelVal assigned \$25,000,000 notional of the BANA swap transaction related to the 2014 Series to the 2017 Series, and DelVal executed two new swap transactions with a notional amount of \$150,000,000 with PNC. Under the terms of these transactions, DelVal pays amounts indexed to the SIFMA Index and receives payments indexed to 1-Month LIBOR. The interest rate swap transactions allow DelVal to create a variable rate loan program comparable to one of VRDB's. The ability to execute new, offsetting swap transactions enable DelVal to also provide fixed rate loans to Participants at competitive levels without exposing the program to market risk.

The 2017 Series funds a revolving loan pool program. When loans are repaid, the repayments are used to fund new loans to Participants.

## **5. CREDIT FACILITIES**

### **1997 Series**

The payment of interest on and principal of the 1997 Series is secured by a municipal bond insurance policy issued by Ambac. The bond insurance is in effect for the 30-year term of the 1997 Series. The bond insurance premium paid to Ambac at closing is amortized on a straight-line basis over the 30-year term. As of December 31, 2017, Moody's, S&P, and Fitch had all withdrawn their ratings of Ambac.

### **1998 Series**

The payment of interest on and principal of the 1998 Series is secured by a municipal bond insurance policy issued by Ambac Assurance Corporation. The bond insurance is in effect for the 30-year term of the 1998 Series. The bond insurance premium paid to Ambac at closing is amortized on a straight-line basis over the 30-year term. As of December 31, 2017, Moody's, S&P, and Fitch had all withdrawn their ratings of Ambac.

### **2007 Series**

DelVal, as required by the Trust Indenture, maintains a direct draw letter of credit in the amount of \$50,924,658 as security for principal and accrued interest on the 2007 B Series. DelVal entered into an

agreement with BayernLB, acting through its New York Branch, effective on June 28, 2007, with a scheduled termination date of June 28, 2017. DelVal replaced the Bayern LB facility on May 1, 2017, with a letter of credit issued by PNC. The scheduled termination date of the PNC letter of credit is May 1, 2020. During 2017, DelVal paid facility fees totaling \$168,361, \$49,455 to BayernLB and \$118,906 to PNC. As of December 31, 2017, As of May 1, 2017, BayernLB was assigned ratings of “Aa3/P-1” by Moody’s and “A-/F1” by Fitch. S&P does not rate BayernLB. As of December 31, 2017, PNC was assigned ratings of “A2/VMIG 1” by Moody’s, “A/A-1” by S&P, and “A+/F1” by Fitch.

### **Assured Guaranty Municipal Corp.**

Prior to August 3, 2009, all of the loans originated from the 2002 Series and any loans originated from the 2007 Series to Participants that were unrated or rated below “A-” or “A3” were secured by financial guaranty policies issued by Financial Security Assurance Inc. (“FSA”). FSA was acquired by Assured Guaranty Municipal Holdings and currently operates as Assured Guaranty Municipal Corp. (“AGM”). Fees for the financial guaranty insurance policies were paid from DelVal’s origination fees or loan proceeds at the closing of each loan. As of December 31, 2017, AGM was assigned ratings of “A2” with a stable outlook by Moody’s, “AA” with a stable outlook by S&P, and “AA+” with a stable outlook by Kroll Bond Rating Agency (“Kroll”).

Municipal Assurance Corp. (“MAC”), a bond insurer within the Assured Guaranty group of companies, received ratings of “AA” from S&P and “AA+” from Kroll Bond Rating Agency (“Kroll”), both with stable outlooks. MAC has reinsured the AGM financial guaranty policies that were issued on the DelVal loans.

The beneficiary of the AGM and MAC financial guaranty policies is DelVal. If the borrower defaults, AGM or MAC is obligated to make the defaulted payment to DelVal. As of December 31, 2017, approximately 19.45% of the loan principal outstanding, more than \$153 million, was insured by AGM or MAC. No borrower from the DelVal loan program has ever defaulted, and AGM and MAC have not been required to make any payments to DelVal under the financial guaranty policies.

## **6. DERIVATIVE FINANCIAL INSTRUMENTS**

DelVal began issuing fixed rate and floating rate bonds and entering into interest rate swap transactions in 1997 in order to (i) provide fixed rate loans, (ii) hedge its exposure to future changes in long-term interest rates, (iii) diversify its market risk, and (iv) reduce its exposure to the credit facility market. Under the interest rate swap transactions related to the bond issues, DelVal receives a payment with the same basis as the related bonds, and DelVal pays the SIFMA Index. If a Participant requests a fixed rate loan, DelVal enters into an offsetting swap transaction under which DelVal pays a fixed rate and receives the SIFMA Index. All of the transactions related to the bond issues and fixed rate loans are effective hedges under the “consistent critical terms” and “quantitative methods” standards of the Governmental Accounting Standards Board Statement No. 53 (“GASB 53”).

DelVal received a payment of \$1,386,991 on September 7, 2017, from a settlement with six financial institutions who were defendants in the *Municipal Derivatives Antitrust Litigation*, a class action lawsuit alleging bid rigging and manipulation of indices. DelVal has received notices that two settlements have been approved and that DelVal may qualify to receive additional payments from the *LIBOR-Based Financial Instruments Antitrust Litigation*. DelVal has also received notice of a proposed settlement in another class action lawsuit, *Alaska Electrical Pension Fund et al. vs. Bank of America et al.* The amounts and the dates of the payments, if any, are not yet known.

DelVal originally executed two Master Agreements for interest rate swap transactions with Merrill Lynch Capital Services (“MLCS”), a wholly owned subsidiary of Merrill Lynch & Co. (“Merrill Lynch”). Bank of America, N.A. (“BANA”) acquired Merrill Lynch as of December 31, 2008. DelVal executed new Master Agreements with BANA (collectively, the “BANA Agreements”) in September 2009, and all of the swap transactions under the MLCS Master Agreements were novated to the BANA Agreements as of November 12, 2009. The BANA Agreements were amended in 2015 to conform to regulatory changes and amendments to the 2002 Series Indenture and the Master Indenture. Below are the active BANA Agreements:

- 1) 1997 Series Agreement, for transactions related to the 1997 Series,
- 2) 1998 Series Agreement, for transactions related to the 1998 Series,
- 3) 2002 Series Agreement, for transactions related to the 2002 Series, and
- 4) 2007 Series Agreement, for transactions related to the Series issued under the Master Indenture.

The BANA Agreements are similar to one another. The BANA Agreements are secured on a parity basis with bondholders.

DelVal executed a Master Agreement (the “Citi Agreement”) for interest rate swap transactions with Citibank, N.A. (“Citibank”), dated as of June 28, 2007, for transactions related to Series issued under the Master Indenture. The Citi Agreement is secured on a parity basis with bondholders.

DelVal executed a Master Agreement (the “Barclays Agreement”) with Barclays Bank PLC (“Barclays”) as of April 17, 2012, and amended and restated as of July 2, 2012, for any transactions related to the 1985 Series and any new Series issued under DelVal’s Master Indenture. The Barclays Agreement is secured on a parity basis with bondholders.

DelVal executed a Master Agreement (the “PNC Agreement”) with PNC Bank, National Association (“PNC”) as of January 28, 2015, for any transactions related to the 2002 Series and any Series issued under DelVal’s Master Indenture. The PNC Agreement is secured on a parity basis with bondholders.

DelVal executed a Master Agreement (the “T-D Agreement”) with The Toronto-Dominion Bank (“T-D”) as of January 11, 2016, for any transactions related to the 2002 Series and any Series issued under DelVal’s Master Indenture. The T-D Agreement is secured on a parity basis with bondholders.

A summary of the interest rate swap transactions and the reconciliation of the carrying values on the Balance Sheet and the fair market value of all interest rate swap transactions as of December 31, 2017, is set forth below.

**Carrying Value and Fair Value of Interest Rate  
Swap Transactions Outstanding**

	<u>Notional Amount</u>	<u>Carrying Value</u>	<u>Market Value 31-Dec-17</u>
<u>Del Val Series</u>			
1997 Series			
Bond transaction	\$ 28,000,000	\$ 8,385,000	\$ 8,385,000
Loan transactions	18,871,000	(485,600)	(485,600)
1998 Series			
Bond transaction	600,000,000	73,109,800	73,109,800
Loan transactions	165,107,000	(3,109,500)	(3,109,500)
Unamortized prepaid swap expense	-	6,159,907	11,708,300
2002 Series			
Bond transaction	125,000,000	41,325,800	41,325,800
Loan transactions	130,424,000	(1,841,900)	(1,841,900)
Master Series			
Bond transaction	410,050,000	5,227,400	5,227,400
Loan transactions	<u>329,371,500</u>	<u>(258,800)</u>	<u>(258,800)</u>
Total	<u>\$ 1,806,823,500</u>	<u>\$ 128,512,107</u>	<u>\$ 134,060,500</u>
<u>Counterparty</u>			
Bank of America	\$ 1,379,062,000	\$ 122,918,707	\$ 128,467,100
Barclays Bank	65,157,000	(308,000)	(308,000)
Citibank	110,050,000	4,174,000	4,174,000
PNC Bank	241,911,000	1,611,900	1,611,900
Toronto-Dominion Bank	<u>10,643,500</u>	<u>115,500</u>	<u>115,500</u>
Total	<u>\$ 1,806,823,500</u>	<u>\$ 128,512,107</u>	<u>\$ 134,060,500</u>

**Effectiveness of the Swap Agreements**

DelVal searched for an efficient means to provide fixed rate loans for a decade. The 1986 Series (a VRDB optionally redeemed in 2012) provided for the origination of fixed rate loans by remarketing a series dedicated to each fixed rate loan. This is the most common approach used by revolving loan programs. DelVal originated a few fixed rate loans using this approach, but DelVal stopped offering this type of loan in 1987. This dedicated remarketing approach resulted in Participants paying higher costs of issuance and interest rates than they would have realized if they had issued their own bonds. Costs of issuance were higher because the documentation was more complex and because the financing team was larger to represent both DelVal and the Participant. Interest rates were higher because remarketed rates are generally higher than primary market rates and because the market exacts higher interest rates for guaranteed revenue bonds than comparably rated general obligation bonds. In 1996, DelVal experimented with a \$20 million dedicated issue for eight Participants. DelVal abandoned the dedicated pool approach because the small issue size and the inability to recycle made the costs of issuance prohibitive and bundling multiple loans for simultaneous closings was an untenable marketing and administrative burden.

DelVal found the solution to the fixed rate loan conundrum in 1997. By utilizing interest rate swaps, DelVal could provide fixed rates competitive with general obligation bond rates with substantially lower costs of issuance and could provide even more flexibility to manage debt and avoid refunding churning than even large, highly rated Participants could realize with their own general obligation issues. The most common approach in 1997 was to issue VRDB's and then to enter into an interest rate swap transaction to

pay a fixed rate and receive a floating rate, usually 67% of 1-Month LIBOR. DelVal, as a matter of policy, did not want to increase the amount of its VRDB's (\$360 million at that time) and the concomitant requirements for letters of credit. The tumult of bank mergers and acquisitions and the 180-degree swings in bank strategic plans made the price and availability of credit facilities volatile. The DelVal Board also rejected entering into any swap transaction that exposed DelVal or the Participants to basis risk.

The more complex, but ultimately more elegant, structure that emerged was (i) to issue fixed rate obligations or floating rate obligations that did not require credit facilities and (ii) to enter into a swap transaction under which DelVal would receive a fixed rate or floating rate with the same basis as DelVal's debt obligation and DelVal would pay the SIFMA Index. Then, if a Participant requested a fixed rate, DelVal would enter into an offsetting transaction, a perfect hedge, under which DelVal would pay a fixed rate and would receive the SIFMA Index. DelVal would only issue bonds and enter into swap transactions if the costs of funds would be comparable to a new VRDB. With this constraint, both fixed and variable rate loans would be competitive with any financing option for Participants under either rising or falling interest rates. The DelVal loan rate would always be on the market. The issuance of fixed rate bonds and different types of floating rate obligations diversified the market for DelVal's issues and limited DelVal's exposure to the volatile credit facility market.

Below is a summary of the debt service payments of the DelVal Series with related swap agreements (the 1997 Series, 1998 Series, 2002 Series, 2007 A Series, 2007 C Series, 2014 Series, and 2017 Series), the swap revenues related to the Series, and the calculation of the spread over the SIFMA Index that DelVal pays. The spread plus the SIFMA Index is DelVal's net swap payment for the transactions related to the bond issues. DelVal's costs of funds from these bond issues were approximately 0.529% over the SIFMA Index as of December 31, 2017. The comparable average cost of funds for the \$50 million of DelVal VRDB's outstanding as of December 31, 2017, was 0.783% over the SIFMA Index; the spread includes amortization of the costs of issuance, letter of credit fees, remarketing fees, and the remarketing spread over the SIFMA Index. The DelVal swap transactions related to the DelVal Series are effective under both the consistent critical terms and the quantitative methods standards of GASB 53.

**Debt Service Payments and Swap Revenues Related to the Bond Issues**

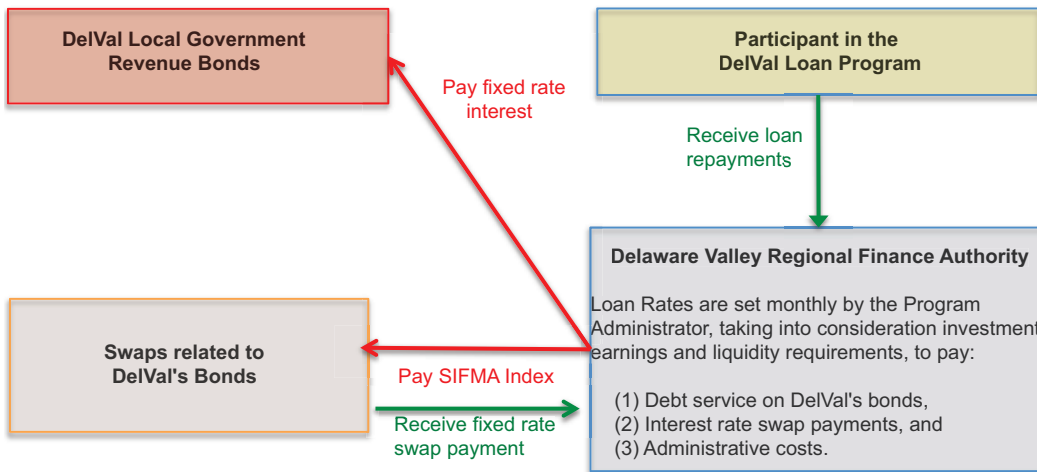
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 and thereafter (2)</u>
<b>Debt service payments</b>						
1997 Series	\$ 1,801,000	\$ 1,801,000	\$ 1,801,000	\$ 1,801,000	\$ 1,801,000	\$ 1,801,000
1998 Series	16,500,000	13,750,000	13,750,000	13,750,000	13,750,000	13,750,000
2002 Series	7,187,500	7,187,500	7,187,500	7,187,500	7,187,500	7,187,500
2007 Series (1)	2,267,000	2,267,000	2,267,000	2,267,000	2,267,000	2,267,000
2014 Series (1)	2,312,500	2,312,500	2,312,500	2,312,500	2,312,500	2,312,500
2017 Series (1)	<u>3,033,500</u>	<u>3,033,500</u>	<u>3,033,500</u>	<u>3,033,500</u>	<u>3,033,500</u>	<u>3,033,500</u>
Total	<u>33,101,500</u>	<u>30,351,500</u>	<u>30,351,500</u>	<u>30,351,500</u>	<u>30,351,500</u>	<u>30,351,500</u>
<b>Net swap receipts</b>						
1997 Bonds	(1,500,800)	(1,500,800)	(1,500,800)	(1,500,800)	(1,500,800)	(1,500,800)
1998 Bonds	(15,487,000)	(13,128,500)	(13,128,500)	(13,128,500)	(13,128,500)	(13,128,500)
2002 Bonds	(5,843,750)	(5,843,750)	(5,843,750)	(5,843,750)	(5,843,750)	(5,843,750)
2007 Bonds (1)	(1,784,537)	(1,784,537)	(1,784,537)	(1,784,537)	(1,784,537)	(1,784,537)
2014 Series (1)	(1,552,500)	(1,552,500)	(1,552,500)	(1,552,500)	(1,552,500)	(1,552,500)
2017 Series (1)	<u>(2,216,250)</u>	<u>(2,216,250)</u>	<u>(2,216,250)</u>	<u>(2,216,250)</u>	<u>(2,216,250)</u>	<u>(2,216,250)</u>
Total	<u>(28,384,837)</u>	<u>(26,026,337)</u>	<u>(26,026,337)</u>	<u>(26,026,337)</u>	<u>(26,026,337)</u>	<u>(26,026,337)</u>
<b>Net spread of debt service over swap receipts</b>						
1997 Series	300,200	300,200	300,200	300,200	300,200	300,200
1998 Series	1,013,000	621,500	621,500	621,500	621,500	621,500
2002 Series	1,343,750	1,343,750	1,343,750	1,343,750	1,343,750	1,343,750
2007 Series (1)	482,463	482,463	482,463	482,463	482,463	482,463
2014 Series (1)	760,000	760,000	760,000	760,000	760,000	760,000
2017 Series (1)	<u>817,250</u>	<u>817,250</u>	<u>817,250</u>	<u>817,250</u>	<u>817,250</u>	<u>817,250</u>
Total	<u>\$ 4,716,663</u>	<u>\$ 4,325,163</u>	<u>\$ 4,325,163</u>	<u>\$ 4,325,163</u>	<u>\$ 4,325,163</u>	<u>\$ 4,325,163</u>
<b>Bond principal and over-collateralization</b>						
1997 Series	\$ 28,000,000	\$ 28,000,000	\$ 28,000,000	\$ 28,000,000	\$ 28,000,000	\$ 28,000,000
1998 Series	300,000,000	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
2002 Series	153,159,000	153,159,000	153,159,000	153,159,000	153,159,000	153,159,000
2007 Series (1)	110,059,250	110,059,250	110,059,250	110,059,250	110,059,250	110,059,250
2014 Series (1)	125,000,000	125,000,000	125,000,000	125,000,000	125,000,000	125,000,000
2017 Series (1)	<u>175,000,000</u>	<u>175,000,000</u>	<u>175,000,000</u>	<u>175,000,000</u>	<u>175,000,000</u>	<u>175,000,000</u>
Total	<u>\$ 891,218,250</u>	<u>\$ 841,218,250</u>	<u>\$ 841,218,250</u>	<u>\$ 841,218,250</u>	<u>\$ 841,218,250</u>	<u>\$ 841,218,250</u>
<b>Percentage spread</b>						
1997 Series	1.072%	1.072%	1.072%	1.072%	1.072%	1.072%
1998 Series	0.338%	0.249%	0.249%	0.249%	0.249%	0.249%
2002 Series	0.877%	0.877%	0.877%	0.877%	0.877%	0.877%
2007 Series (1)	0.438%	0.438%	0.438%	0.438%	0.438%	0.438%
2014 Series (1)	0.608%	0.608%	0.608%	0.608%	0.608%	0.608%
2017 Series (1)	0.467%	0.467%	0.467%	0.467%	0.467%	0.467%
All funds	0.529%	0.514%	0.514%	0.514%	0.514%	0.514%

(1) Assumes rates equal to the last reset in 2017. The spread is not sensitive to changes in the levels of the rate

(2) Cash flows will change as bonds mature and swap transactions terminate.

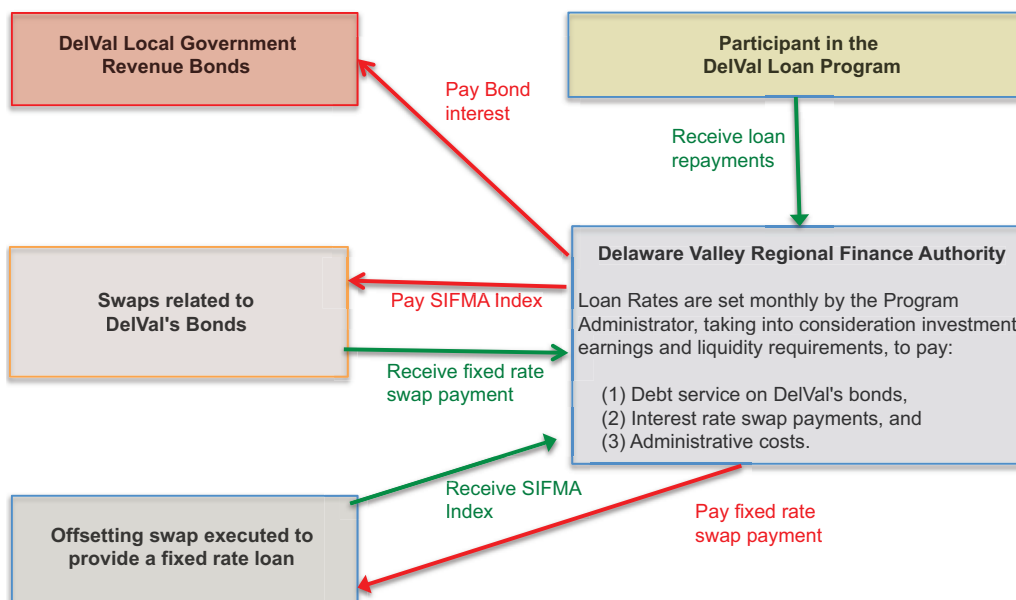
The Program Administrator sets loan rates at levels sufficient to pay (i) debt service on the DelVal bond issues, (ii) any related swap payments, and (iii) DelVal’s administrative costs. Participants with variable rate loans pay a rate based on the SIFMA Index payment that DelVal pays on the related DelVal Series plus a spread determined by the Program Administrator. Below is a chart that depicts the cash flows for a variable rate loan originated from a fixed rate DelVal Series.

### Cash Flows of a Variable Rate Loan



DelVal executes an offsetting swap transaction (DelVal pays a fixed rate and receives the SIFMA Index.) if a Participant requests a fixed rate loan. Participants with fixed rates pay the offsetting swap fixed rate plus a spread determined by the Program Administrator. Below is a chart that depicts the cash flows for a fixed rate loan originated from a fixed rate DelVal Series.

### Cash Flows of a Fixed Rate Loan



As of December 31, 2017, 255 swap transactions with a notional amount of \$644 million were outstanding to provide fixed rate loans to 104 Participants. These transactions are effective hedges under both the consistent critical terms and the quantitative standards of GASB 53. Below is a summary of the fixed rate loan repayments and the related swap revenues and expenses in 2017.

**Swap Payments Related to Fixed Rate Loans**

<i>Fixed Rate Loan Interest Repayments</i>	<i>Offsetting Swap Transactions for Fixed Rate Loans</i>		<i>SIFMA Index Payments Related to DelVal Series</i>	<i>Net Receipt</i>
	<i>Fixed Rate Payments</i>	<i>SIFMA Index Receipts</i>		
\$14,623,885	(\$12,052,699)	\$5,282,631	(\$5,282,631)	\$2,571,186

Below is a summary of the provisions and risks of the interest rate swap agreements. None of the swap transactions executed by DelVal are payable or receivable in foreign currencies.

**Interest Rate Risk**

The principal interest rate risk of a revolving loan is the risk that the pool of funds available for loans will not be competitive with financing options. This risk could be realized if the funding for the DelVal loan program were fixed or indexed to LIBOR. If fixed rate declined or if the ratio of tax-exempt rates to LIBOR increased, DelVal’s loan rates would not be competitive with market rates. The DelVal swap agreements (collectively, the “DelVal Swap Agreement”) effectively insulate DelVal from this risk. DelVal has executed swap transactions for all of the DelVal Series that are fixed rate or that are indexed to LIBOR to receive a fixed rate or LIBOR rate and to pay the SIFMA Index. DelVal’s cost of funds move with the SIFMA Index. This allows DelVal to offer variable rate loans at market levels. By entering into offsetting transactions, under which DelVal pays a fixed rate and receives the SIFMA Index, DelVal can always on the market for fixed rate loans.

The second type of interest rate risk that faces a revolving loan poll is the mismatching of assets and liabilities. This is the risk that loan revenues will not match DelVal’s cost of funds. The use of interest rate swaps allows DelVal to match fund perfectly. Variable rate loans are matched to variable rate swap transactions or DelVal’s VRDB’s, and fixed rate loans are matched to fixed rate swap transactions. The variable rate and fixed assets always matches the variable rate and fixed rate liabilities.

**Basis Risk**

DelVal has not entered into any transactions, for DelVal or any Participant, with basis risk. DelVal has executed swap transactions for the DelVal Series with interest rates indexed to LIBOR under which DelVal receives a rate indexed to LIBOR and DelVal pays the SIFMA Index. This eliminates the basis risk for offsetting transactions that DelVal executes to provide fixed loan rates.

**Termination Risk**

All or a portion of the transactions under the DelVal Swap Agreement may be terminated with the mutual consent of DelVal and the respective counterparty (the “Counterparty”). A termination of transactions could also be triggered in the event of (i) a payment default by a Participant (for transactions entered to provide a fixed loan rate), (ii) a payment default by DelVal or the Counterparty under the DelVal Swap Agreement, (iii) the occurrence of events that may precipitate a payment default, or (iv) the

downgrading of the long-term, unsecured, senior debt ratings of the Counterparty or DelVal (See “CREDIT RISK” below.). None of the DelVal Swap Agreements were terminated in 2017.

DelVal did terminate a \$75 million transaction with Barclays, as of April 28, 2017, that was related to \$75 million of the 2014 Series that was redeemed on May 1, 2017. DelVal received a termination payment of \$79,500 from Barclays. DelVal could have assigned the transaction to the 2017 Series, but termination and replacement with a new swap transaction with PNC was more economic.

In all instances of termination, except a payment default by a Participant on a loan that had been converted to a fixed rate, DelVal would seek to replace the terminated portion of the DelVal Swap Agreement with a new interest rate swap agreement on similar terms and conditions. The market value of the terminated portion of the DelVal Swap Agreement and the market value of the replacement swap agreement should largely offset one another. Under the terms of the loan agreements, each Participant is obligated to pay the termination fee of the portion of the DelVal Swap Agreement allocable to the Participant’s loan.

The most likely causes for termination of a swap transaction are under the control of the Participants: (i) a Participant elects to prepay a fixed rate portion of its loan before the termination date of the swap transaction used to provide the fixed rate or (ii) a Participant defaults on its payments due under a fixed rate loan. A global termination of the DelVal Swap Agreement without replacement of the transactions would only occur if (i) a cataclysm in the interest rate swap market precipitated a default by the Counterparty and a replacement Counterparty could not be secured or (ii) an economic cataclysm triggered defaults by a large number of Participants. The International Swaps and Derivatives Association estimates that \$193 trillion notional amount of interest rate swap transactions traded in 2017. The Municipal Securities Rulemaking Board estimates that the principal amount of all tax-exempt bonds that were traded in 2017 was approximately \$2.9 trillion. The interest rate swap market is arguably the most important international financial market; it has become the market of choice for the Federal Reserve Bank and international central banks to manage liquidity and interest rates in their respective economies. Since 1985, DelVal has originated 512 loans, \$3.19 billion principal amount, to 195 different Participants; no Participant has ever defaulted on a single loan repayment.

### **Credit Risk**

Rating downgrades by Moody’s and S&P can precipitate a requirement to post collateral or to terminate under the DelVal Swap Agreement. The failure to post collateral when it is required constitutes an event of default under the DelVal Swap Agreement and may result in termination.

The ratings of DelVal as of December 31, 2017, were “A1/A+” by Moody’s and S&P, respectively, with stable outlooks.

The BANA Agreements require BANA to post collateral equal to the market value of each of the swap agreements executed with DelVal if the long term, unsecured, senior debt ratings of BANA are reduced below “A2” by Moody’s or “A” by S&P. DelVal is not obligated to post collateral to BANA. If the long-term, unsecured, senior debt ratings of BANA or DelVal are downgraded below “Baa2” by Moody’s or “BBB” by S&P, the respective counterparty may terminate the BANA Agreements. As of December 31, 2017, BANA was rated “Aa3” by Moody’s, “A+” by S&P, and “A+” by Fitch.

The Citi Agreement requires Citi to post collateral equal to the market value if the ratings of Citibank are reduced below “A2” by Moody’s and “A” by S&P. If the ratings of DelVal are downgraded

below “A3” by Moody’s or “A-” by S&P, DelVal would be obligated to post collateral equal to the market value. If the long-term, unsecured, senior debt ratings of Citibank, or DelVal are downgraded below “Baa3” by Moody’s or “BBB-” by S&P, the respective counterparty may terminate the Citi Agreement. As of December 31, 2017, the long term, unsecured, senior debt ratings of Citibank were “A1” by Moody’s, “A” by S&P, and “A+” by Fitch.

The Barclays Agreement allows DelVal or Barclays to terminate the agreement if the respective counterparty is downgraded below “Baa1” by Moody’s or “BBB+” by S&P. Neither Barclays nor DelVal is obligated to post collateral. As of December 31, 2017, the ratings of Barclays were “A2” by Moody’s, “A-” by S&P, and “A” by Fitch.

The PNC Agreement allows DelVal or PNC to terminate the agreement if the respective counterparty is downgraded below “Baa1” by Moody’s or “BBB+” by S&P. Neither PNC nor DelVal are obligated to post collateral. The long term, unsecured, senior debt ratings of PNC are currently “A1” by Moody’s, “A” by S&P, and “A+” by Fitch.

The T-D Agreement, executed on January 11, 2016, allows DelVal or T-D to terminate the agreement if the respective counterparty is downgraded below “Baa1” by Moody’s or “BBB+” by S&P. Neither T-D nor DelVal are obligated to post collateral. The long term, unsecured, senior debt ratings of T-D are currently “Aa2” by Moody’s and “AA-” by S&P.

#### **Market Access Risk**

DelVal does not have market access risk related to the DelVal Swap Agreement. None of the DelVal Series related to the DelVal Swap Agreement are VRDB’s that must be remarketed on a daily or weekly basis. Swaps related to the 2014 and 2017 Series have scheduled termination dates after the remarketing dates of those Series, both direct placements of loans. If those Series are not remarketed, the related swap will be assigned to the 2007 C Series.

#### **Rollover Risk**

None of the swap transactions related to the DelVal Series have a rollover risk. The scheduled termination dates of the swap transactions match or exceed the maturity or remarketing dates of the related DelVal Series.

### **7. FAIR VALUE OF INVESTMENTS AND RESTRICTED INVESTMENTS**

The carrying value of investments and restricted investments is the fair value of those investments. Investments and restricted investments are valued using pricing models that maximize the use of observable inputs of transactions of those investments and restricted investments and observable inputs of similar securities.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

The schedule below shows the level of the fair value hierarchy of investments and restricted investments at fair value as of December 31, 2017.

**Investments and Restricted Investments at Fair Value  
 as of December 31, 2017**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Floating rate notes	\$ -	\$ 40,462,119	\$ -	\$ 40,462,119

## Independent Auditors' Report On Additional Information

Board of Directors  
Delaware Valley Regional Finance Authority  
Flourtown, Pennsylvania:

Our report on our audit of the basic financial statements of the Delaware Valley Regional Finance Authority for 2017 appears on pages 31 and 32. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The additional information on pages 63 through 65 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Philadelphia, Pennsylvania  
May 3, 2018

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**ADDITIONAL BALANCE SHEET INFORMATION**  
**DECEMBER 31, 2017**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 4,438,696	\$ 49,184,368	\$ 13,318,165	\$ 12,659,633	\$ 79,600,862
Restricted cash equivalents	2,800,000	30,000,000	12,500,000	-	45,300,000
Accrued interest receivable:					
Loans	12,834	152,610	54,007	219,847	439,298
Interest rate swaps	-	6,028,286	-	194,478	6,222,764
Cash equivalents and investments	3,105	35,557	9,530	145,970	194,162
Prepaid expenses	7,500	64,365	6,250	13,333	91,448
Loans to local governments	<u>2,482,000</u>	<u>19,458,000</u>	<u>7,085,000</u>	<u>33,160,024</u>	<u>62,185,024</u>
Total current assets	<u>9,744,135</u>	<u>104,923,186</u>	<u>32,972,952</u>	<u>46,393,285</u>	<u>194,033,558</u>
<b>NONCURRENT ASSETS:</b>					
Investments	-	-	-	8,760,004	8,760,004
Restricted investments	-	-	-	31,702,115	31,702,115
Loans to local governments	19,226,000	207,955,000	124,024,000	374,904,000	726,109,000
Unamortized prepaid interest rate swap expense	-	5,578,183	-	-	5,578,183
Fair value of derivative transactions	<u>7,899,400</u>	<u>70,000,300</u>	<u>39,483,900</u>	<u>4,968,600</u>	<u>122,352,200</u>
Total other assets	<u>27,125,400</u>	<u>283,533,483</u>	<u>163,507,900</u>	<u>420,334,719</u>	<u>894,501,502</u>
<b>TOTAL</b>	<u><b>\$ 36,869,535</b></u>	<u><b>\$ 388,456,669</b></u>	<u><b>\$ 196,480,852</b></u>	<u><b>\$ 466,728,004</b></u>	<u><b>\$ 1,088,535,060</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accrued expenses	\$ -	\$ -	\$ -	\$ 79,995	\$ 79,995
Bond principal payable	-	50,000,000	-	-	50,000,000
Accrued interest payable:					
Interest rate swaps	31,061	89,528	135,446	141,836	397,871
Bonds	<u>954,240</u>	<u>7,544,534</u>	<u>3,675,557</u>	<u>740,931</u>	<u>12,915,262</u>
Total current liabilities	<u>985,301</u>	<u>57,634,062</u>	<u>3,811,003</u>	<u>962,762</u>	<u>63,393,128</u>
<b>LONG TERM LIABILITIES:</b>					
Bonds payable, net	28,456,862	256,420,191	129,056,499	460,840,273	874,773,825
Estimated rebate liability	-	-	-	70,000	70,000
Total long term liabilities	<u>28,456,862</u>	<u>256,420,191</u>	<u>129,056,499</u>	<u>460,910,273</u>	<u>874,843,825</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Accumulated increase in fair value of hedging derivatives	<u>7,899,400</u>	<u>70,000,300</u>	<u>39,483,900</u>	<u>4,968,600</u>	<u>122,352,200</u>
Total liabilities and deferred inflows of resources	37,341,563	384,054,553	172,351,402	466,841,635	1,060,589,153
<b>NET POSITION</b>	<u>(472,028)</u>	<u>4,402,116</u>	<u>24,129,450</u>	<u>(113,631)</u>	<u>27,945,907</u>
<b>TOTAL</b>	<u><b>\$ 36,869,535</b></u>	<u><b>\$ 388,456,669</b></u>	<u><b>\$ 196,480,852</b></u>	<u><b>\$ 466,728,004</b></u>	<u><b>\$ 1,088,535,060</b></u>

\*Series that are equally and ratably secured by all of the assets held under the Master Indenture. The 2007, 2012, 2014 and 2017 Series were all issued under the Master Indenture.

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**ADDITIONAL STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**  
**POSITION INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series*</u>	<u>Total</u>
Revenues:					
Loan interest	\$ 813,073	\$ 5,502,757	\$ 3,545,581	\$ 7,307,720	\$ 17,169,131
Interest rate swap	2,618,000	13,201,192	8,635,625	2,608,391	27,063,208
Interest on investments and cash equivalents	<u>462,426</u>	<u>1,348,344</u>	<u>1,338,820</u>	<u>1,149,037</u>	<u>4,298,627</u>
Total revenues	<u>3,893,499</u>	<u>20,052,293</u>	<u>13,520,026</u>	<u>11,065,148</u>	<u>48,530,966</u>
Expenses:					
Interest expense:					
Bonds	2,923,250	15,830,466	9,686,736	6,874,451	35,314,903
Interest rate swaps	831,888	2,867,208	3,250,780	3,612,085	10,561,961
Costs of issuance	-	-	-	431,449	431,449
Credit or liquidity facility fees	-	-	-	229,010	229,010
Administrative expenses	<u>15,000</u>	<u>824,652</u>	<u>12,500</u>	<u>94,583</u>	<u>946,735</u>
Total expenses	<u>3,770,138</u>	<u>19,522,326</u>	<u>12,950,016</u>	<u>11,241,578</u>	<u>47,484,058</u>
Revenues over (under) expenses	<u>123,361</u>	<u>529,967</u>	<u>570,010</u>	<u>(176,430)</u>	<u>1,046,908</u>
Other revenues (expenses):					
Transfers in (out)	(107,719)	(1,078,332)	420,328	765,723	-
Increase of estimated rebate liability	-	-	-	130,000	130,000
Class action settlement	-	1,386,991	-	-	1,386,991
Unrealized gain on investments and restricted investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,128</u>	<u>25,128</u>
Total other revenues, net	<u>(107,719)</u>	<u>308,659</u>	<u>420,328</u>	<u>920,851</u>	<u>1,542,119</u>
Increase in net position	15,642	838,626	990,338	744,421	2,589,027
Net position, beginning	<u>(487,670)</u>	<u>3,563,490</u>	<u>23,139,112</u>	<u>(858,052)</u>	<u>25,356,880</u>
Net position, ending	<u>\$ (472,028)</u>	<u>\$ 4,402,116</u>	<u>\$ 24,129,450</u>	<u>\$ (113,631)</u>	<u>\$ 27,945,907</u>

\*Series that are equally and ratably secured by all of the assets held under the Master Indenture. The 2007, 2012, 2014, and 2017 Series were all issued under the Master Indenture.

