

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Bank and the Borrowers described herein, interest on the Series 2015 A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that the Series 2015 A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, are exempt from taxation by and within the State of Rhode Island (the "State"); although the Series 2015 A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, may be included in the measure of State estate taxes and certain State corporate and business taxes. See "TAX EXEMPTION" herein regarding certain other tax considerations.

\$22,640,000

RHODE ISLAND INFRASTRUCTURE BANK
(formerly known as Rhode Island Clean Water Finance Agency)
Safe Drinking Water Revolving Fund Revenue Bonds
Series 2015 A (Green Bonds) (Pooled Loan Issue)

Dated: Date of Delivery**Due:** October 1, as described below

The Series 2015 A Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 2015 A Bonds will be made so long as Cede & Co. is the registered owner of the Series 2015 A Bonds. Individual purchases of the Series 2015 A Bonds will be made only in book-entry form, in denominations of \$5,000, or any multiple in excess thereof. The Series 2015 A Bonds bear interest from their date of delivery, payable on April 1 and October 1 of each year, commencing April 1, 2016. The Series 2015 A Bonds are subject to optional redemption prior to maturity as described herein.

The Series 2015 A Bonds are issued by the Rhode Island Infrastructure Bank, formerly known as Rhode Island Clean Water Finance Agency (the "Bank"), pursuant to the Constitution and laws of the State of Rhode Island and Providence Plantations (the "State"), particularly the Rhode Island Infrastructure Bank Act, Chapter 12.2 of Title 46 of the Rhode Island General Laws, as amended, and the Rhode Island Water Projects Revolving Loan Fund Act, Chapter 12.8 of Title 46 of the Rhode Island General Laws, as amended, (collectively, the "Act") and under and pursuant to a resolution adopted by the Bank on October 5, 2015. The Series 2015 A Bonds are issued under and secured ratably by an Indenture of Trust dated as of February 23, 2004, as amended and supplemented to the date hereof (as so amended and supplemented, the "Indenture"), between the Bank and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2015 A Bonds are being issued to fund loans to Local Governmental Units (as defined in the Act) within the State (the "Borrowers") to finance or refinance portions of the cost of certain drinking water projects and to pay costs of issuance. The Series 2015 A Bonds are being issued on a parity with all other outstanding Rhode Island Infrastructure Bank Safe Drinking Water Revolving Fund Revenue Bonds (Pooled Loan Issue) listed under the heading "The Bank Drinking Water State Revolving Fund Indebtedness of the Bank," herein (collectively, the "Senior Agency Bonds"). The Series 2015 A Bonds, the Senior Agency Bonds and any other additional bonds that may be issued in the future on a parity with the Series 2015 A Bonds and the Senior Agency Bonds (the "Additional Senior Bonds") are collectively referred to herein as the "Senior Bonds". The Senior Bonds are payable solely from the funds pledged therefore pursuant to the Indenture, including but not limited to (i) certain loan repayments to be made to the Trustee by the Borrowers as described herein, and (ii) investment earnings on certain reserves funded from federal capitalization grants. The Borrowers' loan repayments are secured by certain bonds of the Borrowers ("Borrower Bonds") as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR SENIOR BONDS" herein.

The Series 2015 A Bonds are designated as "Green Bonds" by the Bank based upon the intended use of the proceeds of the Series 2015 A Bonds to finance environmentally beneficial projects as described herein. See "THE SERIES 2015 A BONDS – Designation of Green Bonds" herein

The Series 2015 A Bonds are special obligations of the Bank and do not constitute a pledge of the full faith and credit of the Bank. The Bank has no taxing power. Neither the State of Rhode Island nor any political subdivision thereof shall be obligated to pay the Series 2015 A Bonds, and neither the faith and credit nor the taxing power of the State of Rhode Island or any political subdivision thereof is pledged to the payment of the Series 2015 A Bonds.

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
2017	\$915,000	3.000%	0.770%	76222FAA6	2027	\$580,000	5.000%	2.420%*	76222FAL2
2018	940,000	2.000	0.980	76222FAB4	2028	700,000	2.625	2.800	76222FAW8
2019	975,000	4.000	1.180	76222FAC2	2028	555,000	5.000	2.500*	76222FAM0
2020	1,020,000	3.500	1.360	76222FAD0	2029	1,315,000	5.000	2.590*	76222FAN8
2021	1,050,000	2.000	1.550	76222FAE8	2030	1,340,000	3.000	3.070	76222FAP3
2022	1,075,000	2.000	1.740	76222FAF5	2031	1,365,000	3.000	3.100	76222FAQ1
2023	1,100,000	2.000	1.920	76222FAG3	2032	1,405,000	3.000	3.140	76222FAR9
2024	1,135,000	3.000	2.050	76222FAH1	2033	1,460,000	3.125	3.190	76222FAS7
2025	1,125,000	4.000	2.180	76222FAJ7	2034	1,475,000	4.000	3.070*	76222FAT5
2026	1,180,000	5.000	2.310*	76222FAK4	2035	1,275,000	4.000	3.130*	76222FAU2
2027	655,000	2.500	2.620	76222FAV0					

*Priced at the stated yield to the October 1, 2025 optional redemption date at a redemption price of 100%

The Series 2015 A Bonds are offered, subject to prior sale, when, as and if issued by the Bank and accepted by the Underwriters, subject to approval as to legal matters by Nixon Peabody LLP, Providence, Rhode Island, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Bank by its counsel, Harrington & Vitale, Ltd., Providence, Rhode Island, and for the Underwriters by their counsel, Shechtman Halperin Savage LLP, Pawtucket, Rhode Island. FirstSouthwest, Lincoln, Rhode Island serves as Financial Advisor to the Bank. It is expected that the Series 2015 A Bonds will be available for delivery to DTC or its custodial agent on or about December 17, 2015.

RAYMOND JAMES

TD Securities
Citi

Roosevelt & Cross, Incorporated
Oppenheimer & Co.

The CUSIP numbers have been assigned by an independent company not affiliated with the Bank and are included solely for the convenience of the holders of the Series 2015 A Bonds. Neither the Underwriters nor the Bank are responsible for the selection or use of the CUSIP numbers, and no representation is made as to their correctness on the Series 2015 A Bonds or as indicated on the cover page hereof. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as to the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015 A Bonds.

No dealer, broker, salesman or other person has been authorized by the Bank or the Underwriters of the Series 2015 A Bonds to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The information contained in this Official Statement has been obtained from the Bank, the Borrowers and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and it is not to be construed as a representation by, the Bank or the Underwriters. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Bank or the Borrowers since the date hereof.

The Underwriters intend to offer the Series 2015 A Bonds to the public initially at the offering prices or yields shown on the front cover page hereof, which prices or yields may change subsequently without any requirement or prior notice. The Underwriters may offer and sell the Series 2015 A Bonds to certain dealers (including dealers depositing such Series 2015 A Bonds into investment trusts) at prices lower than the public offering prices shown on the front cover hereof.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has received the information in this Official Statement in accordance with, and as part of, its responsibilities to the Bank and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the parties referred to above or that the other information or opinions are correct as of any time subsequent to the date hereof.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in such forward-looking statements involve 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. The Bank does not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances on which such statements are based, occur.

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OFFICIAL STATEMENT
\$22,640,000
RHODE ISLAND INFRASTRUCTURE BANK
(formerly known as Rhode Island Clean Water Finance Agency)
SAFE DRINKING WATER REVOLVING FUND REVENUE BONDS
SERIES 2015 A
(Green Bonds) (Pooled Loan Issue)

This Official Statement, including the cover page and the appendices hereto, provides information concerning the sale by the Rhode Island Infrastructure Bank formerly known as Clean Water Finance Agency (the “Bank”), a body politic and corporate and public instrumentality of the State of Rhode Island and Providence Plantations (the “State”), of its \$22,640,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2015 A (Green Bonds) (Pooled Loan Issue) (the “Series 2015 A Bonds”). The Series 2015 A Bonds are issued pursuant to the Indenture (as hereinafter defined) on parity with the Bank’s Senior Agency Bonds (as hereinafter defined). See “THE BANK – Drinking Water State Revolving Fund Indebtedness of the Bank” herein. The Series 2015 A Bonds, together with the Senior Agency Bonds and any additional bonds that may be issued in the future on a parity with the Series 2015 A Bonds and the Senior Agency Bonds (the “Additional Senior Bonds”), are collectively referred to herein as the “Senior Bonds.” Any additional bonds issued by the Bank under the Indenture which are, by their terms, subordinate to the Senior Bonds are collectively referred to herein as the “Subordinate Bonds”. The Senior Bonds and Subordinate Bonds are collectively referred to herein as the “Bonds”.

The Series 2015 A Bonds constitute a duly authorized series of bonds of the Bank, issued under and pursuant to the Constitution and laws of the State, particularly the Rhode Island Infrastructure Bank Act, Chapter 12.2 of Title 46 of the Rhode Island General Laws (1956), as amended, and the Rhode Island Water Projects Revolving Loan Fund Act, Chapter 12.8 of Title 46 of Rhode Island General Laws (1956), as amended, (collectively, the “Act”), and under and pursuant to a resolution adopted by the Bank on October 5, 2015. The outstanding Senior Agency Bonds are, and the Series 2015 A Bonds will be, issued under and secured ratably by an Indenture of Trust dated as of February 23, 2004 (the “Indenture of Trust”), between the Bank and U.S. Bank National Association, as trustee (the “Trustee”), as amended and supplemented to the date hereof (the Indenture of Trust as so amended and supplemented is hereafter referred to as the “Indenture”).

Pursuant to the Act, the Series 2015 A Bonds are being issued for the purpose of (i) providing financing for costs of approved projects of various Local Governmental Units (as defined in the Act) that own and operate water systems within the State (collectively, the “Borrowers”) consisting of the acquisition, design, planning, construction, enlargement, repair, protection and improvement of public drinking water supply and treatment facilities of the Borrowers pursuant to the terms of loan agreements between the Bank and the respective Borrowers (each such agreement, as amended or supplemented, is hereinafter referred to as a “Loan Agreement”); and (ii) to pay the costs of issuance.