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**ADDITIONAL STATEMENT OF CASH FLOWS INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series*</u>	<u>Total</u>
Cash flows from operating activities					
Interest received on loans to local governments and interest rate swap agreements	\$ 3,438,693	\$ 18,647,180	\$ 12,193,009	\$ 9,795,762	\$ 44,074,644
Payment of interest on bonds and interest rate swap agreements	(5,000,932)	(18,677,748)	(17,656,964)	(10,268,936)	(51,604,580)
Loans to local governments	-	-	-	(44,773,000)	(44,773,000)
Principal repayments of loans to local governments	4,863,000	32,717,000	8,390,000	38,070,976	84,040,976
Loan origination fees received	-	-	-	40,160	40,160
Administrative expenses paid	(15,000)	(824,652)	(12,500)	(93,378)	(945,530)
Interest received on investments and cash equivalents	467,961	1,323,456	1,352,952	1,061,571	4,205,940
Credit or liquidity facility fees paid	-	-	-	(168,361)	(168,361)
Transfers among Series	(107,719)	(1,078,332)	420,328	765,723	-
Assignment of loans	10,363,000	4,192,000	28,867,000	(43,422,000)	-
Proceeds of bond issues	-	-	-	175,000,000	175,000,000
Transfers (to) from restricted accounts	4,200,000	-	12,500,000	(7,001,853)	9,698,147
Class action settlement	-	1,386,991	-	-	1,386,991
Bond issuance costs	-	-	-	(431,450)	(431,450)
Redemption (purchase) of investments	-	-	-	(7,637,960)	(7,637,960)
Payment of bond principal	<u>(42,000,000)</u>	<u>-</u>	<u>(125,000,000)</u>	<u>(100,000,000)</u>	<u>(267,000,000)</u>
Increase (decrease) in cash and cash equivalents	(23,790,997)	37,685,895	(78,946,175)	10,937,254	(54,114,023)
Cash and cash equivalents, beginning	<u>28,229,693</u>	<u>11,498,473</u>	<u>92,264,340</u>	<u>1,722,379</u>	<u>133,714,885</u>
Cash and cash equivalents, ending	<u>\$ 4,438,696</u>	<u>\$ 49,184,368</u>	<u>\$ 13,318,165</u>	<u>\$ 12,659,633</u>	<u>\$ 79,600,862</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Change in net position	\$ 15,642	\$ 838,626	\$ 990,338	\$ 744,421	\$ 2,589,027
Adjustments for other revenues, expenses, and transfers					
Decrease of estimated rebate liability	-	-	-	(130,000)	(130,000)
Unamortized prepaid interest rate swap expense	-	581,724	-	-	581,724
Unrealized gain on restricted investments	-	-	-	(66,747)	(66,747)
Transfer from (to) restricted assets	4,200,000	-	12,500,000	(6,920,253)	9,779,747
Adjustments for changes in assets and liabilities					
(Increase) decrease in:					
Investments	-	-	-	(7,677,941)	(7,677,941)
Accrued interest receivable:					
Loans	7,620	9,391	11,803	(55,232)	(26,418)
Interest rate swaps	-	(66,159)	-	(24,957)	(91,116)
Cash equivalents and investments	5,535	(24,888)	14,132	(87,466)	(92,687)
Prepaid expenses	-	-	-	(2,917)	(2,917)
Loans to local governments	15,226,000	36,909,000	37,257,000	(50,124,024)	39,267,976
Increase (decrease) in:					
Accrued expenses					
Accrued interest payable:	-	-	-	-	-
Interest rate swaps	(16,044)	107,735	(31,184)	16,851	77,358
Bonds	(1,176,000)	-	(4,212,207)	246,348	(5,141,859)
Bonds payable	<u>(42,053,750)</u>	<u>(669,534)</u>	<u>(125,476,057)</u>	<u>74,954,401</u>	<u>(93,244,940)</u>
Total adjustments	<u>(23,806,639)</u>	<u>36,847,269</u>	<u>(79,936,513)</u>	<u>10,192,833</u>	<u>(56,703,050)</u>
Net cash provided by (used in) operating activities	<u>\$ (23,790,997)</u>	<u>\$ 37,685,895</u>	<u>\$ (78,946,175)</u>	<u>\$ 10,937,254</u>	<u>\$ (54,114,023)</u>

\*Series that are equally and ratably secured by all of the assets held under the Master Indenture. The 2007, 2012, 2014, and 2017 Series were all issued under the Master Indenture.

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**Appendix II:**  
**FORM OF BOND COUNSEL OPINION**

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June \_\_, 2018

Re: \$215,000,000 Delaware Valley Regional Finance Authority  
(Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania)  
Local Government Revenue Bonds, 2018 Series A, B, C, D and E

To The Purchaser of the Within-Described Bonds:

We have served as bond counsel in connection with the issuance by the Delaware Valley Regional Finance Authority (“Authority”) of \$215,000,000 Local Government Revenue Bonds, 2018 Series A, B, C, D and E (collectively, the “Bonds”). The Authority is a body corporate and politic, existing under the laws of the Commonwealth of Pennsylvania (“Commonwealth”) pursuant to the Municipality Authorities Act, 53 Pa. C.S. Ch. 56, as supplemented and amended (“Act”), having been organized by the Council of Delaware County, and the Boards of County Commissioners of Bucks, Chester and Montgomery Counties, Pennsylvania (“Counties”). Capitalized terms used herein and not otherwise defined, shall have the meanings set forth in the Indenture (as defined below).

The Bonds are issued under and pursuant to: (i) the Act; (ii) a Resolution adopted by the Board of Directors of the Authority (“Board”) on May 14, 2018 (“Resolution”); and (iii) a Master Trust Indenture, dated as of June 28, 2007, as amended and restated as of December 8, 2014 (“Master Indenture”), as supplemented by the Fifth Supplemental Indenture dated June 27, 2018 (“Fifth Supplemental Indenture”, and together with the Master Indenture, the “Indenture”), each by and between DelVal and TD Bank, N.A. (as successor to Commerce Bank, N.A.), as Trustee, for the purpose, together with other amounts available therefor, to provide funds to (i) originate loans (each a “Loan”) to Local Government Units or other political subdivisions (each, a “Participant”), (ii) acquire Loans made to Participants from the Authority’s Local Government Revenue Bonds, 2014 Series (“2014 Bonds”), which proceeds will be used, together with other available funds, to redeem a portion of the 2014 Bonds, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the Bonds.

As Bond Counsel for the Authority, we have examined the Act, applicable provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or made applicable with respect thereto (collectively, the “Code”), the Debt Act, original counterparts or certified copies of the Resolution, the Master Indenture, the Fifth Supplemental Indenture, a certificate dated the date hereof (“Tax Compliance Certificate”) of the Authority relating to the Bonds intended to satisfy certain provisions of the Code, of certain Authority officials having

responsibility for issuing the Bonds, opinions as to various matters delivered by the Authority's General Counsel and such other documents, certifications, instruments and records listed in the Index of Closing Documents in respect of the Bonds filed this date with the Trustee. We have also examined the fully executed and authenticated Bonds, or a true copy thereof.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also relied, in the opinion set forth below, upon the opinion of the Solicitor to the Authority as to all matters of fact and law set forth therein.

Except with respect to paragraph 6 below, our opinion is given only with respect to the internal laws of the Commonwealth of Pennsylvania ("Commonwealth") as enacted and construed on the date hereof. With respect to paragraph 6 below, our opinion is given only with respect to the federal laws of the United States of America as enacted and construed on the date hereof.

Based on the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic, validly existing under the laws of the Commonwealth and the Act, and at all relevant times had and has full power and authority thereunder to execute and deliver the Indenture and to issue the Bonds pursuant to the Act and the Indenture.

2. The Fifth Supplemental Indenture has been duly authorized, executed and delivered by the Authority and the Indenture is the legal, valid and binding obligation of the Authority enforceable in accordance with the terms thereof, except to the extent enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights ("Creditors' Rights Limitations").

3. The Bonds have been duly authorized, executed and issued by the Authority and are the legal, valid and binding special, limited obligations of the Authority, payable solely from the sources described in the Indenture, and enforceable in accordance with the terms thereof, except to the extent enforcement thereof may be affected by Creditors' Rights Limitations, and the Bonds are entitled to the benefit and security of the Indenture to the extent provided therein.

4. All conditions precedent to the issuance and delivery of the Bonds contained in the Indenture and the Act have been fulfilled.

5. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, and the Bonds are exempt from personal property taxes in the Commonwealth; however, under the laws of the Commonwealth as enacted and construed on the date hereof, any

profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Commonwealth taxes and local taxes within the Commonwealth.

6. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Authority and the Participants with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering this opinion, we have assumed compliance by the Authority with its covenants contained in the Indenture, the covenants of Participants in the Loan Agreements, and the representations and covenants in the Tax Compliance Agreement executed by the Authority on the date of issuance of the Bonds relating to actions to be taken or caused to be taken, by the Authority or by the Participants after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to, *inter alia*, the use and investment of proceeds of the Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We express no opinion on any matter not set forth in the numbered paragraphs herein. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect any changes in fact or law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion herein with respect to and assume no responsibility for, the accuracy, adequacy or completeness of the Preliminary Official Statement or the Official Statement prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

ECKERT SEAMANS CHERIN & MELLOTT, LLC

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**Appendix III:**  
**LOANS OUTSTANDING AS OF APRIL 30, 2018**

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### Loans Outstanding as of April 30, 2018

(continued on the next page)

No.	Borrower	County	Participant or Guarantor Ratings				Loans Outstanding				Total Outstanding 30-Apr-18	Insured (1) Loan Principal	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series	Borrower			Cumulative	
1	Allentown School District	Lehigh	--	--	A	\$ -	\$ 14,555,000	\$ -	\$ 9,820,000	\$ 24,375,000	\$ 9,820,000	3.097%	3.097%	
2	Aston Township	Delaware	--	--	AA	-	-	3,277,000	12,309,000	15,586,000	-	1.981%	5.078%	
3	Bensalem Township	Bucks	--	Aa2	--	-	18,606,000	-	8,772,000	27,378,000	-	3.479%	8.557%	
4	Benton Township	Lackawanna	--	--	--	-	-	-	119,000	119,000	-	0.015%	8.572%	
5	Bethel Township	Delaware	A+	--	--	-	-	-	204,000	204,000	-	0.026%	8.598%	
6	Bethel Township Sewer Authority	Delaware	A+	--	--	-	-	-	1,332,000	1,332,000	-	0.169%	8.767%	
7	Birmingham Township	Chester	--	--	--	160,000	-	-	-	160,000	-	0.020%	8.787%	
8	Brandywine Heights Area School District	Berks	--	--	--	-	-	-	700,000	700,000	700,000	0.089%	8.876%	
9	Bridgeport Borough	Montgomery	--	A2	--	461,000	-	5,552,000	510,000	6,523,000	5,552,000	0.829%	9.705%	
10	Bristol Borough	Bucks	A+	--	--	-	786,000	-	5,779,000	6,565,000	-	0.834%	10.539%	
11	Bristol Borough Water & Sewer Authority	Bucks	A+	--	--	-	-	-	2,946,000	2,946,000	-	0.374%	10.914%	
12	Bristol Township	Bucks	--	Aa3	--	-	-	2,341,000	18,022,000	20,363,000	-	2.588%	13.501%	
13	Bristol Township School District	Bucks	--	A3	--	385,000	-	-	-	385,000	-	0.049%	13.550%	
14	Brookhaven Borough	Delaware	--	--	AA-	-	-	2,428,000	-	2,428,000	-	0.309%	13.859%	
15	Bucks County	Bucks	--	Aaa	AAA	-	-	-	14,549,000	14,549,000	-	1.849%	15.708%	
16	Bucks County Airport Authority	Bucks	--	Aaa	AAA	63,000	-	300,000	1,616,000	1,979,000	-	0.251%	15.959%	
17	Bucks County Community College	Bucks	--	Aaa	AAA	-	4,737,000	-	-	4,737,000	-	0.602%	16.561%	
18	Bucks County Community College Authority	Bucks	--	Aaa	AAA	-	-	-	7,130,000	7,130,000	-	0.906%	17.467%	
19	Chadds Ford Township Sewer Authority	Delaware	--	--	--	110,000	-	-	-	110,000	-	0.014%	17.481%	
20	Chalfont Borough	Bucks	--	--	--	15,000	-	-	1,526,000	1,541,000	-	0.196%	17.677%	
21	Chester City	Delaware	--	--	--	-	-	2,328,000	1,403,000	3,731,000	-	0.474%	18.151%	
22	Collegeville Borough	Montgomery	--	--	--	-	-	-	408,000	408,000	-	0.052%	18.203%	
23	Concord Township	Delaware	--	Aa1	--	-	-	-	4,160,000	4,160,000	-	0.529%	18.731%	
24	Delaware County	Delaware	--	Aa1	AA	-	51,841,000	42,566,000	110,349,000	204,756,000	13,065,000	26.018%	44.750%	
25	Delaware County Solid Waste Authority	Delaware	--	Aa1	AA	-	-	8,067,000	-	8,067,000	1,520,000	1.025%	45.775%	
26	Dover Area School District	York	--	A1	--	-	12,995,000	-	-	12,995,000	-	1.651%	47.426%	
27	Doylestown Borough	Bucks	AA	--	--	-	-	-	2,505,000	2,505,000	-	0.318%	47.744%	
28	East Bradford Township	Chester	--	--	AA	-	-	1,118,000	1,098,000	2,216,000	2,216,000	0.282%	48.026%	
29	East Goshen Municipal Authority	Chester	AAA	Aaa	--	-	-	6,927,000	2,118,000	9,045,000	6,927,000	1.149%	49.175%	
30	East Goshen Township	Chester	AAA	Aaa	--	69,000	2,575,000	-	-	2,644,000	-	0.336%	49.511%	
31	East Rockhill Township	Bucks	--	--	--	-	524,000	-	-	524,000	-	0.067%	49.578%	
32	East Vincent Township	Chester	--	--	AA	-	-	817,000	-	817,000	817,000	0.104%	49.682%	
33	Eddystone Borough	Delaware	--	--	--	-	-	2,363,000	344,000	2,707,000	-	0.344%	50.026%	
34	Forbes Road School District	Fulton	--	--	A+	-	-	-	6,516,000	6,516,000	6,516,000	0.828%	50.854%	
35	Franconia Township	Montgomery	--	--	AA-	3,974,000	-	1,031,000	-	5,005,000	1,537,000	0.636%	51.490%	
36	Franklin Township	Chester	--	A2	--	55,000	-	-	2,830,000	2,885,000	-	0.367%	51.856%	
37	Gamet Valley School District	Delaware	--	--	AA	-	7,940,000	-	8,470,000	16,410,000	7,940,000	2.085%	53.942%	
38	Glenolden Borough	Delaware	--	--	AA-	-	460,000	222,000	-	682,000	222,000	0.087%	54.028%	
39	Hatfield Borough	Montgomery	--	--	--	-	1,520,000	-	-	1,520,000	-	0.193%	54.221%	
40	Hatfield Township	Montgomery	AA-	--	--	-	2,530,000	1,484,000	1,347,000	5,361,000	-	0.681%	54.903%	
41	Highland Township	Chester	--	--	--	-	713,000	-	-	713,000	-	0.091%	54.993%	
42	Kennett Square Borough	Chester	--	A3	--	-	557,000	-	-	557,000	-	0.071%	55.064%	
43	Lampeter-Strasburg School District	Lancaster	--	--	AA	-	2,033,000	-	2,211,000	4,244,000	4,244,000	0.539%	55.603%	
44	Lancaster County	Lancaster	--	Aa3	--	-	-	-	23,044,000	23,044,000	23,044,000	2.928%	58.531%	
45	Lansdowne Borough	Delaware	A+	--	--	-	497,000	-	2,035,000	2,532,000	-	0.322%	58.853%	

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**Loans Outstanding as of April 30, 2018**  
(continued on the next page)

No.	Borrower	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding	Insured (1) Loan	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series	30-Apr-18	Principal	Borrower	Cumulative
46	Limerick Township	Montgomery	--	--	AAA	-	3,701,000	-	-	3,701,000	-	0.470%	59.323%
47	London Britain Township	Chester	--	--		370,000	-	-	595,000	965,000	-	0.123%	59.446%
48	London Grove Township	Chester	--	--	AA	245,000	-	-	5,541,000	5,786,000	-	0.735%	60.181%
49	London Grove Township Municipal Authority	Chester	--	--	AA	-	-	3,138,000	2,796,000	5,934,000	-	0.754%	60.935%
50	Lower Makefield Township	Bucks	--	Aa1	--	-	6,805,000	-	-	10,275,000	3,470,000	1.306%	62.241%
51	Lower Oxford Township	Chester	--	--	AA	590,000	-	-	1,051,000	1,641,000	-	0.209%	62.450%
52	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	--	Aa1	AA-	-	15,168,000	-	-	15,168,000	-	1.927%	64.377%
53	Lower Pottsgrove Township Authority	Montgomery	--	--	AA	-	-	7,178,000	859,000	8,037,000	-	1.021%	65.398%
54	Lower Providence Township	Montgomery	--	Aa2	--	-	-	2,331,000	1,686,000	4,017,000	2,752,000	0.510%	65.909%
55	Lower Providence Township Sewer Authority	Montgomery	--	Aa2	--	-	-	-	2,868,000	2,868,000	-	0.364%	66.273%
56	Lower Salford Township	Montgomery	--	Aa2	--	-	3,623,000	-	-	3,623,000	-	0.460%	66.733%
57	Malvern Borough	Chester	--	Aa3	--	-	-	1,158,000	156,000	1,314,000	1,158,000	0.167%	66.900%
58	Marcus Hook Borough	Delaware	--	--		1,008,000	-	-	216,000	1,224,000	-	0.156%	67.056%
59	Marple Township	Delaware	--	--	AA	-	-	1,602,000	6,889,000	8,491,000	-	1.079%	68.135%
60	Milford Township	Bucks	--	--	AA	-	-	-	252,000	252,000	-	0.032%	68.167%
61	Montgomery County	Montgomery	--	Aa1	--	-	-	-	5,195,000	5,195,000	-	0.660%	68.827%
62	Morrisville Borough School District	Bucks	--	--	A	571,000	-	67,000	-	638,000	-	0.081%	68.908%
63	Morton Borough	Delaware	--	--		150,000	-	-	-	150,000	-	0.019%	68.927%
64	Mount Union Area School District	Huntingdon	--	--	A	-	-	-	804,000	804,000	-	0.102%	69.029%
65	Nether Providence Township	Delaware	--	--		173,000	-	1,787,000	1,466,000	3,426,000	2,532,000	0.435%	69.465%
66	New Britain Township	Bucks	--	--		1,519,000	-	-	-	1,519,000	-	0.193%	69.658%
67	New Garden Township Sewer Authority	Chester	--	--		-	502,000	-	-	502,000	-	0.064%	69.722%
68	New Hanover Township	Montgomery	--	--		-	3,493,000	-	-	3,493,000	-	0.444%	70.165%
69	New Hanover Township Authority	Montgomery	--	--		-	-	-	891,000	891,000	891,000	0.113%	70.279%
70	Newtown Township	Delaware	--	Aa1	--	-	-	-	3,256,000	3,256,000	-	0.414%	70.692%
71	North Coventry Township	Chester	--	--	AA	-	1,735,000	-	551,000	2,286,000	551,000	0.290%	70.983%
72	North Coventry Water Authority	Chester	--	--	AA	-	-	-	838,000	838,000	838,000	0.106%	71.089%
73	Northeastern York County Sewer Authority	York	--	--	A+	-	-	701,000	12,323,000	13,024,000	3,987,000	1.655%	72.744%
74	Northeastern York School District	York	--	--	A+	-	-	4,049,000	-	4,049,000	-	0.515%	73.259%
75	Norwood Borough	Delaware	--	--		-	-	-	740,000	740,000	-	0.094%	73.353%
76	Parkesburg Borough	Chester	--	--		-	-	-	647,000	647,000	647,000	0.082%	73.435%
77	Penndel Borough	Bucks	--	--		586,000	-	-	412,000	998,000	-	0.127%	73.562%
78	Pennsbury Township	Chester	AA	--		-	-	-	3,527,000	3,527,000	-	0.448%	74.010%
79	Perkasie Borough	Bucks	--	--		-	3,656,000	-	476,000	4,132,000	476,000	0.525%	74.535%
80	Pocopson Township	Chester	--	Aa2	--	-	-	1,496,000	1,000,000	2,496,000	1,000,000	0.317%	74.852%
81	Pottstown School District	Montgomery	--	A1	A+	-	9,182,000	-	640,000	9,822,000	640,000	1.248%	76.100%
82	Prospect Park Borough	Delaware	--	--		-	-	-	1,330,000	1,330,000	-	0.169%	76.269%
83	Quakertown Community School District	Bucks	--	Aa3	A+	-	4,000,000	-	2,927,000	6,927,000	-	0.880%	77.150%
84	Ridley School District	Delaware	--	--	AA-	-	-	-	1,428,000	1,428,000	-	0.181%	77.331%
85	Ridley Township	Delaware	--	--	A+	831,000	-	-	16,969,000	17,800,000	-	2.262%	79.593%
86	Rockledge Borough	Montgomery	--	--		331,000	-	-	67,000	398,000	-	0.051%	79.643%
87	Rose Tree Media School District	Delaware	--	--	AA	6,560,000	7,890,000	-	-	14,450,000	-	1.836%	81.480%
88	Royersford Borough	Montgomery	--	--		-	-	-	2,955,000	2,955,000	2,955,000	0.375%	81.855%
89	Rutledge Borough	Delaware	--	--		-	-	-	113,000	113,000	-	0.014%	81.869%
90	Sadsbury Township	Chester	--	--		572,000	542,000	-	1,377,000	2,491,000	1,377,000	0.317%	82.186%

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### Loans Outstanding as of April 30, 2018

No.	Borrower	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 30-Apr-18	Insured (1) Loan Principal	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			Borrower	Cumulative
91	Schwenksville Borough	Montgomery	--	--	--	-	-	45,000	-	45,000	-	0.006%	82.192%
92	Solebury Township	Bucks	--	Aa2	--	-	3,383,000	-	-	3,383,000	-	0.430%	82.622%
93	South Coventry Township	Chester	--	--	--	906,000	-	-	-	906,000	-	0.115%	82.737%
94	South Eastern School District	York	--	--	AA	-	2,907,000	-	-	2,907,000	2,907,000	0.369%	83.106%
95	Southeast Delco School District	Delaware	--	--	A	339,000	-	-	-	339,000	-	0.043%	83.149%
96	Southern Delaware County Authority	Delaware	--	--	--	354,000	-	-	-	354,000	-	0.045%	83.194%
97	Springfield Township	Delaware	--	--	--	-	2,994,000	-	-	2,994,000	-	0.380%	83.575%
98	Springfield Township, York County, Sewer Authority	York	--	--	--	-	-	6,085,000	-	6,085,000	6,085,000	0.773%	84.348%
99	Stroudsburg Area School District	Monroe	--	A1	A+	-	7,689,000	-	2,316,000	10,005,000	10,005,000	1.271%	85.619%
100	Swarthmore Borough	Delaware	--	--	--	188,000	1,002,000	-	432,000	1,622,000	426,000	0.206%	85.825%
101	Tinicum Township (Bucks)	Bucks	A+	--	--	-	-	-	6,598,000	6,598,000	-	0.838%	86.664%
102	Tinicum Township (Delaware)	Delaware	--	--	--	-	1,467,000	1,884,000	-	3,351,000	1,884,000	0.426%	87.090%
103	Towamencin Township	Montgomery	--	--	AA+	-	1,694,000	-	8,148,000	9,842,000	3,525,000	1.251%	88.340%
104	Union County	Union	--	--	AA	-	-	1,972,000	-	1,972,000	-	0.251%	88.591%
105	Upland Borough	Delaware	A-	--	--	-	-	-	790,000	790,000	-	0.100%	88.691%
106	Upper Chichester Township	Delaware	--	A3	--	-	132,000	-	384,000	516,000	384,000	0.066%	88.757%
107	Upper Darby Township	Delaware	--	--	AA	-	3,455,000	-	567,000	4,022,000	567,000	0.511%	89.268%
108	Upper Dublin Township	Montgomery	--	Aa2	--	411,000	6,012,000	-	12,670,000	19,093,000	-	2.426%	91.694%
109	Upper Dublin Township Municipal Authority	Montgomery	--	Aa2	--	-	-	-	6,000,000	6,000,000	-	0.762%	92.456%
110	Upper Pottsgrove Township	Montgomery	--	A2	--	-	1,376,000	-	-	1,376,000	-	0.175%	92.631%
111	Upper Providence Township (Delaware)	Delaware	--	--	AA	65,000	537,000	-	-	602,000	-	0.076%	92.708%
112	Upper Providence Township Sewer Authority	Delaware	--	--	AA	-	2,496,000	-	9,556,000	12,052,000	-	1.531%	94.239%
113	Upper Salford Township	Montgomery	--	--	AA	-	-	284,000	610,000	894,000	-	0.114%	94.353%
114	Upper Southampton Municipal Authority	Bucks	AA	Aa3	--	-	924,000	6,345,000	2,763,000	10,032,000	-	1.275%	95.628%
115	Upper Southampton Township	Bucks	AA	Aa3	--	-	1,110,000	836,000	783,000	2,729,000	631,000	0.347%	95.974%
116	Uwchlan Township	Chester	--	--	--	-	863,000	-	-	863,000	-	0.110%	96.084%
117	Wallingford-Swarthmore School District	Delaware	--	--	AA	-	-	-	567,000	567,000	-	0.072%	96.156%
118	West Chester Borough	Chester	--	--	AA	262,000	-	-	-	262,000	-	0.033%	96.189%
119	West Fallowfield Township	Chester	--	--	--	-	477,000	-	-	477,000	-	0.061%	96.250%
120	West Goshen Township	Chester	AA+	--	--	-	-	5,009,000	-	5,009,000	-	0.636%	96.886%
121	West Grove Borough	Chester	--	--	--	75,000	366,000	-	-	441,000	-	0.056%	96.942%
122	West Sadsbury Township	Chester	--	--	--	-	601,000	-	-	601,000	-	0.076%	97.019%
123	Whitemarsh Township	Montgomery	--	--	--	-	5,374,000	-	4,425,000	9,799,000	4,425,000	1.245%	98.264%
124	Whitpain Township	Montgomery	--	Aaa	--	-	3,189,000	-	-	3,189,000	-	0.405%	98.669%
125	Yeadon Borough	Delaware	--	--	--	-	-	2,584,000	272,000	2,856,000	-	0.363%	99.032%
126	York City School District	York	--	Baa3	A-	-	5,327,000	-	2,290,000	7,617,000	7,617,000	0.968%	100.000%
Total Loans Outstanding						<u>\$ 21,398,000</u>	<u>\$ 236,541,000</u>	<u>\$ 129,372,000</u>		<u>\$ 786,965,000</u>	<u>\$ 145,850,000</u>	100.000%	

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**Appendix IV:**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is dated as of June \_\_, 2018, and is executed by the Delaware Valley Regional Finance Authority ("DelVal") and TD Bank, N.A., as dissemination agent (in such capacity, as herein provided, the "Dissemination Agent") in connection with the issuance of Delaware Valley Regional Finance Authority, Local Government Revenue Bonds, 2018 Series A, B C, D and E, in the aggregate principal amount of \$ \_\_\_\_\_ (the "2018 Bonds" or a "2018 Bond"). The 2018 Bonds are being issued pursuant to a Master Trust Indenture, dated as of June 28, 2007, as amended and restated as of December 8, 2014 ("Master Indenture"), as supplemented by the Fifth Supplemental Indenture dated \_\_\_\_\_, 2018 ("Fifth Supplemental Indenture", and together with the Master Indenture, the "Indenture") between DelVal and TD Bank, N.A. (as successor to Commerce Bank, N.A.) (in such capacity, as therein provided, the "Trustee"). The proceeds of the 2018 Bonds, to the extent not used to refund prior obligations or to fund reserves, are expected to be loaned by DelVal to certain local government units (individually each a "Participant" and collectively the "Participants") pursuant to Loan Agreements between DelVal and each Participant (the "Loan Agreements"). DelVal and the Trustee as Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by DelVal and the Dissemination Agent for the benefit of the Bondholders and in order to comply with the Rule as hereinafter defined.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture or the Loan Agreements to which a Loan (as hereinafter defined) relates, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or elsewhere in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean each Annual Report provided by DelVal pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bondholder" shall mean the person or persons in whose name a 2018 Bond is registered on the books of DelVal kept by the Trustee for that purpose in accordance with the Indenture, or any supplement thereto. For so long as any 2018 Bond shall be registered in the name of the Securities Depository or its nominee, the term "Bondholder" shall also mean and include, for the purposes of this Disclosure Agreement, the owners of book-entry credits evidencing beneficial ownership interest in the 2018 Bonds; provided, however, that the Trustee shall have no obligation to determine the identity of beneficial owners of the 2018 Bonds.

"Disclosure Representative" shall mean Calhoun Baker Inc., Program Administrator for DelVal, on behalf of DelVal, or such other person as DelVal shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean TD Bank, N.A., acting in the capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by DelVal and which has accepted in writing and filed such designation with DelVal.

"EMMA" shall mean the Electronic Municipal Market Access System maintained by the MSRB at <http://emma.msrb.org>, which serves as the sole nationally recognized municipal securities information repository under the Rule.

"Guarantor" means a local government unit that executes a Guaranty of a Loan.

"Guaranty" means a financial guaranty of a Loan.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Loan" means a loan of a portion of the proceeds of any series of bonds or a purchase of any loan with a portion of the proceeds of any series of bonds issued by DelVal to a Participant pursuant to the terms of a Loan Agreement, through the purchase by DelVal of a Participant Note evidencing the Participant's obligations to repay principal and interest on such loan.

"Material Participant" shall mean any Participant or Guarantor with outstanding aggregate Loans or Guaranties as of December 31 of any calendar year which outstanding aggregate principal amount of such Loan and Guaranties equals or exceeds twenty percent (20%) of the principal amount of all outstanding Loans on such date.

"Material Participant Disclosure Agreement" shall mean the Participant Continuing Disclosure Agreement between DelVal and a Material Participant, pursuant to which the Material Participant covenants to provide DelVal with annual audited financial statements and notice of any Listed Events.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean DelVal and each Material Participant to the extent it is an "obligated person" under the Rule.

"Participating Underwriter" or "Underwriter" shall mean any of the original underwriters of the 2018 Bonds.

"Repository" shall mean EMMA or any successor repository as may be designated by the Rule.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

"Securities Depository" shall mean The Depository Trust Company, New York, NY, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Indenture.

"State" shall mean the Commonwealth of Pennsylvania.

SECTION 3. Provision of Annual Financial Information.

(a) DelVal shall, not later than June 30 after the end of each Fiscal Year, commencing with its Fiscal Year ending December 31, 2018, provide to the Repository an Annual Report for DelVAL, and such Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Agreement. To the extent the Annual Report is not available by June 30 of any Fiscal Year, DelVal will provide to the Repository unaudited financial statements for such Fiscal Year and shall file the Annual Report as soon as the same becomes available.

(b) If, by ten (10) Business Days prior to the date specified in Section 3(a) for providing the Annual Report to the Repository, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Disclosure Representative and request that the Annual Report be provided.

(c) If the Dissemination Agent has not received the Annual Report and is unable to verify that such Annual Report has been provided to the Repository by the date required in Section 3(a), the Dissemination Agent shall send a notice to the Repository in substantially the form attached hereto as Exhibit A.

(d) DelVal shall also, when and as received from each Material Participant, provide to the Repository an Annual Report for such Material Participant, and such Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Agreement. If DelVal does not receive the Annual Report for any Material Participant by the deadline established in the Material Participant Disclosure Agreement entered into by such Material Participant, DelVal agrees to send a notice of such failure to the Dissemination Agent within ten (10) Business Days of the deadline.

(e) If the Dissemination Agent receives such notice from DelVal and is unable to verify that such Annual Report has been provided to the Repository, the Dissemination Agent shall send a notice to the Repository in substantially the form attached hereto as Exhibit B.

SECTION 4. Content of Annual Financial Information from DelVal and each Material Participant. Each Annual Report shall contain or incorporate by reference the following:

(a) For DelVal, audited financial statements prepared in accordance with generally accepted accounting principles ("GAAP"), including a "Management's Discussion and Analysis" section that updates information under the heading "OPERATIONS OF DELVAL" of the Official Statement relating to the 2018 Bonds, with the exception of the section captioned "Demand Survey"; and

(b) For each Material Participant, audited financial statements for such Material Participant prepared in accordance with GAAP, or in accordance with the reporting requirements of the Department of Community and Economic Development of the Commonwealth of Pennsylvania if GAAP statements are not prepared in accordance with GAAP or otherwise as may be provided to DelVal by the Material Participant.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined in the Rule), which have been filed with the Repository. If the

document incorporated by reference is a final official statement, it must be available from the MSRB. DelVal shall clearly identify each such document so incorporated by reference.

DelVal reserves the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of DelVal; provided that DelVal agrees that any such modification will be done in a manner consistent with the Rule. DelVal may, at its option, satisfy this obligation by providing an official statement for one or more series of bonds or by specific reference, in accordance with the Rule, to one or more official statements previously provided and available from the MSRB.

**SECTION 5. Reporting of Significant Events.**

(a) DelVal agrees that it shall provide through the Dissemination Agent, in a timely manner, to the MSRB and the Repository notice of the occurrence of any of the following events with respect to the 2018 Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements, if any, reflecting financial difficulties;
5. Substitution of credit or liquidity providers, if any, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or a Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2018 Bonds, or other events affecting the tax status of the 2018 Bonds;
7. Modifications to the rights of the holders of the 2018 Bonds, if material;
8. 2018 Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the 2018 Bonds, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership, or a similar proceeding by an Obligated Person;

13. Consummation of a merger, consolidation, acquisition involving an Obligated Person, or sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of an additional or successor trustee, or the change in name of a trustee, if material.

The foregoing 14 Listed Events are quoted from the Rule.

(b) Upon the occurrence of one of the Listed Events, DelVal through the Disclosure Representative shall file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB via the Repository in a timely manner not in excess of ten (10) business days after the occurrence of such event.

(c) Nothing in this Disclosure Agreement is intended to modify or limit the right of TD Bank, N.A. in its capacity as Trustee under the Indenture to provide notices and other information to Bondholders and such other parties as it deems appropriate in the performance of its duties as Trustee.

(d) Each notice of occurrence of a Listed Event filed pursuant to Section 5(b) shall contain on the cover page in bold face type the following: "The information contained herein is being filed by the Delaware Valley Regional Finance Authority for the purpose of complying with its obligations under Securities and Exchange Commission Rule 15c2-12. The information contained herein is as of the date set forth below. TD Bank, N.A. as Dissemination Agent has not participated in the preparation of this notice, has not examined its contents and makes no representation concerning the accuracy and completeness of the information contained herein."

SECTION 6. Termination of Reporting Obligation. DelVal's obligations under this Disclosure Agreement shall terminate (1) upon the defeasance, prior redemption or payment in full of all of the 2018 Bonds, (2) upon repeal or rescission of Section (b)(5) of the Rule or (3) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

SECTION 7. Amendment: Waiver. DelVal and the Dissemination Agent may amend this Disclosure Agreement only in a manner which is consistent with the Rule. Prior to executing any amendment, DelVal or the Dissemination Agent may request that an opinion be provided by counsel, knowledgeable in federal securities laws and acceptable to DelVal and the Dissemination Agent, as to consistency of the amendment with the Rule. The Disclosure Representative shall provide notice of any amendment to the Dissemination Agent and the Dissemination Agent shall promptly file such notice with the Repository.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent DelVal from disseminating any other information, using the means of

dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If DelVal chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, DelVal shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of DelVal or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Bondholders' sole remedy shall be to institute an action against DelVal or the Dissemination Agent for specific performance of their obligations hereunder, and such failure shall not constitute an Event of Default under the Indenture.

SECTION 10. Duties, Immunities and Liabilities of Disclosure Representative and Dissemination Agent.

(a) DelVal hereby appoints TD Bank, N.A. to serve as Dissemination Agent under this Agreement. DelVal may discharge the Dissemination Agent, with or without appointing a successor to it. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by DelVal pursuant to this Disclosure Agreement. If at any time there is not a designated Dissemination Agent, DelVal shall perform all duties and obligations of the "Dissemination Agent" under this Agreement.

(b) The Dissemination Agent accepts and agrees to perform the duties imposed upon it by this Agreement, but only upon the terms and conditions set forth herein. To the extent that TD Bank, N.A.'s duties as Dissemination Agent conflict with its duties as Trustee under the Indenture, the duties of TD Bank, N.A. as Trustee shall take precedence.

(c) The Disclosure Representative and the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and DelVal (i) releases the Disclosure Representative and the Dissemination Agent from any claim arising out of the discharge of any duties hereunder and (ii) agrees to indemnify and defend and save the Disclosure Representative, the Dissemination Agent, their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but as to the foregoing (i) and (ii) excluding liabilities due to the gross negligence or willful misconduct of the Disclosure Representative or the Dissemination Agent. The obligations of DelVal under this Section shall survive the resignation or removal of the Disclosure Representative and/or the Dissemination Agent and payment of the 2018 Bonds.

(d) The Dissemination Agent shall be under no obligation to institute any suit, or to take any proceeding under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability. The Dissemination

Agent may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Dissemination Agent, without indemnity, and in such case DelVal shall reimburse the Dissemination Agent upon demand for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred and against all liabilities in connection therewith.

(e) If at any time it shall be necessary or desirable for the Dissemination Agent to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Dissemination Agent, and in any case in which this Disclosure Agreement provides for permitting or taking any action, the Dissemination Agent may rely upon any certificate required or permitted to be filed with it under the provisions of this Disclosure Agreement, and any such certificate shall be evidence of such fact to protect the Dissemination Agent in any action that it may or may not do, in good faith, by reason of the supposed existence of such fact. Except as otherwise provided in this Disclosure Agreement, any request, notice or other instrument from DelVal to the Dissemination Agent shall be deemed to have been signed by the proper party or parties if signed by the Chairman or Vice-Chairman, and the Dissemination Agent may accept a certificate signed by an individual who represents to the Dissemination Agent in writing that he or she is an authorized officer of DelVal as to any action taken by DelVal.

(f) The Dissemination Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably believed by it to be in accordance with the terms of this Disclosure Agreement, or upon any resolution, order, notice, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement, or upon the written opinion of any attorney or accountant, and the Dissemination Agent shall be under no duty to make any investigation or inquiry as to statements contained or matters referred to in any such instrument or opinion, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Dissemination Agent may execute any of the powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of law and its duty hereunder, and the Dissemination Agent shall not be answerable for any act or omission of any such attorney, agent or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or for anything whatever in connection with the performance of its duties hereunder, except only for its own willful misconduct or gross negligence. For purposes of this Disclosure Agreement, matters shall not be deemed to be known to the Dissemination Agent unless they are known by a responsible officer in the Dissemination Agent's corporate trust group with responsibility for the 2018 Bonds.

(g) The Dissemination Agent may resign and thereby become discharged from the duties as such under this Disclosure Agreement by notice in writing mailed, postage prepaid, to DelVal, such resignation to become effective on the tenth (10th) Business Day following DelVal's receipt of notice thereof (or at such different date and time as stated in such notice). Any such resignation shall take effect immediately upon the appointment of a new Dissemination Agent hereunder, if such new Dissemination Agent shall be appointed before the time stated in such notice (if any) and shall then accept the duties of Dissemination Agent hereunder.

SECTION 11. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 12. Notices. Any notice or communication to or among the parties to this Disclosure Agreement may be given as follows:

to DelVal: Delaware Valley Regional Finance Authority  
1811 Bethlehem Pike  
Flourtown Commons, Suite 350  
Flourtown, PA 19031

to the Dissemination Agent: TD Bank, N.A.  
1600 Astoria Blvd.  
Cherry Hill, New Jersey

to the Disclosure Representative: Calhoun, Baker Inc.  
1811 Bethlehem Pike  
Flourtown Commons, Suite 350  
Flourtown, PA 19031

SECTION 13. Electronic Notice. If and to the extent electronic filing with a central repository is authorized by the Securities and Exchange Commission pursuant to the Rule, the obligations of DelVal and the Dissemination Agent shall be deemed satisfied hereunder by following the procedures so authorized.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of DelVal, the Dissemination Agent, the Participating Underwriters and the Bondholders and shall create no rights in any other person or entity.