INTRODUCTION

In 1996, Congress amended the Safe Drinking Water Act of 1974 (42 U.S.C. §§ 300 f-300j-9) (as amended, the “Federal Act”) to improve and provide financial support for the nation’s public water systems. The Safe Drinking Water Act Amendments of 1996 included, among other things, new pollution prevention approaches, improved consumer information, changes to improve the regulatory program, and funding for state and local water systems. The Federal Act requires that a revolving loan fund be created under each state program to accept federal capitalization grants from the United States Environmental Protection Agency (the “EPA”) (“Federal Act Capitalization Grants”), which revolving loan funds must contain state matching funds equal to at least twenty percent (20%) of the Federal Act Drinking Water Capitalization Grants (“State Matching Funds”). The revolving loan funds are used to provide financial assistance to public water systems in connection with the acquisition, design, planning, construction, enlargement, repair, protection or improvement of public drinking water supply or treatment facilities. Under the Federal Act, the State has been authorized to receive up to \$166,104,500 in Federal Act Capitalization Grants through federal fiscal year 2015 for purposes of the State’s drinking water revolving loan fund. (See “THE DRINKING WATER STATE REVOLVING FUND PROGRAM - Funding” herein.)

In addition to Federal Act Capitalization Grants, for fiscal year 2009 the State was awarded \$19,500,000 in capitalization grants pursuant to the American Recovery and Reinvestment Act of 2009 (“ARRA”) to fund drinking

water projects (“ARRA Capitalization Grants”, and together with the Federal Act Capitalization Grants, the “Capitalization Grants”) in connection with the Rhode Island Drinking Water State Revolving Fund. The ARRA Capitalization Grants do not require State Matching Funds (except for the one to one match for State Program set asides which continue to be required) but use of such funds does require compliance with various terms and conditions that are not applicable to the Federal Act Capitalization Grants. See “THE BANK -- Federal Stimulus Act” and “THE DRINKING WATER STATE REVOLVING FUND PROGRAM – Federal Stimulus Funds” herein.

As required by the Federal Act, the General Assembly of the State enacted under Chapter 12.8 of Title 46 of the Rhode Island General Laws, as amended, a law entitled “The Water Projects Revolving Loan Fund” (the “DWSRF Act”), which established the Drinking Water State Revolving Fund (the “DWSRF”) to be administered and maintained by the Bank. Under the Act, the Department of Health of the State (the “Department”) is directed to promulgate rules and regulations pertaining to applications by Borrowers for financial assistance for safe drinking water projects. No project is eligible for financing by the Bank until the Department has issued its Certificate of Approval. The Certificate of Approval specifies, among other things, the estimated project costs that are eligible for financial assistance and other terms and conditions relating to the construction and operation of projects. The Department and the Bank entered into a Memorandum of Understanding dated July 13, 2000, as amended, pursuant to which the Department agreed to assume programmatic responsibilities for the DWSRF and the Bank agreed to assume the financial and operational responsibilities of the DWSRF, including the determination of the type of financial assistance to be provided to applicants. (See “THE DEPARTMENT OF HEALTH” herein.)

The DWSRF Act authorizes the Bank to make loans to, or purchase bonds of Local Governmental Units and Privately Organized Water Suppliers (each as defined under the DWSRF Act) for the purpose of financing or refinancing all or a portion of the cost of safe drinking water projects approved by the Department by the issuance of a Certificate of Approval. The DWSRF Act authorizes the Bank to adopt such regulations and establish such fees as may be required to administer the DWSRF. The DWSRF Act also authorizes the Bank to pledge the DWSRF as security for its revenue bonds issued for the purpose of providing moneys for deposit to the DWSRF to enable the Bank to make loans at below market interest rates to, or purchase bonds from, Local Governmental Units and Privately Organized Water Suppliers.

The proceeds of the Series 2015 A Bonds are expected to be used: (i) to make loans (“Loans”) to the Borrowers to finance or refinance the costs of the acquisition, design, planning, construction, enlargement, repair, protection and improvement of the public drinking water supply and treatment facilities of the Borrowers and (ii) to pay the Borrower’s allocable issuer expenses associated with entering into the Loans and issuing the Series 2015 A Bonds, which Loans are evidenced by local government obligations (“Borrower Bonds”). The Bank intends to use the proceeds of the Federal Act Capitalization Grants and the State Matching Funds to finance a portion of the Loans to the Borrowers, as well as future loans to borrowers.

The Bank expects that the Borrower Bonds delivered to the Bank in connection with the issuance of the Series 2015 A Bonds will represent loans to the Borrowers of proceeds of the DWSRF comprised of proceeds of the Series 2015 A Bonds, Federal Act Capitalization Grants and State Matching Funds indicated above, and will, in the aggregate, exceed the aggregate principal amount of the Series 2015 A Bonds outstanding from time to time. The obligation of a Borrower to pay a Borrower Bond may be a general obligation of the Borrower or a pledge of certain revenues to be derived by the Borrower. As set forth in each Loan Agreement, the Bank has determined the interest rate (the “Interest Rate”) for each Borrower, as if such Borrower had issued a series of its own bonds of similar maturity under similar market conditions and with such Borrower’s credit rating. The 2014 and 2015 Fiscal Year Capitalization Grants require the Bank to provide additional subsidization to Borrowers in the form of forgiveness of principal, negative interest loans, grants or a combination thereof. See “SECURITY AND SOURCES OF PAYMENT FOR SENIOR BONDS - Principal Forgiveness Subsidy Component of Fiscal Years 2014 and 2015 Capitalization Grants”.

The Bank has also set the “Subsidized Interest Rate” for all loans to the Borrowers, which is approximately seventy-five (75%) percent of the applicable Interest Rate. The “Subsidized Interest Rate” has ranged from 0% to 6% for all prior loans to Borrowers under the DWSRF.

Loans may be made under the DWSRF with the proceeds of Senior Bonds, State Matching Funds, Capitalization Grants or funds on deposit in the DWSRF, or a combination of any of them. Loans made with the proceeds of Senior Bonds are referred to as “Agency Loans”. Loans made with the proceeds of State Matching Funds derived from funds made available to the Bank by the State, any de-allocated amount in the State Account of

the Local Interest Subsidy Trust Fund (the “LIST Fund”), certain funds resulting from the repayment of State Matching Funds or any combination thereof are referred to as “Direct Loans”. Loans made with Federal Act Capitalization Grants, any earnings thereon or a combination thereof are referred to as “Federal Direct Loans”. Loans that were made with proceeds from the ARRA Capitalization Grant after payment of the ARRA Principal Forgiveness Subsidy (hereinafter defined) are referred to as “ARRA Federal Direct Loans”. (See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS - ARRA Federal Direct Loans” herein.)

The Senior Bonds are secured equally and ratably under the Indenture by the payments by all Borrowers on Loans made with proceeds of Senior Bonds and the payments by all Borrowers on Direct Loans, Federal Direct Loans and ARRA Federal Direct Loans. Senior Bonds issued to fund State Matching Funds are payable only through interest repayments on Direct Loans, Agency Loans, Federal Direct Loans and any other available investment income (but not principal repayments on Direct Loans). See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS - Loans Made with Proceeds of Senior Bonds, Direct Loans, and Federal Direct Loans” herein.

Loans are expected to be made to the Borrowers identified herein under “THE DRINKING WATER STATE REVOLVING FUND PROGRAM - The Borrowers” in connection with the issuance of the Series 2015 A Bonds or to substituted Borrowers. Loans are expected to be made to the same or different Borrowers not described in this Official Statement with the proceeds of Additional Senior Bonds to be issued in the future. Each Borrower is responsible for the repayment of its Loan and is not responsible for the default of any other Borrower’s payments. Notwithstanding the foregoing, (1) in the event of a default in any Borrower Bond payments, amounts on deposit in the non-Defaulting Borrowers’ subaccounts in the Federal Account and the State Account of the List Fund (on a parity basis) and the Direct Loan Principal Repayment Subaccount of the State Matching Fund Account of the Construction Proceeds Fund shall be available, in accordance with the priority set forth in the Indenture, for the payment of debt service on Senior Bonds; and (2) a default by a Borrower may require all Borrowers to pay up to the stated Interest Rate on their Borrower Bonds and not the Subsidized Interest Rate. See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Loans Made with Proceeds of Senior Bonds;” “INVESTMENT CONSIDERATIONS” and “APPENDIX A-1 -- Summary of Certain Provisions of the Indenture of Trust” and “APPENDIX A-2 -- Summary of Certain Provisions of the Loan Agreements” herein.

This Official Statement contains descriptions of and information regarding the application of the proceeds of the Series 2015 A Bonds, the security and sources of payment therefore, the Bank and the Drinking Water State Revolving Loan Program. Appendix A contains a summary of certain provisions of the Indenture and Loan Agreements. The audited financial statements of the Bank are included as Appendix B. Appendix C contains certain information regarding the City of Newport, Rhode Island and the system of water supply, treatment and distribution facilities of the City of Newport. Appendix D contains certain information regarding the City of Pawtucket, Rhode Island, the Pawtucket Water Supply Board (“PWSB”) and the system of water supply, treatment and distribution facilities of the City of Pawtucket. Appendix E contains certain information regarding the City of Providence, Rhode Island, the Providence Water Supply Board (“Providence Water”) and the system of water supply treatment and distribution facilities of the City of Providence. The proposed form of approving opinion of Bond Counsel is included as Appendix F. The proposed forms of Bank Continuing Disclosure Certificate and Borrower Continuing Disclosure Certificates are included as Appendix G. Certain information regarding the book-entry-only system used in connection with the Series 2015 A Bonds is included as Appendix H. Descriptions and information contained in this Official Statement do not purport to be comprehensive and the descriptions of documents contained herein are qualified in their entirety by reference to such documents. Appendix I contains highlights of the green bond projects to be financed with the proceeds of the Series 2015 A Bonds. Copies of the Indenture and the forms of the Loan Agreements and Borrower Bonds herein described may be obtained from the Bank. Copies of such documents will be available for inspection at the principal corporate trust office of the Trustee upon the initial delivery of the Series 2015 A Bonds.

The Act authorizes the Bank to borrow money and issue from time to time its bonds, notes and other obligations in such principal amounts as the Bank determines shall be necessary to provide sufficient funds to carry out its purposes and powers.

THE OUTSTANDING SENIOR BONDS, INCLUDING THE SERIES 2015 A BONDS ARE SPECIAL OBLIGATIONS OF THE BANK PAYABLE SOLELY FROM, AND SECURED BY, A PLEDGE OF REVENUES GENERATED BY CERTAIN BORROWER BONDS AND THE LOANS EVIDENCED THEREBY

AND OTHER MONEYS AND SECURITIES HELD IN CERTAIN FUNDS ESTABLISHED PURSUANT TO THE INDENTURE.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OR ANY OF ITS SUBDIVISIONS OR AN INDEBTEDNESS FOR WHICH THE FAITH AND CREDIT OF THE STATE OR ANY OF ITS SUBDIVISIONS OR ANY OF ITS REVENUES ARE PLEDGED. THE BANK HAS NO TAXING POWER.

THE BANK

The Rhode Island Infrastructure Bank, formerly known as the Rhode Island Clean Water Finance Agency, was created as a body politic and corporate and public instrumentality of the State to administer certain federal and State programs relating to the provision of financial assistance, principally through the issuance of its bonds for municipal or community wastewater and drinking water infrastructure projects. The Bank administers the Clean Water State Revolving Fund created under Title VI of the Federal Clean Water Act and its State counterpart. The Bank also administers the Drinking Water State Revolving Fund created under the Federal Safe Drinking Water Act, as amended. The Bank also provides low interest loans to municipalities in Rhode Island through its Municipal Road and Bridge Revolving Fund for infrastructure improvements to municipally owned roads and bridges. For wastewater and drinking water projects which are not eligible for financial assistance from the revolving funds, the Bank is authorized to issue its bonds as a conduit issuer to provide funding for these projects. The Bank also established a Community Septic System Loan Program to provide low interest financing for upgrading or replacement of failed or failing septic systems, and a Sewer Tie-In Loan Program to provide low interest financing for connections to a public sewer system. In June of 2015, Governor Gina Raimondo proposed and the Rhode Island General Assembly enacted legislation renaming the Agency as the Rhode Island Infrastructure Bank. The legislation also expanded the programs to be administered by the Bank, including commercial and residential Property Assessed Clean Energy (PACE) programs. Other new programs include the development of the Efficient Buildings Fund, intended to provide low cost financing for energy efficiency and renewable energy projects in public buildings around Rhode Island, and the creation of a brownfields remediation revolving fund. See “**Recent Events**” below.

The Bank has no power to raise or collect taxes of any kind or to establish any generally applicable fees and charges, other than administrative fees charged directly to those Borrowers that receive the benefit of the Bank’s financing programs. The Bank, in its discretion, may charge cost of issuance fees to Borrowers.

Officers and Directors

Under the Act, the Bank is governed by a Board of Directors consisting of five members, four of whom are members of the public appointed by the Governor, with the advice and consent of the State Senate. The General Treasurer or such officer’s designee, who shall be a subordinate within the General Treasurer’s department, shall serve on the Board of Directors as an ex-officio member.

The names, offices (if any), principal occupations and residences of the directors of the Bank and the dates of expiration of their terms are as follows:

Merrill W. Sherman, Chair (Gubernatorial appointment; term expires March 1, 2017; serves until a successor is appointed). Ms. Sherman, a resident of Jamestown, Rhode Island, is a co-founder of Bank Rhode Island and the former President and CEO of three community banks and two publicly-traded bank holding companies. In addition to her public agency presence, she serves on the Board of Trustees of Blue Cross/Blue Shield of Rhode Island (Finance Committee Chair), Preservation Society of Newport County, Providence Foundation and Crossroads Rhode Island (Chair 2002-2005). She is the former Chair of the Board of Trustees of Rhode Island School of Design and former member of the Board of Trustees of Johnson & Wales University. Ms. Sherman graduated from Mount Holyoke College and the University of Denver, College of Law.

Scott D. Lajoie, Vice Chair (Gubernatorial appointment; term expires March 1, 2016; serves until a successor is appointed). Mr. Lajoie, a resident of Warwick, Rhode Island, is a Vice President in the business banking group at Bank Rhode Island. Mr. Lajoie was formerly a Vice President in the Commercial Real Estate Group at The Washington Trust Company and Vice President in Commercial Lending of First Bank & Trust Company.

Seth Magaziner, Treasurer (Rhode Island General Treasurer, serves ex-officio). Mr. Magaziner is the current General Treasurer of the State of Rhode Island. Prior to his election as General Treasurer, Mr. Magaziner was Vice President at Trillium Asset Management, a socially responsible investment firm, where he oversaw the

firm's investment strategy for energy, banking and diversified financial industries. Previously, he worked as a school teacher with Teach for America in rural Louisiana in the aftermath of Hurricane Katrina. Mr. Magaziner currently serves on the board of directors of Crossroads Rhode Island, and previously served on the boards of Common Cause of Rhode Island, Serve Rhode Island, Marriage Equality Rhode Island and the Bristol 4th of July Committee. Mr. Magaziner is a graduate of Brown University and the Yale School of Management.

Joshua Celeste, Secretary (Gubernatorial appointment; term expires March 1, 2016; serves until a successor is appointed). Mr. Celeste, a resident of Cranston, Rhode Island, is a partner at Duffy & Sweeney, LTD. Mr. Celeste received a bachelor of science from the University of Rhode Island in 1997 and a juris doctorate from the Roger Williams University School of Law in 2000.

Lisa Ferrara, Assistant Secretary (Gubernatorial appointment; term expires March 1, 2017; serves until a successor is appointed). Ms. Ferrara, a resident of Cranston, Rhode Island, is a retired partner with GMO LLC. Ms. Ferrara was formerly a Senior Vice President of Putnam Investments. Prior to that, she served as a vice president with Morgan Stanley Asset Management and a vice president with State Street Bank.

Unless otherwise noted, absent misfeasance, malfeasance or willful neglect of duty, each director of the Bank serves until his or her successor is appointed and qualified.

The staff of the Bank presently consists of eight full-time employees.

The Interim Executive Director of the Bank is Joseph Dewhirst, who was appointed by the Board of Directors on October 15, 2015, following the resignation of William Sequino. Previously, Mr. Dewhirst worked for more than 30 years in bank treasury management; from 2006-2014, he served as the treasurer of Citizens Bank in Providence, RI. Mr. Dewhirst holds B.A. and Ph.D. degrees from Harvard University. He will serve as the Interim Executive Director until the Board of Directors appoints a permanent Executive Director. The Board of Directors has initiated a process for selection of a permanent Executive Director. Mr. Dewhirst is a resident of Bristol, Rhode Island.

The office of the Bank is located at 235 Promenade Street, Suite 119, Providence, Rhode Island 02908. Its telephone number is (401) 453-4430. Web address: www.riinfrastructurebank.com.

Recent Events

On June 30, 2015, the Governor of the State signed into law House Bill No. 5900 (the "Legislation"), which expanded the Bank's financing powers beyond its then existing clean water, drinking water and municipal road and bridge financing programs. Pursuant to the Legislation, the Bank now serves as a centralized hub for existing and new infrastructure financing initiatives, with an additional focus on energy efficiency and renewable energy projects. The Legislation also established that, effective September 1, 2015, the Rhode Island Clean Water Finance Agency would be known as the Rhode Island Infrastructure Bank. The Legislation also enables the Bank to establish a revolving loan fund for Brownfields site redevelopment. A brief description of the Bank's new financing programs is set forth below:

- Property Assessed Clean Energy ("PACE") program – The Bank is empowered to administer the State's PACE program, coordinating financial assistance (either directly from the Bank or through outside financial institutions) to residential and commercial property owners for energy efficiency or renewable energy projects, which the property owners would repay in conjunction with their property tax payments.
- Efficient Buildings Fund – The Bank is empowered to provide financial assistance to municipalities and other public entities in the State for the purpose of financing energy efficient and renewable energy projects for public buildings and infrastructure.
- Private Storm Water Lending – The Bank was previously empowered to provide financial assistance to municipalities for storm water management projects. Under the Legislation, and in accordance with the recent amendments to the Clean Water Act passes by Congress in 2014, such powers have been increased to permit such lending on behalf of private entities.

- Brownfields Revolving Fund – The Bank has been designated as the State’s administrator for brownfields revolving loan funds, providing financial assistance to municipalities and private entities for remediation and development of brownfields sites.

Irrespective of the name change, nothing in the Legislation shall be construed to change or modify the corporate existence of the Rhode Island Clean Water Finance Agency, or to change or modify any contracts or agreements of any kind by, for, between, or to which the Rhode Island Clean Water Finance Agency is a party prior to September 1, 2015.

Drinking Water State Revolving Fund Indebtedness of the Bank

The Series 2015 A Bonds represent the tenth issuance of Senior Bonds under the Indenture. As of October 31, 2015, the Bank had \$163,835,000 of outstanding Senior Bonds, exclusive of the current offering of Series 2015 A Bonds (collectively, the “Senior Agency Bonds”) as shown in the following table:

<u>Senior Bonds</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (October 31, 2015)</u>
Series 2005 A Bonds	October 1, 2027	\$42,960,000	\$ 5,620,000
Series 2007 A Bonds	October 1, 2019	5,135,000	2,350,000
Series 2008 A Bonds	October 1, 2029	36,350,000	30,515,000
Series 2009 A Bonds	October 1, 2030	9,935,000	8,990,000
Series 2012 A Bonds	October 1, 2033	34,620,000	31,515,000
Series 2013 A Bonds	October 1, 2034	35,780,000	34,675,000
Series 2013 B Ref. Bonds	October 1, 2024	38,790,000	37,080,000
Series 2014 A Bonds	October 1, 2032	13,090,000	13,090,000
Total		\$216,660,000	\$163,835,000

The Bank is not subject to any statutory or constitutional debt limit and may incur other indebtedness as part of its existing or any new programs from time to time.