SECTION 15. No Personal Recourse. No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of DelVal or the Disclosure Representative, or of any successor thereto.

SECTION 16. Governing Law. This Disclosure Agreement and all matters arising out of or related to this Disclosure Agreement shall be governed by and construed in accordance with the laws of the Commonwealth, without regard to its conflict of laws principles.

SECTION 17. Compensation of Dissemination Agent. DelVal shall pay or reimburse the Dissemination Agent (within 30 days of notice) for all reasonable expenses, charges and other disbursements including, without limitation, the fees and costs of its officers, directors, attorneys, agents and employees incurred in and about the administration and execution of the duties created by this Agreement and the performance of its powers and duties hereunder.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals as of the date and year above first written.

DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY

By: \_\_\_\_\_  
Name: John P. McBlain  
Title: Chairman

TD BANK, N.A., as Dissemination Agent

By: \_\_\_\_\_  
Name: Stephen R. Schaaf  
Title: Vice President

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF POSSIBLE FAILURE TO FILE ANNUAL REPORT**

Name of Authority: Delaware Valley Regional Finance Authority

Name of Bond Issue: \_\_\_\_\_

Name of Obligated Issuer: Delaware Valley Regional Finance Authority

Date of Issuance: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that to the best of the knowledge of TD Bank, N.A. as Dissemination Agent, Delaware Valley Regional Finance Authority (the “Authority”) has not provided an Annual Report with respect to the above-named Series of 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of June \_\_, 2018 between the Authority and TD Bank, N.A. as Dissemination Agent.

Dated: \_\_\_\_\_

\_\_\_\_\_  
TD BANK, N.A.

Dissemination Agent on behalf of the Delaware Valley Regional Finance Authority.

cc: Delaware Valley Regional Finance Authority

**EXHIBIT B**

**NOTICE TO REPOSITORIES OF POSSIBLE FAILURE TO FILE ANNUAL REPORT**

Name of Authority: Delaware Valley Regional Finance Authority

Name of Bond Issue: \_\_\_\_\_

Name of Obligated Person: [MATERIAL PARTICIPANT]

Date of Issuance: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that to the best of the knowledge of TD Bank, N.A. as Dissemination Agent, Delaware Valley Regional Finance Authority (the “Authority”) has not provided an Annual Report with respect to [the MATERIAL PARTICIPANT] and the above-named Series of 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of June \_\_, 2018 between the Authority and TD Bank, N.A. as Dissemination Agent.

Dated: \_\_\_\_\_

\_\_\_\_\_  
TD BANK, N.A.

Dissemination Agent on behalf of the Delaware Valley Regional Finance Authority.

cc: Delaware Valley Regional Finance Authority

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**Appendix V:**  
**MASTER INDENTURE DATED AS OF JUNE 28, 2007, AS AMENDED AND**  
**RESTATED AS OF DECEMBER 8, 2014**

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DELAWARE VALLEY REGIONAL FINANCE AUTHORITY  
(Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania)

TO

TD BANK, N.A.

(as successor to COMMERCE BANK, N.A.)

AS TRUSTEE

MASTER TRUST INDENTURE

Dated as of June 28, 2007,  
Amended as of June 28, 2007,  
Amended as of August 1, 2009,  
Amended and restated as of August 3, 2009,  
Amended and restated as of September 12, 2011,  
Amended and restated as of April 9, 2012,  
Amended and restated as of June 9, 2014, and  
Amended and restated as of December 8, 2014

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY  
(Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania)  
Local Government Revenue Bonds

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## MASTER TRUST INDENTURE

THIS MASTER TRUST INDENTURE (the “Indenture”) is dated as of June 28, 2007, amended pursuant to a First Supplemental Indenture as of June 28, 2007, amended pursuant to a Second Supplemental Indenture as of August 1, 2009, amended and restated as of August 3, 2009, amended and restated as of September 12, 2011, amended and restated as of April 9, 2012, amended and restated as of June 9, 2014, and amended and restated as of December 8, 2014, by and between the DELAWARE VALLEY REGIONAL FINANCE AUTHORITY (the “DelVal”), a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania, and TD BANK, N.A. (as successor to Commerce Bank, N.A.), a national banking association, and any Co-Trustee appointed by the Trustee or DelVal under Section 11.10 herein, as trustee (the “Trustee”).

### **Background**

A. DelVal is a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania pursuant to the *Municipality Authorities Act, 53 Pa. C.S. Ch. 56*, (the “*Authorities Act*”), having been duly organized by the Council of Delaware County and the Boards of County Commissioners of Bucks, Chester and Montgomery Counties (collectively, the “Counties”), all in the Commonwealth of Pennsylvania.

B. DelVal was formed to undertake projects for (i) “Local Government Units,” as such term is defined in the *Local Government Unit Debt Act*, approved July 12, 1972, P.L. 781, as re-enacted on April 28, 1978, P.L. 124 and December 19, 1996, P.L. 1158 (the “*Debt Act*”), or (ii) other political subdivisions whose obligations to DelVal are guaranteed by a Local Government Unit ((i) and (ii) each herein, a “Participant”), any such project undertaken by DelVal to constitute a “Project” as such term is defined herein and in the *Debt Act*.

C. Pursuant to the *Authorities Act*, DelVal may issue its bonds in furtherance of projects for, on behalf of, or guaranteed by, Participants, and, as security for the payment of the principal of, and the interest on any such bonds so issued, to pledge the revenues from any such Projects or from any loans made by DelVal.

D. In order to establish a program (the “Pooled Loan Program” or “Program”) to assist Participants in financing or refinancing the acquisition, erecting, extending, improving, equipping or repairing of Projects, DelVal is entering into this Indenture which shall be for equal benefit, protection and security of Bondholders of any and all Bonds from time to time issued pursuant to the terms of this Indenture, all of which, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any Series of Bonds over any other Series thereof, except as otherwise expressly provided in or permitted by this Indenture or any Supplemental Indenture.

E. The proceeds of the sale of any Series of Bonds shall be used, as provided in a Supplemental Indenture with respect to such Series to, inter alia: (i) provide funds for Loans to Participants for the purpose of, and in order to assist the Participants in, financing or refinancing the acquisition, erecting, extending, improving, equipping or repairing of Projects; (ii) refund any

prior series of Bonds issued under this Indenture or any other outstanding bonds issued by DelVal under any other indenture; (iii) fund a portion of the Debt Service Reserve Fund; and (iv) pay certain fees and costs incurred in connection with the foregoing and the issuance of the Series of Bonds.

F. DelVal has determined that in order to achieve the lowest borrowing costs for Participants and to meet the management objectives of the Participants, the Loans may be either Variable Rate Loans or Fixed Rate Loans.

G. In order to achieve its programmatic objects of providing variable interest rate and fixed interest rate loans to Participants at the lowest possible cost, DelVal may, on such dates as is designated by DelVal, enter into one or more Swap Agreements with a Swap Counterparty.

H. Until the proceeds of any Series of Bonds deposited with the Trustee for the purpose of acquiring Loans are disbursed for such purposes, such proceeds shall be invested as directed herein or by a Supplemental Indenture.

I. All Bonds shall be issued under and secured by this Indenture, and DelVal is empowered to execute and deliver this Indenture, all Supplemental Indentures and the Loan Agreements.

J. Bonds and the authentication certificates thereon shall be in such forms as are set forth in each Supplemental Indenture executed in connection with the issuance of a Series of Bonds.

K. All things necessary to make Bonds, when authenticated by the Trustee and issued as provided in this Indenture, the valid, binding and legal obligations of DelVal according to the terms thereof, and to constitute this Indenture a valid assignment and pledge of the Revenues (as hereinafter defined) pledged to the payment of the principal and redemption price of and interest on Bonds and a valid assignment and pledge of the rights of DelVal in the Swap Agreements, the Investment Agreements, and the Loan Agreements, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of Bonds, subject to the terms hereof, have in all respects been duly authorized.

**NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:**

## **GRANTING CLAUSES**

DelVal, intending to be legally bound hereby, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance from time to time of Bonds by the Bondholders thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, in order to secure (i) equally and ratably, the payment by DelVal of the principal and redemption price of and interest on Bonds according to their tenor and effect, all obligations owing to any Credit Facility Provider under a Credit Facility Agreement and the Swap Payments by the DelVal; (ii) the performance and observance by DelVal of all the covenants expressed or implied herein and in Bonds; and (iii) payment by DelVal of Termination Payments from the Discretionary Fund, as provided herein, subject and subordinate to the payments of (i) and (ii) hereof, does hereby grant, bargain, sell, convey, assign and pledge unto the Trustee, and its respective successors in trust and assigns forever, a security interest in and lien upon, the property and interests recited in the following granting clauses (the "Trust Estate"), subject in all cases to the provisions of this Indenture or a Supplemental Indenture permitting the application thereof for the purposes and on the terms set forth in this Indenture:

### **GRANTING CLAUSE FIRST**

All right, title and interest of DelVal in the Revenues, the Participant Notes and the Loan Agreements, including all extensions and renewals of any of the terms of the Loan Agreements, if any, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect and receive all payments of principal, interest, and other sums payable to or receivable by DelVal under or due to its ownership of any interest in the Participant Notes and the Loan Agreements, all rights to bring actions and proceedings under the Loan Agreements or for the enforcement thereof or of the Participant Notes, and all rights to do any and all things which DelVal is or may become entitled to do under or due to its ownership of the Loan Agreements, other than the rights of DelVal to indemnification or payment of expenses under Section 5.11 of the Loan Agreements; and

### **GRANTING CLAUSE SECOND**

All right, title and interest of DelVal in and under the Swap Agreements and the Swap Receipts and all extensions and renewals thereof, other than the rights of DelVal to indemnification or payment of expenses under the Swap Agreements; and

### **GRANTING CLAUSE THIRD**

All right, title and interest of DelVal in and under the Investment Agreements, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect and receive all payments therein and other sums payable to or receivable by DelVal under or due to its ownership of any interest in the Investment Agreements, all rights to bring actions and proceedings under the Investment Agreements or for the enforcement thereof, and all rights to do any and all things which DelVal is or may become entitled to do under or due to its

ownership of the Investment Agreements, other than the rights of DelVal to indemnification or payment of expenses under the Investment Agreement; and

#### **GRANTING CLAUSE FOURTH**

All right, title and interest of DelVal in the Participant Credit Enhancement;

#### **GRANTING CLAUSE FIFTH**

All moneys and securities (including the investment income therefrom) and all other property of every kind and of every name and nature which are now or from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for security hereunder to the Trustee by DelVal or by anyone on its behalf, or with its written consent or as otherwise permitted hereunder, and all cash and securities now or hereafter held in the Funds (excluding the Rebate Fund and the Discretionary Fund to the extent provided in the Covenant Agreement) created or established under this Indenture, and all investment earnings thereon; and

#### **GRANTING CLAUSE SIXTH**

All right, title and interest of DelVal in all Credit Facilities.

**TO HAVE AND TO HOLD** all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever, such Trust Estate to be held by the Trustee as provided in this Indenture; subject, however, to the terms and provisions of this Indenture and the Loan Agreements permitting the application thereof for the purposes provided herein and therein, for (i) the equal and pro rata benefit and security of each and every Bondholder, Credit Facility Provider and the Swap Counterparty for the payment by DelVal of Swap Payments without preference, priority or distinction as to participation in the lien, benefit and protection hereof for any other reason whatsoever, except as herein otherwise expressly provided or as provided in a Supplemental Indenture, so that each and all of such Bonds and Swap Payments shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby with the same effect as if the same had all been made, issued and negotiated simultaneously with the delivery hereof; (ii) the payment of the fees and expenses of the Trustee, the Administrator and DelVal; and (iii) the payment of Termination Payments from moneys from time to time in the Discretionary Fund, subject and subordinate to the payment of (i) and (ii) hereof.

**AND IN FURTHERANCE OF THE FOREGOING**, but subject to the foregoing provisions of these granting clauses and the further provisions of this Indenture, DelVal hereby unequivocally authorizes and empowers the Trustee, as appropriate, in its own name, or in the name of its nominee, or in the name of, or as attorney-in-fact for, DelVal, to ask, demand, sue for, collect and receive any and all payments to which DelVal is or may become entitled under any of the Loan Agreements, or other collateral, and to ensure compliance by each and every party to each and every such agreement or contract with all or any of the terms and provisions thereof to which such person is a party;

**AND PROVIDED, FURTHER**, the Trustee agrees to accept receipt of and hold subject to the provisions hereof each executed Loan Agreement and declares and agrees that it holds and

shall hold as fiduciary for the sole benefit of the Bondholders, the Trustee, the Credit Facility Provider, the Swap Counterparty, if any, and the others entitled to the benefits thereof, such Loan Agreements;

**PROVIDED, HOWEVER,** that if (i) DelVal shall pay or cause to be paid the principal of and interest on all of Bonds at the times and in the manner provided in the Bonds, or shall provide for the payment thereof in accordance with Article IX hereof, and shall otherwise comply with Article IX hereof, and all amounts owing to Credit Facility Providers and all Swap Payments and Termination Payments have been made by DelVal to the Swap Counterparty, if any, and (ii) all amounts due to the Trustee have been paid or provision for payment thereof satisfactory to the Trustee shall have been made, then the lien of this Indenture shall cease, terminate and be void as provided in Article IX hereof, otherwise this Indenture shall be and remain in full force and effect; and

**THIS TRUST INDENTURE FURTHER WITNESSETH,** and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interest, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and DelVal has agreed and covenanted, and does hereby agree and covenant, with the Trustee and the respective Bondholders, from time to time, of Bonds, as follows:

**ARTICLE I**  
**DEFINITIONS AND RULES OF INTERPRETATION**

**Section 1.01 Definitions.**

Terms defined in the recitals shall have the meanings set forth therein. The following words and phrases shall have the following meanings, unless the context otherwise requires.

**“Accountant” or “Accountants”** means an independent certified public accountant or a firm of independent certified public accountants to whom the Trustee makes no objection.

**“Acquisition Fund”** means the fund by that name created pursuant to Section 5.02 hereof.

**“Acquisition Fund Termination Date”** means, with respect to a Series of Bonds, (i) the date set forth in the Supplemental Indenture executed in connection with the issuance of such Series of Bonds, unless extended as a result of DelVal’s receipt of a Favorable Opinion of Bond Counsel or (ii) the date that DelVal determines that the proceeds deposited in the Acquisition Fund are no longer reasonably expected to be required for the Loan Program.

**“Administrative Expenses”** means any expenditures of DelVal reasonably and necessarily incurred by DelVal by reason of its issuance of Bonds or for the Program, as determined by the Administrator, including, without limitation, Compliance Charges, auditing fees and expenses, Extraordinary Payments, non-asset bond costs, costs associated with rebate compliance, the fees and expenses of the Trustee, the Administrator and the Rebate Analyst, all other legal, financing and administrative expenses incurred by DelVal with respect to the Program, including the fees, costs and expenses of any Credit Facility Provider and/or Participant Credit Enhancer, the maintenance of prudent levels of liquidity to provide sufficient levels of operating cash flow, as determined by the Administrator and any expenses incurred by DelVal or the Trustee to compel full and punctual performance of all the provisions of this Indenture, the Loan Agreements or the Participant Notes.

**“Administrator”** means the Program Administrator, initially Calhoun, Baker Inc., and any successor Administrator (which may include DelVal) duly appointed by DelVal and acting as Administrator hereunder; provided, however if DelVal is the Administrator, it may hereafter delegate to any person, firm or corporation qualified to do business in the Commonwealth of Pennsylvania as servicing agent, any of the duties and responsibilities of the Administrator hereunder, upon written notice thereof to the Trustee.

**“Agency Obligations”** means direct obligations (including bonds, notes or certificates of participation) of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, any agency or instrumentality of the United States of America.

**“Authorized Denomination”** means the denominations for a Series of Bonds as set forth in a Supplemental Indenture.

**“Authorities Act”** means the Pennsylvania *Municipality Authorities Act, 53 Pa. C.S. Ch. 56.*

**“Authorized Officer”** means (a) in the case of DelVal, any person or persons designated to act on behalf of DelVal, and when used with reference to any act or document also means any officer of DelVal authorized by resolution of DelVal to perform such act or execute such document; (b) in the case of the Administrator, shall mean the person or firm designated in an instrument executed by DelVal and the Administrator and filed with the Trustee specifying the authority and scope of authorization for such person to act and to execute documents on behalf of the Administrator; (c) in the case of a Participant, any person or persons authorized pursuant to the charter, an ordinance, or a resolution of the governing body of such Participant to perform such act or execute such document; and (d) in the case of the Trustee, any President, Vice President, any Assistant Vice President, any Trust Officer or any Assistant Trust Officer thereof, and when used with reference to any act or document also means any other person authorized to perform such act or execute such document by or pursuant to the charter, by-laws or a resolution of the governing board thereof.

**“Bankruptcy Code”** means the *United States Bankruptcy Code*, Title 11 of the *United States Code*, or similar bankruptcy or insolvency act.

**“Bankruptcy Counsel”** means any counsel nationally recognized in bankruptcy matters that is independent of DelVal and the Participants and is reasonably acceptable to the Trustee.

**“Bond” or “Bonds”** means all Bonds issued under and secured by this Indenture.

**“Bond Counsel”** means Blank Rome LLP or any law firm subsequently designated by DelVal having a reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds and which is reasonably acceptable to the Trustee.

**“Bondholder” or “holder of Bonds” or “Holder” or “Owner” or “Owner of Bonds”** means, except for certain purposes described in Section 12.02 hereof, (i) in the event that the book-entry system of evidence and transfer of ownership is employed pursuant to Section 2.07, Cede & Co., as nominee for DTC, or its successors, and (ii) in all other cases, the registered owner of any Bond.

**“Bond Purchase Agreement”** means an agreement between DelVal and an Underwriter providing for the purchase by the Underwriter of a Series of Bonds upon payment of the purchase price and satisfaction of the conditions set forth therein for the initial issuance thereof, as set forth in a Supplemental Indenture.

**“Bond Year”** means, when used in the context of the rebate requirement imposed under Section 148(f) of the *Code* with respect to a Series of Bonds, each one-year period beginning on the day after the expiration of the preceding Bond Year (except that the last Bond Year shall end on the date on which a particular Series of Bonds mature). The first Bond Year shall be the period beginning on the date on which a Series of Bonds is issued and ending on the one-year anniversary date of the Closing of a Series of Bonds.

**“Business Day”** means (i) any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York, or the city or cities in which the corporate trust office

of the Trustee is authorized by law or executive order to close or (c) a day on which the New York Stock Exchange is closed or (ii) as determined in a Supplemental Indenture.

“**Cede & Co.**” means Cede & Co., the nominee of DTC or any successor nominee of DTC with respect to the Bonds.

“**Certificate,**” “**statement,**” “**request,**” “**requisition**” and “**order**” mean, respectively, a written certificate, statement, request, requisition or order signed in the name of DelVal, the Trustee or a Participant by an Authorized Officer of DelVal, the Trustee or such Participant, respectively. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the instruments so combined shall be read and construed as a single instrument.

“**Closing**” means the date on which a Participant executes and delivers a Loan Agreement and proceeds of Bonds are transferred from the Acquisition Fund.

“**Code**” means the *Internal Revenue Code of 1986*, as amended, and the regulations promulgated or proposed thereunder.

“**Commencement Date**” means the date when the term of a Loan Agreement begins and the obligation of the Participant thereunder to make Repayments begins to accrue. A Loan Agreement shall begin on the date that the proceeds thereof are disbursed to the Participant.

“**Commonwealth**” means the Commonwealth of Pennsylvania.

“**Compliance Charges**” mean amounts payable by the Participants under the Loan Agreements and Participant Notes in respect of compliance with the disclosure requirements of Rules 10b-5 and 15c2-12 of the Securities and Exchange Commission.

“**Continuing Disclosure Agreement**” means any agreement under which DelVal agrees to provide annual financial information to the municipal markets in accordance with the requirements of Rule 15c2-12 promulgated under the *Securities and Exchange Commission Act of 1934*, as amended and supplemented from time to time.

“**Cost**” means cost, as defined in the *Debt Act* and herein, including but not limited to cost of the acquisition of all lands, structures, rights-of-way, franchises, easements and other property rights and interests acquired by DelVal or a Participant for a Project; the cost of demolishing, removing or relocating any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated; the cost of all labor, materials, machinery and equipment, financing charges, interest prior to and during construction and for such a limited period after completion of such construction as may be approved by DelVal (not to exceed one year after completion of the Project); the cost of engineering, financial and legal services, plans, specifications, studies, surveys, estimates of costs and revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing a Project, Administrative Expenses; DelVal fees and such other expenses as may be necessary or incident to the construction of a Project, the financing of such construction and the placing of such Project in operation.

**“Cost of Issuance Fund”** means the fund by that name created by Section 5.02 hereof.

**“Counsel”** means (a) an attorney at law or firm of attorneys at law (who may be, without limitation, of counsel to or an employee of, DelVal, the Trustee, or any Participant) duly admitted to practice law before the highest court of any state or (b) any other counsel satisfactory to DelVal and the Administrator.

**“Covenant Agreement”** means that certain undertaking by DelVal for the benefit of all present and future outstanding bond and swap obligations of DelVal dated April 9, 2001, and amended and restated as of April 23, 2002, April 12, 2004, June 28, 2007, and August 3, 2009.

**“Credit Facility”** means individually and collectively, any letter of credit, standby bond purchase agreement, municipal bond insurance policy, financial guaranty policy, or similar instrument provided in connection with the issuance of any Series of Bonds to guarantee the timely payment of principal of and interest on and, if required, tender purchase price of such Series of Bonds optionally or mandatorily tendered for purchase as provided in the Supplemental Indenture authorizing such Series of Bonds.

**“Credit Facility Agreement”** means any agreement with a Credit Facility Provider pursuant to which an Credit Facility is issued.

**“Credit Facility Provider”** means any bank or financial institution that provides a Credit Facility for the Bonds.

**“DCED”** means the Pennsylvania Department of Community and Economic Development.

**“Debt Act”** means the Pennsylvania *Local Government Unit Debt Act*, 53 Pa. C.S. §§ 8001 et seq.

**“Debt Service Reserve Fund”** means the fund by that name created pursuant to Section 5.02 hereof.

**“Discretionary Fund”** means the fund by that name created pursuant to Section 5.02 hereof.

**“DTC” or “Securities Depository”** means The Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns.

**“DTC Participant” or “DTC Participants”** means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system.

**“DelVal”** means the Delaware Valley Regional Finance Authority.

**“Eligible Investment”** means any of the following; provided that such investment at the time of the making or purchase thereof, meets the criteria for long-term, senior, unsecured debt

ratings (or equivalent ratings) of “Aa3” or higher by Moody’s, “AA-” or higher by S&P or Fitch, or an equivalent rating by any other NRSRO with a published rating on the Bonds.

(a) The following are permitted for all purposes, including defeasance investments in refunding escrow accounts:

- (i) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in Paragraph (b) below), or
- (ii) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(b) The following are permitted for all purposes other than defeasance investments in refunding escrow accounts:

- (i) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including:
  - Export-Import Bank
  - Farm Credit System Financial Assistance Corporation
  - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
  - General Services Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - Government National Mortgage Association (GNMA)
  - U.S. Department of Housing & Urban Development (PHAs)
  - Federal Housing Administration
  - Federal Financing Bank;
- (ii) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:
  - Senior debt obligations rated “Aaa” by Moody’s, “AAA” by S&P or Fitch, or an equivalent rating by any other NRSRO with a published rating on the Bonds, issued by

the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)

- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by the Project Administrator;

- (iii) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P, "P-1" by Moody's, "F1" or "F1+" by Fitch, or an equivalent rating by any other NRSRO with a published rating on the Bonds and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.);
- (iv) Commercial paper which is rated at the time of purchase at least "A-1" by S&P, "P-1" by Moody's, "F1" by Fitch Ratings, or an equivalent rating by any other NRSRO with a published rating on the Bonds and which matures not more than 270 days after the date of purchase;
- (v) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, "Aaa-mf" by Moody's, "AAAmf" by Fitch, or an equivalent rating by any other NRSRO with a published rating on the Bonds (without regard to whether the Trustee controls such money market fund);
- (vi) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P, Moody's, Fitch, or any other NRSRO with a published rating on the Bonds; or

which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in Subparagraph (A) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity

date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (II) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (vii) Bonds or notes issued by any state or municipality which are rated by S&P, Moody's, Fitch, or any other NRSRO with a published rating on the Bonds in one of the two highest rating categories assigned by such agencies;
- (viii) Investment agreements with an Investment Agreement Provider, approved in writing by the Administrator, supported by appropriate opinions of Counsel, with notice to the Rating Agencies; and
- (ix) Other forms of investments (including repurchase agreements) approved in writing by the Administrator and the Credit Facility Provider, if any, which enhances the proceeds of a Series of Bonds to be invested with notice to the Rating Agencies.

(c) The value of the above investments shall be determined by the Administrator or by a pricing service selected by the Trustee as follows: "Value," which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

- (i) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (ii) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
- (iii) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (iv) As to any investment not specified above: the value thereof established by prior agreement among DelVal, the Trustee and the Administrator.

**“Event of Default”** shall have (i) the meaning set forth in Section 10.01 hereof or (ii) as set forth in a Supplemental Indenture with respect to a Series of Bonds secured by a Credit Facility.

**“Extraordinary Payment”** means (a) any arbitrage rebate payments that may be required in connection with a subsequent change in the interpretation or application of federal tax law to Bonds or (b) payments made pursuant to a negotiated closing agreement reached with the Internal Revenue Service in order to maintain the tax-exempt status of interest on Bonds.

**“Favorable Opinion of Bond Counsel”** means, when used with respect to or in connection with any action, a written opinion of Bond Counsel or Special Tax Counsel to the effect that such action or failure to take action shall not adversely affect the excludability of interest paid on Bonds or a Series of Bonds from gross income for federal or Commonwealth income tax purposes.

**“Fitch”** means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other NRSRO designated by DelVal, by notice to the Trustee.

**“Fixed Rate Loan”** means Loans that bear interest at a fixed rate as calculated by the Administrator.

**“Funds”** means the funds and accounts created pursuant to Article V hereof.

**“Government Obligations”** means any of the following which at the time of investment are legal investments under the laws of the Commonwealth for the moneys proposed to be invested therein: direct general obligations of, or obligations the timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America).

**“Gross Proceeds”** shall have the meaning set forth in Section 148 of the *Code*.

**“Guarantee”** means a guarantee of timely Repayments of a Participant executed by a Guarantor.

**“Guarantor”** means a Local Government Unit that pledges its full faith, credit and taxing power to guarantee the Repayments of a Participant.

**“Indenture”** means this Trust Indenture, including the Exhibits hereto, and all Supplemental Indentures.

**“Initial Amount”** means the initial principal amount of a Loan.

**“Interest Payment Date”** means each date for the payment of interest on a Series of Bonds as set forth in any Supplemental Indenture with respect to the issuance of a series of Bonds.

**“Interest Rate Management Plan”** means the plan that analyzes the benefits and risks of interest rate swap agreements, as such term is defined in the *Debt Act*.

**“Investment Agreement”** or **“Investment Agreements”** means initially, the Investment Agreement or Investment Agreements entered into on the date of issuance of any Series of Bonds, and any written investment agreement or repurchase agreement relating to a Series of Bonds thereafter entered into by the Trustee at the written direction of DelVal for the purpose of investing moneys deposited in certain of the Funds, which investment agreement or repurchase agreement, and any amendments thereto or replacements thereof, is subject to the approval of DelVal.

**“Investment Agreement Default”** means the failure of the provider of the Investment Agreement to make the payments required thereunder when due.

**“Investment Agreement Guarantor”** means a financial institution with long-term, senior, unsecured debt ratings (or equivalent ratings) of “Aa3” or higher by Moody’s, “AA–” or higher by S&P or Fitch, or an equivalent rating by any other NRSRO with a published rating on the Bonds, that guarantees the obligations of the Investment Agreement Provider.

**“Investment Agreement Provider”** means a financial institution with long-term, senior, unsecured debt ratings (or equivalent ratings) of “Aa3” or higher by Moody’s, “AA–” or higher by S&P or Fitch, or an equivalent rating by any other NRSRO with a published rating on the Bonds, or with a guaranty from an Investment Agreement Guarantor, which provides an Investment Agreement.

**“Liquidation Proceeds”** means amounts received by the Trustee or DelVal in connection with enforcement of any of the remedies under a Loan Agreement after the occurrence of a Loan Agreement Default which has not been waived or cured.

**“Loan”** means a loan of a portion of the proceeds of Bonds to a Participant pursuant to the terms of a Loan Agreement, through the purchase by DelVal of the Participant Note evidencing the Participant’s obligations to repay principal and interest on such loan.

**“Loan Agreement”** means an agreement which is entered into by DelVal and a Participant pursuant to this Indenture, and which is in form and substance similar to the form set forth as “Exhibit A” hereto, except to the extent modified pursuant to Section 6.08 and Article XIII hereof or pursuant to a Supplemental Indenture, and any loan agreement originated by DelVal under any other Indenture and purchased by the Trustee.

**“Loan Agreement Default”** means any event of default, as therein defined, under a Loan Agreement.

**“Loan Agreement Term”** means the term of a Loan Agreement provided for in such Agreement.

**“Loan Documents”** means all of the approvals, agreements, certificates, and schedules required for the closing of a Loan, including the (i) the approvals of the Administrator, DelVal Board, DCED, Participant Credit Enhancer (if any), Swap Counterparty (if required), and Credit

Facility Provider (if any); (ii) the Participant Ordinance or Participant Resolution; (iii) the Loan Agreement, Participant Note, Participant Continuing Disclosure Agreement, and Participant Tax Compliance Agreement; (iv) Favorable Opinion of Bond Counsel, opinion of DeVal solicitor, opinion of the Participant's solicitor, and, if applicable, opinion of the Guarantor's solicitor and (v) any other certificates or schedules required by the Administrator or Bond Counsel or required under a Supplemental Indenture.

**“Loan Payment Date”** means the 25<sup>th</sup> day of the month or, if that date is not a Business Day, the next succeeding Business Day.

**“Loan Payment Period”** means, for portions of a Variable Rate Loan, the period beginning on the first Thursday of the month (except for the first Loan Payment Period which shall begin on the date of the closing of the Loan) and ending on the first Wednesday of the subsequent month and shall mean, for portions of a Fixed Rate Loan, the period beginning on the 25<sup>th</sup> day of the month (except for the first Loan Payment Period which shall begin on the day of the closing of the Loan) and ending on, and including, the 24<sup>th</sup> day of the subsequent month.

**“Loan Prepayment Date”** means the date that the prepayment of all or a portion of a Loan is received.

**“Loan Principal”** means the principal amount of the Loan payable in the amounts and on the dates set forth in the Participant Note.

**“Loan Program”** means the program established by DeVal for financing the Projects of Local Government Units in the Counties by the issuance of the Bonds.

**“Maximum Rate”** means the lesser of (a) the highest interest rate that may be borne by the Loans under Commonwealth law, and (b) 15% per annum.

**“Monthly Finance Charge”** means the rate, determined by the Administrator, representing each Participant's allocable share of the Administrative Expenses.

**“Moody's”** means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other NRSRO designated by DeVal, by notice to the Trustee.

**“Municipal Obligations”** means obligations of state or local governments, the interest on which is excluded from gross income for federal income tax purposes under the provisions of Section 103 of the Code, which are not private activity bonds under the Code, and which are either not callable or redeemable prior to maturity or are pre-refunded pursuant to an irrevocable agreement providing for payment thereof at maturity or at a redemption date as to which irrevocable instructions have been given for redemption thereof on such date.

**“Municipal Swap Index”** means the rate of interest established as the weekly high grade market index comprised of 7-day tax-exempt variable rate demand obligations, published weekly

and reset each Thursday by the Securities Industry and Financial Markets Association (“SIFMA”) as the Municipal Swap Index, and in the event such rate is no longer determined, any replacement thereof established in the Swap Agreements or approved by the Administrator.

“**Nationally Recognized Statistical Rating Organization**” or “**NRSRO**” means a rating agency that meets professional requirements of and is registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization.

“**Net Proceeds**” shall have the meaning set forth in and the amount determined pursuant to § 149(f)(2)(c) of the *Code* to which amount so determined shall be added earnings on the Net Proceeds to any applicable calculation date.

“**Opinion of Counsel**” means an opinion in writing of Counsel.

“**Optional Prepayment Price**” means the principal amount of a Participant Note plus accrued interest thereon to the date of prepayment, plus premium, if any, and any Termination Charge in connection with such optional prepayment, pursuant to the provisions of Section 6.01 of a Loan Agreement which a Participant may pay the Trustee in order to prepay in whole or in part its Repayments and Termination Charges. Payment of the Optional Prepayment Price shall not discharge the Participant from its obligations to make payments of any Administrative Expenses or Compliance Charges which are accrued and unpaid as of the date of such prepayment.

“**Outstanding**” or “**Bonds Outstanding**” means the sum of the principal amount of Bonds or a Series thereof which have been authenticated and delivered by the Trustee under this Indenture except: (a) Bonds or a Series thereof canceled or purchased by or delivered to the Trustee for cancellation pursuant to the provisions of this Indenture; (b) Bonds or a Series thereof that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment, including interest accrued to the due date, of which sufficient moneys are held by the Trustee; (c) Bonds or a Series thereof deemed paid by Section 9.01 hereof; and (d) Bonds or a Series thereof in lieu of which others have been authenticated under Section 2.07 hereof (relating to registration and exchange of Bonds) or Section 2.06 hereof (relating to mutilated, lost, stolen or destroyed Bonds).

“**Outstanding Balance**” means the outstanding and unpaid principal balance of a Participant Note on a Loan.

“**Participant**” means and includes (i) a Local Government Unit located in the Commonwealth, that is legally authorized to borrow money for a Project under the provisions of the *Debt Act*, that executes a Loan Agreement and Participant Note pursuant to this Indenture and that pledges its full faith, credit and taxing power to guarantee payments of Loan Principal and Participant Interest under the Participant Note and Loan Agreement in accordance with the provisions of the *Debt Act* and otherwise covenants to pay amounts due under a Loan Agreement and a Participant Note, (ii) a political subdivision located in the Commonwealth, that is legally authorized to borrow money for a Project under the provisions of the *Debt Act* or *Authorities Act*, and that executes a Loan Agreement and Participant Note pursuant to this Indenture which Loan Agreement and Participant Note are guaranteed by a Guarantor, in accordance with the provisions

of the *Debt Act*, and (iii) a political subdivision located in the Commonwealth, that is legally authorized to borrow money for a Project under the provisions of the *Debt Act* or *Authorities Act*, that executes a Loan Agreement and Participant Note pursuant to this Indenture, and that has a written agreement with a Local Government Unit that will remain in effect for the term of the Loan Agreement and Participant Note and pursuant to which such Local Government Unit has agreed to pay on a current obligation basis, or otherwise, all amounts necessary to enable such entity to pay, *inter alia*, in each fiscal year thereof all debt service on indebtedness incurred in connection with a Project.

**“Participant Continuing Disclosure Agreement”** means the agreement under which a Participant and its Guarantor, if any, agrees to provide annual financial information to the municipal markets in accordance with the requirements of Rule 15c2-12 promulgated under the *Securities and Exchange Commission Act of 1934*, as amended and supplemented from time to time.

**“Participant Credit Enhancement”** means, (i) with respect to a Loan Agreement, a municipal bond insurance policy, or a financial guaranty insurance policy, or a letter of credit, or other enhancement issued by a Participant Credit Enhancer to secure all or a portion of the Repayments of a Participant and (ii) with respect to a Swap Agreement, a municipal bond insurance policy, a swap insurance policy or a financial guaranty insurance policy, or a letter of credit or other enhancement issued by a Participant Credit Enhancer to secure DelVal’s obligations under a Swap Agreement related to a Loan.

**“Participant Credit Enhancer”** means a municipal bond insurer or other financial institution with claims paying ability ratings (or equivalent ratings) of “Aa3” or higher by Moody’s, “AA-” or higher by S&P or Fitch, or an equivalent rating by any other NRSRO with a published rating on the Bonds, that provides Participant Credit Enhancement.

**“Participant Interest”** means the rate of interest to be paid by the Participant on a Loan, as set forth in a Loan Agreement and a Participant Note.

**“Participant Note”** means the note executed and delivered by each Participant to evidence its obligation to make all payments under a Loan Agreement.

**“Participant Ordinance”** or **“Participant Resolution”** means the ordinance enacted or the resolution adopted by a Participant, in accordance with the provisions of the *Debt Act* or the *Authorities Act*, authorizing the issuance of the Participant Note and the sale thereof to DelVal, and approving the execution and delivery of the Participant’s Loan Agreement.

**“Participant Tax Compliance Agreement”** means a Tax Compliance Agreement between DelVal and a Participant (new money project, refunding project, recycling project or combined new money project and refunding project, as applicable) concerning compliance with the provisions of Section 103(a) of the Code, executed by a Participant in connection with its execution of a Loan Agreement.

**“Paying Agent”** means the Trustee as paying agent for Bonds, or any successor thereto named by DelVal to act as Paying Agent or any paying agent named for a Series of Bonds in a Supplemental Indenture.

**“Payment Date”** means each date upon which a payment is due for principal, interest, or redemption price of a Series of Bonds, and each date upon which a Swap Payment or Termination Payment is due under any Swap Agreements.

**“Permitted Investment Rate”** means that rate determined from time to time by the Rebate Analyst or Bond Counsel to be the permitted arbitrage yield on Bonds or a Series thereof under Section 148 of the Code.

**“Person”** means (a) any individual, (b) any corporation, partnership, limited liability company, joint venture, association, joint-stock company, business trust or unincorporated organization or grouping of any such entities, in each case formed or organized under the laws of the United States of America, any state thereof or the District of Columbia or (c) the United States of America, any state thereof or the District of Columbia, or any political subdivision of any thereof, or any agency, authority or other instrumentality of any of the foregoing.

**“Principal Payment Date”** means each date set forth in a Supplemental Indenture that payment of principal of a Series of Bonds is due and payable, whether at scheduled maturity, upon mandatory sinking fund redemption or upon optional or extraordinary mandatory redemption.

**“Project”** means a project, as defined in the *Debt Act*, and which constitutes the acquisition, extension, erection, improvement, equipping or repair of any buildings, structures, equipment and improvements constituting a capital project of a Participant, all or a portion of the Cost of which is financed or refinanced by DelVal pursuant to this Indenture and a Loan Agreement.

**“Qualified Interest Rate Management Agreement”** shall have the meaning set forth in the *Debt Act*.

**“Rating Agency”** means Moody’s, S&P, Fitch, or any other NRSRO, and their respective successors and assigns, if such agency’s ratings are in effect with respect to the Bonds.

**“Rebate Amount”** means 100% of the amount required to be rebated on Gross Proceeds to the United States Treasury pursuant to Section 148(f)(2) of the Code.

**“Rebate Analyst”** means Calhoun, Baker Inc., or such other law firm or accounting firm appointed by DelVal specializing in federal arbitrage “rebate” matters under Section 148(f) of the Code.