State Match Portion and Leveraged Portion

Under the Federal Act, states are required to provide State Matching Funds which are equal to 20% of the amount received in federal grants for the revolving fund programs. See “THE DRINKING WATER STATE REVOLVING FUND PROGRAM” herein. Under the Act, the Bank is authorized to issue its bonds to obtain funds to provide the State Matching Funds and to provide financial assistance to borrowers. The portion of any Bonds issued to provide State Matching Funds is referred to as the “State Match Portion” and the portion of any Bonds issued to provide financial assistance to borrowers and not to provide State Matching Funds is referred to as the “Leveraged Portion.” In general, the Act and the Federal Act require that the principal repayments of Loans be used only to pay amounts due on the Leveraged Portion of Bonds, and that interest payments on Loans and investment earnings on other investments be used first to pay amounts due on the State Match Portion of Bonds, and, then, to pay any remaining amounts due on the Leveraged Portion of Bonds. Bonds which finance both State Matching Funds and financial assistance will be comprised of both a State Match Portion and a Leveraged Portion, and any particular maturity of Bonds and any particular series of Bonds may likewise be comprised of both a State Match Portion and a Leveraged Portion.

Subordinate Bonds

Subordinate Bonds are special obligations of the Bank payable from the revenues or receipts, funds or monies pledged therefor under the Indenture, consisting of certain excess revenues derived from loan repayments by Borrowers, subject to the prior pledge of such revenues to the payment of Senior Bonds, transferred from the Revenue Fund to the Subordinated Debt Service Fund under the Indenture. Subordinate Bonds are not payable from or secured by any other funds other than the revenues expressly pledged therefor under the Indenture. The payment of Subordinate Bonds is subordinate to payment of Senior Bonds. Currently, no Subordinate Bonds have been issued under the Indenture.

Future Drinking Water State Revolving Fund Program Financings of the Bank

The Bank expects to issue Additional Senior Bonds in the future to finance or refinance safe drinking water projects consistent with the Act and the Indenture. The Bank expects in future years to issue other bonds for purposes authorized in the Act to the extent permitted by law and to finance other activities as permitted by the Act, from time to time.

Certain Other Bank Programs and Indebtedness

The Bank administers a leveraged revenue bond program under the Water Pollution Control Revolving Fund (the “WPCRF”) to make subsidized loans to certain governmental entities to finance or refinance the cost of construction or rehabilitation of water pollution abatement projects. As of October 31, 2015, the Bank had \$434,055,000 of senior bonds outstanding under the WPCRF. As of October 31, 2015, the Bank had \$75,080,000 of subordinate bonds outstanding under the WPCRF. All of the bonds issued under the WPCRF have been issued under a separate indenture and are not pledged as security for the Bonds, provided, however, a cross investment feature relating to the DWSRF may be utilized. See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – The Cross Investment Fund” herein.

The Bank also administers the Rhode Island Water Pollution Control Revolving Fund (the “State Program”) and, as part of the State Program, the Facility Plan Loan Program. The State Program is a direct loan program established to finance water pollution abatement projects that do not qualify for the Federal WPCRF. The State Program is also used to make loans to municipalities and wastewater service providers for the update of long-term capital infrastructure improvements planning (“Facility Plans”) as part of the Facility Plan Loan Program. These programs are funded through capitalization grants from State general obligation bond issues. Repayments of the direct loans from the State Program may be recycled into new direct loans or may be deposited into the WPCRF and used with the proceeds of State Matching Funds to make loans to borrowers or may be used to fund the Local Interest Subsidy Trust Fund of the WPCRF at the discretion of the Bank. The financial subsidy offered to the Borrowers from the State Program is similar to the WPCRF. To date, the Bank has made one loan under the State Program to the Town of South Kingstown for \$920,000 which has been fully repaid. The Facility Plan Loan Program provides loans at 1% interest per annum payable over three years. To date, the Bank has made four (4) loans totaling \$375,000. None of the loans under the State Program or the Facility Plan Loan Program is pledged as security for the Bonds.

As of October 31, 2015, the Bank had \$81,167,000 in other long-term indebtedness outstanding in connection with bonds issued to fund (i) loans to the City of Cranston in connection with the privatization of its wastewater treatment facility (\$28,490,000); (ii) loans to the City of Warwick to finance sewer projects (\$4,752,000); (iii) loans to the City of Pawtucket to refinance the indebtedness of certain drinking water projects (\$26,995,000), which are expected to be refinanced from proceeds of the Series 2015 Conduit Refunding Bonds described in the following paragraph; (iv) loans to the City of Newport to finance and refinance the indebtedness related to certain drinking water projects, (\$5,310,000) and refinance the indebtedness of certain sewer projects (\$8,220,000); and (v) a loan to the Town of Coventry to refinance the indebtedness related to a certain sewer project (\$7,400,000). These loans were not made under the DWSRF and are not pledged as security for the bonds.

The Bank expects to issue its \$24,265,000 City of Pawtucket, Rhode Island Conduit Issue Refunding Water Revenue Bonds, Series 2015 (the “Series 2015 Conduit Refunding Bonds”) on or about December 18, 2015 for the purpose of refunding its outstanding City of Pawtucket, Rhode Island Conduit Issue Water Revenue Bonds, Series 2003 A and City of Pawtucket, Rhode Island Conduit Issue Water Revenue Bonds, Series 2003 B (Federally Taxable) (the “Series 2003 Conduit Bonds”). The Bank loaned the proceeds of the Series 2003 Conduit Bonds (the “Series 2003 Loan”) to the City of Pawtucket (the “City”) and, as evidence of the Series 2003 Loan, the Bank received from the City its Water System Revenue Bonds, Series 2003 A and Water System Revenue Bonds, Series 2003 B (Federally Taxable) (collectively, the “Series 2003 Borrower Bonds”). The Bank will loan the proceeds of the Series 2015 Conduit Refunding Bonds to the City, which the City will use, together with certain other available monies, to repay the Series 2003 Loan to the Bank and redeem the Series 2003 Borrower Bonds. The Bank, in turn, will use the City’s repayment of the Series 2003 Loan to refund the Series 2003 Conduit Bonds.

The Bank has also established a Community Septic System Loan Program (“CSSLP”) under the Federal Clean Water Act through which communities may borrow funds to address non-point source wastewater pollution abatement issues. The CSSLP gives communities the ability to provide their residents whose septic systems are failing, have failed or are substandard with low-interest cost funds for repair or replacement. De-allocated LIST funds provide the money for this direct loan program. The Bank has made thirty-nine CSSLP direct loans totaling \$11,500,000 through October 31, 2015. Repayments under the CSSLP are not pledged as security for the Bonds.

The Bank has also established a Sewer Tie-In Loan Fund (“STILF”) under the Act through which communities may borrow funds to address non-point source wastewater pollution abatement issues. The STILF gives communities the ability to provide their residents low cost financing for sewer connections (pipe linking a house to a street collector). State Program funds provide the money for this direct loan program. The Bank has made four STILF direct loans totaling \$600,000 through October 31, 2015. Repayments under the STILF are not pledged as security for the Bonds.

The Bank has also established a Municipal Road and Bridge Revolving Fund (“MRBRF”) in accordance with legislation enacted by the General Assembly. The purpose of the MRBRF is to provide low interest loans to borrowers identified by the Rhode Island Department of Transportation for road and bridge infrastructure. The Bank has made fifteen loans totaling in excess of \$18,600,000 as of October 31, 2015. Repayments under the MRBRF are not pledged as security for the Bonds.

Federal Stimulus Act

In February, 2009, the United States Congress passed the ARRA, a \$789 billion stimulus package consisting of various spending and tax credit measures. Among its numerous provisions, the ARRA provided for the awarding by the EPA of additional grant funds to the State for use in its Water Pollution Revolving Fund Program and the Safe Drinking Water Revolving Fund Program. The Bank applied for, was granted and has used \$26,314,600 of such funds in the Water Pollution Revolving Fund Program and \$19,500,000 of such funds in its Safe Drinking Water Revolving Fund Program. Grant proceeds are no longer available under ARRA. See “THE DRINKING WATER STATE REVOLVING FUND PROGRAM - Federal Stimulus Funds” herein.

Fiscal Years 2014 and 2015 Capitalization Grants

The Bank was awarded the federal Fiscal Year 2014 Capitalization Grant in the amount of \$8,845,000. The Bank was awarded the federal Fiscal Year 2015 Capitalization Grant in the amount of \$8,787,000. The Bank will utilize its remaining balance of the Fiscal Year 2014 Capitalization Grant of \$1,920,690 and a portion of the proceeds of the Fiscal Year 2015 Capitalization Grant to fund Federal Direct Loans in connection with the issuance of the Series 2015 A Bonds. See “THE DRINKING WATER STATE REVOLVING FUND PROGRAM - Fiscal Years 2014 and 2015 Capitalization Grant.” In addition, the Fiscal Years 2014 and 2015 Capitalization Grant requires the Bank to provide a certain amount of additional loan subsidization to Borrowers. See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS - Principal Forgiveness Subsidy Component of Fiscal Years 2014 and 2015 Capitalization Grant”.

THE DEPARTMENT OF HEALTH

The Department of Health (the “Department”) was created as a department within the Executive Branch of the State pursuant to Chapter 18 of Title 42 of the Rhode Island General Laws, as amended. The Director of Health is the head of the Department and is appointed by the Governor of the State with the advice and consent of the State Senate.

Under Chapter 1 of Title 23 of the Rhode Island General Laws, as amended, the Department is given broad powers to supervise and protect the public health within the State.

Additionally, under the DWSRF Act the Department is charged with adopting rules and regulations and procedures and guidelines which shall establish: the criteria for determining those safe drinking water projects to be approved for financial assistance (including a priority determination system); the specification of the eligible costs of such projects or portions thereof; and provisions for compliance by projects constructed in whole or in part with funds made available under the Act.

If the Department determines that an application for financial assistance shall be approved, it will deliver to the Bank a Certificate of Approval which specifies, among other things, the estimated project costs which are eligible for financial assistance and the terms, conditions and limitations for the construction and operation of the projects as the Department shall determine.

THE SERIES 2015 A BONDS

General

The Series 2015 A Bonds are dated as of their date of delivery, are scheduled to mature as set forth on the front cover of this Official Statement and bear interest from their date at the rates set forth on the cover of this Official Statement, which interest is payable on April 1 and October 1 of each year commencing April 1, 2016 (each April 1 and October 1, commencing April 1, 2016, being hereinafter referred to as an “Interest Payment Date”).