**“Rebate Fund”** means the fund of that name created by Section 5.02 hereof.

**“Record Date”** means dates established for the determination of payment of interest and principal for a Series of Bonds as set forth in a Supplemental Indenture authorizing the issuance of a Series of Bonds.

**“Recycling Fund”** means the fund of that name created pursuant to Section 5.02 hereof.

**“Recycling Fund Termination Date”** means, as set forth in a Supplemental Indenture with respect to the issuance of a Series of Bonds, as to each receipt of Loan Principal of a Loan, (i) the date that DelVal determines that the proceeds deposited in the Recycling Fund are no longer reasonably expected to be required for the Loan Program or (ii) a period of one year following each repayment of Loan Principal, beginning on the date set forth in such Supplemental Resolution.

**“Redemption Fund”** means the fund created by Section 5.02 hereof.

**“Refunding Bonds”** means any Series of Bonds issued pursuant to Section 2.03 hereof.

**“Repayments”** means the payments of Loan Principal of and Participant Interest on the Participant Notes.

**“Reserve Requirement”** means, as of any date of calculation, the aggregate of all amounts required to be deposited and maintained in the Debt Service Reserve Fund, as set forth in each Supplemental Indenture authorizing the issuance of a Series of Bonds.

**“Revenue Fund”** means the fund of that name created by Section 5.02 hereof.

**“Revenues”** means any Subsidy Payments and all income, revenues, issues, profits and other sums of money received by DelVal from the Loan Agreements, Participant Notes, Guarantees, Swap Agreements and Participant Credit Enhancement, including, without limitation, all Repayments, Termination Charges, Liquidation Proceeds, Optional Prepayment Prices and Swap Receipts.

**“S&P”** means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other NRSRO designated by DelVal, by notice to the Trustee.

**“Series”** means each series of Bonds authorized to be issued by a Supplemental Indenture.

**“Special Tax Counsel”** means a law firm, if any, subsequently designated by DelVal having a national reputation in the field of federal taxation of municipal obligations, whose opinions are generally accepted by purchasers of municipal bonds and which is reasonably acceptable to the Trustee.

**“Subsidy Payments”** means all payments or refundable tax credits received by DelVal from the United States of America or any agency or department thereof in connection with any particular Series of Bonds issued hereunder.

**“Supplemental Indenture”** means any supplements or amendments to this Indenture from time to time adopted by DelVal (i) in connection with the issuance of a Series of Bonds or (ii) pursuant to Article XII hereof.

**“Swap Agreements”** means interest rate swap agreements which DeVal may execute, from time to time, with a Swap Counterparty in order to reduce the interest costs of Participants, provide for diversification of risks, or to enhance the ability of Participants to manage their liabilities, approved as to form and substance by (i) the Administrator and (ii) the Credit Facility Provider, if applicable, under the Supplemental Indenture.

**“Swap Counterparty”** means (i) individually and collectively, one or more financial institutions which execute a Swap Agreement and which, at the time of execution of the Swap Agreement, by itself or as a result of a guarantee of a Swap Guarantor, has long-term, senior, unsecured debt ratings from two or more Rating Agencies in the “AA” category (or equivalent ratings) or higher or (ii) any financial institution which (a) replaces an existing Swap Counterparty or (b) is added as an additional Swap Counterparty where the existing Swap Counterparty is not replaced, in either event, under circumstances where any existing Swap Counterparty, whether or not replaced, is unwilling or unable to execute any new Swap Transactions or in the case of (b) is added as an additional Swap Counterparty to, as determined by the Administrator, mitigate counterparty risk by limiting the exposure of DeVal to the Swap Counterparties, which in either case would affect the ability of DeVal to achieve its programmatic objectives of providing variable interest rate and fixed interest rate loans to Participants at the lowest possible cost, which additional Swap Counterparty, at the time of execution of the initial Swap Agreement between such additional Swap Counterparty and DeVal, has long term, senior unsecured debt ratings (or equivalent ratings) from the Rating Agencies which are no lower than the unsecured debt ratings on an existing Swap Counterparty (or its Swap Guarantor).

**“Swap Guarantor”** means (i) a financial institution, which guarantees the obligations of a Swap Counterparty under a Swap Agreement, with long-term, senior, unsecured debt ratings from two or more Rating Agencies in the “AA” category (or equivalent ratings) or higher, at the time of execution of such Swap Agreement and (ii) a financial institution, which guarantees the obligations of a replacement Swap Counterparty or an additional Swap Counterparty described in clause (ii) of the definition of Swap Counterparty, and which, at the time of execution of the replacement or additional Swap Agreement, has long term, senior unsecured debt ratings (or equivalent ratings) from the Rating Agencies which are no lower than the unsecured debt ratings on the Swap Counterparty (or its Swap Guarantor) being replaced or augmented.

**“Swap Payment”** means, under a Swap Agreement, an amount payable to a Swap Counterparty or by a Swap Counterparty equal to the periodic scheduled payments accruing on the notional amount specified in such Swap Agreement at a variable rate or a fixed rate computed in accordance with such Swap Agreement.

**“Swap Payment Date”** means the date on which any payments or receipts are due under any Swap Agreements.

**“Swap Rate”** means the rate based upon which amounts payable by DeVal are determined by or with respect to a Swap Agreement, which rate shall not exceed the Maximum Rate.

**“Swap Receipts”** means, under a Swap Agreement, the amounts payable by a Swap Counterparty as Swap Payments and as Termination Payments in respect of the notional amount

specified in such Swap Agreement, at a variable rate or a fixed rate computed in accordance with such Swap Agreement.

**“Swap Transaction”** means an interest rate swap transaction related to the Bonds or a Loan executed by DelVal under a Swap Agreement to (i) hedge DelVal’s exposure to future changes in long term fixed interest rates, (ii) reduce the interest costs and costs of issuance of the Loan Program, and (iii) enhance the ability of a Participant to manage its liabilities and diversify its risks by converting all or portions of its Loan to a fixed interest rate or a variable interest rate.

**“Tax Compliance Certificate”** means the Tax Compliance Certificate and Agreement of DelVal dated the date of delivery of each Series of Bonds.

**“Termination Charge”** means the rate or charge, determined by the Administrator, representing a Participant’s allocable share of any Termination Payment paid by DelVal to a Swap Counterparty.

**“Termination Payment”** means an amount payable by DelVal or the Swap Counterparty upon the early termination of a Swap Agreement.

**“Underwriter”** means, individually and collectively, the purchasers of a Series of Bonds pursuant to a Bond Purchase Agreement.

**“Variable Rate Loan”** means Loans which bear interest at a variable rate, as calculated by the Administrator.

**“Yield Reduction Payment” or “Yield Reduction Amount”** means any amount paid to the United States to reduce the yield on Investment Property (as defined in the *Code*) for yield restriction purposes pursuant to Treas. Reg. § 1.148-5(c).

## **Section 1.02 Rules of Interpretation.**

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) This Indenture means this instrument as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof.

(b) All references in this instrument to designated articles, sections and other subdivisions are to the designated articles, sections and other subdivisions of this instrument as originally executed, and as supplemented or amended. The words herein, hereof, hereunder, and herewith and other words of similar import refer to this Indenture as a whole and not to any particular article, section or other subdivision.

(c) The terms defined in Article I have the meanings assigned to them in this Article and include the plural as well as the singular.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(e) The terms defined elsewhere in this Indenture have the meanings therein ascribed to them.

(f) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(g) The headings used in this Indenture are for convenience of reference only and shall not define or limit the provisions hereof.

(h) Terms in the singular include the plural and vice-versa.

(i) All references herein to time shall be time at the location of the designated corporate trust office of the Trustee, unless otherwise expressly stated and all references to time shall refer to prevailing Eastern Time.

(j) Except as expressly so stated in a Supplemental Indenture, all definitions set forth in this Indenture shall be applicable to such Supplemental Indenture.

**ARTICLE II**  
**AUTHORIZATION AND ISSUANCE OF BONDS**

**Section 2.01 Authorization and Provisions for Issuance of Bonds**

This Indenture and the issuance of Bonds hereunder have been duly authorized by DelVal and the principal amount of Bonds that may be issued hereunder is not limited, except as provided by law. Series of Bonds issued hereunder shall be known and designated as “Delaware Valley Regional Finance Authority Local Government Revenue Bonds, Series \_\_\_\_\_.” The issuance and sale of a Series of Bonds shall be provided in a Supplemental Indenture.

Before any Series of Bonds (other than Refunding Bonds, which shall be issued pursuant to Section 2.03 of this Indenture) shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee the following:

- (a) A copy, duly certified by an Authorized Officer, of this Indenture;
- (b) An Opinion of Bond Counsel stating that (i) the issuance of such Series of Bonds has been duly and validly authorized by DelVal, (ii) this Indenture, as supplemented by the applicable Supplemental Indenture, has been duly adopted and is in full force and effect, (iii) all conditions precedent to the delivery of such Series of Bonds contained in this Indenture have been fulfilled, and (iv) such Series of Bonds and this Indenture and such Supplemental Indenture are valid and binding obligations of DelVal;
- (c) A request and authorization to the Trustee on behalf of DelVal, signed by an Authorized Officer, to authenticate and deliver such Series of Bonds to the purchaser or purchasers, therein identified, upon payment to the Trustee for the account of DelVal of the purchase price therefor;
- (d) A copy of the Supplemental Indenture authorizing such Series of Bonds including, if provided for in such Supplemental Indenture:
  - (i) The aggregate principal amount and the designation and the Series of such Bonds;
  - (ii) The dated date of such Series of Bonds;
  - (iii) The designation of serial or term Bonds or the methodology for making such designation;
  - (iv) The Record Date for such Series of Bonds;
  - (v) The designation of such Bonds as taxable Bonds or tax-exempt Bonds;
  - (vi) If such Bonds are tax-exempt Bonds, the designation of the Bond Year;

- (vii) The amounts and years in which the Bonds of such Series shall mature;
- (viii) The Authorized Denominations of such Series of Bonds;
- (ix) The redemption price or prices, if any, and, the redemption terms for the Bonds of such Series;
- (x) The sinking fund requirements for any term Bonds;
- (xi) The interest rate or rates of the Bonds of such Series or the method of determining such interest rate or rates;
- (xii) The Credit Facility, if any, and provisions relating thereto, for such Series;
- (xiii) The amounts to be deposited from the proceeds of such Series of Bonds in the Funds and accounts, created and established by this Indenture and the Supplemental Indenture, including the amount of the Debt Service Reserve Fund Requirement, if any, for such Series of Bonds and whether such amount is to be funded other than by cash;
- (xiv) The Reserve Requirement for Bonds; and
- (xv) Other terms and conditions, if any, of the Series Bonds deemed advisable by DeVal.

(e) Such amounts to be deposited in the Funds and accounts held by the Trustee as shall be specified in the Supplemental Indenture authorizing such Series of Bonds;

(f) A Certificate of DeVal stating that DeVal is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Indenture;

(g) Written confirmation from the Rating Agency that the issuance of such Series of Bonds will not adversely affect the then existing ratings of any Outstanding Bonds previously issued under this Indenture;

(h) Such further documents and moneys as are required by the provisions of the Supplemental Indenture authorizing such Series of Bonds.

When the documents set forth in this Section 2.01 shall have been filed with the Trustee and when the Bonds described in the Supplemental Indenture mentioned in clause 2.01(d) herein shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver such Bonds at one time to or upon the order of the purchaser or purchasers or designees named in the request and authorization mentioned in clause 2.01(c), but only upon payment to the

Trustee of the purchase price of the Series of Bonds. The Trustee shall be entitled to rely upon such request and authorization as to the amount of such purchase price.

Simultaneously with the delivery of Bonds, the Trustee shall deposit or credit the proceeds of the Bonds into the Funds as directed herein or in the applicable Supplemental Indenture.

### **Section 2.02 Issuance of the Bonds.**

The Bonds shall be issuable only as fully-registered bonds, without coupons, in Authorized Denominations.

The principal amount or the redemption price of Bonds, as the case may be, shall be payable at the principal corporate trust office of the Trustee or its successor, upon presentation and surrender of the Bonds. Payments of interest on the Bonds shall be mailed to the persons in whose names the Bonds are registered on the books of the Trustee at the close of business on the Record Date next preceding each Interest Payment Date; provided that a Bondholder in an aggregate principal amount of at least \$1,000,000 may, by prior written instructions filed with the Trustee (which instructions shall include an agreement to pay the Trustee's reasonable charges in connection therewith, and which instructions shall remain in effect until revoked by subsequent written instructions), direct that interest payments for any period be made by wire transfer to an account in the continental United States or other means acceptable to the Trustee.

If the date for payment of the principal of, premium, if any, or interest on Bonds shall not be a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

### **Section 2.03 Refunding Bonds.**

Refunding Bonds may be issued under and secured by this Indenture, subject to the conditions hereinafter provided in this Section 2.03, from time to time, for the purpose of providing funds, together with any other available funds, for (i) redeeming (or purchasing in lieu of redemption) prior to their maturity or maturities, or retiring at their maturity or maturities, all or any part of the Outstanding Bonds of any Series, including the payment of any redemption premium thereon (or premium, to the extent permitted by law, included in the purchase price if purchased in lieu of redemption), refunding or defeasing any other obligations issued by DeIVal, including any or all interest and redemption premium thereon; (ii) making any required deposits to the Debt Service Reserve Fund; (iii) if deemed necessary by DeIVal, paying the interest to accrue on the Refunding Bonds or other obligations of DeIVal being refunded; and (iv) paying any expenses in connection with such refunding. Before any Refunding Bonds shall be issued and authenticated by the Trustee under the provisions of this Section 2.03, there shall be delivered to the Trustee:

- (a) all of the documents and moneys referred to in Section 2.01;

(b) if all or part of Bonds to be refunded or the other obligations of DelVal to be refunded are to be redeemed prior to maturity, irrevocable instructions from an Authorized Officer of DelVal to the Trustee to redeem the applicable Bonds or applicable other obligations of DelVal;

(c) if the Bonds or other obligations of DelVal to be refunded are not to be redeemed within the next succeeding ninety (90) days after delivery of the Refunding Bonds, irrevocable instructions to the Trustee to duly mail notice that such Bonds or other obligations of DelVal to be refunded, have been refunded, to those persons listed in and in the manner provided for in Section 3.03 hereof or as provided in a Supplemental Indenture;

(d) either (i) moneys in an amount sufficient to effect payment at the applicable redemption price of Bonds or other obligations of DelVal to be refunded, together with accrued interest on such Bonds or other obligations to be refunded to the date fixed for their redemption, which moneys shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Bondholders of the Bonds or other obligations to be refunded, or (ii) Eligible Investments listed in clause (a) of the definition thereof 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 9.01(b) and any moneys required pursuant to said section, which Eligible Investments and moneys shall be held in trust and used only as provided in said section; and

(e) such further documents and moneys as are required by the provisions of the Supplemental Indenture authorizing the Refunding Bonds.

When the documents set forth in this Section shall have been filed with the Trustee and when the Refunding Bonds described in the Supplemental Indenture mentioned in clause 2.01.(d) hereof shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver such Refunding Bonds at one time to or upon the order of the purchaser or purchasers named in the request and authorization mentioned in clause 2.01(c) hereof, but only upon payment to the Trustee of the purchase price of such Refunding Bonds. The Trustee shall be entitled to rely upon such request and authentication as to the amount of such purchase price.

The proceeds of such Refunding Bonds shall, to the extent practicable, be invested and reinvested by the Trustee, with the approval of DelVal, in Eligible Investments, and the moneys so invested shall be available for use when required. The income derived from such investments shall be added to such proceeds and applied in accordance with the provisions of this Section 2.03.

#### **Section 2.04 Execution.**

Bonds shall be executed on behalf of DelVal with the manual or facsimile signature of the Chairman or Vice-Chairman, and shall have impressed or imprinted thereon, by facsimile or otherwise, the official seal of DelVal and shall be attested with the manual or facsimile signature of DelVal's Secretary or Assistant Secretary. In case any officer of DelVal whose signature or whose facsimile signature shall appear on Bonds shall cease to be such officer before the delivery

of such Bonds, such signature or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

#### **Section 2.05 Authentication.**

No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond, substantially in the form set forth in the Supplemental Indenture authorizing such Bond, has been duly executed and dated by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture as of the date of authentication shown thereon. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed and dated by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign and date the certificate of authentication on all of the Bonds.

#### **Section 2.06 Mutilated, Lost, Stolen or Destroyed Bonds; Undelivered Bonds.**

(a) If any Bond is mutilated, lost, stolen or destroyed, DeVal shall execute and the Trustee shall authenticate a new Bond of the same maturity and denomination as that Bond mutilated, lost, stolen or destroyed; provided that in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to DeVal and the Trustee evidence of such loss, theft or destruction satisfactory to DeVal and the Trustee, together with an indemnity satisfactory to them. In the event any such Bond shall have matured or been called for redemption, instead of issuing a duplicate Bond, DeVal may pay or cause to be paid the same upon receipt of the aforesaid indemnity. DeVal and the Trustee may charge the owner of such Bond for their reasonable fees and expenses in connection with replacing any Bond mutilated, lost, stolen or destroyed.

(b) Every new Bond issued pursuant to this Section shall (i) constitute the same contractual obligation of DeVal as the mutilated, lost, stolen or destroyed Bond, and (ii) be entitled to all of the benefits of this Indenture, equally and proportionally with any and all other Bonds issued and outstanding hereunder.

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

## **Section 2.07 Transfer and Exchange of the Bonds; Persons Treated as Bondholders; Book Entry System.**

(a) DelVal shall cause to be kept at the corporate trust office of the Trustee a register for the registration, exchange and transfer of Bonds (the “Bond Register”). DelVal hereby appoints the Trustee its registrar and transfer agent to keep such Bond Register and to make such registrations, exchanges and transfers as set forth herein and in the form of Bonds issued hereunder. DelVal, the Trustee and any other paying agent of DelVal may treat and consider the registered Bondholder of any Bond as the absolute owner thereof for all purposes, any notice to the contrary notwithstanding.

(b) Bonds may be transferred upon delivery to the Trustee of the Bond or Bonds to be transferred, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Trustee, duly executed by the registered Bondholder of such Bond or Bonds or his duly authorized representative, containing written instructions of transfer. No transfer of any Bond shall be effective until entered in the Bond Register. Bonds may be exchanged for Bonds of the same maturity and of authorized denomination or denominations in the same aggregate principal amount and bearing the same rate of interest. No exchange or transfer shall be required to be made (i) during a period beginning 15 days prior to the date of mailing of any notice of redemption of Bonds and ending on the day of such redemption or (ii) for any Bonds so selected for redemption in whole or in part.

In all cases of the transfer of Bonds, the Trustee shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of Authorized Denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. No transfer of any Bond shall be effective until entered on the registration books.

(c) (i) Notwithstanding the foregoing provisions of this Article II, each Series of Bonds shall initially be issued in the form of one or more fully-registered bonds for the aggregate principal amount of the Bonds of each Series and maturity, which Bonds shall be registered in the name of Cede & Co., as nominee of DTC. Except as provided in Subparagraph (vii) below, all of the Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC; provided that if DTC shall request that the Bonds be registered in the name of a different nominee, the Trustee shall exchange all or any portion of the Bonds for an equal aggregate principal amount of Bonds registered in the name of such nominee or nominees of DTC. No person other than DTC or its nominee shall be entitled to receive from DelVal or the Trustee either a Bond or any other evidence of ownership of the Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Bonds on the registration books maintained by the Trustee, in connection with discontinuing the book entry system as provided in Subparagraph (vii) below or otherwise.

(ii) So long as the Bonds or any Series thereof are registered in the name of DTC, the principal or redemption price of and interest on such Bonds shall be paid to DTC or its nominee in accordance with the provisions of DelVal’s “Letter of Representations” on file with

DTC, on the dates provided for such payments under this Indenture. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of DelVal or the Trustee with respect to the principal or redemption price of or interest on the Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds Outstanding of any Series or maturity, the Trustee shall not require surrender by DTC or its nominee of the Bonds so redeemed, but DTC (or its nominee) may retain such Bonds and make an appropriate notation on the Bond certificates as to the amount of such partial redemption; provided that DTC shall deliver to the Trustee, in each case, a written confirmation of such partial redemption and thereafter the records maintained by the Trustee shall be conclusive as to the amount of the Bonds of such maturity which have been redeemed.

(iii) DelVal and the Trustee shall treat DTC (or its nominee) as the sole and exclusive Bondholder registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither DelVal nor the Trustee shall be affected by any notice to the contrary. Neither DelVal nor the Trustee shall have any responsibility or obligation to any participant in DTC, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Trustee as being a Bondholder, with respect to: (A) the Bonds; or (B) the accuracy of any records maintained by DTC or any such participants; or (C) the payment by DTC or any such participant of any amount in respect of the principal or redemption price of or interest on the Bonds; or (D) any notice which is permitted or required to be given to Bondholders under this Indenture; or (E) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Bonds; or (F) any consent given or other action taken by DTC as a Bondholder.

(iv) So long as the Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the Bondholders under this Indenture shall be given to DTC as provided in the Letter of Representations.

(v) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture by DelVal or the Trustee with respect to any consent or other action to be taken by Bondholders, DTC shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that DelVal or the Trustee may establish a special record date for such consent or other action. DelVal or the Trustee shall give DTC notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(vi) Any successor Trustee shall, in its written acceptance of its duties under this Indenture, agree to take any actions necessary from time to time to comply with the requirements of the Letter of Representations.

(vii) The book-entry-only system for registration of the ownership of the Bonds or any Series may be discontinued at any time if either: (A) after notice to DelVal and the Trustee, DTC determines to resign as securities depository for the or any Series Bonds; or (B) after notice to DTC and the Trustee, DelVal determines that continuation of the system of book-entry-only transfers through DTC (or through a successor securities depository) for the Bonds or any Series is not in the best interest of DelVal. In either of such events, unless DelVal appoints a successor securities depository, the Bonds or any Series shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated in writing by DTC, but without any liability on the part of DelVal or the Trustee for the accuracy of such designation. Whenever DTC requests DelVal and the Trustee to do so, DelVal and the Trustee shall cooperate with DTC in taking appropriate action after reasonable written notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

### **Section 2.08 Cancellation of the Bonds.**

All Bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Trustee when such payment, redemption or purchase is made, and except as otherwise provided herein, shall be canceled. Whenever any Outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount thereof or for replacement pursuant to Section 2.06 or for transfer or exchange pursuant to Section 2.07 the Trustee shall safeguard such Bond for such period of time as may be required by governmental regulations and thereafter promptly cancel the Bond in accordance with the Trustee's customary procedure.

### **Section 2.09 Temporary Bonds.**

Pending the preparation of definitive Bonds, DelVal may execute and the Trustee shall thereupon authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as registered Bonds of any Authorized Denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by DelVal. Every temporary Bond shall be executed by DelVal and authenticated by the Trustee upon the same conditions, and with like effect, as the definitive Bonds. As promptly as practicable, DelVal shall execute and furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the principal corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds. It shall not be necessary to prepare definitive Bonds so long as all Bonds are held under the book-entry system described in Section 2.07(c).

## **Section 2.10 Nonpresentment of the Bonds.**

In the event any Bond shall not be presented for payment when the principal or redemption price thereof becomes due, either at maturity, at the date fixed for redemption, or otherwise, or if an interest check shall not be cashed, if funds sufficient to pay such Bond or interest shall have been made available to the Trustee for the benefit of the owner thereof, all liability of DelVal to the owner thereof for the payment of the principal or redemption price of or interest on such Bond, as the case may be, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to any Bondholder, any beneficial owner, or any other Person for interest thereon, solely for the benefit of the owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond, the principal or redemption price thereof or such interest thereon, as the case may be; provided that any money deposited with the Trustee for the payment of the principal or redemption price of or interest on any Bond and remaining unclaimed for 24 months after such principal or redemption price has become due and payable shall, at the written request of DelVal, be paid to DelVal, and the Bondholder of such Bond or interest, as the case may be, shall thereafter look solely to DelVal for the payment of such moneys; and all liability of the Trustee with respect to such trust money shall also thereupon cease.

## **Section 2.11 Bonds Limited Obligations; Source and Security for Payment.**

The Bonds shall be limited and special obligations of DelVal, payable solely from the Trust Estate (and the Covenant Agreement to the extent provided therein), including amounts paid by the Participants pursuant to the Loan Agreements and Participant Notes, Revenues and moneys available under the terms hereof and investments under the Investment Agreements. The Bonds and the payment thereof shall be solely secured, equally and ratably by the pledge of the Trust Estate set forth in the granting clauses hereof, upon the terms and conditions set forth herein. There shall be no other recourse against DelVal or any incorporator, member, director or officer of DelVal, past, present or future, or any other property now or hereafter owned by it, except the Trust Estate. The Bonds are entitled to the benefits of this Trust Indenture equally and ratably both as to principal and interest with all other Bonds issued hereunder.

The obligation of DelVal under the Credit Facility Agreements, if any, and Swap Agreements, if any, to make Swap Payments shall also be secured by a pledge of the Trust Estate, pari-passu with the Bonds.

No recourse shall be had for the payment of the principal, interest or redemption price of Bonds, or for any claim based thereon or on the Swap Agreements, if any, or on this Trust Indenture, against any incorporator, member, officer or employee, past, present or future, of DelVal or of any successor body as such, either directly or through DelVal or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being by the acceptance hereof and, as a material part of the consideration for the issuance of Bonds, expressly waived and released.

DelVal shall not be obligated to pay the principal, interest, or redemption price of Bonds except from the Trust Estate in the manner provided herein and to the extent provided in the Covenant Agreement, and neither the faith and credit nor the taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof, including DelVal, is pledged to the payment of the principal amount, interest, or redemption price of the Bonds. Neither the Commonwealth of Pennsylvania nor any political subdivision thereof nor DelVal nor any Participant shall be obligated to (a) exercise its taxing power to pay the principal or interest on Bonds or the redemption price thereof, or other costs incident thereto, or (b) to pay the same from any other funds except from the Trust Estate in the manner provided herein. It is further agreed between DelVal and the registered owner of each Bond that such Bond and the indebtedness evidenced thereby shall not constitute a lien on any property of DelVal but shall constitute a lien only on the Trust Estate in the manner provided in this Trust Indenture. THE BONDS ARE SOLELY AND EXCLUSIVELY LIMITED, SPECIAL OBLIGATIONS OF DELVAL AND DO NOT CREATE AN OBLIGATION OR DEBT OF DELVAL, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF OR GOVERNMENTAL AGENCY EXISTING UNDER THE LAWS THEREOF WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION WHATSOEVER.

## **ARTICLE III REDEMPTION OF THE BONDS**

**Section 3.01 Privilege of Redemption and Redemption.** Bonds of a Series shall be subject to redemption prior to maturity as provided in the Supplemental Indenture authorizing such Series of Bonds. The provisions of this Article III shall govern each redemption, unless otherwise provided in the Supplemental Resolution authorizing a Series of Bonds.

**Section 3.02 Provisions Applicable to Redemption of the Bonds.**

In the event of an extraordinary mandatory redemption, moneys in the Acquisition Fund or the Recycling Fund, as applicable, representing proceeds of the Series of Bonds being redeemed, shall be transferred to the Redemption Fund and shall be applied to redeem Bonds of the Series to be redeemed in Authorized Denominations in the largest principal denomination that is less than or equal to the amount of such moneys; provided that the unrefunded amount of such Bonds is less than \$5,000.

Upon deposit of moneys in the Redemption Fund, the Trustee shall provide notice thereof to the Administrator and request that the Administrator determine the redemption price, on the redemption date, of an original principal amount of the Series of Bonds to be redeemed equal to such deposit.

Except as provided in a Supplemental Indenture, if less than all of a Series Bonds are to be redeemed, DelVal shall determine the maturities of the Series of Bonds to be redeemed, unless applicable law requires a different method of determination in which event such law shall apply to the method of determination.

DelVal shall provide for a partial termination of the applicable Swap Agreements, if any, in the notional amount equal to the principal amount of a Series of Bonds to be redeemed, and shall apply any Termination Payment received by the Trustee in respect thereto to the extraordinary mandatory redemption of such Series of Bonds on the redemption date.

**Section 3.03 Notice of Redemption.**

For Bonds being redeemed, upon written direction of DelVal, the Trustee shall prepare and send notice of each redemption to each Bondholder whose Bonds are being redeemed, and to the Administrator by first-class mail at least 15 days but not more than 30 days before each redemption date. Each notice shall identify the Bonds or portions thereof to be redeemed and shall state (a) the redemption date, (b) the redemption price, (c) that the Bonds called for redemption must be surrendered to collect the redemption price, (d) the address at which the Bonds must be surrendered, (e) that interest on the Bonds called for redemption ceases to accrue on the redemption date, (f) the CUSIP number of the Bonds and (g) any condition to the redemption.

A copy of each notice of redemption shall also be sent by the Trustee by overnight delivery, telecopy, electronic mail, or certified or registered mail to each securities depository (a

“Depository”) registered with the Securities and Exchange Commission under the *Securities Exchange Act of 1934*, as amended, two Business Days prior to mailing notice to other Bondholders, and to two national information services that disseminate redemption notices, provided that the Trustee may, in the alternative, provide for overnight, telecopied or other form of notice to a Depository acceptable to or requested by such Depository; provided further, that any failure to give the notice required by this paragraph shall not affect the validity of any proceeding for the redemption of Bonds.

The particular Bonds to be called for redemption will be selected by DTC in accordance with its Rules of Procedure so long as DTC or its nominee is the sole registered Bondholder, or if DTC, or its nominee, is not the registered owner, by lot or such other method as the Trustee deems fair and appropriate.

With respect to any Bonds to be redeemed that have not been presented for redemption within 60 days after the redemption date, the Trustee shall prepare and the Trustee shall give a second notice of redemption to the Bondholder of any such Bonds that have not been presented for redemption by first class mail, within 30 days of the end of such 60-day period; provided further, that any failure to give the notice required by this paragraph shall not affect the validity of any proceeding for the redemption of Bonds.

Failure by the Trustee to give any notice of redemption as to any particular Bonds shall not affect the validity of the call for redemption of any Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Bonds shall be conclusively presumed to have been given whether or not actually received by any Bondholder.

In the event that any Bonds are called for redemption and the amounts required for payment of the redemption prices thereof are not on deposit with the Trustee on the date set for redemption, the Trustee shall notify the registered owners of such Bonds that such redemption has been rescinded, and shall return any Bonds surrendered for redemption to the registered owners thereof; and DelVal, the Trustee and the registered owners shall be restored to their prior position.

### **Section 3.04 Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue.**

On the redemption date, the redemption price of each Bond to be redeemed hereof shall become due and payable; and from and after such date, notice having been given and amounts having been made available and set aside for such redemption, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any Bonds called for redemption. From and after such date of redemption (such notice having been given and such amounts having been made available and set aside for such redemption) the Bonds to be redeemed shall no longer be deemed to be Outstanding hereunder, and DelVal shall be under no further liability in respect thereof.

**ARTICLE IV  
[RESERVED]**

**ARTICLE V  
REVENUES AND FUNDS**

**Section 5.01 [Reserved].**

**Section 5.02 Creation of Funds.**

There are hereby created by DelVal and ordered established the following Funds and accounts to be held by the Trustee: (a) the Revenue Fund and within the Revenue Fund, a Principal Account, an Interest Account, a Program Administration Account and a Clearing Account; (b) the Acquisition Fund; (c) the Recycling Fund and within the Recycling Fund, a New Money Loan Principal Account and a Refunding Loan Principal Account; (d) the Redemption Fund; (e) the Rebate Fund; (f) the Discretionary Fund; (g) the Debt Service Reserve Fund; and (h) the Costs of Issuance Fund. The Trustee is hereby authorized to create accounts and subaccounts in the Funds hereby created (i) at the direction of the Administrator in order to segregate moneys or to accomplish any other administrative purpose and (ii) in compliance with the provisions of any Supplemental Indenture authorizing issuance of a Series of Bonds.

Subject to the provisions of the Tax Compliance Certificate, all funds in the Revenue Fund, the Acquisition Fund, the Recycling Fund, the Discretionary Fund, and the Debt Service Reserve Fund shall be invested by the Trustee, as directed by DelVal, in one (1) or more Investment Agreements. In the event the Investment Agreements are no longer in effect and no replacement Investment Agreement is established for the Trustee, all funds in such accounts and Funds shall be invested in Eligible Investments with maturities as directed by DelVal.

**Section 5.03 Payments into, and Use of Moneys in, the Acquisition Fund and the Recycling Fund.**

(a) The Trustee shall deposit into: (i) the Acquisition Fund, the portion of the proceeds of a Series of Bonds as determined pursuant to the Supplemental Indenture authorizing such Series of Bonds; and (ii) the Recycling Fund, to the extent described in Subsection 5.03(b)(iv) and Section 5.04 hereof, the portion of the Repayments representing Loan Principal with respect to Loans made with proceeds of such Series of Bonds.

(b) Moneys in the Acquisition Fund and the Recycling Fund shall be used as set forth below:

(i) At the closing of Participant Notes, moneys in the Acquisition Fund and/or the Recycling Fund shall be used to purchase the Participant Notes at par in a principal amount equal to the Initial Amount. The Trustee shall disburse the proceeds in the amounts and to the parties directed by the Administrator in the Closing Receipts for the Participant Notes. Moneys shall be disbursed from the Acquisition Fund prior to moneys being disbursed from the Recycling Fund.

- (ii) Moneys in the Acquisition Fund and the Recycling Fund shall be transferred to the Rebate Fund as required pursuant to Section 5.07(b) hereof.
- (iii) On each respective Acquisition Fund Termination Date, the amount in the respective sub-account of the Acquisition Fund attributable to such Series of Bonds necessary to redeem the applicable Series of Bonds shall be transferred to the Redemption Fund pursuant to Section 5.06 hereof and held and applied to redeem such Series of Bonds pursuant to Article III hereof and the provisions of the Supplemental Indenture which authorized the issuance of such Series of Bonds.
- (iv) Repayments representing payments of Loan Principal made from the proceeds of a Series of Bonds for new money projects shall be deposited into the New Money Loan Principal Account of the Recycling Fund from the Revenue Fund pursuant to Section 5.04 hereof and Repayments representing Loan Principal on Participant Notes with respect to Loans made from the proceeds of a Series of Bonds made more than ninety (90) days following the issuance of said Series of Bonds to redeem tax exempt obligations, shall be deposited in the Refunding Loan Principal Account of the Recycling Fund pursuant to Section 5.04 hereof. Moneys in the Recycling Fund shall be disbursed in accordance with Subsection 5.03(b)(i) hereof, subject to the provisions of Subsections 5.03(b)(ii), 5.03(b)(v) and 5.03(b)(vi) hereof; provided, however, that moneys in the Refunding Loan Principal Account of the Recycling Account shall only be used to purchase Participant Notes evidencing Loans for new money projects, unless DelVal and the Trustee have received a Favorable Opinion of Bond Counsel to the effect that such moneys can be used to purchase Participant Notes evidencing Loans which constitute refundings.
- (v) On each respective Recycling Fund Termination Date, the amount in the respective sub-account of the Recycling Fund attributable to such Series of Bonds shall be transferred to the Redemption Fund pursuant to Section 5.06 hereof and held and applied to redeem the applicable Series of Bonds pursuant to Article III hereof and the provisions of the Supplemental Indenture which authorized the issuance of such Series of Bonds, unless prior to the date established for such redemption, the Trustee receives a Favorable Opinion of Bond Counsel.
- (vi) On each Principal Payment Date, moneys in the Acquisition Fund or the Recycling Fund shall to the extent necessary, be transferred

to the Principal Account of the Revenue Fund to pay the principal of the Bonds.

**Section 5.04 Payments into, and Use of Moneys in, the Revenue Fund.**

- (a) There shall be deposited into the Revenue Fund, as and when received:
  - (i) all Repayments received from Participants, Guarantors, and Participant Credit Enhancers transferred from the Clearing Account;
  - (ii) all Swap Receipts and Termination Payments received from a Swap Counterparty;
  - (iii) all earnings on Funds invested hereunder;
  - (iv) moneys transferred from other Funds under this Indenture;
  - (v) moneys received in connection with a Participant Default and the exercise of remedies under a Loan Agreement or Guarantee;
  - (vi) all moneys contributed by DeVal and all moneys transferred pursuant to the Covenant Agreement at the direction of the Administrator;
  - (vii) to the extent and as provided in a Supplemental Indenture, moneys representing a draw on any Credit Facility (the timing of which shall be set forth in a Supplemental Indenture) to make payment of the principal of and interest on any Series of Bonds (other than Bonds pledged to a Credit Facility Provider or Bonds which are otherwise not Eligible Bonds) for which a Credit Facility has been provided, which moneys shall be deposited into a separate subaccount in the Revenue Fund which the Trustee is directed to establish for each Credit Facility, which funds shall not be commingled with any other funds; and
  - (viii) all Subsidy Payments received by DeVal.

(b) Moneys in the Revenue Fund shall be used for the following payments and transfers on the following dates and in the following order of priority; provided, however, that (A) draws on any Credit Facility to pay principal of or interest on a Series of Bonds secured by such Credit Facility shall be paid directly to the Owner of such Series of Bonds or as provided in a Supplemental Indenture and (B) Subsidy Payments, if any, shall be used solely (i) to pay interest on Bonds, or, (ii) if interest on Bonds has been paid from a draw on a Credit Facility, to reimburse the Credit Facility Provider or (iii) if the Subsidy Payments specifically provide or require, to pay interest on Bonds to which such Subsidy Payments relate or to reimburse a Credit Facility Provider for a draw on a Credit Facility to which such Bonds relate:

- (i) on each Interest Payment Date and each Swap Payment Date (which is an Interest Payment Date), to pay interest on the Bonds or, if interest on the Bonds has been paid from a draw on a Credit Facility, to reimburse the Credit Facility Provider and to make the Swap Payments due under any Swap Agreement;
- (ii) on each Swap Payment Date (which is not an Interest Payment Date), to make the Swap Payments due under any Swap Agreements;
- (iii) on each Principal Payment Date, to pay the principal or redemption price due on the Bonds or, if the principal or redemption price due on the Bonds has been paid from a draw on a Credit Facility, to reimburse the Credit Facility Provider;
- (iv) to make any payments required to be made to a Credit Facility Provider pursuant to a Credit Facility Agreement;
- (v) on each Loan Payment Date and Loan Prepayment Date, to the Recycling Fund (and the applicable sub-account thereof), Repayments (from whomever paid) constituting Loan Principal on Participant Notes pursuant to the Loan Agreements;
- (vi) on each Loan Payment Date and Loan Prepayment Date, to the Discretionary Fund, Termination Charges received;
- (vii) as necessary, to pay Administrative Expenses;
- (viii) as necessary, to the Debt Service Reserve Fund, to the extent required to replenish any deficiency therein;
- (ix) if DelVal shall have received notice of an early termination under any Swap Agreement and notice that a Termination Payment will be due to a Swap Counterparty, the Administrator shall direct the Trustee to transfer to the Discretionary Fund, if necessary, an amount sufficient to make the Termination Payment; and
- (x) from time to time, to the Discretionary Fund in such amounts as may be directed by the Administrator.

(c) The Trustee shall notify DelVal (and the Administrator) by 3:30 p.m. on any day on which a Credit Facility Provider fails to honor a draw on a Credit Facility securing the payment of principal or interest on a Series of Bonds.

(d) The Trustee shall notify DelVal (and the Administrator) on any Interest Payment Date or Principal Payment Date if insufficient moneys are on deposit in the Revenue Fund to make the payments of interest or principal, as the case may be, on Bonds.

### **Section 5.05 Payment of Bonds; Payments to Swap Counterparties.**

The Trustee shall make payments when due of principal of and interest on Bonds, and amounts due as Swap Payments, as follows:

- (a) FIRST, from the Revenue Fund; provided that any payment of principal and interest on Bonds secured by a Credit Facility shall be made first, from the proceeds provided by such Credit Facility and thereafter from other moneys in the Revenue Fund;
  - (b) SECOND, from the Discretionary Fund,
  - (c) THIRD, from moneys provided pursuant to the Covenant Agreement;
  - (d) FOURTH, from any moneys available in the Debt Service Reserve Fund;
- and
- (e) LAST, from any other moneys in the Trust Estate available to the Trustee for such purposes.

Payments of Termination Payments shall be paid only from moneys in the Discretionary Fund or provided pursuant to the Covenant Agreement and only after payment in full of all amounts then due on Bonds and as Swap Payments.

### **Section 5.06 Payments into, and Use of Moneys in, the Redemption Fund.**

Amounts transferred pursuant to Section 5.03(b)(iii) and 5.03(b)(v) hereof shall be promptly deposited in the Redemption Fund and applied to the redemption of the applicable Series of Bonds.

### **Section 5.07 Payments into, and Use of Moneys in, the Rebate Fund.**

(a) Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder. In accordance with Treasury Regulation §1.148-7(b)(6)(ii), DeVal hereby elects to apply the spending exceptions under Section 148(f)(2) of the *Code* separately to each Loan.

(b) DeVal shall, at the expense of each Participant, engage and furnish information to the Rebate Analyst to calculate, not later than sixty (60) days after the end of each fifth Bond Year for a Series of Bonds and not later than sixty (60) days after the payment in full of all Outstanding Bonds, the allocable portion of the Rebate Amount and/or Yield Reduction Amount, if any, on a Loan by Loan basis as of the end of each such fifth Bond Year or the date of such final payment. Any Participant exempt from rebate pursuant to Treasury Regulation § 1.148-8 determined by the Administrator shall be excused from the rebate requirements of this paragraph. Based on information available to and provided to the Rebate Analyst, the Rebate Analyst shall notify each Participant, as applicable, in writing of that amount and of the amount then on deposit in the Rebate Fund applicable to each Loan. If the amount then on deposit in the Rebate Fund is less than such Rebate Amount and/or Yield Reduction Amount, if any, allocable to the Participant,

DelVal shall cause the Participant, within five (5) days after receipt of the aforesaid notice from the Rebate Analyst, to pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to such Rebate Amount and/or Yield Reduction Amount, if any, attributable to such Participant. If the Participant does not pay the required amount within five days after receipt of the aforesaid notice from the Rebate Analyst, the Administrator shall direct the Trustee to immediately transfer to the Rebate Fund, that amount, first, from the Discretionary Fund, second, from the Acquisition Fund and third, from the Recycling Fund, to the extent of moneys available therein.

(c) DelVal shall furnish information to the Rebate Analyst to calculate not later than sixty (60) days after the end of each fifth Bond Year for any Series of Bonds and not later than sixty (60) days after the payment in full of all Outstanding Bonds, the Rebate Amount and/or Yield Reduction Amount with respect to amounts not loaned or otherwise attributable to Participants as of the end of such fifth Bond Year or the date of such final payment. Based on information provided by the Rebate Analyst, DelVal shall immediately instruct the Trustee to deposit in the Rebate Fund, such Rebate Amount, first from the Discretionary Fund, second, from the Acquisition fund and third, from the Recycling Fund, to the extent of moneys available therein.

(d) Within 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, the Trustee, acting on behalf of, and at the written direction of, DelVal, shall pay to the United States in accordance with § 148(f) of the *Code*, to the extent of moneys then on deposit in the applicable account in the Rebate Fund, an amount equal to 90% of the Rebate Amount and/or Yield Reduction Amount, if any, earned from the date of the original delivery of a Series of Bonds to the end of such fifth Bond Year (less the amount of Rebate Amounts, if any, previously paid to the United States pursuant to this Section). Within 60 days after the payment in full of all Outstanding Bonds, the Trustee shall pay to the United States in accordance with § 148(f) of the *Code*, to the extent of moneys then on deposit in the applicable accounts in the Rebate Fund, at the written direction of DelVal, an amount equal to 100% of the Rebate Amounts and/or Yield Reduction Amount, if any, earned from the date of the original delivery of the Bonds to the date of such payment (less the Rebate Amounts and/or Yield Reduction Amount, if any, previously paid to the United States pursuant to this Section). All computations of Rebate Amounts pursuant to this section shall treat the amount or amounts, if any, previously paid to the United States pursuant to this Section as amounts on deposit in the Rebate Fund.

(e) The Rebate Analyst shall provide DelVal with records of the computations made pursuant to this Section and DelVal shall maintain such records for six (6) years following receipt thereof.

(f) Notwithstanding anything to the contrary contained herein, annually, as of each December 31, the Rebate Analyst shall calculate the estimated amount (the “Annual Rebate Estimate”) that shall be required to be paid to the United States of America in order to preserve the exclusion of interest on Bonds from gross income of the Bondholders thereof for federal income tax purposes. To the extent the Annual Rebate Estimate exceeds the amount then on deposit in the Discretionary Fund, the Administrator, subject to the next sentence, shall transfer from the Revenue Fund amounts constituting Administrative Expenses to the Discretionary Fund sufficient to cure such deficiency.

(g) Neither the Administrator nor the Trustee shall have any duty or responsibility to independently verify any of the calculations or instructions with respect to transfers by the Trustee to the Rebate Fund (or related assessments of the Participants) or withdrawals from the Rebate Fund, and both the Administrator and the Trustee shall be fully protected in relying solely upon the direction of DeVal in this regard. Under no circumstances whatsoever shall the Trustee be liable to DeVal, any Participant, any Bondholder or any other person for any loss of tax-exempt status of the Bonds, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, so long as the Trustee acts only in accordance with the Indenture and the direction of DeVal.

#### **Section 5.08 Use of Moneys in the Cost of Issuance Fund.**

Moneys in the Cost of Issuance Fund shall be used to pay the costs of issuing a Series of Bonds, including any fees charged by DeVal. Such costs shall be paid on the date of original authentication and delivery of a Series of Bonds or not later than the 180<sup>th</sup> day thereafter, upon the submission of a closing statement or requisitions to the Trustee by an Authorized Officer of DeVal stating the amount to be paid, to whom it is to be paid and the reason for such payment, each such requisition to include a certificate signed by an Authorized Officer of DeVal stating that the amount of such closing statement or requisition is due and owing and has not been the subject of another requisition which was paid and is a proper expense of issuing such Bonds. Moneys in the Cost of Issuance Fund shall be invested in the Investment Agreement and all earnings on moneys in the Cost of Issuance Fund shall be credited to the Revenue Fund as received. Any funds remaining in the Cost of Issuance Fund for more than 180 days following the issuance of a Series of Bonds shall be transferred to the Acquisition Fund.

#### **Section 5.09 Amounts in the Debt Service Reserve Fund.**

(a) DeVal shall direct the Trustee to deposit into the Debt Service Reserve Fund such portions of the proceeds of the sale of a Series of Bonds, if any, as shall be provided in the Supplemental Indenture authorizing the issuance thereof, and any moneys which may be made available to DeVal for the purposes of the Debt Service Reserve Fund from any other sources.

A Supplemental Indenture may provide that the Debt Service Reserve Fund Requirement, if any, may be funded in whole or in part by a letter of credit, insurance policy, surety, guaranty or other security arrangement upon which DeVal may make a draw to provide funds as needed for the Debt Service Reserve Fund.

(b) The amounts in the Debt Service Reserve Fund shall be applied to pay the principal and interest on Bonds (or to reimburse any Credit Facility Provider for payment of principal and interest on Bonds secured by a Credit Facility) and to make Swap Payments as the same become due, only when the amounts available for such purposes in the Revenue Fund in accordance herewith are insufficient to make such payments. If the Debt Service Reserve Fund is funded partly in cash and partly otherwise, as provided above, drawings shall be made as provided in a Supplemental Indenture.

(c) Earnings on the Debt Service Reserve Fund shall be retained therein until the amount on deposit in the Debt Service Reserve Fund is equal to the Reserve Requirement; thereafter, such earnings shall be transferred to the Revenue Fund.

#### **Section 5.10 Payments into, and Use of Moneys in the Discretionary Fund.**

Termination Charges received from a Participant, Guarantor, or Participant Credit Enhancer pursuant to a Loan Agreement, and amounts received pursuant to the Covenant Agreement, shall be deposited in the Discretionary Fund. Termination Payments shall be subject and subordinate to payments of interest, principal or redemption price of Bonds then due and owing, any obligations then due to any Credit Facility Provider and to Swap Payments then due and owing. Amounts in the Discretionary Fund shall be applied to the following, in the following order of priority:

- (i) To make deposits to the Revenue Fund to pay interest, principal, or redemption prices on Bonds then due (or to reimburse the provider of a Credit Facility which secures a Series of Bonds which has made payment thereon) and to make Swap Payments then due, when the other moneys available to the Trustee are insufficient therefor.
- (ii) To pay Termination Payments then due to Swap Counterparties.
- (iii) To make deposits to the Rebate Fund or to make an Extraordinary Payment.
- (iv) To make deposits to the Revenue Fund to pay any Administrative Expenses, to the extent the same are not paid from other sources and available to the Trustee.
- (v) To make deposits to the Revenue Fund to pay the costs or expenses related to the making or funding of any Loan, or the issuance of any Participant Note.
- (vi) To make payments under the Covenant Agreement at the direction of the Administrator provided (A) that a Termination Payment is not then due and owing and (B) that the payments will not cause total liabilities to exceed total assets under the Indenture.
- (vii) To make payments to DelVal; provided that (A) a Favorable Opinion of Bond Counsel is given with respect to such payments; (B) that no payment to DelVal shall be made if a Termination Payment is then due and owing, and (C) that the payments will not cause total liabilities to exceed total assets under the Indenture.

### **Section 5.11 Application of Bond Proceeds and DelVal Money.**

Promptly upon the issuance, sale and delivery of any Series of Bonds, DelVal shall deposit the proceeds of such Series of Bonds together with any moneys provided by DelVal to the Funds and accounts as determined in the Supplemental Indenture executed in connection with the issuance of such Series of Bonds.

### **Section 5.12 [Reserved.]**

### **Section 5.13 Moneys to Be Held in Trust.**

All moneys required to be deposited with or paid to the Trustee for the account of any Fund established under any provision of this Indenture shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, or held pursuant to Section 2.10, or held in the Rebate Fund, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the security interest created hereby.

### **Section 5.14 Payment of Excess Moneys.**

Subject to Section 2.10 and Article IX, any amounts remaining in any Fund created pursuant to Section 5.02 after full payment of all Bonds (including any rebate and/or yield reduction liability and the reasonable fees, charges and expenses with respect to the issuance of Bonds under Section 5.08), full payment of amounts owed to any Credit Facility Provider, full payment of all Swap Agreements (and termination of all interest rate swaps), if any, and full payment of the fees, charges and expenses of the Trustee, DelVal, the Administrator, and the Rebate Analyst, shall be paid to DelVal.

### **Section 5.15 Reports from the Trustee; Examination of Books.**

The Trustee shall furnish to DelVal, the Administrator and the Rebate Analyst within two (2) weeks following the end of each Bond Year, statements of the activity and assets held in the Funds created pursuant to Section 5.02. The Trustee shall, at the written request of the Administrator, DelVal or the Rebate Analyst, permit representatives of such parties to examine the books and records of the Trustee relating to the Funds.

### **Section 5.16 Certain Verifications.**

DelVal, the Trustee, the Administrator and/or the Rebate Analyst from time to time may cause a firm of Accountants or consultants to supply DelVal, the Trustee, the Administrator and the Rebate Analyst with such information as DelVal, the Trustee, the Administrator or the Rebate Analyst may request in order to determine in a manner reasonably satisfactory to DelVal, the Trustee, the Administrator and the Rebate Analyst all matters relating to (a) any audits of DelVal, if and to the extent such audits relate to Bonds, (b) the sufficiency of projected cash flow receipts and disbursements on the Loan Agreements, the Swap Agreements, if any, the Investment Agreements and Funds described herein to pay the principal and redemption price of and interest on the Bonds, the Swap Payments, if any, and Swap Receipts, if any; and (c) the actuarial yields

on the Loan Agreements, the investments held under the Indenture, and on the Bonds, as the same may relate to any data or conclusions necessary to verify that none of the Bonds are arbitrage bonds within the meaning of § 148 of the *Code* or to permit investment of amounts in the Funds in compliance with the *Code* and this Indenture. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid from moneys in the Discretionary Fund. Any and all such reports shall be delivered by the Administrator to the Trustee.

#### **Section 5.17 Effect of Certain Loan Agreement Defaults under Loan Agreements; Assignment of Loan Agreements.**

Upon the occurrence of a Loan Agreement Default of which it has knowledge, the Trustee shall immediately notify DeVal, the Administrator, the Guarantor, if any, each Swap Counterparty, and the Participant Credit Enhancer, if any. Upon written direction of the Participant Credit Enhancer, unless payment has been made by the Guarantor, and if the Participant Credit Enhancer is not in default on the Participant Credit Enhancement for the Loan, the Trustee shall take all action available to it as owner of the Participant Note in its representative capacity, to make demand for, and enforce, collect, settle and recoup all payments due under the Participant Note.

If, as a result of any such payment default by a Participant, the amounts on deposit in the Revenue Fund are insufficient to make the payments required to be made therefrom, and payments are not made by the Guarantor, if any, or the Participant Credit Enhancer, the Trustee shall draw upon the Debt Service Reserve Fund for the amount necessary to pay principal or interest on Bonds unless DeVal provides moneys therefor pursuant to the Covenant Agreement or directs transfer from the Discretionary Fund, and shall take all action available to it as owner of the Participant Note in its representative capacity, to make demand for, and enforce, collect, settle and recoup all payments due under the Participant Note.

## **ARTICLE VI LOAN AGREEMENTS**

### **Section 6.01 Terms and Conditions.**

Moneys in the Acquisition Fund and the Recycling Fund shall be used to purchase Participant Notes to provide funds to Participants to finance the Cost of Projects, under Loan Agreements setting forth the terms and conditions, and upon submission of the documents, contained in this Article VI, and not otherwise. Loans may be made as either the Variable Rate Loans or at Fixed Rate Loans and may be made from one or more Series of Bonds. In connection with any Fixed Rate Loan, DelVal may enter into subsequent Swap Agreements. The Administrator shall provide to DelVal, the Trustee and a Participant recommendations concerning the terms and provisions it believes should be included in the details of each Loan Agreement.

### **Section 6.02 Restrictions on Program.**

The following restrictions shall apply to all Loan Agreements:

(a) Each Loan Agreement shall be in substantially the form attached as Exhibit “A” hereto as it may be modified pursuant to Section 6.08 hereof, or in a Supplemental Indenture authorizing this issuance of a Series of Bonds.

(b) No Closing shall occur unless DelVal, the Trustee, and, if applicable, the Credit Facility Provider, Participant Credit Enhancer, and Swap Counterparty have received all of the executed Loan Documents and all conditions established by the Administrator for such Loan have been satisfied.

(c) Loan principal shall be scheduled to mature so as to provide sufficient funds to pay Bonds issued to fund such Loans on their respective maturity dates, all as may be determined by the Administrator.

(d) DelVal shall not originate a Loan to a Participant with a rating below “A3” by Moody’s or “A-” by S&P unless the Rating Agencies previously confirmed that the ratings on the Outstanding Bonds at that time would not be downgraded as a consequence of originating such Loan or Loans without Participant Credit Enhancement.

(e) DelVal shall secure a Participant Credit Enhancement to secure any Loan to a Participant whose rating is downgraded below “A3” by Moody’s and “A-” by S&P subsequent to the closing of the Loan unless the Rating Agencies confirm that the ratings on the Outstanding Bonds at that time would not be downgraded as a consequence of not securing the Participant Credit Enhancement.

### **Section 6.03 Disbursement Period.**

The Trustee shall fund Loans from the proceeds in the Acquisition Fund or the Recycling Fund, as the case may be, by purchasing Participant Notes from Participants to finance or reimburse the Cost of Projects on such basis as shall be determined from time to time by the Administrator in the order that all necessary requirements are met, until such date as there are no longer any unloaned funds on deposit in the Acquisition Fund or the Recycling Fund, or until an Acquisition Fund Termination Date or a Recycling Fund Termination Date, respectively. Notwithstanding the foregoing, the Trustee, upon the written direction of DelVal or Administrator, and with a Favorable Opinion of Bond Counsel, may reserve proceeds in the Acquisition Fund and the Recycling Fund for funding of a Loan to a Participant at a future date after an Acquisition Fund Termination Date or a Recycling Fund Termination Date, as applicable.

### **Section 6.04 Loan Agreement Term and Repayments.**

(a) Each Loan Agreement shall be for a term not exceeding 120% of the useful life of the Project financed with the applicable Loan. The Loan Principal of the Participant Notes shall be repaid in such amounts on such dates as set forth in the applicable Participant Note.

(b) Each Repayment shall be calculated for each Loan Payment Period by the Administrator, as provided in the Loan Agreement. Repayments will consist of Loan Principal payments defined in the Participant Notes and Participant Interest payments calculated by the Administrator. Repayments will be due on the Loan Payment Date or the Loan Prepayment Date, if applicable.

(c) Participant Interest shall be at the rates as determined by the Administrator. The Administrator shall calculate the rates on Variable Rate Loans based, inter alia, on the payments on the Bonds, net of payments with respect to the Swap Agreements, if any. The Administrator shall calculate the rates on Fixed Rate Loans based, inter alia, on the payments on the Bonds, net of payments with respect to the Swap Agreements, if any. Participant Interest shall never be greater than the Maximum Rate.

(d) In the event that DelVal owes a Termination Payment due to the early termination of a Swap Agreement, the Administrator shall calculate a Termination Charge for the affected Participants and, if applicable, the Guarantor and Participant Credit Enhancer. The Termination Charge will be payable on the date specified by the Administrator.

### **Section 6.05 Application Submissions.**

Prior to approving an application, DelVal shall have received a completed application in the form approved by DelVal, including all financial and other information specified therein.

### **Section 6.06 Closing Time and Place.**

Closings shall take place at such place as may be mutually agreeable to DelVal, the Trustee, the Administrator, and the Participant.

### **Section 6.07 Closing Submissions.**

Prior to or at each Closing, the Trustee, the Administrator and DelVal shall have received the following documents from the related Participant:

(a) a counterpart of the Loan Agreement executed by the parties thereto and endorsed by DelVal to the Trustee;

(b) the original Participant Note in principal amount equal to the Initial Amount, registered in the name of the Trustee, bearing interest and maturing as to principal and interest in accordance with the Loan Agreement; and

(c) the additional items required by Section 6.02 hereof.

All opinions and certificates required under this section and under the Loan Agreement shall be dated the date of Closing and all such opinions shall be addressed to DelVal and the Trustee. Interest on the Participant Notes shall commence to accrue on the date of Closing.

### **Section 6.08 Modifications of Forms of Loan Agreements and Participant Resolutions.**

Prior to the execution and delivery of a Loan Agreement, DelVal may approve modifications to the form of Participant Ordinances or Participant Resolutions or Loan Agreements, so long as such modifications do not adversely affect the interest of Bondholders or any Swap Counterparty. Any modifications which materially change the undertakings set forth therein and adversely affect the interest of Bondholders shall be accompanied by a Favorable Opinion of Bond Counsel.

### **Section 6.09 Program Monitoring.**

The Administrator shall prepare periodic reports to DelVal and the Trustee setting forth the status of any Loan applications received by it, stating the amount of Loans then outstanding, projecting the anticipated use of moneys in the Acquisition Fund and the Recycling Fund and providing any recommendations it may have concerning the making of additional Loans.

The Administrator shall also monitor the activities of the Trustee and compliance with the requirements imposed hereunder.

The Administrator may engage or employ a person or firm acceptable to DelVal (the "Loan Origination Agent") to perform all or a portion of its duties under this Indenture and any Loan Agreement, and upon due authorization by the Administrator, such Loan Origination Agent shall be authorized to act on behalf of the Administrator in such matters. All provisions of this Indenture

calling for notices to be given to the Administrator shall also be deemed to provide for such notices to be sent to any Loan Origination Agent then engaged by the Administrator, upon filing of the address thereof with the Trustee.

## **ARTICLE VII SERVICING OF AGREEMENTS**

### **Section 7.01 Servicing.**

The Trustee shall provide enforcement of the obligations of the Participants. The Trustee shall transmit (in electronic or other format as determined by the Trustee) to each Participant an invoice (based upon information provided by the Administrator) reflecting the amounts computed to be due on each Loan.

The Administrator shall review all Loan applications, Loan Agreements and Participant Notes and assist the Participants in processing Loan applications. The Administrator shall assist Participants with any inquiries or requests made subsequent to the closing of a Loan. The Administrator shall also perform any other duties which have been delegated to the Administrator by DelVal pursuant to agreement with the Administrator.

### **Section 7.02 Defaults.**

The Trustee shall, in accordance with the terms and provisions of this Indenture, but at the direction of the Participant Credit Enhancer, if any insuring the Loan as to which there is a Loan Agreement Default, with respect to a Loan Agreement Default so long as such Participant Credit Enhancer has not defaulted under the Participant Credit Enhancement and the Guarantor, if any, so long as such Guarantor has not failed to make payments pursuant to its guarantee of a Loan, enforce, and take all steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Participant Notes and Loan Agreements, including the prompt payment of Repayments, Termination Charges and all other amounts due thereunder. The Trustee shall promptly notify the Administrator, the Guarantor, if any, any Swap Counterparties and the Participant Credit Enhancer, if any insuring the Loan as to which there is a Loan Agreement Default, of the occurrence of any Loan Agreement Default of which it has knowledge. The Trustee shall not release the obligations of any Participant under any Loan Agreement and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of (a) the Bondholders and, the Trustee under or with respect to each Loan Agreement; (b) any Swap Counterparty under or with respect to any Swap Agreement and (c) any Credit Facility Provider under or with respect to any Credit Facility Agreement; provided that this provision shall not be construed to prevent the Trustee, with the consent of the Participant Credit Enhancer, if any insuring the Loan as to which there is a Loan Agreement Default so long as such Participant Credit Enhancer has not defaulted under the Participant Credit Enhancement, or at the direction of the Participant Credit Enhancer, if any insuring the Loan as to which there is a Loan Agreement Default, so long as such Participant Credit Enhancer has not defaulted under the Participant Credit Enhancement, from settling a default under any applicable Participant Notes, Loan Agreement or any document securing them. The Trustee may act in accordance with the foregoing irrespective of whether there shall have occurred an Event of Default hereunder. Notwithstanding anything to the contrary set forth in this Indenture, including, in particular, Section 10.07 hereof, all moneys received by the Trustee, constituting proceeds of any action brought under a Loan Agreement, shall, after application to the reasonable expenses of the Trustee, be applied to all amounts then due and owing the Participant Credit Enhancer, if any insuring the Loan as to which there is a Loan

Agreement Default, as subrogee thereunder and shall thereafter, so long as the Participant Credit Enhancer, if any, is not in payment default of its Participant Credit Enhancement, be applied by the Trustee as a credit against Termination Charges then due and thereafter, against scheduled Loan Repayments in such manner as the Participant Credit Enhancer, if any, shall determine. Notwithstanding anything to the contrary set forth herein or in any Loan Agreement, DeVal hereby appoints the Trustee, and in the event of discharge of this Indenture in accordance with the provisions hereof, each Participant Credit Enhancer, its agent and attorney-in-fact for purposes of enforcing all rights under the Loan Agreements for which each Participant Credit Enhancer has provided Participant Credit Enhancement.

**Section 7.03 [Reserved].**

**Section 7.04 Payment or Prepayment by Participants.**

Upon the payment of all sums due and to become due under a Loan Agreement, including all Repayments due under the applicable Participant Notes, payment of all sums owing to a Participant Credit Enhancer, if any, and Termination Charges, or the prepayment of a Loan Agreement by a Participant by payment of the Optional Prepayment Price pursuant to Section 6.1 of a Loan Agreement, the Trustee shall cancel the Loan Agreement on behalf of DeVal and shall surrender to the Participant its Participant Notes, and shall take any other action required of the Trustee under the Loan Agreement and shall execute in its own name all relevant documents in connection with such actions (and the Trustee is hereby appointed DeVal's agent and attorney-in-fact for purposes of taking any act, including the presentation for payment and collection of the Participant Notes and the execution and delivery of any document, required by this Section).

**Section 7.05 Loan Agreement Files.**

All documents received by the Trustee with regard to a particular Loan Agreement shall be retained by the Trustee in a file pertaining to that Loan Agreement (a "Loan Agreement File"). The Loan Agreement File shall be kept at the Philadelphia office of the Trustee and shall be available for inspection by DeVal, any Swap Counterparty and the Participant Credit Enhancer, if any, at reasonable times and under reasonable circumstances.

**Section 7.06 Trustee, Administrator and DeVal Not to Impair Tax Exemption of Bonds.**

The Administrator and DeVal shall not take any action, or direct the Trustee to take any action, or omit to take any action, or permit any action, except actions required hereunder and under the Loan Agreements, which is within each of its respective control to be taken or omitted, which would to the actual knowledge of the respective officers of each, impair the exclusion of interest on Bonds (to the extent such Bonds were issued as tax exempt Bonds) from gross income of the Bondholders thereof for federal income tax purposes.

## **Section 7.07 Additional Duties of Administrator.**

In connection with the administration of the Program, the Administrator shall perform the following services:

- (a) Participate in the establishment of the Program and coordinate the development of the Program with involved parties,
- (b) Provide information and market and promote the program to all potential Participants through written materials and presentations, and attendance at conferences and seminars as representative of the program,
- (c) Initiate contact with potential Participants for the purpose of presenting and explaining the program,
- (d) Act as originator and processor of each Loan,
- (e) Consult with government officials and give advice and assistance as to the Participant's eligibility, the application procedure, any required security, and related matters prior to the filing of a Loan application,
- (f) Upon the request of a Participant, meet with the governing body or officials of the Participant to explain the program and the application procedure,
- (g) Assist any potential Participant in the preparation of its Loan application and gathering of information and documentation required,
- (h) Receive filed applications and review them for completeness and forward them to a Participant Credit Enhancer, if any, for approval,
- (i) Report to the Trustee and the Participant Credit Enhancer, if any, any information of which it has actual knowledge concerning the condition of a Participant that could potentially cause a default,
- (j) Review each Loan Agreement, including the related Participant Note, and approve the same in accordance with the parameters of the program established by DelVal from time to time and in accordance with the Participant's application,
- (k) Provide information requested by DelVal and Trustee to enable DelVal and Trustee to comply with the requirements of continuing disclosure, including the requirements of Rule 15(c)2-12 of the Securities and Exchange Commission,
- (l) Review and approve all applications for disbursements by the Trustee, and
- (m) Prepare Qualified Interest Rate Management Agreements and Interest Rate Management Plans to the extent required by the *Debt Act*.

## **ARTICLE VIII INVESTMENT OF MONEYS**

### **Section 8.01 Investment of Moneys in Funds.**

(a) Subject to the provisions of each Tax Compliance Certificate, all Bond proceeds and other moneys deposited in any Funds (other than the Rebate Fund) shall be initially invested pursuant to the Investment Agreements or other Eligible Investments. Proceeds of a draw on a Credit Facility or from the remarketing of any Series of Bonds shall be invested only in cash or Eligible Investments meeting the requirements of Section (a)(ii) of the definition thereof, which, if invested, shall mature on the earlier of: (i) as required pursuant to this Indenture or (ii) thirty days following the investment thereof.

(b) The Trustee is hereby directed to enter into the Investment Agreements and to invest amounts thereunder in accordance with the terms of such Investment Agreements and is hereby instructed to give all notices and to take all other actions necessary (i) to make withdrawals from such Investment Agreements in order to make timely payments of principal or redemption price and interest on the Bonds and fees and expenses due hereunder and (ii) to make timely deposits or redeposits of proceeds as required hereunder.

Eligible Investments acquired as an investment of moneys in any Fund created by this Indenture shall be credited to such Fund. For the purpose of determining the amount in any Fund at any time in accordance with this Indenture, except as otherwise provided herein, all Eligible Investments credited to such Fund shall be valued at fair market value. The value of Eligible Investments in each Fund shall be determined upon acquisition and annually thereafter as of each Anniversary Date. The value of Eligible Investments so determined as of any such date shall constitute the “Value of Eligible Investments” for purposes of this Indenture until the next date of valuation.

All interest, profits and other income earned, net of any losses suffered (herein called the “net earnings from investment of moneys”), in any Fund created by this Indenture shall be deposited as set forth in Article V.

Subject to the provisions hereof, investments in any and all Funds created by this Indenture may be commingled for purposes of making, holding and disposing of investments. Notwithstanding provisions herein for transfer to or holding in particular Funds amounts received, or such commingling, the Trustee shall at all times account for such investments in the Funds to which they are credited and otherwise as provided in this Indenture. The Trustee may act as principal or agent in the acquisition or disposition of any Eligible Investment. The Trustee may sell, or present for redemption, any Eligible Investment to the credit of any Fund created by this Indenture whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from such Fund, and the Trustee shall not be liable for any loss resulting from such investment.

All moneys required to be deposited with or paid to the Trustee for the account of any Fund (other than the Rebate Fund) established under any provision of this Indenture shall be held by the

Trustee in trust and shall constitute part of the Trust Estate while held by the Trustee; provided, however, that moneys deposited with or held by the Trustee for the purchase of a Series of Bonds on or after any date on which such Series of Bonds are required to be purchased, for the redemption of such Series of Bonds on or after the redemption date of such Series of Bonds, or for the payment of the principal or redemption price of or interest on a Series of Bonds on or after the date on which such amounts shall have become due, shall be held and applied solely for the purchase, redemption or payment of such Series Bonds or the payment of such interest, as the case may be.

The Trustee shall not invest any funds held by it for the payment of the principal or redemption price of a Series Bonds after the date established for maturity or redemption thereof.

Notwithstanding any provision to the contrary contained herein, all moneys subject to investment under this Indenture shall be invested in Eligible Investments.

The Trustee shall promptly send to DelVal and the Administrator monthly trust statements of the investments held under the Indenture, including the balances on deposit in each Fund and Account, the investment income for such month, and the maturities and interest rates then in effect for such investments. The Administrator shall review such reports and advise the Trustee and DelVal of any discrepancies or concerns regarding such investments.

#### **Section 8.02 Federal Tax Laws.**

(a) DelVal covenants that it will make no investment or other use of the proceeds of Bonds which are tax exempt Bonds which would cause the Bonds which are tax exempt Bonds to be “arbitrage bonds” as that term is defined in Section 103(b)(2) and Section 148(a) of the Code, and that it will comply with the requirements of the Code sections and regulations and with the Tax Compliance Certificate throughout the term of the Bonds. In the event that at any time DelVal is of the opinion that for the purposes of this Section 8.02 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee, DelVal shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, DelVal agrees that there shall be paid from time to time all amounts required to be paid to the United States Treasury pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds which are tax exempt Bonds from time to time. This covenant shall survive payment in full or defeasance of all Outstanding Bonds which are tax exempt Bonds. DelVal specifically covenants to pay or cause to be paid to the United States Treasury the Rebate Amounts and Yield Reduction Amounts, as set forth in the Tax Compliance Certificate.

Notwithstanding any provision of this Section, if DelVal shall provide to the Trustee a Favorable Opinion of Bond Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds which are tax exempt Bonds pursuant to Section 103 of the Code, DelVal and the Trustee may rely conclusively on such opinion in complying with the provisions hereof or such matters as are set forth in the Favorable Opinion of Bond Counsel.

(b) DelVal covenants that so long as Bonds which are tax exempt Bonds remain Outstanding it will comply with the requirements of the *Code* so that the interest on the Bonds which are tax exempt Bonds shall be excluded from gross income for federal income tax purposes, and will comply with the information reporting requirements imposed by federal tax laws as they relate to the Bonds which are tax exempt Bonds by, *inter alia*, filing any statement required thereby in a complete and timely manner.

(c) DelVal hereby covenants for the benefit of the Bondholders of the Bonds which are tax exempt Bonds that it will cause the Participants to not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the Bondholders of the Bonds of the interest on the Bonds which are tax exempt Bonds under Section 103 of the Code. DelVal also covenants that it will cause the Participants to not directly or indirectly use or permit the use of any of the proceeds of the Bonds which are tax exempt Bonds or any other funds or take or omit to take any action which would cause the Bonds which are tax exempt Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code and to comply will all requirements of Section 148 of the Code to the extent applicable to the Bonds. DelVal shall comply with the covenants in this paragraph (c) by requiring each Participant to enter into a Participant Tax Compliance Agreement.

(d) DelVal recognizes that the provisions of this Section 8.02 are intended to comply with the provisions of the Code applicable to the Bonds which are tax exempt Bonds and if as a result of a change in an applicable section of the Code or in the interpretation thereof, change in this Section 8.02 shall be permitted or necessary to assure continued compliance with provisions of the Code, then DelVal shall be empowered without further action or consent, to amend this Section 8.02 and DelVal may require a written opinion of Bond Counsel satisfactory to DelVal to the effect that either (i) such amendment is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid and payable on the Bonds which are tax exempt Bonds, or (ii) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of the interest paid or payable on the Bonds which are tax exempt Bonds.

**ARTICLE IX  
DISCHARGE OF INDENTURE**

**Section 9.01 Discharge of Indenture.**

If DelVal shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made to or for the Bondholders, the principal of and interest due or to become due thereon at the times and in the manner stipulated therein, shall have paid all amounts owing to any Credit Facility Provider (and such Credit Facility shall have been returned and marked “cancelled”), shall have paid all Swap Payments and Termination Payments due or to become due under the Swap Agreements and shall pay or cause to be paid all sums of money due or to become due according to the provisions hereof, then these presents and the estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of this Indenture, and execute and deliver to DelVal such instruments in writing as shall be requisite to cancel and discharge the lien hereof, and release, assign and deliver unto DelVal any and all of the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee or otherwise subject to the lien of this Indenture.

Notwithstanding the foregoing, those provisions of this Indenture relating to the maturity of Bonds, interest payments and dates thereof, redemption provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, the rights afforded any Swap Counterparty herein and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Bondholders notwithstanding the release and discharge of the lien of this Indenture.

Any Bond shall be deemed to be paid within the meaning of this Article when payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in this Indenture, or otherwise), either

(a) shall have been made or caused to have been made in accordance with the terms thereof, or

(b) shall have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (i) moneys sufficient to make such payment, (ii) non-callable direct general obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, maturing as to principal and interest in such amounts and at such times as shall insure the availability of sufficient moneys to make such payments, or (iii) a combination of such moneys and obligations, and all necessary and proper fees and expenses of and other amounts owing to the Trustee, the Administrator or DelVal, with respect to which such deposit is made shall have been paid or deposited with the Trustee. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, and all liability of DelVal with respect to such Bond shall cease, terminate, and be completely discharged and extinguished except for the purposes of registration and exchange of Bonds, and replacement of mutilated, lost, stolen or destroyed Bonds,

and the Bondholders thereof shall be entitled to payment solely out of the moneys or securities so deposited.

Notwithstanding the foregoing, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid unless:

(a) the Trustee has received a letter from each Rating Agency then rating the Bonds that such deposit shall not cause the rating then assigned to the Bonds by such Rating Agency to be lowered or eliminated; and

(b) DelVal shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

- (i) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted or required by this Indenture);
- (ii) to call for redemption pursuant to this Indenture any Bonds to be redeemed prior to maturity pursuant to (i) hereof, and
- (iii) to mail, as soon as practicable, in the manner prescribed by Article III hereof, a notice to the Bondholders of such Bonds that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, of said Bonds as specified in Clause (i) of this paragraph.

Any moneys so deposited with the Trustee as provided in this Article may at the direction of DelVal also be invested and reinvested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Article which is not required, as evidenced by a report of an Accountant, for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be used as otherwise permitted by this Indenture.

No such deposit under this Article shall be made or accepted hereunder and no use made of any such deposit unless the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit and use would not cause Bonds which are tax exempt Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or obligations have been so set aside in trust.

Anything in Article XII to the contrary notwithstanding, if moneys or obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the Bondholder of each Bond affected thereby.

**ARTICLE X  
DEFAULT PROVISIONS AND REMEDIES OF  
TRUSTEE AND BONDHOLDERS**

**Section 10.01 Defaults; Events of Default.**

The following events shall constitute an “Event of Default” or “Events of Default”:

(a) A failure to pay when the same shall become due and payable, interest on or principal of any Bond (whether at maturity, by acceleration, redemption or otherwise) or the payment of any Swap Payment; or

(b) Any other default in the payment or default in the performance or observance of any covenant, agreement or condition on the part of DeIVal contained in this Indenture or in Bonds (other than defaults mentioned in Section 10.01(a) and other than the failure to pay a Termination Payment unless moneys sufficient therefor are available in the Discretionary Fund) and failure to remedy the same after notice of the default pursuant to Section 10.11.

**Section 10.02 Acceleration.**

Upon the occurrence of an Event of Default described in Section 10.01(a), the Trustee shall, by notice to DeIVal, the Bondholders, the Administrator and the provider of any Credit Facility, except to the extent limited in a Supplemental Indenture, declare the entire unpaid principal of and interest on all Bonds Outstanding immediately due and payable; thereupon, the entire unpaid principal of and interest on all Bonds Outstanding shall forthwith become immediately due and payable and the Trustee shall immediately draw on any Credit Facility which secures any Series of Bonds.

Upon the occurrence of an Event of Default described in Section 10.01(b), the Trustee shall, upon the written request of the Bondholders of 50% in aggregate principal amount of all Bonds Outstanding, by notice to DeIVal, the Administrator, the Bondholders and the provider of any Credit Facility, except to the extent limited in a Supplemental Indenture, declare the entire unpaid principal of and interest on all Bonds Outstanding immediately due and payable and, thereupon, the entire unpaid principal of and interest on the Bonds shall forthwith become due and payable.