Book-Entry-Only System

The Series 2015 A Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to which principal and interest payments on the Series 2015 A Bonds will be made so long as DTC or its nominee is the registered owner of the Series 2015 A Bonds. The Series 2015 A Bonds will be issued in denominations of \$5,000 or any multiple thereof. Individual purchasers of the Series 2015 A Bonds will not receive physical delivery of certificates representing their ownership interests in the Series 2015 A Bonds, except in the event that use of the book-entry system for the Series 2015 A Bonds is discontinued. Transfers of the Series 2015 A Bonds and principal and interest payments on the Series 2015 A Bonds will be made as described in Appendix H. Beneficial owners of the Series 2015 A Bonds should make appropriate arrangements with their broker or dealer to receive notices (including notices of redemption) and other information regarding the Series 2015 A Bonds that may be conveyed by DTC to its participants. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2015 A BONDS, ALL REFERENCES HEREIN TO THE BONDHOLDERS OR THE REGISTERED OWNERS OF THE SERIES 2015 A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2015 A BONDS EXCEPT AS PROVIDED IN APPENDIX H HERETO. See “APPENDIX H - BOOK-ENTRY-ONLY SYSTEM” herein.

Optional Redemption

The Series 2015 A Bonds maturing on or before October 1, 2025 are not subject to optional redemption prior to their stated dates of maturity. The Series 2015 A Bonds maturing on or after October 1, 2026 are subject to redemption prior to maturity, at the option of the Bank, as a whole or in part at any time, and if in part, by lot within a maturity, on and after October 1, 2025 at the following prices, expressed as a percentage of the principal amount of the Series 2015 A Bonds or portions thereof to be redeemed, plus accrued interest to the date set for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
October 1, 2025 and thereafter	100%

If fewer than all of the Series 2015 A Bonds shall be called for redemption, the particular maturities of the Series 2015 A Bonds to be redeemed shall be selected by the Bank in its discretion. If fewer than all of the Series 2015 A Bonds of any one maturity shall be called for redemption, the particular Series 2015 A Bonds or portions thereof to be redeemed from such maturity shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may reasonably determine; except that, so long as DTC or its nominee is the sole registered owner of such Series 2015 A Bonds, the particular Series 2015 A Bonds, or portions thereof, to be redeemed within a maturity shall be selected by lot by DTC in such manner as DTC shall determine. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Notice of Redemption

As long as the Series 2015 A Bonds to be redeemed are registered in the name of Cede & Co. (or a successor entity) in the book-entry system, the Trustee shall give notice of the call for any redemption by certified mail at least 30 days before the redemption date to Cede & Co. (or a successor entity) as the registered owner of each such Series 2015 A Bond or portion of a Series 2015 A Bond to be redeemed at the address appearing on the

registration books maintained by the Trustee as Registrar. At such time as the Series 2015 A Bonds to be redeemed are no longer held by Cede & Co. (or a successor entity), the Trustee shall give notice of the call for any redemption by mailing a copy of such notice not less than 30 days nor more than 45 days prior to the redemption date by first-class mail, postage prepaid, to the Registered Owner of such Series 2015 A Bonds at such Owner's address as it appears on the registration books maintained by the Trustee as Registrar, or at such address as such Owner may have filed with the Trustee for that purpose. The Series 2015 A Bonds so called for redemption will cease to bear interest on the specified redemption date and shall no longer be secured by the Indenture, provided that funds for such redemption are on deposit at the time with the Trustee.

The Trustee, so long as a book-entry system with DTC is used for determining beneficial ownership of the Series 2015 A Bonds, shall send any notice of redemption to DTC, or its nominee, as registered owner of the Series 2015 A Bonds (see "APPENDIX H – BOOK-ENTRY-ONLY SYSTEM" herein). Transfer of such notice to DTC's Participants is the sole responsibility of DTC. Transfer of such notice to Beneficial Owners by Participants is the responsibility of the Participants and other nominees of Beneficial Owners of the Series 2015 A Bonds. Any failure of DTC to mail such notice to any Participant will not affect the validity of the redemption of the Series 2015 A Bonds. The Trustee can make no assurances that DTC, the Participants or other nominees of the Beneficial Owners of the Series 2015 A Bonds will distribute such redemption notices to the Beneficial Owners of the Series 2015 A Bonds, or that they will do so on a timely basis, or that DTC will act as described in this Official Statement.

Designation of Green Bonds

The Bank has designated the Series 2015 A Bonds as "Green Bonds" based on the intended use of the proceeds of the Series 2015 A Bonds to finance environmentally beneficial projects as described below. Such projects are designed to ensure safe drinking water for the public in the State in accordance with State and Federal standards consistent with the Act. The purpose of labeling the Series 2015 A Bonds as Green Bonds is to allow investors to invest directly in bonds that finance such environmentally beneficial projects. The holders of the Series 2015 A Bonds do not assume any specific project risk or economic benefit related to any of the funded projects as a result of the "Green Bonds" designation.

Use of Bond Proceeds – The Projects. Below are brief descriptions of the projects expected to be financed with proceeds of the Series 2015 A Bonds.

- Providence Water

Providence Water is undertaking a project to relocate and consolidate their central operations. The project includes the purchase and rehabilitation of an existing 175,000 square foot building. This facility will house the following divisions: Transmission and Distribution, Water Quality, Engineering, Support Services, Finance, Information Technology, Customer Service and Administration. In addition, the water testing laboratory will be relocated to this Central Operations Facility.

- Cumberland

The Town is undertaking the replacement of a water storage tank. The project consists of replacement of the existing 0.6 million gallon water storage tank with a new 0.6 million gallon pre-stressed concrete water storage tank, inclusion of a tank mixing system, access road improvements, replacement of security fencing, demolition of the existing tank and relocation of the instrumentation, controls and electrical services to the new tank.

Post-Issuance Reporting. The Bank will report on the expenditure of the proceeds of the Series 2015 A Bonds in the form of APPENDIX I hereto which shall be included in the Bank's Annual Report beginning with the Bank's 2016 Annual Report, and all future Annual Reports, until all of the proceeds of the Series 2015 A Bonds have been spent. The Bank's Annual Report will be available at the following web address: www.riinfrastructurebank.com. Once all the proceeds of the Series 2015 A Bonds have been spent, no further reports will be provided.

ESTIMATED SOURCES AND USES OF FUNDS

The projected sources and uses of funds, including the proceeds of the Series 2015 A Bonds, are as follows:

Sources of Funds:

Series 2015 A Bonds	\$ 22,640,000.00
Net Original Issue Premium	1,499,919.25
State Match	1,757,400.00
De-Allocated LIST Funds to fund Federal Direct Loans	723,623.50
2014 Federal Cap Grants	1,920,690.00
2015 Federal Cap Grants	3,563,030.00
Total	\$ 32,104,662.75

Uses of Funds

Agency Loans	\$ 22,253,749.67
Principal Forgiveness Subsidy (Agency Loans)	1,531,506.83
Direct Loans	1,757,400.00
Federal Direct Loans	6,207,343.50
Costs of Issuance ¹	222,612.63
Underwriter's Discount	132,050.12
Total	\$ 32,104,662.75

¹ This amount includes: (i) cost of issuance of the Series 2015 A Bonds and (ii) rounding amount.

The State Matching Funds portion of the sources of funds noted above may not be available from the State by the date of delivery of the Series 2015 A Bonds. In that event, the Bank will use its operating funds to fund the State Matching Funds portion, reimbursing itself once the State Matching Funds are available from the State (which may not occur until the Spring of 2016). The ultimate source of the State Matching Funds will be funds from the State.

DEBT SERVICE

The payment of debt service on the Series 2015 A Bonds is dependent on Borrowers making timely payments on their Borrower Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS" herein. It is possible that a Borrower will be unable to make a payment or a timely payment on its Borrower Bonds. Although the Bonds and the DWSRF have been structured so as to minimize the risk that a default by a Borrower on its Borrower Bonds would cause a default on the Bonds, there can be no assurance that such a default would not occur. The structure of the DWSRF Program provides debt service coverage in excess of debt service on the Bonds and asset coverage in excess of the principal amount of Bonds outstanding. See "Rhode Island Clean Water Finance Bank Projected Cash Flow Schedule" herein.

Debt Service Coverage

The following tables are intended to provide detailed information regarding the projected total income available to pay debt service on the Senior Agency Bonds outstanding within the meaning of the Indenture, the Series 2015 A Bonds and Subordinate Bonds (if any) outstanding within the meaning of the Indenture, projected annual debt service requirements, the allocation of the annual debt service related to the State Match Portion and the Leveraged Portion, and the projected debt service coverage. All of these revenue and debt service numbers are estimates, subject to change, and are based upon various assumptions concerning the amounts, timing, interest rates and repayment schedule of Loans, the amounts available for investment and the interest earnings on invested funds and timely payment by all Borrowers, among other assumptions.

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Rhode Island Infrastructure Bank Projected Cash Flow Schedule ⁽¹⁾

Fiscal Year Ending June 30	Loan Repayments ⁽²⁾		Investment Income ⁽³⁾	LIST Fund Income	De-Allocated Fund Revenue ⁽⁴⁾	Total Income	Senior Bonds Debt Service	Projected
	Principal	Interest						Coverage on
								Senior Bonds
2016	\$ 13,770,491	\$ 7,394,426	-	\$ 598,532	\$ 2,588,608	\$ 24,352,057	\$ 15,625,946	1.56 x
2017	13,526,254	7,861,014	-	560,650	2,674,365	24,622,282	15,771,747	1.56 x
2018	15,775,858	7,823,806	-	511,990	2,925,232	27,036,887	17,159,544	1.58 x
2019	16,160,544	7,464,030	-	471,590	3,013,434	27,109,598	17,204,744	1.58 x
2020	16,594,299	7,066,937	-	425,741	3,118,530	27,205,508	17,264,459	1.58 x
2021	17,054,768	6,635,695	-	378,533	3,185,789	27,254,785	17,296,403	1.58 x
2022	17,550,409	6,169,441	-	327,515	3,296,936	27,344,299	17,353,031	1.58 x
2023	17,931,562	5,671,272	-	277,744	3,325,382	27,205,960	17,267,281	1.58 x
2024	18,492,554	5,140,383	-	225,789	3,443,211	27,301,937	17,325,144	1.58 x
2025	19,087,298	4,573,995	-	169,778	3,571,115	27,402,186	17,388,588	1.58 x
2026	15,928,692	4,037,538	-	123,627	2,041,872	22,131,729	14,043,088	1.58 x
2027	16,195,994	3,536,610	-	87,805	2,021,320	21,841,729	13,859,803	1.58 x
2028	16,616,196	3,010,255	-	51,502	2,087,562	21,765,515	13,810,781	1.58 x
2029	14,158,709	2,510,623	-	24,665	1,691,701	18,385,698	11,669,038	1.58 x
2030	14,544,072	2,035,424	-	8,180	1,722,715	18,310,390	11,620,025	1.58 x
2031	11,951,423	1,595,091	-	-	1,149,910	14,696,424	9,324,691	1.58 x
2032	10,572,980	1,227,370	-	-	1,008,460	12,808,810	8,127,997	1.58 x
2033	10,165,519	888,289	-	-	1,043,074	12,096,883	7,676,838	1.58 x
2034	10,383,811	547,309	-	-	1,002,400	11,933,521	7,575,063	1.58 x
2035	7,331,442	257,374	-	-	578,551	8,167,368	5,181,406	1.58 x
2036	3,040,725	93,460	-	-	145,400	3,279,585	2,081,875	1.58 x
2037	1,199,368	22,316	-	-	33,544	1,255,227	784,125	1.60 x
TOTAL ⁽⁵⁾	\$ 298,032,970	\$ 85,562,658	-	\$ 4,243,641	\$ 45,669,111	\$ 433,508,380	\$ 275,411,615	