If the Bonds are accelerated, DeIVal shall forthwith pay pro-rata to the Bondholders of the Bonds, any provider of a Credit Facility and the Swap Counterparty, the entire unpaid principal of and accrued interest on the Bonds (or to reimburse a Credit Facility Provider for amounts drawn on a Credit Facility to pay the Bonds) and the Swap Payments, but only from the Revenues herein specifically pledged for such purpose. Interest on any Series of Bonds secured by a Credit Facility on which the Credit Facility Provider has honored a draw, shall cease to accrue on the date of the declaration of the acceleration. In the event the Trustee fails to accelerate as required by this Section 10.02, the Bondholders of a majority in aggregate principal amount of Bonds Outstanding shall have the right to take such action. Following payment of the entire unpaid principal of and accrued interest on the Bonds, all amounts owing to any Credit Facility Provider and the Swap Payments, the Trustee shall pay the Termination Payments from the sources as provided herein.

### **Section 10.03 [Reserved].**

### **Section 10.04 Remedies; Rights of Bondholders.**

Upon the occurrence of an Event of Default, the Trustee shall have the following rights and remedies:

(a) The Trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on Bonds then Outstanding, including enforcement of any rights of DeVal or the Trustee hereunder or under the Loan Agreements or any documents securing them, or to enforce the rights of any Swap Counterparty to the payment of Swap Payments under any Swap Agreement.

(b) The Trustee may by action or suit in equity require DeVal to account as if it were the trustee of an express trust for the Bondholders and shall then take such action with respect to the Loan Agreements as the Trustee shall deem necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the Loan Agreements, including the sale or assignment of part or all of the Loan Agreements.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

If an Event of Default shall have occurred, the Trustee may except as otherwise provided in a Supplemental Indenture, and if requested so to do by the Bondholders of 50% or more in aggregate principal amount of all Bonds then Outstanding, except as otherwise provided in a Supplemental Indenture and in either case indemnified as provided in Section 11.01(I), shall be obligated to exercise such one or more of the rights and powers conferred by this section as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondholders.

No right or remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee or to the Bondholders hereunder as now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or exercise of any other right or remedy.

No delay or omission in exercising any right or remedy accruing upon any default or Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

**Section 10.05 [Reserved].**

**Section 10.06 Appointment of Receivers.**

Upon the occurrence of an Event of Default and the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

**Section 10.07 Application of Moneys.**

Subject to the provisions of Section 7.02 hereof, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee (including fees and expenses of its Counsel) or DeVal, be deposited in the Revenue Fund, along with any other moneys available for such purposes:

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied equally and ratably, to the payment to the persons entitled thereto of all amounts payable pursuant to Section 5.04(b)(i) and Section 5.04(b)(ii), provided that if the amount available shall not be sufficient to pay in full any particular installment of interest and any Swap Payment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal amount of all Bonds shall have become due, all such moneys shall be applied, equally and ratably, to the payment to the persons entitled thereto of amounts payable pursuant to Section 5.04(b)(i), Section 5.04(b)(ii) and Section 5.04(b)(iii), without preference or priority of principal, interest or Swap Payments or of interest and Swap Payments over principal, or of any installment of interest or Swap Payments over any other installment of interest or Swap Payments, according to the amounts due respectively for principal, interest and Swap Payments, without any discrimination or privilege.

(c) Termination Payments shall be paid from moneys in the Discretionary Fund subject and subordinate to the payment of principal and redemption price of and interest on the Bonds, amounts owing to any Credit Facility Provider and Swap Payments.

Except as to Series of Bonds secured by a Credit Facility, whenever the Trustee shall apply funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of Bonds to be paid on such dates shall cease to accrue. The Trustee shall by first class mail, postage prepaid, notify Bondholders of the Record Date and the time and place at which defaulted principal and interest is to be paid. Such notice shall be mailed to the persons in whose name the Bonds are registered at the close of business on the fifth day preceding the date of mailing. The Trustee shall not be required to make payment of principal to the Bondholder of

any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal or redemption prices on all Bonds, amounts owing to any Credit Facility Provider and all Swap Payments and Termination Payments have been paid under the provisions of this Section (and all interest rate swaps have been terminated) and all expenses and charges of and other amounts payable to the Trustee, the Administrator and DeVal have been paid, any balance remaining in the Funds shall be paid to DeVal as provided in Section 5.14 hereof.

Notwithstanding the foregoing, no fees, expenses, liabilities and advances incurred or made by the Trustee (including fees and expenses of its Counsel) or DeVal shall be paid with the proceeds of a draw on a Credit Facility or proceeds from the remarketing of any Series of Bonds.

#### **Section 10.08 Remedies Vested in the Trustee.**

All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs any Bondholders, and any recovery of judgment shall be for the equal and ratable benefit of the Bondholders of all the Outstanding Bonds, any Credit Facility Provider and any Swap Counterparty in accordance with their respective interests in the Trust Estate.

#### **Section 10.09 Termination of Proceedings.**

In case the Trustee, or any Bondholder shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case DeVal, the Trustee, the Swap Counterparty, if any, the provider of any Credit Facility and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and with regard to the property herein subject to this Indenture, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceedings had been taken.

#### **Section 10.10 Waivers of Events of Default.**

The Trustee may, at its discretion, waive any Event of Default hereunder and its consequences and may rescind any declaration of acceleration of all the Bonds, and shall do so upon the written request of the Bondholders of (a) a majority in aggregate principal amount of Bonds then Outstanding in respect of which default in the payment of principal and/or interest exists, or (b) a majority in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided, however, that there shall not be waived without the consent of the Bondholders of all Bonds then Outstanding (i) any default in the payment of the principal of any Outstanding Bond at the date of maturity specified therein or date of prior redemption or (ii) any default in the payment when due of the interest on any Outstanding Bond, unless prior to such waiver all arrears of interest or all arrears of payments of principal or redemption price then due

(other than accelerated principal), as the case may be, with interest on overdue principal and redemption price and interest at the rate borne by such Bond and all expenses of the Trustee in connection with such default, shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case DelVal, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any consequent right thereon. No waiver hereunder shall affect the rights of third parties to payment of amounts provided for hereunder.

#### **Section 10.11 Notice of Defaults under Section 10.01(b); Opportunity of DelVal to Cure Such Defaults.**

Anything herein to the contrary notwithstanding, no default under Section 10.01(b) shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to DelVal and the Administrator by the Trustee or the Bondholders of not less than 50% in aggregate principal amount of all Bonds then Outstanding, and DelVal (other than the failure to pay a Termination Payment if moneys sufficient therefor are available in the Discretionary Fund) shall have had 60 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by DelVal within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to DelVal under the provisions of this section, DelVal hereby grants the Trustee full power and authority, on behalf of DelVal, to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of DelVal, with full power to do any and all things and acts to the same extent that DelVal could do and perform any such things and acts and with power of substitution.

Notwithstanding anything to contrary contained in Sections 10.10 or 10.11, an Event of Default shall not be waived following a draw on Credit Facility unless the Trustee receives evidence that the Credit Facility has been reinstated in full and the Credit Facility Provider has not directed the Trustee to accelerate the Bonds secured by such Credit Facility.

#### **Section 10.12 Consent by Credit Facility Provider.**

If a Credit Facility is provided for all or a portion of a Series of Bonds, the Credit Facility Provider shall be deemed to be the Holder of such Bonds for the following:

(a) the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings all as provided in Article X of this Indenture to the same extent and in place of the Owners of the Series of Bonds which are secured by the Credit Facility;

(b) the right to act in place of the Owners of the Series of Bonds which are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee under Article XI hereof; and

(c) the right to act in place of the Owners of the Series of Bonds to consent to Supplemental Indentures, which would otherwise require the consent of the Holders of not less than 50% in aggregate Principal Amount of the Bonds, entered into pursuant to Section XII, and of this Indenture.

The rights granted to any such Credit Provider, with respect to the provisions of Articles XI and XII hereof shall be disregarded and be of no effect if the Credit Facility Provider is in default of its payment obligations under its Credit Facility.

## **ARTICLE XI THE TRUSTEE**

### **Section 11.01 Acceptance of the Trusts.**

The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to serve as trustee for all Bonds issued hereunder and to perform said trusts, but only upon and subject to the following express terms and conditions and agrees to serve as Tender Agent for all Bonds (the Trustee and the Tender Agent shall at all times be the same entity so long as a Credit Facility is outstanding):

(a) The Trustee, prior to the occurrence of an Event of Default hereunder or under a Loan Agreement of which the Trustee has actual notice 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 Indenture and the Loan Agreements. In case an Event of Default hereunder or under a Loan Agreement of which the Trustee has actual notice has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent Trustee would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, or receivers, but the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder, and the Trustee shall be entitled to advice of Counsel concerning all matters of trusts hereof and the duties hereunder and under the Loan Agreements, and may in all cases pay such reasonable compensation to all such attorneys, agents, and receivers as may reasonably be employed in connection with the trusts hereof and under the Loan Agreements. The Trustee may act upon the opinion or advice of any attorneys (who may but need not be the attorney or attorneys for DelVal or a Participant), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein (except recitals of the Trustee), or in the Bonds (except in respect to any certificate of authentication endorsed on the Bonds by the Trustee) or in the Loan Agreements, or for the validity of the execution by DelVal of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Bondholder secured hereby with the same rights which it would have if not the Trustee.

(e) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder or under a Loan Agreement or Participant Note, except a failure by a Participant to make payments when due under a Loan Agreement or on a Participant Note, or a failure by DelVal to cause to be made any of the payments of principal or redemption prices of, or

interest on, the Bonds when due unless the Trustee shall be specifically notified in writing of such default by DeVal or by any Bondholder or a state or federal court. All notices or other instruments required by this Indenture or by a Loan Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the corporate trust office of the Trustee in Philadelphia, Pennsylvania, until such time as a different address may be provided by the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(f) The Trustee shall be protected in acting upon and shall be conclusively entitled to rely upon any notice, request, consent, certificate (including the certificates of the officials of the Participants required pursuant to Section 6.07 hereof and under the Loan Agreements), order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons including any such documents signed by an Authorized Officer of DeVal. The Trustee shall not unreasonably withhold its consent, approval or action to any reasonable request of DeVal. Any action taken by the Trustee pursuant to this Indenture upon the request of DeVal or upon the consent of any person who at the time of making such request or giving such consent is the Bondholder shall be conclusive and binding upon all future Bondholders of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(g) 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 in good faith to rely upon a Certificate signed by an Authorized Officer of DeVal as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has notice or is deemed to have notice pursuant to Section 11.01(e) hereof, shall also be at liberty to accept a similar Certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Certificate of the Chairman or the Secretary of DeVal under its seal to the effect that a resolution in the form therein set forth has been adopted by DeVal as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(h) The permissive right of the Trustee to do things enumerated in this Indenture or in the Loan Agreements shall not be construed as a duty and it shall not be answerable for other than its gross negligence or willful misconduct.

(i) At any and all reasonable times, the Trustee, the Administrator and the duly authorized agents, attorneys, experts, engineers, accountants and representatives of any of said Persons shall have the right to inspect any and all of the books, papers and records of DeVal pertaining to the revenues and receipts under the Loan Agreements and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises granted herein.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication

of any Bonds, the withdrawal of any cash, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing the right of DelVal to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action under this Indenture, other than drawing under the provisions of a Credit Facility or, if applicable, directing a mandatory tender of a Series of Bonds secured by a Credit Facility, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses which it may incur and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct, by reason of any action so taken, but the Trustee may not require indemnity as a condition to declaring the principal of or interest on the Bonds to be due immediately under Section 10.02 hereof.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds, except to the extent required herein or by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

#### **Section 11.02 Fees, Charges and Expenses of the Trustee.**

The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, Counsel fees and other expenses reasonably and/or necessarily made or incurred by the Trustee in connection with such services, but solely from moneys deposited in the Revenue Fund (other than the proceeds of a draw on a Credit Facility and proceeds from the remarketing of any Series of Bonds) and available therefor pursuant to Sections 5.04(b) and 10.07 hereof. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal or redemption price of or interest on any Bond upon the Trust Estate (other than the proceeds of a draw on a Credit Facility and proceeds from the remarketing of any Series of Bonds) for the foregoing fees, charges and expenses incurred by it.

#### **Section 11.03 Notice to Certain Persons If Default Occurs.**

If the Trustee becomes aware of an Event of Default, then the Trustee shall promptly give written notice thereof by first-class mail to the Bondholders of all Bonds then Outstanding, shown by the registration books kept at the designated corporate trust office of the Trustee, and to the Administrator, DelVal and the Swap Counterparty.

#### **Section 11.04 Intervention by the Trustee.**

In any judicial proceeding to which DelVal is a party and which, in the opinion of the Trustee and its Counsel, has a substantial bearing on the interests of Bondholders, the Trustee may intervene on behalf of the Bondholders and shall do so if requested in writing by the Bondholders of at least 50% of the aggregate principal amount of the Bonds then Outstanding.

#### **Section 11.05 Resignation by the Trustee.**

The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving 60 days' written notice by first-class mail to DelVal, the Administrator and the Bondholder of each Bond; provided, however, that in no event shall such resignation take effect until the appointment of a successor Trustee and the acceptance of such appointment by such successor as provided in Sections 11.08 and 11.09 hereof. Upon receiving such notice of resignation, DelVal shall promptly appoint a successor Trustee. If no successor Trustee shall have been so appointed and accepted such appointment within 60 days of mailing the notice of such resignation to the Bondholders, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or the Bondholders of at least 50% of the aggregate principal amount of the Bonds may petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor Trustee as provided in Sections 11.08 and 11.09 hereof.

#### **Section 11.06 Removal of the Trustee.**

The Trustee may be removed at any time for just cause, by an instrument or concurrent instruments in writing delivered to DelVal, the Trustee, and the Administrator and signed by the Bondholders of a majority in aggregate principal amount of all Bonds then Outstanding.

DelVal may remove the Trustee at any time for just cause so long as there is no default by DelVal and no Event of Default then in existence or continuing under this Indenture.

#### **Section 11.07 Successor Trustee by Merger.**

Any corporation into which any Trustee hereunder may be merged or converted, with which it may be consolidated, or to which it may transfer or sell all or substantially all or its assets, or any corporation resulting from any merger, conversion, consolidation or sale to which any Trustee hereunder shall be a party, shall be the successor trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding, provided, however, that any such successor corporation continuing to act as Trustee hereunder shall meet the requirements of Sections 11.09 and 11.10(d) hereof, and if such corporation does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to this Article XI.

**Section 11.08 Appointment of a Successor Trustee by the Bondholders; Temporary Trustee.**

In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Bondholders of a majority in aggregate principal amount of all Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders, or by their attorneys in fact, duly authorized and a copy of which shall be delivered personally or sent by registered mail to DelVal and the Administrator. Nevertheless, in case of such vacancy or resignation, DelVal shall appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders in the manner above prescribed; and any such temporary Trustee so appointed shall immediately and without further act be superseded by any Trustee so appointed by such Bondholders. Notice of the appointment of a successor Trustee shall be given in the same manner as provided herein with respect to the resignation of a Trustee.

Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall have been appointed and shall have accepted such appointment.

**Section 11.09 Concerning Any Successor Trustee.**

Every successor Trustee appointed hereunder shall be a trust company or bank in good standing located in or incorporated under the laws of the Commonwealth, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to DelVal an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but any such predecessor shall, nevertheless, on the written request of DelVal, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, moneys, documents and other property held by it as Trustee hereunder to its successor hereunder. Should any instrument in writing from DelVal be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by DelVal. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded.

## **Section 11.10 Appointment of Co-Trustee.**

(a) If at any time or times DelVal or the Trustee shall have determined, or shall have been advised by counsel satisfactory to it, that it is necessary or prudent to appoint a Co-Trustee under this Section in order to (i) separate (or provide for the joint undertaking of) certain of the rights, powers, duties and obligations conferred or imposed upon the Trustee; (ii) comply with the legal requirements of any applicable jurisdiction; or (iii) effectuate the exercise of the powers, rights or remedies of the Trustee hereunder, then the Trustee and/or DelVal shall be entitled, without the consent of the Program Administrator or any Participant, and regardless of whether an Event of Default hereunder shall have occurred, to appoint one or more additional institutions (which each shall meet the specifications for a successor trustee under Section 11.09 hereof) to serve as a separate co-trustee hereunder (a “Co-Trustee”), with such powers as may be provided in the instrument of appointment, and to vest in each such institution any property, title, right or power deemed necessary or desirable, subject to the provisions of this Section 11.10.

(b) Each Co-Trustee shall, to the extent permitted by applicable law, be appointed subject to the following terms:

(i) The rights, powers, duties and obligations conferred or imposed upon any such Co-Trustee shall not be greater than those conferred or imposed upon the Trustee.

(ii) DelVal, or the Trustee, may at any time accept the resignation of and DelVal may remove any Co-Trustee appointed under this Section 11.10 in the same manner as stated in this Article XI with respect to resignation and removal of the Trustee.

(iii) No Co-Trustee under this Indenture shall be liable by reason of any act or omission of the Trustee or any other Co-Trustee appointed under this Indenture.

(iv) Anything herein contained to the contrary notwithstanding, no power given to any Co-Trustee hereunder shall be separately exercised by such Co-Trustee except at the written direction of DelVal with notice to the Trustee.

(c) Should any instrument in writing from DelVal be required by the Co-Trustee so appointed or removed by the Trustee in order to vest in and confirm to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by DelVal. In case any Co-Trustee, or a successor shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate Trustee or Co-Trustee.

(d) In addition to the provisions of Sections 11.05, 11.06 and 11.09, any Trustee or Co-Trustee appointed hereunder shall resign if requested by DelVal, or may be removed by DelVal, if the long-term unsecured senior debt rating (not taking into account any third party credit

enhancement) of such Trustee or Co-Trustee, as applicable, is below “A2” as determined by Moody’s, below “A” as determined by S&P or Fitch, or below an equivalent rating by any other NRSRO with a published rating of the Bonds.

(e) The Trustee shall promptly give each Swap Counterparty written notice of the appointment of a separate Trustee or Co-Trustee under this Indenture.

### **Section 11.11 Certain Notices.**

The Trustee shall give notice to each Rating Agency of the following:

- (a) Any change in the identities of the Trustee, any remarketing agent, paying agent or tender agent;
- (b) Any supplements or amendments to this Indenture;
- (c) Any supplements or amendments to any Credit Facility Agreement on any Credit Facility;
- (d) The expiration, termination, substitution or extension of any Credit Facility;
- (e) Conversion of interest rate mode on any Series of Bonds;
- (f) Redemptions or defeasance of any Series of any Bonds;
- (g) Any Series of Bonds which are mandatorily tendered;
- (h) Any acceleration of the Bonds; and
- (i) Any other information that any Rating Agency may reasonably request of the Trustee in writing in order to maintain a rating on the Bonds.

DeVal shall give written notice to the Trustee, each Swap Counterparty and the Administrator in the event of any change or reduction in the ratings of the Bonds or any Participant Credit Enhancer which has issued Participant Credit Enhancement.

### **Section 11.12 Continuing Disclosure.**

The Trustee is hereby appointed as the dissemination agent for purposes of compliance with the requirements of Rule 15(c)2-12 of the Securities and Exchange Commission. The Trustee shall disseminate all information in accordance with the terms of each Continuing Disclosure Agreement.

**ARTICLE XII  
SUPPLEMENTAL INDENTURES**

**Section 12.01 Supplemental Indentures Not Requiring Consent of Bondholders.**

DeVal and the Trustee may, without the consent of or notice to any of Bondholders or any Swap Counterparty or any Credit Facility Provider, enter into any Supplemental Indenture for any one or more of the following purposes:

- (a) In connection with the issuance of a Series of Bonds;
- (b) To cure any ambiguity or formal defect or omission in this Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee or to make any change which in the judgment of the Trustee is not to the detriment of the Bondholders;
- (d) To subject to this Indenture additional revenues, properties or collateral;
- (e) To modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the *Trust Indenture Act of 1939*, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said *Trust Indenture Act of 1939*, as amended, or similar federal statute;
- (f) To evidence the appointment of a Co-Trustee or the succession of a new Trustee hereunder;
- (g) To provide for separate accounts within the Funds established pursuant to Article V;
- (h) To provide for certificated Bonds as contemplated by Section 2.07(c)(vii) hereof;
- (i) To make any change to reflect any provision in the Code or the interpretations thereof by the Internal Revenue Service, provided that such change does not materially adversely affect the rights of any Bondholder;
- (j) To make any change not materially adversely affecting any Bondholder's or Swap Counterparty's or any Credit Facility Provider's rights requested by any Rating Agency in order (i) to obtain a rating from such Rating Agency in connection with its rating of such Series of Bonds or (ii) to maintain any rating on the Bonds;

- (k) To make any change necessary to obtain Participant Credit Enhancement;
- (l) To make any change necessary to obtain a Credit Facility; or
- (m) To make any other change that does not materially adversely affect the rights of any Bondholder or Swap Counterparty or Credit Facility Provider.

## **Section 12.02 Supplemental Indentures Requiring Consent of Bondholders.**

Exclusive of supplemental indentures covered by Section 12.01 hereof and subject to the terms and provisions contained in this Section 12.02 and Section 10.10 hereof, and not otherwise, the Bondholders of not less than 50% in aggregate principal amount of the Bonds then Outstanding which are affected and each Swap Counterparty shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by DelVal and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by DelVal or the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (a) without the consent of the Bondholders of all then Outstanding Bonds and each Swap Counterparty, (i) an extension of the maturity date of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding hereunder, or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

If at any time DelVal shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by first-class mail to the Administrator, the Swap Counterparty and to each Bondholder of a Bond at the address shown on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by DelVal, following the mailing of such notice, the Bondholders of not less than 50% in aggregate principal amount of the Bonds Outstanding which are affected at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Bondholder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or DelVal from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

### **Section 12.03 Required Opinions.**

No supplemental indenture entered into pursuant to this Article XII shall be effective unless there shall have been provided to DeVal and the Trustee a Favorable Opinion of Bond Counsel with respect thereto and an Opinion of Counsel to the effect that such Supplemental Indenture has been duly authorized, executed and delivered by the parties thereto and that the requirements of this Article XII have been satisfied in connection therewith.

### **Section 12.04 Supplemental Indentures requiring Consent of Participant Credit Enhancers and providers of Credit Facilities.**

Any Supplemental Indenture which would adversely affect the rights, interests, security and obligations of a Participant Credit Enhancer or a Credit Facility Provider shall not be effective until all Participant Credit Enhancers and providers of Credit Facilities affected thereby have consented thereto.

**ARTICLE XIII**  
**AMENDMENT OF LOAN AGREEMENTS AND PARTICIPANT NOTES,**  
**PARTICIPANT CREDIT ENHANCEMENT, AND CREDIT FACILITIES**

**Section 13.01 Amendments Without Consent of Bondholders.**

The Administrator shall review all such proposed amendments to Loan Agreements, Participant Notes, Participant Credit Enhancements, and Credit Facilities and provide a recommendation with respect thereto to DeVal. DeVal may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of any previously executed and delivered Loan Agreement, Participant Note, Participant Credit Enhancement, or Credit Facility, so long as such amendment, change or modification does not adversely affect the interest of Bondholders. DeVal may not consent to any material amendment, change or modification to a Loan Agreement, Participant Note, Participant Credit Enhancement, or Credit Facility which adversely affects the interests of Bondholders, Swap Counterparty, Participant Credit Enhancer, or Credit Facility Provider unless the consent of each affected party is obtained.

## **ARTICLE XIV GENERAL COVENANTS**

### **Section 14.01 Payment of Bonds.**

DelVal covenants that it shall promptly pay the principal, interest or redemption price on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof; provided, that the principal, interest or redemption price is payable by DelVal solely from the Revenues or moneys provided by the Covenant Agreement, and nothing in the Bonds or this Indenture shall be considered as assigning or pledging any other funds or assets or rights of DelVal other than the Revenues and the right, title and interest of DelVal in the Loan Agreements and any other property mentioned in the Granting Clauses hereof.

### **Section 14.02 Performance of Covenants by DelVal.**

DelVal covenants that it shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Loan Agreement and Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. DelVal covenants that it is duly authorized under the Constitution and laws of the Commonwealth, including particularly the *Authorities Act*, to issue the Bonds authorized hereby and to execute this Indenture and the Loan Agreements, and to evidence amounts payable thereunder and its interest in any security therefor, and to pledge the Revenues, the Participant Notes and any other property hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture and the Loan Agreements have been or, with respect to the Loan Agreements, will be, duly and effectively taken, and that the Bonds in the hands of the Bondholders thereof are and shall be valid and enforceable obligations of DelVal according to the terms thereof and hereof.

### **Section 14.03 Instruments of Further Assurance.**

DelVal agrees that the Trustee may defend its rights to the payments of the Revenues and the Participant Notes for the benefit of the Bondholders against the claims and demands of all persons whomsoever. DelVal covenants that it shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning and confirming unto the Trustee all and singular the rights assigned hereby and the amounts and other property pledged hereby to the payment of the principal or redemption price of and interest on the Bonds. DelVal covenants and agrees that, except as provided herein or in the Loan Agreements, it shall not sell, convey, assign, pledge, encumber or otherwise dispose of any part of the Participant Notes or the Revenues or its rights under the Loan Agreements or any security therefor or any other property pledged to secure the Bonds.

#### **Section 14.04 Recording and Filing.**

The Trustee shall keep or cause to be kept all financing statements related to this Indenture and all supplements hereto, the Loan Agreements and all supplements thereto and such other documents that are delivered to the Trustee as may be necessary to be filed in such manner and in such places, and, except to the extent otherwise expressly stated in or contemplated by this Indenture, the Trustee shall maintain continuous possession of any portions of the Trust Estate in which a security interest may not be perfected by filing, as may be required by law in order to preserve, protect, and perfect fully the security of the Bondholders and the rights of the Trustee hereunder. DelVal shall cooperate with the Trustee in accomplishing the filing of any financing statements to be filed in connection therewith.

#### **Section 14.05 Rights under the Loan Agreements and Participant Notes.**

The Participant Resolutions, the Participant Notes and the Loan Agreements set forth covenants and obligations of DelVal and the Participants and reference is hereby made to the Loan Agreements, the Participant Resolutions and the Participant Notes for a detailed statement of said covenants and obligations of the Participants under the Loan Agreements, and DelVal agrees that the Trustee in its name or, to the extent permitted by law, in the name of DelVal, may enforce all rights of DelVal and all obligations of the Participants under the Participant Resolutions and the Participant Notes and the Loan Agreements, and any documents securing them (and waive the same, except for rights expressly granted to DelVal and not assigned to the Trustee hereunder) on behalf of the Bondholders, whether or not DelVal is in default hereunder.

#### **Section 14.06 Possession and Inspection of Loan Agreements and Participant Notes.**

The Trustee shall retain possession of the Participant Notes and an executed copy of each Loan Agreement, and shall surrender Participant Notes and release any Loan Agreement only in accordance with the provisions of this Indenture, the Participant Notes and the Loan Agreements.

#### **Section 14.07 Indemnification of the Trustee.**

DelVal, to the extent legally permissible but solely from its interest in the Trust Estate, shall pay, and shall protect, indemnify and save the Trustee (including all officers, employees, agents and attorneys thereof) harmless from and against any and all liabilities, losses, damages, costs and expenses (including reasonable attorneys' fees and expenses of DelVal and the Trustee), causes of action, suits, claims, demands and judgments of whatsoever kind and nature arising out of the issuance, offering, sale, delivery, payment and purchase of the Bonds, the execution and delivery of the Indenture, the Loan Agreements, any resolution of DelVal in connection with the foregoing and the performance by the Trustee of its respective duties and responsibilities hereunder and under the Loan Agreements, except that DelVal shall not be required to indemnify the Trustee for its own gross negligence or willful misconduct. The Trustee shall promptly notify DelVal in writing of any claim or action brought against the Trustee in respect of which indemnity may be sought against DelVal, setting forth the particulars of such claim or action, and DelVal may assume the defense thereof, including the employment of Counsel and the payment of all expenses. The

Trustee may employ separate Counsel in any such action and participate in the defense thereof, but the fees and expenses of such Counsel shall not be payable by DeIVal unless such employment has been specifically authorized by DeIVal; provided, however, DeIVal shall authorize employment of such separate Counsel if Counsel retained by DeIVal shall advise the Trustee in writing that the interests of the Trustee and any other parties such Counsel may represent in such action are in conflict. The indemnification provided in this Section shall survive the termination or discharge of this Indenture.

**Section 14.08 No Recourse Against Members, Directors, or Officers of DeIVal.**

No recourse under, or upon, any statement, obligation, covenant, certificate, or agreement contained in this Indenture, or in any Bond, any Loan Agreement, any Investment Agreement, or in any document or certification whatsoever, or under any judgment obtained against DeIVal or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of this Indenture, any Bond, any Loan Agreement, or the Investment Agreement, shall be had against any incorporator, member, director or officer, as such, past, present, or future, of DeIVal, either directly or through DeIVal or otherwise, for the payment for, or to, DeIVal or any receiver thereof, or for, or to, the Bondholder of any Bond or otherwise of any sum that may be due and unpaid by DeIVal upon any such Bonds, including the interest payable thereon. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such incorporator, member, director, or officer, as such, to respond by reason of any act or omission on his or her part or otherwise for, directly or indirectly, the payment for, or to, DeIVal or any receiver thereof, or for, or to, the Bondholder of any Bond issued hereunder or otherwise, of any sum that may remain due and unpaid on the Bonds, including the interest payable thereon, is hereby expressly waived by the Trustee and DeIVal and released as a condition of, and consideration for, the execution of this Indenture and the issuance of the Bonds.

**Section 14.09 DeIVal to be Bound by Covenant Agreement.**

DeIVal acknowledges that it has approved, executed and delivered the Covenant Agreement in the form attached hereto as Exhibit "B" and covenants and further agrees that the Covenant Agreement shall apply in all respects to the Bonds issued pursuant to this Indenture.

## **ARTICLE XV MISCELLANEOUS**

### **Section 15.01 Consents, etc., of Bondholders.**

Any consent, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of the Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of the Bonds, and the date of owning the same shall be proved by the registration books of DeVal maintained by the Trustee.

### **Section 15.02 Limitation of Rights.**

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto or any Swap Counterparty, provider of a Credit Facility, Participant Credit Enhancer and the Bondholders, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto or any Swap Counterparty, provider of a Credit Facility, Participant Credit Enhancer and the Bondholders as herein provided.

### **Section 15.03 Severability.**

If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

### **Section 15.04 Notices.**

Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first-class mail, postage prepaid, or sent by telegram or telex, addressed to the parties as follows:

DelVal: Delaware Valley Regional Finance Authority  
1811 Bethlehem Pike  
Flourtown Commons, Suite 350  
Flourtown, PA 19031

Trustee: TD Bank, N.A.  
TD Wealth Management  
Institutional Trust  
1006 Astoria Boulevard  
Cherry Hill, NJ 08034

Administrator: Calhoun Baker Inc.  
1811 Bethlehem Pike  
Flourtown Commons, Suite 350  
Flourtown, PA 19031  
Attention: Lucien B. Calhoun

S&P: Standard & Poor's Ratings Services  
Municipal Finance Department  
55 Water Street  
New York, NY 10041  
Attention: Rating Desk

Moody's: Moody's Investors Service  
7 World Trade Center  
250 Greenwich Street  
New York, NY 10007  
Attention: Municipal Structured Products Group

Fitch: Fitch Ratings  
Attention: Structured Finance Group  
One State Street Plaza  
New York, NY 10004

The parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

### **Section 15.05 Payments Due on Non-Business Days.**

In any case where the date of payment of principal of or interest on the Bonds or the date fixed for redemption of any Bonds shall not be a Business Day, then payment of such interest or principal or the redemption price may be made on the succeeding Business Day with the same force and effect as if made on the scheduled date of payment or maturity, or the date fixed for redemption, without payment of any extra accrued interest.

### **Section 15.06 Counterparts.**

This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

### **Section 15.07 Applicable Provisions of Law.**

This Indenture, and all matters arising out of or relating to this Indenture, shall be governed by and construed in accordance with the laws of the Commonwealth.

**IN WITNESS WHEREOF, the DELAWARE VALLEY REGIONAL FINANCE AUTHORITY** has caused this Indenture, amended and restated as of December 8, 2014, to be executed on its behalf by the Authorized Officers set forth below.

Dated as of: December 8, 2014

**DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY**

JOHN P. MCBLAIN  
Chairman

ATTEST:

JOHN J. CAMERO, III  
Assistant Secretary

**IN WITNESS WHEREOF, TD Bank, N.A.,** as Trustee, has caused this Indenture, amended and restated as of December 8, 2014, to be executed and its seal to be impressed hereon by one of its duly authorized officers.

**TD BANK, N.A. as Trustee**

Dated as of: December 8, 2014

**TD BANK, N.A., as Trustee**

STEPHEN R. SCHAAF  
Vice President

(SEAL)

**EXHIBIT "A"**  
**FORM OF LOAN AGREEMENT**

**EXHIBIT "B"**  
**COVENANT AGREEMENT**

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**Appendix VI:**  
**FIFTH SUPPLEMENTAL INDENTURE DATED JUNE 27, 2018**

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**Fifth Supplemental Indenture  
Dated June 27, 2018**

**to the**

**Master Trust Indenture  
Dated as of June 28, 2007,  
as amended and restated as of September 12, 2011,  
as amended and restated as of April 9, 2012,  
as amended and restated as of June 9, 2014, and  
as amended and restated as of December 8, 2014**

**Delaware Valley Regional Finance Authority  
(Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania)**

**to**

**TD Bank, N.A.  
(as successor to Commerce Bank, N.A.)  
as Trustee**

**\$10,000,000 Local Government Revenue Bonds, 2018 Series A**

**\$50,000,000 Local Government Revenue Bonds, 2018 Series B**

**\$50,000,000 Local Government Revenue Bonds, 2018 Series C**

**\$30,000,000 Local Government Revenue Bonds, 2018 Series D**

**\$75,000,000 Local Government Revenue Bonds, 2018 Series E**

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**THIS FIFTH SUPPLEMENTAL TRUST INDENTURE** (the “Fifth Supplemental Indenture”), dated June 27, 2018 is by and between the **DELAWARE VALLEY REGIONAL FINANCE AUTHORITY** (“DelVal”), a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania, and **TD BANK, N.A.** (as successor to Commerce Bank, N.A.), a national banking association, duly organized and validly existing under the laws of the United States of America, as trustee (the “Trustee”).

## **BACKGROUND**

A. This Fifth Supplemental Indenture is entered into pursuant to the provisions of a Master Trust Indenture from DelVal to the Trustee dated as of June 28, 2007, as amended and restated as of September 12, 2011, as amended and restated as of April 9, 2012, as amended and restated as of June 9, 2014 and as amended and restated as of December 8, 2014 (as further amended and restated from time to time pursuant to the terms thereof, collectively, “Master Indenture”), in connection with the issuance of the 2018 Bonds herein described.

B. Capitalized terms used herein, and not otherwise defined, shall have the meanings ascribed thereto in the Master Indenture.

C. DelVal has heretofore issued its Local Government Revenue Bonds, 1997 Series A, B and C (collectively, the “1997 Bonds”), Local Government Revenue Bonds, 1998 Series A, B and C (collectively, the “1998 Bonds”), Local Government Revenue Bonds, 2002 Series A, B and C (collectively, the “2002 Bonds”), Local Government Revenue Bonds, 2007 Series A, B and C (collectively, the “2007 Bonds”), Local Government Revenue Bonds, 2014 Series A, B, C and D (the “2014 Bonds”) and Local Government Revenue Bonds 2017 Series A, B, C, D and E (the “2017 Bonds” and together with the 1997 Bonds, 1998 Bonds, 2002 Bonds, the 2007 Bonds and the 2014 Bonds, the “Outstanding Bonds”).

D. DelVal has determined to issue its Local Government Revenue Bonds consisting of: (i) the 2018 Series A in the principal amount of \$10,000,000 (“2018 A Bonds”); (ii) the 2018 Series B in the principal amount of \$50,000,000 (“2018 B Bonds”); (iii) the 2018 Series C in the principal amount of \$50,000,000 (“2018 C Bonds”); (iv) the 2018 Series D in the principal amount of \$30,000,000 (“2018 D Bonds”); and (v) the 2018 Series E in the principal amount of \$75,000,000 (“2018 E Bonds”, and together with the 2018 A Bonds, the 2018 B Bonds, the 2018 C Bonds and the 2018 D Bonds, the “2018 Bonds”).

E. The proceeds of the 2018 Bonds will be used to: (i) to originate loans (each a “Loan”) to Local Government Units or other political subdivisions (each, a “Participant”), (ii) to acquire Loans to Participants from DelVal’s Local Government Revenue Bonds, 2014 Series (the “2014 Bonds”), which proceeds, together with other available funds, will be used to redeem a portion of the 2014 Bonds in a par amount of \$105,000,000, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the 2018 Bonds.

F. The 2018 Bonds are to be issued pursuant to and secured by the Master Indenture and as authorized by and set forth in this Fifth Supplemental Indenture.

G. All things necessary to make the 2018 Bonds, when authenticated by the Trustee and issued as provided in this Fifth Supplemental Indenture and the Master Indenture, the valid,

binding and legal obligations of DelVal according to the import thereof, and the creation, execution and issuance of the 2018 Bonds, subject to the terms hereof, have in all respects been duly authorized.

**NOW, THEREFORE,** DelVal does hereby covenant and agree with the Trustee, as follows:

## ARTICLE I DEFINITIONS

### Section 1.01. Definitions.

Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Fifth Supplemental Indenture and of any other Supplemental Indenture relating to the 2018 Bonds and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“**Administrator**” means initially, Calhoun Baker Inc., and any successor Administrator (which may include DelVal) duly appointed by DelVal and acting as Administrator hereunder; provided, however if DelVal is the Administrator, it may hereafter delegate to any person, firm or corporation qualified to do business in the Commonwealth of Pennsylvania as servicing agent, any of the duties and responsibilities of the Administrator hereunder, upon written notice thereof to the Trustee.

“**Authorized Denominations**” means (i) with respect to the 2018 Bonds bearing interest at a Fixed Rate, \$5,000 and any integral multiple thereof; and (ii) with respect to the 2018 Bonds bearing interest at a Floating Rate, \$5,000 and any integral multiple thereof or such multiple as determined in a Supplemental Indenture hereto.

“**Bond Purchase Fund**” means the fund by that name established pursuant to Section 4.06.

“**Business Day**” means a day on which the Federal Reserve Bank of New York is open for general business.

“**Calculation Agent**” means with respect to the 2018 Bonds bearing interest at a Floating Rate, the Administrator and its permitted successors and assigns.

“**DTC**” means the Depository Trust Company, the securities depository for the book-entry only system of the applicable 2018 Bonds.

“**DelVal Purchase Account**” means the account by that name established in the Bond Purchase Fund pursuant to Section 4.06.

“**Event of Default**” means any of the events specified in Section 10.01 of the Master Indenture and Article V of this Fifth Supplemental Indenture.