- (1) Estimated: Subject to change both before and after the delivery of the Bonds. Various factors may change these projections. See "INVESTMENT CONSIDERATIONS" herein for discussion of some of these factors.
- (2) Composed principal and interest payments on Agency Loans, Federal Direct and ARRA Federal Direct Loans, and of interest payments on Direct Loans. All Loan repayments are net of .5% annual administrative fees retained by the Agency.
- (3) Assumes 0.0% earnings from Agency Loan, Direct Loan and Federal Direct Loan Construction Funds.
- (4) Includes LIST de-allocations, principal repayments on Direct Loans and principal and interest on existing Federal Direct Loan not pledged to Revenue Fund.
- (5) Totals may not add due to rounding.

Annual Debt Service Requirements

Fiscal Year	Outstanding Parity Bond Debt Service			Series 2015A Bonds Debt Service (Leveraged Only)			Aggregate Bond Debt Service		
	State Match	Leverage		Principal	Interest	Total	State Match	Leverage	
	Ending June 30	Portion	Portion				Total	Portion	Portion
2016	\$ 1,599,391	\$ 13,807,094	\$ 15,406,484	\$ -	\$ 219,462	\$ 219,462	\$ 1,599,391	\$ 14,026,555	\$ 15,625,946
2017	1,517,353	13,494,719	15,012,072	-	759,675.00	759,675	1,517,353	14,254,394	15,771,747
2018	1,429,669	14,068,925	15,498,594	915,000.00	745,950.00	1,660,950	1,429,669	15,729,875	17,159,544
2019	1,336,525	14,205,394	15,541,919	940,000.00	722,825.00	1,662,825	1,336,525	15,868,219	17,204,744
2020	1,240,297	14,355,238	15,595,534	975,000.00	693,925.00	1,668,925	1,240,297	16,024,163	17,264,459
2021	1,136,475	14,483,353	15,619,828	1,020,000.00	656,575.00	1,676,575	1,136,475	16,159,928	17,296,403
2022	1,020,291	14,654,516	15,674,806	1,050,000.00	628,225.00	1,678,225	1,020,291	16,332,741	17,353,031
2023	904,800	14,680,506	15,585,306	1,075,000.00	606,975.00	1,681,975	904,800	16,362,481	17,267,281
2024	785,875	14,854,044	15,639,919	1,100,000.00	585,225.00	1,685,225	785,875	16,539,269	17,325,144
2025	656,313	15,040,075	15,696,388	1,135,000.00	557,200.00	1,692,200	656,313	16,732,275	17,388,588
2026	541,944	11,858,469	12,400,413	1,125,000.00	517,675.00	1,642,675	541,944	13,501,144	14,043,088
2027	446,550	11,767,578	12,214,128	1,180,000.00	465,675.00	1,645,675	446,550	13,413,253	13,859,803
2028	354,050	11,808,244	12,162,294	1,235,000.00	413,487.50	1,648,488	354,050	13,456,731	13,810,781
2029	261,950	9,784,350	10,046,300	1,255,000.00	367,737.50	1,622,738	261,950	11,407,088	11,669,038
2030	188,325	9,804,900	9,993,225	1,315,000.00	311,800.00	1,626,800	188,325	11,431,700	11,620,025
2031	82,100	7,643,766	7,725,866	1,340,000.00	258,825.00	1,598,825	82,100	9,242,591	9,324,691
2032	54,000	6,490,747	6,544,747	1,365,000.00	218,250.00	1,583,250	54,000	8,073,997	8,127,997
2033	36,875	6,058,263	6,095,138	1,405,000.00	176,700.00	1,581,700	36,875	7,639,963	7,676,838
2034	20,500	5,961,750	5,982,250	1,460,000.00	132,812.50	1,592,813	20,500	7,554,563	7,575,063
2035	-	3,625,906	3,625,906	1,475,000.00	80,500.00	1,555,500	-	5,181,406	5,181,406
2036	-	781,375	781,375	1,275,000.00	25,500.00	1,300,500	-	2,081,875	2,081,875
2037	-	784,125	784,125	-	-	-	-	784,125	784,125
TOTAL⁽¹⁾	\$ 13,613,281	\$ 230,013,334	\$ 243,626,616	\$ 22,640,000	\$ 9,144,999	\$ 31,784,999	\$ 13,613,281	\$ 261,798,334	\$ 275,411,615

(1) Totals may not add due to rounding.

Projected Annual Debt Service Coverage

Fiscal Year	State Matching Fund Coverage ⁽¹⁾			Leveraged Bond Coverage ⁽²⁾			
	Ending	State Match Fund	State Match Fund	Annual	Leveraged	Leveraged	Annual
	<u>June 30</u>	<u>Revenues</u>	<u>Debt Service</u>	<u>Coverage</u>	<u>Revenues</u>	<u>Debt Service</u>	<u>Coverage</u>
2016	\$	8,110,628	\$ 1,599,391	5.07 x	\$ 22,752,666	\$ 14,026,555	1.62 x
2017		8,533,195	1,517,353	5.62 x	23,104,929	14,254,394	1.62 x
2018		8,440,714	1,429,669	5.90 x	25,607,218	15,729,875	1.63 x
2019		8,033,578	1,336,525	6.01 x	25,773,073	15,868,219	1.62 x
2020		7,583,306	1,240,297	6.11 x	25,965,211	16,024,163	1.62 x
2021		7,097,810	1,136,475	6.25 x	26,118,310	16,159,928	1.62 x
2022		6,573,809	1,020,291	6.44 x	26,324,009	16,332,741	1.61 x
2023		6,018,836	904,800	6.65 x	26,301,160	16,362,481	1.61 x
2024		5,428,557	785,875	6.91 x	26,516,062	16,539,269	1.60 x
2025		4,798,344	656,313	7.31 x	26,745,874	16,732,275	1.60 x
2026		4,208,750	541,944	7.77 x	21,589,785	13,501,144	1.60 x
2027		3,665,870	446,550	8.21 x	21,395,179	13,413,253	1.60 x
2028		3,096,799	354,050	8.75 x	21,411,465	13,456,731	1.59 x
2029		2,563,601	261,950	9.79 x	18,123,748	11,407,088	1.59 x
2030		2,064,905	188,325	10.96 x	18,122,065	11,431,700	1.59 x
2031		1,609,278	82,100	19.60 x	14,614,324	9,242,591	1.58 x
2032		1,236,278	54,000	22.89 x	12,754,810	8,073,997	1.58 x
2033		893,656	36,875	24.23 x	12,060,008	7,639,963	1.58 x
2034		549,088	20,500	26.78 x	11,913,021	7,554,563	1.58 x
2035		257,374	-	n.a.	8,167,368	5,181,406	1.58 x
2036		93,460	-	n.a.	3,279,585	2,081,875	1.58 x
2037		22,316	-	n.a.	1,255,227	784,125	1.60 x
TOTAL⁽³⁾	\$	90,880,153			\$ 419,895,099		

Minimum Coverage: 5.07 x

Minimum Coverage: 1.58 x

(1) Consists of interest payments on Agency Loans, Federal Direct Loans, ARRA Federal Direct Loans, Direct Loans, other Federal Direct Loans not pledged to Revenue Fund, LST Fund earnings and construction period earnings if any.

(2) Total Income shown on the Projected Cash Flow Schedule after State Matching Fund Debt Service.

(3) Totals may not add due to rounding.

SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS

Special Obligations

Senior Bonds are special obligations of the Bank payable solely from, and secured by a pledge of, revenues generated by Borrower Bonds evidencing Loans made with the proceeds of Senior Bonds, Borrower Bonds evidencing Direct Loans as described below, Borrower Bonds evidencing ARRA Federal Direct Loans as described below, Borrower Bonds evidencing certain Federal Direct Loans that the Bank has, at its option, allocated to the repayment of Senior Bonds and other moneys and securities held in certain funds established pursuant to the Indenture. The Senior Bonds do not constitute an indebtedness of the State or any of its subdivisions other than the Bank or an indebtedness for which the faith and credit of the State or any of its subdivisions or any of its revenues are pledged. The Bank has no taxing power.

Pledge of Revenues

Senior Bonds are special obligations of the Bank payable solely from, and secured by a pledge of: (a) all rights under the (i) Borrower Bonds and the Loan Agreements evidencing Loans made with the proceeds of Senior Bonds, (ii) Borrower Bonds and Loan Agreements evidencing Direct Loans as described below, (iii) Borrower Bonds and Loan Agreements evidencing ARRA Federal Direct Loans as described below, and (iv) Borrower Bonds evidencing certain Federal Direct Loans that the Bank has, at its option, allocated to the repayment of Senior Bonds; and (b) all funds and accounts established in connection with the issuance of the Senior Bonds, including the LIST Fund which pledge is expressly senior to the pledge of the Indenture securing payment of the Subordinate Bonds. The portion of the ARRA Capitalization Grant funding the ARRA Principal Forgiveness Subsidy associated with the Bank's Safe Drinking Water Revolving Fund Revenue Bonds, Series 2009 A (Pooled Loan Issue) (the "Series 2009 A Bonds") is not pledged as security for the Senior Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS - ARRA Federal Direct Loans" herein. For a detailed description of the various funds, accounts and revenues securing the Senior Bonds, see "APPENDIX A-1 -- Summary of Certain Provisions of the Indenture of Trust Administrative Fees Fund; Cost of Issuance Fund; Construction Proceeds Fund; Revenue Fund, Debt Service Fund; List Fund; Subordinated Debt Service Fund" herein.