“**Extend or Extension**” means the remarketing of the Floating Rate Bonds, or any Series or any portion thereof, to a Subsequent Floating Rate and a Subsequent Floating Rate Period.

“**Extension Date**” means the date, which shall be a Mandatory Purchase Date, that the Floating Rate Bonds, or any Series or any portion thereof, are remarketed to a Subsequent Floating Rate and a Subsequent Floating Rate Period.

**“Extraordinary Mandatory Redemption Date”** means the date that all or a portion of the 2018 Bonds are subject to Mandatory Purchase due to the failure of DeIVal to originate Loans or actions necessary to preserve the tax-exemption of the 2018 Bonds, as set forth in Section 4.05 hereof.

**“Fixed Rate”** means a fixed interest rate borne by any Series of the 2018 Bonds, as established in accordance with Section 2.03 hereof.

**“Fixed Rate Bonds”** means any 2018 Bonds issued at a Fixed Rate, as established in accordance with Section 2.03 hereof.

**“Fixed Rate Payment Date”** means any date that interest on the 2018 Bonds bearing a Fixed Rate is paid: (i) beginning on September 1, 2018, (ii) each March 1 and September 1; (iii) any Extraordinary Mandatory Redemption Date or the applicable Maturity Date, and (iv) in the case of (i), (ii) and (iii) above, if any such date is not a Business Day, the next succeeding Business Day.

**“Fixed Rate Period”** means the period during which a Fixed Rate is in effect. A Fixed Rate Period shall commence on the Issuance Date and shall end on, but not include, any Extraordinary Mandatory Redemption Date or the Maturity Date.

**“Floating Rate”** means a variable interest rate for a Series of Floating Rate Bonds established in accordance with Section 2.05 hereof and calculated at a rate of interest per annum by (i) multiplying an Index-Based Interest Rate by a Leverage and (ii) adding or subtracting a Spread.

**“Floating Rate Bonds”** means, collectively, the 2018 B Bonds, 2018 C Bonds, 2018 D Bonds, and 2018 E Bonds (including Remarketed Bonds) bearing a Floating Rate.

**“Floating Rate Accrual Date”** means the first day that a Floating Rate begins to accrue for the next Floating Rate Payment Date: (i) the Issuance Date or the Extension Date, as applicable, and, thereafter, (ii) the first Business Day of each succeeding Floating Rate Calculation Period prior to any Mandatory Purchase Date.

**“Floating Rate Calculation Date”** means any date on which the Index-Based Interest Rate of the Floating Rate shall be posted and the Floating Rate effective on the next Interest Accrual Date shall be calculated: (i) for any Floating Rate based on a LIBOR Rate, the date shall be two London Business Days prior to each such Interest Accrual Date, (ii) for any Floating Rate based on the SIFMA Index, the date shall be the last Thursday (or if such date is not a Business Day, the succeeding Business Day) of each Floating Rate Calculation Period, or (iii) such other date as determined by the Remarketing Agent, or as set forth in a Supplemental Indenture hereto.

**“Floating Rate Calculation Period”** means the periods for calculation of interest payments on the Floating Rate Bonds beginning on the Interest Accrual Date of such period and ending on, but not including, the succeeding Interest Accrual Date, initially the period from the Issuance Date to, but not including, July 2, 2018, and, thereafter, (i) for the Initial Floating Rate, the periods from any monthly Interest Accrual Date to, but not including, the subsequent monthly Interest Accrual Date, or ending on the applicable Mandatory Purchase Date if shorter and (ii) for

any Subsequent Floating Rate, the period from the applicable Extension Date to, but not including, the subsequent monthly, quarterly, or semiannual Interest Accrual Date, as determined by the Remarketing Agent, and, thereafter, the periods from any Interest Accrual Date to, but not including, the subsequent Interest Accrual Date, or ending on the applicable Mandatory Purchase Date if shorter.

**“Floating Rate Payment Date”** means any date that interest on the Floating Rate Bonds is paid: (i) for the Initial Floating Rate Period, July 2, 2018, and, thereafter, the first Business Day of each month prior to a Mandatory Purchase Date, or any Mandatory Purchase Date if shorter and (ii) for any Subsequent Floating Rate Period, the first Business Day after the Extension Date of a monthly, quarterly, or semiannual period, as determined by the Remarketing Agent, and, thereafter, on the first Business Day of each succeeding monthly, quarterly, or semiannual period prior to any Mandatory Purchase Date, or any Mandatory Purchase Date if shorter.

**“Floating Rate Period”** means the period during which Floating Rate Bonds bear a Floating Rate, with no changes in the Index-Based Interest Rate, Leverage, or Spread, beginning on the Issuance Date or the Extension Date, as applicable, and ending on the Initial Purchase Date, Subsequent Purchase Date, or Mandatory Purchase Date, as applicable, as specified in Section 2.05.

**“Index-Based Interest Rate”** means a rate of interest per annum determined by reference to any published index of fixed or variable interest rates, commonly accepted in the money market, fixed income, or interest rate derivatives markets, including but not limited to LIBOR Rates, the SIFMA Index, and indices of other rates recognized by SIFMA or ISDA, borne by any Series of Floating Rate Bonds from time to time and established in accordance with Section 2.05 hereof or a Supplemental Indenture hereto.

**“Initial Floating Rate”** means the Floating Rate for the period commencing on the Issuance Date and ending on, but not including, the Initial Purchase Date, established pursuant to Section 2.05(A) and (B) hereof.

**“Initial Purchase Date”** means the date that the Initial Floating Rate ceases to accrue, the Initial Floating Rate Period ends, and the applicable Floating Rate Bonds are subject to Mandatory Purchase, as provided in Section 2.05(B)(2).

**“Interest Accrual Date”** means the first day that an Interest Rate begins to accrue for the next Interest Payment Date.

**“Interest Payment Date”** means any date that interest is paid to the Bondholders of the 2018 Bonds.

**“Interest Rate”** means, with respect to the 2018 Bonds, a Fixed Rate or Floating Rate, as applicable.

**“Interest Rate Period”** means, with respect to the 2018 Bonds, a Fixed Rate Period or a Floating Rate Period or such other period as determined in a Supplemental Indenture hereto.

“**ISDA**” means the International Swaps and Derivatives Association, or any designated successor thereto.

“**Issuance Date**” means the date of issuance of the 2018 Bonds, June \_\_, 2018.

“**Leverage**” means, in the calculation of the Floating Rate, the percentage per annum, to be multiplied by the Index-Based Interest Rate and then added to the Spread, necessary to sell or remarket the applicable Floating Rate Bonds at a price equal to 100% of the par amount of the applicable Floating Rate Bonds, as shall be determined by the Underwriter or Remarketing Agent, as applicable, as provided in Section 2.05 hereto.

“**LIBOR Rate**” shall mean the rate for deposits in US Dollars for a designated maturity which appears on the Bloomberg Screen BTMM under the heading “LIBOR FIX BBAM<GO>” as of 11:00 A.M., London time, or any designated successor thereto, or if such rate is not reported by Bloomberg, then “LIBOR Rate” shall mean the rate then recognized by ISDA, as the replacement for the “LIBOR Rate”.

“**London Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in London, England.

“**Mandatory Purchase**” means the obligation that DeVal purchase the applicable 2018 Bonds at par plus accrued interest on any Purchase Date, Extension Date, Option Date or Extraordinary Mandatory Redemption Date.

“**Mandatory Purchase Date**” means any date on which the applicable 2018 Bonds are subject to Mandatory Purchase and DeVal is obligated to purchase such 2018 Bonds at par plus accrued interest, including any Purchase Date, Extension Date, Option Date or Extraordinary Mandatory Redemption Date.

“**Mandatory Purchase Price**” means a price equal to 100% of the par amount plus accrued interest to the Mandatory Purchase Date.

“**Maturity Date**” means the date that the 2018 Bonds mature, as provided in Section 2.02 hereto.

“**Maximum Rate**” means the lesser of (a) the highest interest rate that may be borne by the Loans under Commonwealth of Pennsylvania law, and (b) 15% per annum.

“**One Month LIBOR Rate**” shall mean the LIBOR Rate for a maturity of one month.

“**Option Date**” means a date on or after which DeVal may, optionally redeem all or a portion of the Floating Rate Bonds or Extend such Floating Rate Bonds to a Subsequent Floating Rate Period.

“**Purchase Date**” means the date set by the Underwriter or Remarketing Agent, as applicable, to be the last day of an Interest Rate Period and, on such date, such 2018 Bonds of any Series are subject to Mandatory Purchase.

“**Purchased Bonds**” means the 2018 Bonds that have been purchased on a Mandatory Purchase Date.

“**Record Date**” means for any Interest Payment Date in the 15<sup>th</sup> day of the calendar month preceding the calendar month in which such Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Interest Rate Period, said first day.

“**Redemption Price**” means, with respect to any 2018 Bond (or portion thereof), the principal amount of such 2018 Bond (or portion) plus the applicable premium, if any, plus accrued interest to the redemption date, payable upon redemption thereof pursuant to the provisions of such 2018 Bond and this Fifth Supplemental Indenture.

“**Remarketing Agent**” means any broker-dealer appointed by DelVal to remarket the Floating Rate Bonds or any Series thereof to a new Floating Rate and to extend such Floating Rate Bonds or any Series thereof to a Subsequent Floating Rate Period, or, for the direct placement of Floating Rate Bonds to evidence a bank loan, the Administrator, as applicable.

“**Remarketed Bonds**” means any Floating Rate Bonds remarketed after the Issuance Date on a Mandatory Purchase Date to a Subsequent Floating Rate for a Subsequent Floating Rate Period.

“**Remarketing Proceeds Account**” means the account by that name within the Bond Purchase Fund pursuant to Section 4.06 hereof.

“**Series**” has the meaning set forth in the Master Indenture.

“**SIFMA**” means the Securities Industry and Financial Markets Association, or any designated successor thereto.

“**SIFMA Index**” or “**Municipal Swap Index**” means the index of weekly, high grade, 7-day tax-exempt variable rate demand obligations, published weekly and reset each Thursday by SIFMA, and in the event such rate is no longer determined, the replacement rate recognized by SIFMA, as calculated by the Calculation Agent.

“**Spread**” means, in the calculation of the Floating Rate, the percentage per annum, determined by the Underwriter or Remarketing Agent, as applicable, over the Index-Based Interest Rate multiplied by the Leverage, necessary to sell or remarket a Series of 2018 Bonds bearing a Floating Rate at a price equal to 100% of the par amount.

“**Subsequent Floating Rate**” means a variable interest rate for the Extension of Floating Rate Bonds, as determined by the Remarketing Agent, established in accordance with Section 2.05 hereof and calculated at a rate of interest per annum by (i) multiplying an Index-Based Interest Rate by a Leverage and (ii) adding or subtracting a Spread.

“**Subsequent Floating Rate Period**” means the period that any Floating Rate Bonds bear a Subsequent Floating Rate, with no changes in the Index-Based Interest Rate, Leverage, or

Spread, beginning on the first day of such Subsequent Floating Rate Period and ending on the Subsequent Purchase Date as specified in Section 2.05.

**“Subsequent Purchase Date”** means, with respect to Floating Rate Bonds, the date set by the Remarketing Agent, as applicable, to be the last day of a Subsequent Floating Rate Period, and on such date, the Floating Rate Bonds are subject to Mandatory Purchase.

**“Tender Agent”** means the Trustee or any successor Tender Agent.

**“Tender Agent Agreement”** means each such agreement between DelVal and a Tender Agent with respect to any Series of 2018 Bonds, and any similar agreement with a successor Tender Agent, in each case as from time to time in effect.

**“Undelivered Bonds”** means any 2018 Bond that that has not been delivered for purchase on a Purchase Date.

**“Underwriter”** means Bank of America Merrill Lynch, acting on behalf of itself and PNC Capital Markets LLC.

**ARTICLE II  
THE BONDS**

**Section 2.01. Authorization of Bonds.**

There is hereby authorized the issuance of \$215,000,000 aggregate principal amount of 2018 Bonds, which shall be designated as “Delaware Valley Regional Finance Authority, Local Government Revenue Bonds, 2018 Series” to be issued as hereinafter provided. The 2018 Bonds shall be issued in five Series, further designated as 2018 Series A, 2018 Series B, 2018 Series C, 2018 Series D, and 2018 Series E. The aggregate principal amounts of the 2018 Bonds are as follows:

<u>Series</u>	<u>Principal Amount</u>
2018 Series A	\$10,000,000
2018 Series B	\$50,000,000
2018 Series C	\$50,000,000
2018 Series D	\$30,000,000
2018 Series E	\$75,000,000

**Section 2.02. Terms of the 2018 Bonds; Registration; Denominations; Payment of Principal and Interest.**

(A) The 2018 Bonds shall be dated the date of issuance (the “Issuance Date”). The Series of 2018 Bonds initially issued bearing a fixed rate of interest (the “Fixed Rate Bonds”) and shall be substantially in the form as attached hereto as Exhibit “A” (with appropriate insertions and deletions). The Series of 2018 Bonds initially issued bearing a floating rate (the “Floating Rate Bonds”) shall be substantially in the form as attached hereto as Exhibit “B” (with appropriate insertions and deletions). The 2018 Bonds of each Series shall be numbered in consecutive numerical order, with a separate designation for each Series, all as provided in the respective form thereof. In connection with any mandatory purchase (each a “Mandatory Purchase” on a “Mandatory Purchase Date”) of the 2018 Bonds by DelVal, the form of the 2018 Bond may be amended, modified or supplemented as set forth in a Supplemental Indenture hereto.

(B) All of the 2018 Bonds shall be issued in book-entry only form, and the Depository Trust Company (“DTC”) shall be the securities depository.

(C) The 2018 Bonds shall be issued in Authorized Denominations.

(D) The 2018 Bonds shall bear a fixed interest rate (each a “Fixed Rate”) or a floating interest rate (each a “Floating Rate”) from the Issuance Date to any Mandatory Purchase Date or the respective dates of maturity (each a “Maturity Date”), as set forth in this Article II.

(E) The principal of the 2018 Bonds shall be payable on any applicable Mandatory Purchase Date or the respective Maturity Dates, as set forth in this Article II.

**Section 2.03. Fixed Rate Bonds.**

The period that the Fixed Rate Bonds bear a Fixed Rate (the “Fixed Rate Period”) shall commence on the Issuance Date and shall end on, but not include any Extraordinary Mandatory Redemption Date or applicable Maturity Date, whether or not such dates are Business Days.

Interest on the Fixed Rate Bonds is a payable (each a “Fixed Rate Payment Date”) commencing on September 1, 2018, and, thereafter on each March 1 and September 1, until the respective Maturity Date or, if applicable, the Mandatory Purchase Date. Principal of the Fixed Rate Bonds is payable on the respective Maturity Date. If the Fixed Rate Payment Date, Maturity Date, or Mandatory Purchase Date is not a Business Day, the interest on or principal of the Fixed Rate Bonds shall be paid on the succeeding Business Day.

Interest on the Fixed Rate Bonds shall begin to accrue on the Issuance Date and thereafter on each March 1 and September 1 and end on, but not include, the next subsequent March 1 and September 1, Maturity Date, or Mandatory Purchase Date, as applicable, with no adjustment if such dates are not Business Days. Interest shall be calculated using the day count convention of a 30-day month and 360-day year.

Fixed Rate Bonds are not subject to optional redemption by DelVal, but all or a portion of the Fixed Rate Bonds may be subject to Mandatory Purchase on certain dates due to an extraordinary mandatory redemption (each an “Extraordinary Mandatory Redemption” on an “Extraordinary Mandatory Redemption Date”) as provided in Section 4.05 hereto. On such an Extraordinary Mandatory Redemption Date, the applicable Fixed Rate Bonds would be purchased at a price equal to 100% of the par amount plus the accrued interest to the Mandatory Purchase Date (the “Mandatory Purchase Price”).

Fixed Rate Bonds shall be issued in the par amounts, with the maturity dates, coupons, yields, and prices as set forth below:

<u>Par amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
\$10,000,000	September 1, 2033	5.000%	3.440%	118.320%	246579KY1

#### **Section 2.04. Floating Rate Bonds.**

Floating Rate Bonds bear a variable rate of interest per annum determined by reference to a published index (each an “Index-Based Interest Rate”) of fixed or variable interest rates, commonly accepted in the money market, fixed income, or interest rate derivatives markets. The Floating Rate is calculated as an interest rate per annum by (i) multiplying the Index-Based Interest Rate by a percentage (the “Leverage”) and (ii) adding or subtracting a percentage per annum (the “Spread”). The Floating Rate shall be set at the level sufficient to sell or remarket the Floating Rate Bonds at a price equal to 100% of the par amount; however, the Floating Rate shall never exceed the Maximum Rate.

The Floating Rate is set on a Floating Rate Period. On or after certain dates prior to the Purchase Date, DelVal may exercise an option (the “Option”) and on an Option Date to remarket all or a portion of such Floating Rate Bonds or to Extend on an Extension Date to (i) a new Subsequent Floating Rate and Subsequent Floating Rate Period ending on a Subsequent Purchase Date which shall not be later than the Maturity Date or (ii) optionally redeem (each an “Optional Redemption Date”) all or a portion of such Floating Rate Bonds.

The Floating Rate Bonds are subject to Extraordinary Mandatory Redemption as provided in Section 4.05 hereto.

##### **(A) Index-Based Interest Rate.**

The Index-Based Interest Rate used to calculate the Floating Rate shall be determined by (i) the Underwriter prior to the Issuance Date or (ii) the remarketing agent retained by DelVal or the Administrator (collectively, the “Remarketing Agent”) prior to an Extension Date.

An Index-Based Interest Rate is a rate of interest per annum determined by reference to any published index of fixed or variable interest rates, commonly accepted in the money market, fixed income, or interest rate derivatives markets, including but not limited to:

- (1) Rates for deposits in US Dollars for a designated maturity which appear on the Bloomberg Screen BTMM under the heading “LIBOR FIX BBAM<GO>” as of 11:00 A.M., London time, (each a “LIBOR Rate”) or any designated successor thereto, or if such rate is not reported by Bloomberg, then “LIBOR Rate” shall mean the rate then recognized by the International Swaps and Derivatives Association (“ISDA”), as the replacement for the LIBOR Rate;
- (2) The index of weekly, high grade, 7-day tax-exempt variable rate demand obligations, (the “Municipal Swap Index” or “SIFMA Index”) published weekly and reset each Thursday by the Securities Industry and Financial Markets Association (“SIFMA”), and in the event such rate is no longer determined, the replacement rate recognized by SIFMA; and
- (3) Other indices and rates recognized by SIFMA and ISDA or their successors.

(B) Determination and Calculation of Floating Rate and Subsequent Floating Rate.

- (1) During each Floating Rate Period for a Series of Floating Rate Bonds, such Series shall bear interest at the Floating Rate. The Floating Rate shall be a percentage per annum, calculated by (i) multiplying the Leverage by an Index-Based Interest Rate and (ii) adding or subtracting the Spread, all as determined by the Underwriter preceding the Issuance Date or by the Remarketing Agent preceding an Extension Date to a Subsequent Floating Rate Period, in order to sell or remarket such Series of 2018 Bonds at a price (without regard to accrued interest) equal to the principal amount thereof.
- (2) In no event, shall the Floating Rate exceed the Maximum Rate.
- (3) The calculation of the Floating Rate shall follow the convention of rounding the rate to the seventh significant digit, and the calculation of interest payments shall be based on the actual number of days in the period and the actual number of days in the year.
- (4) The Floating Rate shall be based on Index-Based Interest Rate posted on or before the Interest Payment Date, to be determined by the Underwriter or Remarketing Agent.
- (5) The Administrator shall, on the date the applicable Index-Based Interest Rate is posted, calculate the Floating Rate (the “Floating Rate Calculation Date”) and send notice to the Trustee of the Floating Rate to be effective on the Interest Accrual Date.

(C) Initial Floating Rate Bonds.

- (1) The Initial Floating Rate Bonds shall be issued in the Series, par amounts, and Maturity Dates with the Initial Purchase Dates, Initial Option Dates, and Initial Floating Rates as set forth below:

<u>Series</u>	<u>Par amount</u>	<u>Maturity Date</u>	<u>Initial Purchase Date</u>	<u>Initial Option Date</u>	<u>Initial Floating Rate</u>			<u>Price</u>	<u>CUSIP</u>
					<u>Index</u>	<u>Leverage</u>	<u>Spread</u>		
2018 B Series	\$ 50,000,000	1-Sep-48	1-Sep-22	1-Sep-21	SIFMA Index	100%	0.42%	100%	246579KZ8
2018 C Series	\$ 50,000,000	1-Sep-48	1-Sep-23	1-Sep-22	SIFMA Index	100%	0.53%	100%	246579LA2
2018 D Series	\$ 30,000,000	1-Sep-48	1-Sep-24	1-Sep-23	One-Month LIBOR	67%	0.76%	100%	246579LB0
2018 E Series	\$ 75,000,000	1-Sep-48	1-Sep-25	1-Sep-24	One-Month LIBOR	67%	0.88%	100%	246579LC8

- (2) The Interest Payment Dates during the Initial Floating Rate Period will be the first Business Day of each month, commencing on July 2, 2018. The Interest Accrual Date will be the Issuance Date and, thereafter, the first Business Day of each month.
- (3) For Initial Floating Rate Bonds based on the One-Month LIBOR Rate, the Floating Rate Calculation Date shall be two London Business Days before

the Interest Accrual Date, based on the One Month LIBOR Rate posted on such date.

- (4) For Initial Floating Rate Bonds based on the SIFMA Index, the Floating Rate Calculation Date shall be the last Thursday of the month (or, if such date is not a Business Day, the next succeeding Business Day), commencing on June 28, 2018, based on the daily weighted average of the SIFMA Index posted from the Interest Accrual Date of such month to the Interest Accrual Date of the succeeding month.
  - (5) The Calculation Agent, initially the Administrator, shall send notice to the Trustee of the Floating Rate to be effective on the Interest Accrual Date.
- (D) Reserved.
- (E) Extension to Subsequent Floating Rate.
- (1) DeVal may elect that all or a portion of a Series of Floating Rate Bonds be remarketed to a new Floating Rate (each a “Subsequent Floating Rate”) for a new Floating Rate Period (each a “Subsequent Floating Rate Period”) ending on a new Purchase Date (each a “Subsequent Purchase Date”) on or after the Option Date for such Series or on the applicable Initial Purchase Date or Subsequent Purchase Date for such Series. The Subsequent Floating Rate, the Subsequent Purchase Date, the Option Date, the Interest Payment Date, the Interest Accrual Date, and the Calculation Date for such a Subsequent Floating Rate Period shall be determined by the Remarketing Agent pursuant to Section 2.05(A) hereof.
  - (2) Subject to Section 2.06, at any time, DeVal, by written direction to the Trustee, the Tender Agent (if any), the Administrator, and the Remarketing Agent (if any), may elect that all or any portion of the Floating Rate Bonds shall bear interest at a Subsequent Floating Rate. Such direction (i) shall specify the proposed Extension Date, which date shall be a Business Day not earlier than the thirtieth (30<sup>th</sup>) day following receipt by the Trustee of such direction; (ii) may specify redemption prices and periods different than those set forth in this Fifth Supplemental Indenture, if Bond Counsel provides a Favorable Opinion of Bond Counsel as provided in Section 2.05(B)(3); (iii) shall specify the duration of the Subsequent Floating Rate Period (which may be for any period on or prior to the maturity of such Floating Rate Bonds); and (iv) shall specify the amount of such Series of Floating Rate Bonds that will be extended to the Subsequent Floating Rate on the Extension Date. If less than all of such Series of Floating Rate Bonds are to be extended to a Subsequent Floating Rate, the Trustee shall select by lot the applicable Floating Rate Bonds of such Series to be extended; the Floating Rate Bonds not so extended shall continue to bear interest at the Floating Rate which it then currently bears to the Purchase Date.

- (3) The direction of DelVal described in Section 2.05(D)(2) above shall be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Extension Date and by a form of the notice to be mailed by the Trustee to the Holders of the Bonds of such Series as provided in Section 2.05(E).
- (4) If, for any reason, the Subsequent Floating Rate is not so determined for the Subsequent Floating Rate Period by the Remarketing Agent on or prior to the first day of such Subsequent Floating Rate Period, then the Bonds of the applicable Series shall continue to bear interest at the Floating Rate which it then currently bears and shall continue to bear interest at such rates until such time as such Series shall have been extended to a Subsequent Floating Rate Period, as provided herein, or the applicable Purchase Date.

(F) Notice of Extension to Subsequent Floating Rate. The Trustee shall give notice by first-class mail of an Extension to a Subsequent Floating Rate Period for all or any portion of the applicable Series of Floating Rate Bonds to the Holders of such Floating Rate Bonds not less than thirty (30) days prior to the proposed effective date of such Subsequent Floating Rate Period. Such notice shall state: (i) that the interest rate on such Floating Rate Bonds shall be extended to a Subsequent Floating Rate unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to DelVal, the Trustee and the Remarketing Agent as to such Extension on the Extension Date; (ii) the proposed Extension Date; and (iii) that, subject to Section 2.06(B), such Floating Rate Bonds of such Series are subject to Mandatory Purchase on such proposed Extension Date, regardless of whether any or all conditions to the Extension are met, and setting forth the applicable Mandatory Purchase Price and the place of delivery for purchase of such Floating Rate Bonds.

(G) Sale at Premium or Discount. Notwithstanding the provisions of Section 2.05(A), the Subsequent Floating Rate may be the rate of interest per annum determined by the Remarketing Agent to be the interest rate which, if borne by the Floating Rate Bonds of the applicable Series, would enable the Remarketing Agent to sell all or a portion of such Floating Rate Bonds on the date and at the time of such determination at a price (without regard to accrued interest) which will result in the lowest net interest cost for the Floating Rate Bonds of such Series or to best enhance the programmatic objectives of DelVal, after taking into account any premium or discount at which such Bonds are sold by the Remarketing Agent, provided that:

- (1) DelVal consents in writing to the sale of all or a portion of the Bonds of such Series by the Remarketing Agent at such premium or discount;
- (2) in the case of Floating Rate Bonds to be sold at a discount, DelVal agrees to transfer to the Tender Agent on the Extension Date, as applicable, in immediately available funds, for deposit in DelVal Purchase Account, an amount equal to such discount;
- (3) in the case of Floating Rate Bonds to be sold at a premium, the Remarketing Agent shall transfer to the Trustee for deposit in the Costs of Issuance Fund, Recycling Fund or Acquisition Fund, as directed by the Administrator, an amount equal to such premium;

- (4) on or before the date of the determination of the Subsequent Floating Rate, DelVal delivers to the Trustee and the Remarketing Agent a letter of Bond Counsel to the effect that Bond Counsel expects to be able to give a Favorable Opinion of Bond Counsel on the Extension Date; and
- (5) on or before the Extension Date, a Favorable Opinion of Bond Counsel shall have been received by DelVal and the Trustee and confirmed to the Remarketing Agent.

**Section 2.05. Notice of Extension; Conditions.**

(A) In the event that DelVal shall elect to extend all or any portion of the Floating Rate Bonds to a Subsequent Floating Rate Period, as provided in Section 2.05(D), then the written direction furnished by DelVal as required by such section shall be made by first-class mail or registered or certified mail, or by telecopy, confirmed by first-class mail or registered or certified mail. The Trustee shall also provide written notice to any NRSRO with a published rating of the 2018 Bonds of any Extension hereunder.

(B) Notwithstanding anything in this Article II, in connection with any Extension to a Subsequent Floating Rate Period for all or any portion of the Floating Rate Bonds, DelVal shall have the right to deliver to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), on or prior to 10:00 A.M., New York City time, on the second Business Day preceding any Extension Date, a notice to the effect that DelVal elects to rescind its election to make such Extension. If DelVal rescinds its election to make such Extension, then the applicable Floating Rate Bonds shall not be extended to a Subsequent Floating Rate Period and such Series for which notice was given shall continue to bear interest at the Floating Rate in effect immediately prior to such proposed Extension.

(C) No Extension shall take effect under this Fifth Supplemental Indenture unless each of the following conditions, to the extent applicable, shall have been satisfied.

- (1) The Trustee, the Remarketing Agent (if any) and DelVal shall have received a Favorable Opinion of Bond Counsel with respect to such Extension.
- (2) The proceeds available on the Extension Date shall not be less than the amount required to purchase all of the 2018 Bonds of such Series at the Purchase Price.

(D) If any condition to the Extension shall not have been satisfied, then the Floating Rate Period shall not be Extended and the Bonds of such Series shall continue to bear the Floating Rate and the Purchase Date in effect immediately prior to such proposed Extension.

**ARTICLE III**  
**LOAN PURCHASE ACCOUNT; APPLICATION OF 2018 BONDS PROCEEDS**

**Section 3.01. Loan Purchase Account.**

Pursuant to Section 5.02 of the Master Indenture, there is hereby created by DeIVal and held by the Trustee, a Loan Purchase Account within the Acquisition Fund. Moneys deposited in the Loan Purchase Account shall be used by the Trustee to purchase existing Loans held under the indenture which secures the 2007 Bonds. The Loan Purchase Account shall be closed after the purchase of such existing Loans.

**Section 3.02. Reserve Requirement.**

The Reserve Requirement for Bonds Outstanding is \$32,411,000, which consists of all amounts required to be deposited and maintained in the Debt Service Reserve Fund under the Indenture and is calculated to be the least of: (i) 10% of the par amount of all Bonds, (ii) the maximum annual debt service payment of all Bonds, and (iii) 125% of the average annual debt service payment of all Bonds.

**Section 3.03. Application of Proceeds of 2018 Bonds.**

The proceeds received from the sale of the 2018 Bonds in the amount of \$216,013,889.02 (consisting of the principal of the 2018 Bonds plus \$1,832,000.00 original issue premium less Underwriters' discount of \$818,110.98) shall be deposited in trust with the Trustee, who shall forthwith set aside such proceeds as follows:

(A) an amount equal to \$ \_\_\_\_\_ shall be deposited into the Acquisition Fund and used to originate new Loans;

(B) an amount equal to \$92,172,000 shall be deposited in the Acquisition Fund and used to acquire Loans from the Outstanding Bonds (which acquisition shall fund the redemption of certain of the 2014 Bonds on June 27, 2018);

(C) an amount equal to \$1,033,000 shall be deposited into the Debt Service Reserve Fund; and

(D) an amount equal to \$ \_\_\_\_\_ shall be deposited in the Costs of Issuance Fund.

**ARTICLE IV**  
**REDEMPTION, TENDER AND PURCHASE OF 2018 BONDS**

**Section 4.01. Optional Extension or Redemption.**

(A) The 2018 A Bonds are not subject to optional redemption prior to maturity.

(B) The Initial Floating Rate Bonds are subject to Extension or to optional redemption prior to maturity, at the option of DeVal, in whole or in part (in such amounts as may be specified by DeVal), at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for Extension or redemption, without premium as set forth in Section 2.04 (C) hereto.

(C) The Extension of a Series of Remarketed Bonds shall be as set forth in Article II of this Fifth Supplemental Indenture or as provided in a Supplemental Indenture.

**Section 4.02. Selection of Bonds for Extension or Redemption.**

Whenever provision is made in this Fifth Supplemental Indenture for the extension or redemption of less than all of the 2018 Bonds, DeVal shall select the 2018 Bonds to be redeemed by lot or in any other manner which DeVal in its sole discretion shall deem appropriate and fair

**Section 4.03. Mandatory Tender for Purchase on Each Extension Date.**

The Floating Rate Bonds shall be subject to Mandatory Purchase on each Extension Date with respect to such Floating Rate Bonds, or on the day which would have been the Extension Date for such Floating Rate Bonds had one of the events specified in Section 2.06 not occurred which resulted in the interest rate not being extended, at the Purchase Price, payable in immediately available funds. The Purchase Price of any Floating Rate Bond so purchased shall be payable only upon surrender of such Floating Rate Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of The New York Stock Exchange at or prior to 10:00 A.M., New York City time, on the date specified for such delivery in this paragraph or in the notice provided pursuant to Section 2.06.

**Section 4.04. Mandatory Tender for Purchase on Initial Purchase Date or Subsequent Purchase Date.**

The Floating Rate Bonds shall be subject to mandatory tender for purchase on the respective Initial Purchase Date and each respective Subsequent Purchase Date at the Purchase Price. The Trustee shall give notice of such mandatory purchase by mail to the Holders of the Floating Rate Bonds subject to mandatory purchase no less than fifteen (15) days prior to the Initial Purchase Date or Subsequent Purchase Date, as applicable. The notice shall state the Initial Purchase Date or Subsequent Purchase Date, as applicable, the Purchase Price and that interest on the Series of Floating Rate Bonds subject to Mandatory Purchase shall cease to accrue from and after the Initial Purchase Date or Subsequent Purchase Date, as applicable, if the Purchase Price of the Series of Floating Rate Bonds has been paid. The failure to mail such notice with respect to any Floating Rate Bond shall not affect the validity of the mandatory purchase of any other Floating Rate Bond with respect to which notice was so mailed. Any

notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

**Section 4.05. Extraordinary Mandatory Redemption.**

(A) The 2018 Bonds are subject to extraordinary mandatory redemption prior to maturity, in whole or in part, as applicable, as follows (each a “Extraordinary Mandatory Redemption Date”):

- (1) The date that DelVal determines that it no longer reasonably expects to originate Loans under the Loan Program; or
- (2) On any date, if DelVal, as a result of direction received from Bond Counsel, is required to take remedial action so that interest on the 2018 Bonds shall remain excluded from gross income for federal income tax purposes, and in the amount determined to be necessary so that interest on the 2018 Bonds shall remain excluded from gross income for federal income tax purposes.

(B) 2018 Bonds subject to extraordinary mandatory redemption shall be redeemed as follows: (1) as to the 2018 Series A of any applicable Maturity Date, at a price equal to: (i) 100% of the principal amount thereof, (ii) plus the unamortized original issue premium (if any) for such applicable Maturity Date, calculated on a straight-line basis using a 30-day month and 360-day year from the Extraordinary Mandatory Redemption Date to the applicable Maturity Date, and (iii) plus accrued interest to the date fixed for redemption; and (2) as to the 2018 Series B, 2018 Series C, 2018 Series D and 2018 Series E, at a price equal to (i) 100% of the principal amount thereof and (ii) plus accrued interest to the date fixed for redemption.

**Section 4.06. General Provisions Relating to Tenders.**

(A) Creation of Bond Purchase Fund.

- (1) There shall be created and established hereunder with the Tender Agent a fund to be designated the “Bond Purchase Fund” to be held in trust only for the benefit of the Holders of tendered 2018 Bonds who shall thereafter be restricted exclusively to the moneys held in such fund for the satisfaction of any claim for the Purchase Price of such tendered 2018 Bonds.
- (2) There shall be created and designated hereunder the following accounts within the Bond Purchase Fund: the “Remarketing Proceeds Account” and the “DelVal Purchase Account.” Moneys paid to the Tender Agent for the purchase of tendered or deemed tendered 2018 Bonds (i) received from the Remarketing Agent shall be deposited in the Remarketing Proceeds Account in accordance with the provisions of Section 4.06(D)(1), and (ii) received from DelVal shall be deposited in DelVal Purchase Account in accordance with the provisions of Section 4.06(D)(3). Moneys provided by DelVal not required to be used in connection with the purchase of tendered 2018 Bonds shall be returned to DelVal, as applicable in accordance with Sections 4.06(D) and (E).

- (3) Moneys in the DelVal Purchase Account and the Remarketing Proceeds Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested.
- (4) DelVal shall not have any right, title or interest in any of the funds held on deposit into the Remarketing Proceeds Account nor any remarketing proceeds held for any period of time by the Remarketing Agent.

(B) Deposit of 2018 Bonds. The Tender Agent agrees to hold all 2018 Bonds delivered to it pursuant to Sections 4.01, 4.03 and 4.04 of this Fifth Supplemental Indenture in trust for the benefit of the respective Holders which shall have so delivered such 2018 Bonds until moneys representing the Purchase Price of such 2018 Bonds have been delivered to such Holder in accordance with the provisions of this Fifth Supplemental Indenture and until such 2018 Bonds shall have been delivered by the Tender Agent in accordance with Section 4.06(F).

(C) Remarketing of 2018 Bonds; Funds for Payment of Purchase Price.

- (1) The date on which 2018 Bonds are to be purchased pursuant to Sections 4.01, 4.03 and 4.04 of this Fifth Supplemental Indenture is hereinafter referred to as the “Mandatory Purchase Date,” and the 2018 Bonds to be purchased pursuant to such subsections are hereinafter collectively referred to as the “Purchased Bonds.”
- (2) No later than 4:00 P.M., New York City time, on the last Business Day prior to the Mandatory Purchase Date in the case of 2018 Bonds to be purchased pursuant to Sections 4.01, 4.03 and 4.04, the Remarketing Agent shall inform the Tender Agent by telephone, promptly confirmed in writing, of the principal amount of Purchased Bonds for which the Remarketing Agent has identified prospective purchasers and of the name, address and taxpayer identification number of each such purchaser, the principal amount of Purchased Bonds to be purchased and the Authorized Denominations in which such Purchased Bonds are to be delivered. Upon receipt of such information from the Remarketing Agent, the Tender Agent shall prepare Purchased Bonds in accordance with such information for the registration of transfer and redelivery to the Remarketing Agent.
- (3) The term “Funding Amount” is hereby defined to mean an amount equal to the difference between (1) the total Purchase Price of those Purchased Bonds to be purchased pursuant to Sections 4.01, 4.03 and 4.04 on the Mandatory Purchase Date, and (2) the Purchase Price of those Purchased Bonds to be purchased pursuant to Sections 4.01, 4.03 and 4.04 with respect to which the Remarketing Agent has transferred, or cause to be transferred, immediately available funds to the Tender Agent by 12:00 noon, New York City time, on the Mandatory Purchase Date for deposit in the Remarketing Proceeds Account pursuant to Section 4.06(D). As used herein, the term “Purchase Price” of any Purchased Bond means the principal amount

thereof plus accrued interest to, but not including, the Mandatory Purchase Date.

- (4) Any Purchased Bonds which are subject to mandatory tender for purchase in accordance with Sections 4.01, 4.03 and 4.04 which are not presented to the Tender Agent on the Mandatory Purchase Date shall, in accordance with the provisions of Section 4.06, be deemed to have been purchased upon the deposit of moneys equal to the Purchase Price thereof into any or all of the accounts of the Bond Purchase Fund.

(D) Deposits of Funds.