The LIST Fund

Proceeds of certain of the Federal Act Capitalization Grants, along with other available funds, are deposited in the Federal Account of the LIST Fund. Interest earned on allocated amounts in the LIST Fund will be used to: (i) subsidize interest payable on the Senior Bonds; and (ii) pay debt service on the State Match Portion of Bonds. The principal amount of the LIST Fund functions as a reserve fund for the Senior Bonds and is available to the Trustee for the benefit of the holders of the Senior Bonds upon default.

Proceeds of the State Match Portion of Bonds are deposited in the State Account of the LIST Fund and held in separate subaccounts established by the Trustee for each Borrower, or as may be directed by the Bank, in the De-Allocated Subaccount of the State Account of the LIST Fund for the purpose of making Direct Loans, as described below, or for any other lawful purpose of the Bank.

Proceeds of the Federal Act Capitalization Grants on deposit in the LIST Fund are held in separate subaccounts established by the Trustee for each Borrower or, as may be directed by the Bank, in the De-allocated Subaccount of the Federal Account of the LIST Fund for the purpose of making Federal Direct Loans as described below. As Borrowers pay principal on the Borrower Bonds, a portion of the LIST Fund allocated to each Borrower is de-allocated and transferred to a De-allocated Subaccount in the LIST Fund. Provided that no Borrower is then in default under its Borrower Bond and that any unscheduled withdrawals from the LIST Fund shall have been restored, amounts on deposit in the De-allocated Subaccounts of the LIST Fund are available to be reallocated to new Borrower subaccounts in the LIST Fund upon the issuance of Additional Senior Bonds, to make additional Federal Direct Loans as described below, or for any other lawful purpose of the Bank. De-allocated amounts in the Federal Account of the LIST Fund and certain Federal Direct Loan repayments, prior to being re-allocated or used to make additional Federal Direct Loans, as the case may be, are available to be used to pay amounts owed by defaulting Borrowers. There was approximately \$23,240,000 on deposit in the LIST Fund as of October 31, 2015, all of which is available to be used to pay amounts owed by defaulting Borrowers.

The Cross Investment Fund

The Bank, the Trustee and U.S. Bank National Association, as trustee, under and pursuant to the Indenture of Trust between the Bank and U.S. Bank National Association dated as of February 15, 1992 (as amended and supplemented to date, the "Clean Water Indenture"), have entered into a Cross-Investment Agreement dated as of February 23, 2004 (the "Cross-Investment Agreement"). The Clean Water Indenture provides for the issuance of bonds pursuant to the Bank's Federal WPCRF leveraged revenue bond program. Pursuant to the Cross-Investment

Agreement, in the event that there are insufficient funds available to meet a scheduled payment of the interest on and/or principal of any of the Senior Bonds after the making of all Debt Service Fund deposits called for by the Indenture, the Bank may (but is not legally obligated to) cause the investment of funds from the De-allocated Subaccount of the LIST Fund established under the Clean Water Indenture into the Cross-Investment Fund established under the Indenture (and then immediately to the Debt Service Fund) to cure such a deficiency, to the extent that funds are lawfully available for such purpose. In addition, the Cross-Investment Agreement allows the Bank to invest funds held in accordance with the Indenture, to the extent that funds are lawfully available for such purpose after payment of debt service on the Bonds, into the Debt Service Fund established under the Clean Water Indenture to cure any payment deficiencies of bonds issued pursuant to the Clean Water Indenture. The investment of funds held under the terms of the Indenture into the Clean Water Indenture and vice versa to provide additional security for Senior Bonds issued pursuant to either the Indenture or the Clean Water Indenture is hereinafter referred to as a "Cross-Investment." The Trustee shall, upon the written direction of the Bank, repay in accordance with the terms of the Cross-Investment Agreement, any Cross-Investment from any amounts held under the Indenture or the Clean Water Indenture, as applicable, and lawfully available for such purpose. See "APPENDIX A-1 -- Summary of Certain Provisions of the Indenture – Debt Service Fund" and "– Cross-Investment Fund" herein.

Loans Made with Proceeds of Senior Bonds

The proceeds of the Series 2015 A Bonds (after the deposit to the Cost of Issuance Fund) and other amounts will be deposited into the Agency Bond Account of the Construction Proceeds Fund pursuant to and as defined in the Indenture, and will be used for the purpose of making Loans. Loans may be made with proceeds of Senior Bonds, Federal Act Capitalization Grants and State Matching Funds or any combination thereof. Loans made with the proceeds of State Matching Funds derived from funds made available to the Bank by the State, de-allocated amounts in the State Account of the LIST Fund, certain funds resulting from the repayment of State Matching Funds or any combination thereof are referred to herein as "Direct Loans." Loans made with proceeds of Federal Act Capitalization Grants, any earnings thereon, or any combination thereof are referred to herein as "Federal Direct Loans". The Bank has identified Borrowers and has determined or will determine the terms of the Loans to be made from proceeds of Senior Bonds at the time such series of Senior Bonds is issued. All or some of the Loans so identified, however, may not actually be made at such time, and the Bank reserves the right to make Loans in amounts other than initially identified and to Local Governmental Units other than those Borrowers initially identified.

The Bank has executed loan commitments with all Borrowers expected to receive Loans funded from proceeds of the Series 2015 A Bonds. The terms of each loan commitment provide for the financing or refinancing of the cost of safe drinking water projects approved by the Department, including, but not limited to, costs of planning and design, construction, loan financing and capitalized interest.

As set forth in each Loan Agreement, the Bank has determined the "Interest Rate" for each Loan, i.e. the true interest cost that obligations of that Borrower would bear (as determined jointly by the Bank and the Borrower) if such Borrower, other than those Borrowers who merely pledge certain revenues, had issued a series of its own general obligation bonds of similar maturity under similar market conditions and with the Borrower's rating. With respect to those Borrowers who merely pledge certain revenues, the Interest Rate is the interest rate that an issue of revenue bonds of such Borrower of similar maturity to Borrower Bonds of such Borrower would bear (as determined jointly by the Bank, the Borrower and the Borrower's financial advisor) if issued on the date of the Borrower's loan closing. The Bank has also set the "Subsidized Interest Rate" for each Loan which is approximately seventy-five (75%) percent of the Interest Rate.

If a Borrower defaults on its Borrower Bonds, the Bank will use the LIST Fund to pay the defaulting Borrower's obligations. The Trustee will first use funds in the De-allocated Subaccount of the LIST Fund, and, if these funds are insufficient, the Trustee will use funds in the defaulting Borrower's sub-account in the LIST Fund. If the defaulting Borrower's LIST Fund sub-account is depleted or is about to be depleted, (i) the Bank may direct the Trustee to use, proportionately, Direct Loan principal repayments and funds in the non-defaulting Borrowers' LIST Fund sub-accounts; or (ii) the Bank may require all Borrowers to pay a higher interest rate as determined by the Bank up to, but not exceeding, the individual Borrower's Interest Rate; or (iii) the Bank may implement a combination of (i) and (ii). If, upon the application of the foregoing amounts, there is still to be an event of default with respect to the Senior Bonds, the Bank may seek to invest available funds of the CWSRF into the DWSRF to assist in the curing of any such default. EVEN IF ALL BORROWERS ARE REQUIRED TO PAY INTEREST ON BORROWER BONDS AT THE INTEREST RATE, PAYMENTS ON BORROWER BONDS MAY NOT EQUAL DEBT SERVICE ON THE BONDS, INCLUDING THE SERIES 2015 A BONDS. THE LIABILITY OF THE BANK UNDER THE SERIES 2015 A BONDS SHALL BE ENFORCEABLE ONLY TO THE EXTENT PROVIDED IN THE INDENTURE, AND THE SERIES 2015 A BONDS SHALL BE PAYABLE SOLELY

FROM PAYMENTS TO BE MADE BY EACH BORROWER TO THE TRUSTEE AND ANY OTHER FUNDS HELD BY THE TRUSTEE UNDER THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT.

Any reduction in the amount of the Loan occasioned by undisbursed loan proceeds in accordance with the Loan Agreement will be amortized equally over the remaining installments of principal in order to maintain a weighted average life of the Loan, substantially equal to the weighted average life immediately prior to such reduction.

An amortization will be specified in the Loan Agreement which is based upon repayment commencing, with respect to interest, on the March 1 or September 1, immediately following the loan closing date and, with respect to principal, not later than the September 1 following the estimated final completion date of the respective project with semi-annual installments of interest payable thereafter on each March 1 and September 1 together with an annual principal payment on each September 1.

Upon an event of default under a Loan Agreement or the applicable Borrower Bond, including a failure to comply with any covenant, term or condition therein, the Bank or the Trustee may exercise any remedy available at law or in equity in order to cause the Borrower to comply with the provisions of the Loan Agreement and such Borrower's Borrower Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Summary of Program Loans" herein.