- (1) The Remarketing Agent shall transfer, or cause to be transferred, to the Tender Agent the proceeds derived by the Remarketing Agent from remarketing of 2018 Bonds pursuant to Section 4.06(C) in immediately available funds by 12:00 noon, New York City time, on the Mandatory Purchase Date for deposit in the Remarketing Proceeds Account. The Tender Agent shall deposit into the Remarketing Proceeds Account any amounts received by it from the Remarketing Agent against receipt of 2018 Bonds by the Remarketing Agent pursuant to Section 4.06(F) and on account of Purchased Bonds remarketed pursuant to the terms of the Remarketing Agreement.
- (2) By 3:30 P.M., New York City time, on the Mandatory Purchase Date, the Tender Agent shall notify DelVal by telephone, immediately confirmed in writing, of the amount of funds, if any, required to be transferred to the Tender Agent (the "Additional Funding Amount") which shall be the amount, if any, by which the total Purchase Price of the Purchased Bonds exceeds the sum of the amounts then on deposit in the Remarketing Proceeds Account. The Additional Funding Amount may be different from the Funding Amount to the extent that the Remarketing Agent deposits moneys associated with 2018 Bonds remarketed in the interim period.
- (3) DelVal shall pay to the Tender Agent in immediately available funds by 4:00 P.M., New York City time, any amounts required to purchase Purchased Bonds on such Mandatory Purchase Date. The Tender Agent shall deposit such amounts into DelVal Purchase Account.
- (4) The Tender Agent shall hold all proceeds received from the Remarketing Agent or DelVal pursuant to this Section 4.06(D) in trust for the tendering Bondholders. In holding such proceeds and moneys, the Tender Agent will be acting on behalf of such Bondholders by facilitating purchase of the 2018 Bonds and not on behalf of DelVal and will not be subject to the control of any of them. Subject to the provisions of Section 4.06(E), following the discharge of the lien created by Section 6.01 of this Fifth Supplemental Indenture or after payment in full of the 2018 Bonds, the Tender Agent shall pay any moneys remaining in any account of the Bond Purchase Fund

directly to the Persons for whom such money is held upon presentation of evidence reasonably satisfactory to the Trustee that such Person is rightfully entitled to such money and the Tender Agent shall not pay such amounts to any other Person.

(E) Disbursements; Payment of Purchase Price. Moneys delivered to the Tender Agent on a Mandatory Purchase Date shall be applied at or before 4:30 P.M., New York City time, on such Mandatory Purchase Date to pay the Purchase Price of Purchased Bonds in immediately available funds as follows in the indicated order of application and, to the extent not so applied on such date, shall be held in the separate and segregated accounts of the Bond Purchase Fund for the benefit of the Holders of the Purchased Bonds which were to have been purchased:

FIRST: Moneys deposited in the Remarketing Proceeds Account.

SECOND: Moneys deposited in DelVal Purchase Account.

Any moneys held by the Tender Agent in DelVal Purchase Account remaining unclaimed by the Holders of the Purchased Bonds which were to have been purchased for three (3) years after the respective Mandatory Purchase Date for such Purchased Bonds shall be paid, upon the written request of DelVal, to or upon the order of DelVal, against written receipt therefor. The Holders of Purchased Bonds who have not yet claimed money in respect of such 2018 Bonds shall thereafter be entitled to look only to the Tender Agent, to the extent it shall hold moneys on deposit in the Bond Purchase Fund or DelVal to the extent moneys have been transferred in accordance with this Section.

(F) Delivery of Purchased Bonds.

- (1) The Remarketing Agent shall give telephonic or telegraphic notice, promptly confirmed by a written notice, to the Tender Agent on each date on which 2018 Bonds shall have been purchased pursuant to Sections 4.01, 4.03 and 4.04, specifying the principal amount of such 2018 Bonds, if any, sold by it pursuant to Section 4.08(A) or (B) along with a list of such purchasers showing the names and Minimum Denominations in which such 2018 Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers. By 1:30 P.M., New York City time, on the Mandatory Purchase Date, a principal amount of 2018 Bonds equal to the amount of Purchased Bonds purchased with moneys from the Remarketing Proceeds Account shall be made available by the Tender Agent to the Remarketing Agent against payment therefor in immediately available funds. The Tender Agent shall prepare each 2018 Bond to be so delivered in such names as directed by the Remarketing Agent pursuant to Section 4.06(C)(2).
- (2) A principal amount of 2018 Bonds equal to the amount of Purchased Bonds purchased from moneys on deposit in DelVal Purchase Account shall be delivered on the day of such purchase by the Tender Agent to DelVal in the

amount of its respective contributions to such purchase of Purchased Bonds. The Tender Agent shall register such 2018 Bonds in the name of DeIVal.

**Section 4.07. Irrevocable Notice Deemed to be Tender of 2018 Bond**

The Tender Agent may refuse to accept delivery of any such 2018 Bonds for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such 2018 Bond as herein described. For purposes of this Article IV, the Tender Agent for the 2018 Bonds shall determine timely and proper delivery of such 2018 Bonds and the proper endorsement of such 2018 Bonds. Such determination shall be binding on the Holders of such 2018 Bonds, DeIVal and the Remarketing Agent, absent manifest error. If any 2018 Bond Purchaser fails to deliver such 2018 Bond to the Tender Agent on or before the applicable Mandatory Purchase Date or any Holder of a 2018 Bond subject to mandatory tender for purchase pursuant to Sections 4.01, 4.03 or 4.04 shall fail to deliver such 2018 Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such 2018 Bond properly endorsed, such 2018 Bond shall constitute an Undelivered Bond. If funds in the amount of the Purchase Price of the Undelivered Bond are available for payment to the Holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Indenture; (2) interest shall no longer accrue thereon; and (3) funds in the amount of the Purchase Price of the Undelivered Bond shall be held by the Tender Agent for such 2018 Bond for the benefit of the Holder thereof, to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested.

**Section 4.08. Remarketing of 2018 Bonds; Notice of Interest Rates.**

(A) Upon a mandatory tender for purchase of 2018 Bonds, the Remarketing Agent, if directed by DeIVal, shall offer for sale and use its best efforts (as more fully set forth in a Remarketing Agreement (hereinafter defined)) to sell such 2018 Bonds, any such sale to be made on the date of such purchase in accordance with this Article IV at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the Mandatory Purchase Date at the rates determined by the Remarketing Agent as provided in Section 2.05(C) hereof.

(B) With respect to a mandatory tender for purchase with respect to the Floating Rate Bonds, the Authority may sell such tendered Floating Rate Bonds without appointing a broker-dealer as the Remarketing Agent, at a price equal to the principal amount thereof, plus accrued interest, to one or more banks, trust companies or similar financial institutions who agree that they are purchasing such Floating Rate Bonds for their own account to bear interest at a Subsequent Floating Rate with an Option Date and a Subsequent Purchase Date all as determined by the Administrator, acting as the Remarketing Agent.

**Section 4.09. The Remarketing Agent.**

On or before any Mandatory Purchase Date, except as provided in Section 4.08, DeIVal shall appoint a Remarketing Agent. The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it pursuant to a Remarketing Agreement entered into by and between DeIVal and the Remarketing Agent (the "Remarketing Agreement"). The Remarketing Agent or

any successor shall signify its acceptance of the duties and obligations imposed upon it pursuant to the Remarketing Agreement under which the Remarketing Agent will agree to:

(A) keep such books and records with respect to the remarketing of the applicable 2018 Bonds as shall be consistent with prudent industry practice; and

(B) use its best efforts to remarket 2018 Bonds in accordance with this Fifth Supplemental Indenture and the terms of the Remarketing Agreement.

The Remarketing Agent shall hold all amounts received by it in accordance with any remarketing of 2018 Bonds pursuant to Section 4.08 in trust only for the benefit of the Holders of tendered 2018 Bonds and shall not commingle such amounts with any other moneys.

**Section 4.10. Qualifications of Remarketing Agent; Resignation; Removal.**

(A) Each Remarketing Agent shall be a member of the Financial Industry Regulatory Authority (FINRA), having a combined capital stock, surplus and undivided profits of at least \$50,000,000 and authorized by law to perform all the duties imposed upon it by this Fifth Supplemental Indenture.

(B) A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Remarketing Agreement by giving thirty (30) days written notice to the Tender Agent and DelVal. Such resignation shall take effect on the thirtieth (30<sup>th</sup>) day after the receipt by DelVal of the notice of resignation. A Remarketing Agent may be removed at the direction of DelVal at any time upon thirty (30) days prior written notice, by an instrument signed by DelVal, filed with such Remarketing Agent and the Tender Agent.

**Section 4.11. Successor Remarketing Agents.**

(A) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Remarketing Agent hereunder.

(B) In the event that the Remarketing Agent has given notice of resignation or has been notified of its impending removal in accordance with Section 4.10(B), DelVal shall appoint a successor Remarketing Agent.

(C) In the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and DelVal shall fail to appoint a successor and, if no appointment is made within thirty (30) days, the Tender Agent shall apply to a court of competent jurisdiction for such appointment.

**Section 4.12. The Tender Agent.**

DelVal hereby appoints the Trustee as the initial Tender Agent for the 2018 Bonds and the Trustee hereby accepts the duties of the tender agent as set forth herein, and it and each successor Tender Agent appointed in accordance with this Fifth Supplemental Indenture shall designate its

Principal Office and signify its acceptance of the duties and obligations imposed upon it as described herein by a written instrument of acceptance delivered to DeVal and the Trustee, , under which each Tender Agent will agree, particularly:

- (1) to hold all 2018 Bonds delivered to it for purchase hereunder in trust for the exclusive benefit of the respective Holders that shall have so delivered such 2018 Bonds until moneys representing the purchase price of such 2018 Bonds shall have been delivered to or for the account of or to the order of such Holders;
- (2) to hold all moneys delivered to it hereunder for the purchase of 2018 Bonds in trust for the exclusive benefit of the Person that shall have so delivered such moneys until the 2018 Bonds purchased with such moneys shall have been delivered to it for the account of such Person and, thereafter, for the benefit of the Holders tendering such 2018 Bonds; and
- (3) to keep such books and records as shall be consistent with prudent corporate trust industry practice and to make such books and records available for inspection by DeVal, the Trustee and the Remarketing Agent .

**Section 4.13. Qualifications of Tender Agent; Resignation; Removal.**

Any successor Tender Agent shall be a commercial bank with trust powers or trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$50,000,000 and authorized by law to perform all the duties imposed upon it by this Fifth Supplemental Indenture. Subject to the next succeeding paragraph, any Tender Agent may resign at any time, and be discharged of the duties and obligations created by this Fifth Supplemental Indenture by giving at least sixty (60) days' notice to DeVal, and the Trustee. Subject to the next succeeding paragraph, any Tender Agent may be removed at any time, by an instrument signed by DeVal and filed with the Trustee.

Upon the resignation or removal of the Tender Agent, the Tender Agent shall pay over, assign and deliver any moneys and/or 2018 Bonds held by it in such capacity to its successor. In the event of the resignation of a Tender Agent who is also serving in the capacity of Trustee, the Trustee shall also tender its resignation in accordance with the provisions of this Indenture. No such resignation or removal shall be effective until a successor has been appointed and accepted such duties.

**Section 4.14. Successor Tender Agents.**

(A) Any corporation, association, partnership or firm which succeeds to the business of the Tender Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Tender Agent hereunder, without necessity of any further action.

(B) In the event that the Tender Agent has given notice of resignation or has been notified of its impending removal in accordance with Section 4.13, DeVal shall appoint a

successor Tender Agent; provided however, that the Trustee and the Tender Agent shall be the same entity unless the existence of different entities acting in such respective capacities will not lower the then existing ratings on the 2018 Bonds, if any.

(C) In the event that the Tender Agent shall resign, be removed or be dissolved, or if the property or affairs of the Tender Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and DelVal fails to appoint a successor within thirty (30) days, the Tender Agent shall apply to a court of competent jurisdiction for such appointment.

**ARTICLE V**  
**EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS**

**Section 5.01. Events of Default.**

In addition to the Events of Default specified in Section 10.01 of the Master Indenture, a failure to pay the Purchase Price of any 2018 Bond on the Mandatory Purchase Date, Subsequent Purchase Date or any other date on which 2018 Bonds are tendered or subject to mandatory tender or purchase pursuant to Article IV shall constitute an Event of Default under this Fifth Supplemental Indenture with respect to the applicable 2018 Bonds.

**ARTICLE VI  
MISCELLANEOUS**

**Section 6.01. Pledge of the Master Indenture.**

In accordance with and pursuant to the Granting Clauses and Section 2.11 of the Master Indenture, DelVal hereby ratifies and confirms its grant and pledge to the Trustee of a security interest in and lien upon the Trust Estate for the benefit of the parties specified therein, including, but not limited to the Holders of the 2018 Bonds.

**Section 6.02. Business Days.**

If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

**Section 6.03. Governing Law.**

This Fifth Supplemental Indenture and the 2018 Bonds shall be governed by and construed in accordance with the Constitution and the laws applicable to contracts made and performed in the Commonwealth of Pennsylvania.

**Section 6.04. Execution in Several Counterparts.**

This Fifth Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as DelVal and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 6.05. Confirmation of Master Indenture.**

As amended and supplemented by this Fifth Supplemental Indenture, the Master Indenture is hereby ratified and confirmed in all respects, and all of the rights, remedies, terms, conditions, covenants and agreements of the Master Indenture, as amended and supplemented by this Fifth Supplemental Indenture, shall apply and remain in full force and effect with respect to this Fifth Supplemental Indenture and the 2018 Bonds. The Master Indenture, as amended and supplemented by this Fifth Supplemental Indenture, shall be read, taken and construed as one and the same instrument. In the event of any conflict between the provisions of the Master Indenture and the terms hereof, the provisions of this Fifth Supplemental Indenture shall prevail.

**IN WITNESS WHEREOF, the DELAWARE VALLEY REGIONAL FINANCE AUTHORITY** has caused this Fifth Supplemental Indenture, dated June 27, 2018, to be executed on its behalf by the Authorized Officers set forth below.

Dated June 27, 2018

**DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY**

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JOHN P. MCBLAIN,  
Chairman

ATTEST:

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PATRICIA K. POPRIK,  
Secretary

**IN WITNESS WHEREOF, TD BANK, N.A.**, as Trustee, has caused this Fifth Supplemental Indenture, dated June 27, 2018, to be executed on its behalf and its seal to be impressed hereon by one of its duly authorized officers.

Dated June 27, 2018

**TD BANK, N.A.**

By: \_\_\_\_\_  
STEPHEN R. SCHAAF,  
Vice President

**EXHIBIT “A”**

**FORM OF SERIES 2018 A BONDS**

R2018A-1

\$10,000,000

**United States of America  
Commonwealth of Pennsylvania**

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY  
Local Government Revenue Bond, 2018 Series A**

<b>SERIES ISSUE DATE</b>	<b>PRINCIPAL AMOUNT</b>	<b>INTEREST RATE</b>	<b>MATURITY DATE</b>	<b>CUSIP</b>
June 27, 2018	\$10,000,000	5.000%	September 1, 2033	246579KY1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TEN MILLION DOLLARS (\$10,000,000)

Delaware Valley Regional Finance Authority (“DelVal”), a body corporate and politic of the Commonwealth of Pennsylvania organized and existing under the Municipality Authorities Act, approved June 19, 2001, P.L. 287, as heretofore and hereafter amended (the “Act”), for value received, hereby promises to pay, to the registered owner specified above, or registered assigns, upon surrender hereof, but solely from the sources and in the manner referred to herein, the Principal Amount specified above on the Maturity Date specified above, unless this Bond has been called for earlier redemption, as provided herein, and payment of the redemption price shall have been duly made or provided for, and to pay from those sources, interest thereon semiannually on March 1 and September 1 of each year, commencing September 1, 2018 (each an “Interest Payment Date”), at the Interest Rate set forth above, from the most recent Interest Payment Date to which interest has been paid or duly provided for or from the Series Issue Date specified above, if no interest has been paid, until the Principal Amount is paid or duly provided for.

The principal of this Bond is payable upon presentation and surrender hereof at the principal corporate trust office of TD Bank, N.A., as trustee (the “Trustee”) located in Cherry Hill, New Jersey and Philadelphia, Pennsylvania, or at the duly designated office of any duly appointed alternate or successor trustee. Notwithstanding anything to the contrary herein, this Bond shall not be required to be presented or surrendered to receive payment in connection with any redemption until the final Maturity Date of this Bond or earlier payment in full of this Bond. Interest on this Bond shall be payable on the Interest Payment Date by check mailed to the registered owner of

this Bond (the “Holder”) in whose name ownership of this Bond is registered, at such Holder’s address as it appears on the registration books (the “Register”) for the issue of which this Bond is a part, maintained by the Trustee at the close of business on the Record Date. The term “Record Date” means, with respect to this Bond for any Interest Payment Date the fifteen (15<sup>th</sup>) day of the calendar month preceding such Interest Payment Date. The interest and the principal becoming due with respect to the Bonds shall, at the written request of a Holder of at least \$1,000,000 aggregate principal amount of such Bonds (which request shall remain in effect until revoked by subsequent written instructions), be paid by wire transfer within the continental United States in immediately available funds to the bank account number of such Holder appearing on the Register. The principal or redemption price of and interest on this Bond are payable in lawful money of the United States of America.

If the date for payment of the principal of this Bond shall not be a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment made on such date shall have the same force and effect as if made on the nominal date of payment. “Business Day” means a day on which the Federal Reserve Bank of New York is open for general business.

This Bond is issuable in denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof.

This Bond is the duly authorized issue of Local Government Revenue Bonds, 2018 Series A (the “2018 Bond(s)” or the “Bond(s)”), issued under and secured by a Master Trust Indenture, dated as of June 28, 2007, as amended and restated as of August 3, 2009, as amended and restated as of September 12, 2011, as amended and restated as of April 9, 2012, as amended and restated as of June 9, 2018 and as amended and restated as of December 8, 2014 between DelVal and the Trustee (the “Master Trust Indenture”), and a Fifth Supplemental Trust Indenture, dated June 27, 2018, between DelVal and the Trustee (the “Fifth Supplemental Indenture”, and together with the Master Trust Indenture, the “Indenture”), in the principal amount of \$10,000,000. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture. The proceeds of the 2018 Bonds will be used to: (i) to originate loans (each a “Loan”) to Local Government Units or other political subdivisions (each, a “Participant”), (ii) to acquire Loans to Participants from DelVal’s Local Government Revenue Bonds, 2014 Series (the “2014 Bonds”), which proceeds, together with other available funds, will be used to redeem portions of the 2014 Bonds, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the 2018 Bonds. DelVal has assigned to the Trustee as security for the 2018 Bonds and under and pursuant to the Indenture, all of DelVal’s right, title and interest in and to the Trust Estate as defined in the Master Trust Indenture.

**THIS BOND IS SOLELY AND EXCLUSIVELY A LIMITED, SPECIAL OBLIGATION OF DELVAL. DELVAL SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL, INTEREST OR REDEMPTION PRICE OF THIS BOND EXCEPT FROM THE TRUST ESTATE IN THE MANNER PROVIDED IN THE INDENTURE AND TO THE EXTENT PROVIDED IN THE COVENANT AGREEMENT, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING DELVAL, IS PLEDGED TO THE**

PAYMENT OF THE PRINCIPAL AMOUNT, INTEREST OR REDEMPTION PRICE OF THIS BOND. DELVAL HAS NO TAXING POWER. DELVAL HAS NO TAXING POWER.

No recourse shall be had for the payment of the principal or redemption price of or interest on this Bond, or for any claim based hereon, on the Indenture or any other document or agreement executed and delivered in connection herewith or therewith (collectively, the “Bond Documents”), against any member, director, officer or employee, past, present or future, of DelVal or of any successor body, as such, either directly or through DelVal or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

This Bond is payable solely from the Trust Estate and from any other moneys held by the Trustee under the Indenture for such purpose and, except as provided in the Indenture, there shall be no other recourse against DelVal or any other property now or hereafter owned by it. Except as otherwise specified in the Indenture, this Bond is entitled to the benefits of the Indenture equally and ratably as to principal and interest with all other Bonds issued under the Indenture. Reference is made to the Bond Documents for a description of the rights of the Holders of the Bonds; the rights and obligations of DelVal and the Participants; the rights, duties and obligations of the Trustee; and the provisions relating to amendments and modifications thereof. The acceptance of the terms and conditions of such documents (copies of which are on file at the principal corporate trust office of the Trustee), is an explicit and material part of the consideration of DelVal’s issuance hereof, and each Holder, by acceptance of this Bond, accepts and assents to all such terms and conditions as if fully set forth herein. The Holder shall have no right to enforce the provisions of any of the Loan Documents or the rights and remedies thereunder, except as provided in the Indenture. Capitalized terms used in this Bond which are not defined herein shall have the meanings ascribed thereto in the Indenture.

#### OPTIONAL REDEMPTION

This Bond is not subject to optional redemption prior to its stated maturity.

#### EXTRAORDINARY MANDATORY REDEMPTION

This Bond is subject to extraordinary mandatory redemption prior to maturity, in whole or in part, as applicable, as follows:

- (1) The date that DelVal determines that it no longer reasonably expects to originate Loans under the Loan Program; or
- (2) On any date, if DelVal, as a result of direction received from Bond Counsel, is required to take remedial action so that interest on this Bond shall remain excluded from gross income for federal income tax purposes, and in the amount determined to be necessary so that interest on this Bond shall remain excluded from gross income for federal income tax purposes.

This Bond subject to extraordinary mandatory redemption shall be redeemed at a price equal to: (i) 100% of the principal amount thereof, (ii) plus the unamortized original issue premium

(if any) for the applicable Maturity Date, calculated on a straight-line basis using a 30-day month and 360-day year from the Extraordinary Mandatory Redemption Date to the applicable Maturity Date, and (iii) plus accrued interest to the date fixed for redemption.

Notice of each redemption shall be mailed to each Bondholder whose Bonds are being redeemed, and to the Administrator by first-class mail at least 15 days but not more than 30 days before each redemption date and shall contain the information required by the Indenture. So long as DTC, or its nominee, is the sole registered owner of the 2018 Bonds under the book-entry-only system, redemption notices will be sent to Cede & Co.

Failure by the Trustee to give any notice of redemption as to any particular Bonds shall not affect the validity of the call for redemption of any Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Bonds shall be conclusively presumed to have been given whether or not actually received by any Bondholder.

In the event that any Bonds are called for redemption and the amounts required for payment of the redemption prices thereof are not on deposit with the Trustee on the date set for redemption, the Trustee shall notify the registered owners of such Bonds that such redemption has been rescinded, and shall return any Bonds surrendered for redemption to the registered owners thereof; and the DelVal, the Trustee and the registered owners shall be restored to their prior position.

On the redemption date, the redemption price of each Bond to be redeemed hereof shall become due and payable; and from and after such date, notice having been given and amounts having been made available and set aside for such redemption, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any Bonds called for redemption. From and after such date of redemption (such notice having been given and such amounts having been made available and set aside for such redemption) the Bonds to be redeemed shall no longer be deemed to be Outstanding hereunder, and the DelVal shall be under no further liability in respect thereof.

The Master Trust Indenture permits certain amendments or supplements to the Master Trust Indenture to be made without the consent of or notice to the Holders, and other amendments or supplements thereto to be made with the consent of the Holders of not less than fifty percent (50%) in aggregate principal amount of all Series of Bonds and Bonds outstanding, and under certain circumstances enumerated in the Master Trust Indenture, all, Holders. The Master Trust Indenture also permits amendments to the Loan Agreements and/or Bonds to be made without the consent of or notice to the Holders. The Holder of the 2018 Bond has only those remedies provided in the Indenture.

This Bond is exchangeable for a 2018 Bond of this Series of other authorized denominations in equal aggregate principal amounts at the principal corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture. This Bond is transferable, if applicable, at the principal corporate trust office of the Trustee, by the Holder in person or by his attorney, duly authorized in writing, upon presentation and surrender hereof to the Trustee, but is transferable only in the manner and subject to the limitations provided in the Indenture. The Trustee is not required to transfer or exchange this Bond (i) during a period

beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of this Bond and ending at the close of business on the day of redemption, or (ii) if this Bond is selected for redemption in whole or in part.

This Bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee.

In the event of any conflict by or with the terms of this Bond and the terms of the Indenture, the terms of the Indenture shall control.

Unless this Bond is presented by an authorized representative of DTC to the Trustee or its agent for registration of transfer, exchange or payment, and any bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, Delaware Valley Regional Finance Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its (Vice) Chairman, and its corporate seal or a facsimile thereof to be affixed, imprinted, lithographed or reproduced hereon and attested by the manual or facsimile signature of its (Assistant) Secretary.

DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY

By: \_\_\_\_\_  
(Vice) Chairman

Attest: \_\_\_\_\_  
(Assistant) Secretary

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds described in the within-mentioned Indenture. Attached hereto is the complete text of the opinion of Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania, Bond Counsel, dated the date of the initial delivery of and payment for the Bonds, a signed original of which is on file with the Trustee.

TD BANK, N.A., as Trustee

By: \_\_\_\_\_  
Authorized Officer

Date of Authentication:

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

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(Please print or type name and address, including postal zip code, of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

---

the within Bond and all rights thereunder, hereby irrevocably constituting and appointing

---

Attorney to transfer said Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated:\_\_\_\_\_

\_\_\_\_\_  
(Signature of Registered Owner)

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

**EXHIBIT “B”**

**FORM OF SERIES 2018[B][C][D][E] BONDS**

R2018[B][C][D][E]-1

\$ \_\_\_\_\_

**United States of America  
Commonwealth of Pennsylvania**

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY  
Local Government Revenue Bond, 2018 Series [B][C][D][E]**

<b>SERIES ISSUE DATE</b>	<b>PRINCIPAL AMOUNT</b>	<b>INTEREST RATE</b>	<b>MATURITY DATE</b>	<b>[CUSIP]</b>
June __, 2018	\$ _____	__%	_____, 20__	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_)

Delaware Valley Regional Finance Authority (“DelVal”), a body corporate and politic of the Commonwealth of Pennsylvania organized and existing under the Municipality Authorities Act, approved June 19, 2001, P.L. 287, as heretofore and hereafter amended (the “Act”), for value received, hereby promises to pay, to the registered owner specified above, or registered assigns, upon surrender hereof, but solely from the sources and in the manner referred to herein, the Principal Amount specified above on the Maturity Date specified above, unless this Bond has been called for earlier redemption or tender, as provided herein, and payment of the redemption price or tender price shall have been duly made or provided for, and to pay from those sources, interest thereon, at the interest rates per annum determined as described below, from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for or from the Series Issue Date specified above, if no interest has been paid, until the Principal Amount is paid or duly provided for, commencing on the first Interest Payment Date on or after the Date of Authentication hereof.

The principal of this Bond is payable upon presentation and surrender hereof at the principal corporate trust office of TD Bank, N.A., as trustee (the “Trustee”) located in Cherry Hill, New Jersey and Philadelphia, Pennsylvania, or at the duly designated office of any duly appointed alternate or successor trustee. Notwithstanding anything to the contrary herein, this Bond shall not be required to be presented or surrendered to receive payment in connection with any redemption

until the final Maturity Date of this Bond or earlier payment in full of this Bond. Interest on this Bond shall be payable on the Interest Payment Date by check mailed to the registered owner of this Bond (the “Holder”) in whose name ownership of this Bond is registered, at such Holder’s address as it appears on the registration books (the “Register”) for the issue of which this Bond is a part, maintained by the Trustee at the close of business on the Record Date. The term “Record Date” means, with respect to this Bond for any Interest Payment Date the fifteen (15<sup>th</sup>) day of the calendar month preceding such Interest Payment Date. The interest and the principal becoming due with respect to the Bonds shall, at the written request of a Holder of at least \$1,000,000 aggregate principal amount of such Bonds (which request shall remain in effect until revoked by subsequent written instructions), be paid by wire transfer within the continental United States in immediately available funds to the bank account number of such Holder appearing on the Register. The principal or redemption price of and interest on this Bond are payable in lawful money of the United States of America.

If the date for payment of the principal of this Bond shall not be a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment made on such date shall have the same force and effect as if made on the nominal date of payment. “Business Day” means a day on which the Federal Reserve Bank of New York is open for general business.

This Bond is issuable in denominations of \$5,000 and any integral multiple of \$5,000 in excess of thereof.

This Bond is the duly authorized issue of Local Government Revenue Bonds, 2018 Series [B][C][D][E] (the “2018 Bond(s)” or the “Bond(s)”), issued under and secured by a Master Trust Indenture, dated as of June 28, 2007, as amended and restated as of August 3, 2009, as amended and restated as of September 12, 2011, as amended and restated as of April 9, 2012, as amended and restated as of June 9, 2017 and as amended and restated as of December 8, 2014 between DelVal and the Trustee (the “Master Trust Indenture”), and a Fifth Supplemental Trust Indenture, dated June 27, 2018, between DelVal and the Trustee (the “Fifth Supplemental Indenture”, and together with the Master Trust Indenture, the “Indenture”), in the principal amount of \$ \_\_\_\_\_. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture. The proceeds of the 2018 Bonds will be used to: (i) to originate loans (each a “Loan”) to Local Government Units or other political subdivisions (each, a “Participant”), (ii) to acquire Loans to Participants from DelVal’s Local Government Revenue Bonds, 2014 Series (the “2014 Bonds”), which proceeds, together with other available funds, will be used to redeem portions of the 2014 Bonds, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the 2018 Bonds. DelVal has assigned to the Trustee as security for the 2018 Bonds and under and pursuant to the Indenture, all of DelVal’s right, title and interest in and to the Trust Estate as defined in the Master Trust Indenture.

**THIS BONC IS SOLELY AND EXCLUSIVELY A LIMITED, SPECIAL OBLIGATION OF DELVAL. DELVAL SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL, INTEREST OR REDEMPTION PRICE OF THIS BOND EXCEPT FROM THE TRUST ESTATE IN THE MANNER PROVIDED IN THE INDENTURE AND TO THE EXTENT PROVIDED IN THE COVENANT AGREEMENT, AND NEITHER THE FAITH AND CREDIT**

NOR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING DELVAL, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT, INTEREST OR REDEMPTION PRICE OF THIS BOND. DELVAL HAS NO TAXING POWER.

No recourse shall be had for the payment of the principal or redemption price of or interest on this Bond, or for any claim based hereon, on the Indenture or any other document or agreement executed and delivered in connection herewith or therewith (collectively, the “Bond Documents”), against any member, director, officer or employee, past, present or future, of DelVal or of any successor body, as such, either directly or through DelVal or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

This Bond is payable solely from the Trust Estate and from any other moneys held by the Trustee under the Indenture for such purpose and, except as provided in the Indenture, there shall be no other recourse against DelVal or any other property now or hereafter owned by it. Except as otherwise specified in the Indenture, this Bond is entitled to the benefits of the Indenture equally and ratably as to principal and interest with all other Bonds issued under the Indenture. Reference is made to the Bond Documents for a description of the rights of the Holders of the Bonds; the rights and obligations of DelVal and the Participants; the rights, duties and obligations of the Trustee; and the provisions relating to amendments and modifications thereof. The acceptance of the terms and conditions of such documents (copies of which are on file at the principal corporate trust office of the Trustee), is an explicit and material part of the consideration of DelVal’s issuance hereof, and each Holder, by acceptance of this Bond, accepts and assents to all such terms and conditions as if fully set forth herein. The Holder shall have no right to enforce the provisions of any of the Loan Documents or the rights and remedies thereunder, except as provided in the Indenture. Capitalized terms used in this Bond which are not defined herein shall have the meanings ascribed thereto in the Indenture.

The Interest Rate Period for this Bond shall be a Floating Rate Period, during which period this Bond shall bear interest at the Floating Rate as determined from time to time in accordance with the Indenture. Interest on this Bond shall be payable on each Floating Rate Payment Date for the period commencing on the immediately preceding Floating Rate Payment Date and ending on the day immediately preceding such Floating Rate Payment Date. Interest with respect to the Floating Rate Period shall be rounded to the seventh significant digit, and the amount of interest shall be computed based on the actual number of days in the month and year.

The interest rate on this Bond shall be determined as set forth in Section 2.04 of the Fifth Supplemental Indenture.

#### **OPTIONAL EXTENSION OR REDEMPTION**

This Bond is subject to Extension or to optional redemption prior to maturity, at the option of DelVal, in whole or in part (in such amounts as may be specified by DelVal), at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for Extension or redemption, without premium as set forth in Section 2.04(C) of the Fifth Supplemental Indenture.

### **MANDATORY TENDER FOR PURCHASE ON EACH EXTENSION DATE.**

This Bond shall be subject to Mandatory Purchase on each Extension Date with respect to such Bond, or on the day which would have been the Extension Date for such Bond had one of the events specified in Section 2.06 of the Fifth Supplemental Indenture not occurred which resulted in the interest rate not being extended, at the Purchase Price, payable in immediately available funds. The Purchase Price of any Bond so purchased shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of The New York Stock Exchange at or prior to 10:00 A.M., New York City time, on the date specified for such delivery in this paragraph or in the notice provided pursuant to Section 2.06 of the Fifth Supplemental Indenture.

### **MANDATORY TENDER FOR PURCHASE ON INITIAL PURCHASE DATE OR SUBSEQUENT PURCHASE DATE.**

This Bond shall be subject to mandatory tender for purchase on its Initial Purchase Date and each Subsequent Purchase Date at the Purchase Price. The Trustee shall give notice of such mandatory purchase by mail to the Holders of Bonds subject to mandatory purchase no less than fifteen (15) days prior to the Initial Purchase Date or Subsequent Purchase Date, as applicable. The notice shall state the Initial Purchase Date or Subsequent Purchase Date, as applicable, the Purchase Price and that interest on the Bonds subject to Mandatory Purchase shall cease to accrue from and after the Initial Purchase Date or Subsequent Purchase Date, as applicable, if the Purchase Price of such Bonds has been paid. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

### **EXTRAORDINARY MANDATORY REDEMPTION**

This Bond is subject to extraordinary mandatory redemption prior to maturity, in whole or in part, as applicable, as follows:

- (1) The date that DelVal determines that it no longer reasonably expects to originate Loans under the Loan Program; or
- (2) On any date, if DelVal, as a result of direction received from Bond Counsel, is required to take remedial action so that interest on this Bond shall remain excluded from gross income for federal income tax purposes, and in the amount determined to be necessary so that interest on this Bond shall remain excluded from gross income for federal income tax purposes.

The Bond subject to extraordinary mandatory redemption shall be redeemed at a price equal to (i) 100% of the principal amount thereof and (ii) plus accrued interest to the date fixed for redemption.

Notice of each redemption shall be mailed to each Bondholder whose Bonds are being redeemed, and to the Administrator by first-class mail at least 15 days but not more than 30 days before each redemption date and shall contain the information required by the Indenture. So long as DTC, or its nominee, is the sole registered owner of the 2018 Bonds under the book-entry-only system, redemption notices will be sent to Cede & Co.

Failure by the Trustee to give any notice of redemption as to any particular Bonds shall not affect the validity of the call for redemption of any Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Bonds shall be conclusively presumed to have been given whether or not actually received by any Bondholder.

In the event that any Bonds are called for redemption and the amounts required for payment of the redemption prices thereof are not on deposit with the Trustee on the date set for redemption, the Trustee shall notify the registered owners of such Bonds that such redemption has been rescinded, and shall return any Bonds surrendered for redemption to the registered owners thereof; and the DelVal, the Trustee and the registered owners shall be restored to their prior position.

On the redemption date, the redemption price of each Bond to be redeemed hereof shall become due and payable; and from and after such date, notice having been given and amounts having been made available and set aside for such redemption, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any Bonds called for redemption. From and after such date of redemption (such notice having been given and such amounts having been made available and set aside for such redemption) the Bonds to be redeemed shall no longer be deemed to be Outstanding hereunder, and the DelVal shall be under no further liability in respect thereof.

If an Event of Default as defined in the Indenture occurs, the entire unpaid principal of and interest on the 2018 Bond issued under the Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

If at any time DelVal shall pay or cause to be paid, or there shall be otherwise paid or provision made for payment of the principal or redemption price of and interest on any or all of the Bonds outstanding under the Indenture and all sums of money due or to become due according to the provisions of the Indenture at the times and in the manner stipulated therein, then, subject to the provisions of the Indenture, the lien of the Indenture and other estates and rights held by the Trustee for the benefit of the 2018 Bondholders for which such payment or provision for payment, shall have been made, shall be discharged. After such discharge, Holders shall look only to the deposited moneys and securities for payment.

The Master Trust Indenture permits certain amendments or supplements to the Master Trust Indenture to be made without the consent of or notice to the Holders, and other amendments or supplements thereto to be made with the consent of the Holders of not less than fifty percent (50%) in aggregate principal amount of all Series of Bonds and Bonds outstanding, and under certain circumstances enumerated in the Master Trust Indenture, all, Holders. The Master Trust Indenture also permits amendments to the Loan Agreements and/or Bonds to be made without the

consent of or notice to the Holders. The Holder of the 2018 Bond has only those remedies provided in the Indenture.

This Bond is exchangeable for a 2018 Bond of this Series of other authorized denominations in equal aggregate principal amounts at the principal corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture. This Bond is transferable, if applicable, at the principal corporate trust office of the Trustee, by the Holder in person or by his attorney, duly authorized in writing, upon presentation and surrender hereof to the Trustee, but is transferable only in the manner and subject to the limitations provided in the Indenture. The Trustee is not required to transfer or exchange this Bond (i) during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of this Bond and ending at the close of business on the day of redemption, or (ii) if this Bond is selected for redemption in whole or in part.

This Bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee.

In the event of any conflict by or with the terms of this Bond and the terms of the Indenture, the terms of the Indenture shall control.

Unless this Bond is presented by an authorized representative of DTC to the Trustee or its agent for registration of transfer, exchange or payment, and any bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, Delaware Valley Regional Finance Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its (Vice) Chairman, and its corporate seal or a facsimile thereof to be affixed, imprinted, lithographed or reproduced hereon and attested by the manual or facsimile signature of its (Assistant) Secretary.

DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY

By: \_\_\_\_\_  
(Vice) Chairman

Attest: \_\_\_\_\_  
(Assistant) Secretary

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds described in the within-mentioned Indenture. Attached hereto is the complete text of the opinion of Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania, Bond Counsel, dated the date of the initial delivery of and payment for the Bonds, a signed original of which is on file with the Trustee.

TD BANK, N.A., as Trustee

By: \_\_\_\_\_  
Authorized Officer

Date of Authentication:

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

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(Please print or type name and address, including postal zip code, of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

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the within Bond and all rights thereunder, hereby irrevocably constituting and appointing

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Attorney to transfer said Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated:\_\_\_\_\_

\_\_\_\_\_  
(Signature of Registered Owner)

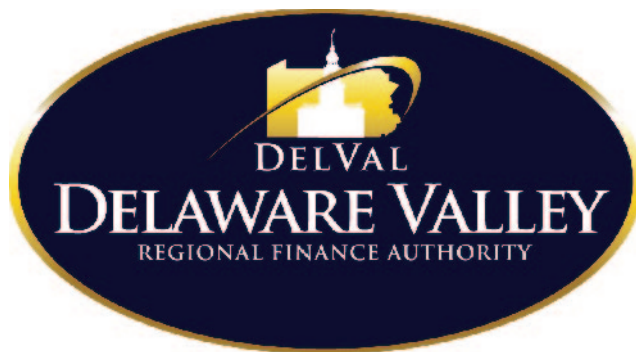
NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

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