Direct Loans

In addition to making Loans with the proceeds of Senior Bonds, the Bank may make loans to Borrowers under the DWSRF with the proceeds of State Matching Funds derived from funds made available to the Bank by the State, de-allocated amounts in the State Account of the LIST Fund (at the present time the Bank has not determined to deposit funds in the State Account of the LIST Fund), certain funds resulting from the repayment of State Matching Funds or any combination thereof. Such loans are referred to as "Direct Loans". The Loan Agreements and Borrower Bonds evidencing Direct Loans are pledged as security for the Senior Bonds. Payments of principal on such Borrower Bonds are deposited into the Direct Loan Principal Repayment Subaccount of the Construction Proceeds Fund and payments of interest on such Borrower Bonds are deposited into the Revenue Fund. As required by EPA guidelines, payments of interest on such Borrower Bonds are pledged to the payment of the debt service of the State Matching Funds portion of Senior Bonds on an as needed basis. On the date any payment is due on the Senior Bonds, the Trustee shall transfer from the Direct Loan Principal Repayment Subaccount for deposit in the Debt Service Fund, in proportion to any amount transferred from a non-defaulting Borrower's Subaccount in either the Federal Account or the State Account of the LIST Fund (at the present time the Bank has not determined to deposit funds in the State Account of the LIST Fund), any amounts due on such payment date but as yet unavailable because of the failure of any Borrower to make full and timely payment under its Borrower Bonds of such amounts. The Trustee, on or after the last day of any fiscal year of the Bank, shall withdraw amounts, upon the request of an authorized officer of the Bank, from the Direct Loan Principal Repayment Subaccount of the Construction Proceeds Fund to be used to make additional Direct Loans to Borrowers, provided that no Borrower shall then be in default and any withdrawals from the Direct Loan Principal Repayment Subaccount of the Construction Proceeds Fund, as provided above, have been restored. The outstanding balance of Direct Loans under the DWSRF made by the Bank is \$17,467,237 as of September 30, 2015. See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Summary of Program Loans" herein.

Federal Direct Loans

The Bank may also make loans to Borrowers under the DWSRF from Capitalization Grants, any earnings thereon, or with any combination thereof, provided that at the time of such loan no Borrower is then in default under its Borrower Bonds and that any unscheduled withdrawals from the LIST Fund shall have been restored. Such loans are referred to as "Federal Direct Loans" and are funded from deposits made by the Trustee, as directed by the Bank, in the De-allocated Subaccount of the Federal Account of the LIST Fund.

Except as otherwise described below, the Bank has allocated all Federal Direct Loans as additional security for Senior Bonds other than those reflected in the table under "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Summary of Program Loans". In allocating the repayments on Federal Direct Loans as additional security for the Senior Bonds, the Bank has directed the Trustee to apply all funds received on account of such Loans to the Revenue Fund. As required by EPA guidelines, payments of interest on such Borrower Bonds are pledged to the payment of the debt service of the State Matching Funds portion of Senior Bonds on an as needed basis. The total aggregate amount of Federal Direct Loans and ARRA Federal Direct Loans as of September 30, 2015 is \$72,230,885. The Bank may from time to time in the future make additional Federal Direct Loans and in its discretion has the right to allocate the repayments of any existing or future Federal Direct Loans as additional

security for the Senior Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Summary of Program Loans” herein.

ARRA Federal Direct Loans

In connection with the issuance of the Series 2009 A Bonds, the Bank made loans to certain Borrowers under the Revolving Fund from certain of the proceeds of the ARRA Capitalization Grant. In addition, fifty percent (50%) of the ARRA Capitalization Grant, \$9,750,000, was used to provide “additional subsidizations” to Borrowers receiving any proceeds of the ARRA Capitalization Grant in the form of forgiveness of principal (the “ARRA Principal Forgiveness Subsidy”). The portion of the ARRA Capitalization Grant used to fund the ARRA Principal Forgiveness Subsidy in connection with the Series 2009 A Bonds is not pledged as security for the Senior Bonds. The repayment of all of the ARRA Federal Direct Loans made in connection with the Series 2009 A Bonds has been provided as additional security for the Senior Bonds. In allocating the repayments on ARRA Federal Direct Loans as additional security for the Senior Bonds, the Bank has directed the Trustee to apply all funds received on account of such Loans to the Revenue Fund. The Bank was awarded \$19,500,000 in ARRA Capitalization Grant funds, which were used to make Loans in connection with the issuance of the Series 2009 A Bonds.

Principal Forgiveness Subsidy Component of Fiscal Years 2014 and 2015 Capitalization Grants

With respect to the proceeds of the Fiscal Year 2014 Capitalization Grant, the EPA is requiring that the State, through the Bank, dedicate not less than \$1,769,000 for an additional subsidy in the form of forgiveness of principal, negative interest loans or grants. The Bank has previously dedicated \$1,208,201 of this Fiscal Year 2014 Capitalization Grant requirement as a subsidy in the form of forgiveness of principal to certain Borrowers receiving loans from the Bank. With respect to the proceeds of the Fiscal Year 2015 Capitalization Grant, the EPA is requiring that the State, through the Bank, dedicate not less than \$1,757,000 for an additional subsidy in the form of forgiveness of principal, negative interest loans or grants. The Bank, in conjunction with the Department, intends to satisfy these requirements by awarding an additional subsidy in the amount of \$560,799 (consisting of the balance of the Fiscal Year 2014 Capitalization Grant requirement) and \$1,757,000 (consisting of the Fiscal Year 2015 Capitalization Grant requirement) in the form of forgiveness of principal (the “Principal Forgiveness Subsidy”) to: (i) Borrowers receiving Agency Loans (each such Borrower receiving a Principal Forgiveness Subsidy is hereinafter referred to as a “Principal Forgiveness Recipient”) in connection with the issuance of the Series 2015 A Bonds and (ii) additional borrowers in connection with direct loans that the Bank expects to make in 2016.

The balance of the Fiscal Years 2014 and 2015 Capitalization Grant to be used to make Federal Direct Loans will be deposited first in the De-Allocated Subaccount of the Federal Account of the LIST Fund under the Indenture. See “THE DRINKING WATER STATE REVOLVING FUND PROGRAM – Introduction”. Such proceeds then will be deposited in separate Federal Accounts of the Construction Proceeds Fund for each of the Borrowers receiving Federal Direct Loans. For each Principal Forgiveness Recipient, however, the Trustee will hold such Principal Forgiveness Subsidy in a separate Principal Forgiveness Subsidy Subaccount established for such Principal Forgiveness Recipient within such Principal Forgiveness Recipient’s Agency Bond Account of the Construction Proceeds Fund, as directed by the Bank.

As long as a Principal Forgiveness Recipient is not in default on its Borrower Bond, amounts transferred to the applicable Principal Forgiveness Subsidy Subaccount in the Construction Proceeds Fund shall be withdrawn by the Trustee, as directed by the Bank, for the purpose of providing the Principal Forgiveness Subsidy to such Principal Forgiveness Recipient.

Each Principal Forgiveness Subsidy shall be disbursed from the applicable Principal Forgiveness Subaccount of the Construction Proceeds Fund to each Principal Forgiveness Recipient subject to the terms and conditions of the Loan Agreement entered into by the Principal Forgiveness Recipient with the Bank in connection with such Principal Forgiveness Recipient’s Agency Loan. Upon the occurrence of an event of default under such Loan Agreement, the Bank shall have the right to declare such Principal Forgiveness Subsidy to be immediately due and payable by the defaulting Principal Forgiveness Recipient. Upon receipt of the repaid Principal Forgiveness Subsidy from the defaulting Principal Forgiveness Recipient, the repaid Principal Forgiveness Subsidy shall be deposited by the Trustee in the defaulting Principal Forgiveness Recipient’s Agency Bond Account of the Construction Proceeds Fund. The Trustee shall reallocate such amounts to other eligible Principal Forgiveness Recipients, if any, as directed by the Bank.

None of the Principal Forgiveness Subsidy has been, or is being, pledged as security for the Senior Bonds.

Project Data for Series 2015 A Loan Program

<u>Borrower</u> ⁽¹⁾	<u>Amount</u>	<u>Loan Source</u>	<u>Loan Pledge</u>
Providence Water	\$30,000,000	BP, FDL, DL, PF	Rev
Cumberland	1,750,000	BP, PF	Rev
	\$31,750,000		

BP	Bond Proceeds
FDL	Federal Direct Loan
DL	Direct Loan
PF	Principal Forgiveness

⁽¹⁾ On November 30, 2015, the PWSB obtained an order from the Rhode Island Division of Public Utilities approving the PWSB's issuance of Borrower Bonds in connection with this transaction. The approval, however, is subject to a 30-day appeal period, which expires on December 30, 2015. As a result, the PWSB will not be in a position to issue its Borrower Bonds until December 30, 2015, at the earliest, and therefore has been removed from the list of Borrowers for this transaction. The Bank intends to make a direct loan from the DWSRF program to the PWSB in the first quarter of 2016 to finance the PWSB's safe drinking water projects that were to be funded through this transaction.

Summary of Program Loans⁽¹⁾

Borrower	Agency	Direct	Federal Direct	ARRA	Loan	Loan to be Funded ⁽²⁾	Loan Pledge	Total Program	Percent of
				Federal Direct	Amount Outstanding as of 9/30/2015			Loan Amount Outstanding as of 12/17/2015	Drinking Water Loans
Bristol County	\$ 1,630,000	\$ 2,454,000	\$ 1,327,000	-	\$ 5,411,000	-	REV	\$ 5,411,000	1.97%
Camp Jori	-	-	239,219	-	239,219	-	REV	239,219	0.09%
Cumberland Water	2,097,143	-	-	\$ 1,469,658	3,566,801	\$ 1,750,000	REV	5,316,801	1.93%
East Providence	-	-	5,494,342	-	5,494,342	-	REV	5,494,342	2.00%
East Smithfield	-	-	557,567	-	557,567	-	REV	557,567	0.20%
Greenville	-	-	906,478	-	906,478	-	REV	906,478	0.33%
Jamestown	247,580	-	3,971,420	-	4,219,000	-	GO	4,219,000	1.53%
Kingston Water District	-	5,936	25,621	-	31,557	-	GO	31,557	0.01%
Lincoln Water	-	-	1,273,061	-	1,273,061	-	REV	1,273,061	0.46%
New Shoreham	-	-	328,000	-	328,000	-	REV	328,000	0.12%
Newport	50,827,443	5,684,505	26,270,448	-	82,782,396	-	REV	82,782,396	30.07%
North Kingstown	-	-	-	3,208,832	3,208,832	-	GO	3,208,832	1.17%
North Tiverton Fire District	-	-	805,000	-	805,000	-	REV	805,000	0.29%
Pascoag	-	865,695	-	-	865,695	-	REV	865,695	0.31%
Pawtucket WSB	57,054,979	1,825,993	6,304,000	-	65,184,972	-	REV	65,184,972	23.67%
Portsmouth Water & Fire District	1,159,000	-	-	-	1,159,000	-	GO	1,159,000	0.42%
Providence WSB	40,014,324	4,200,715	11,427,243	-	55,642,281	30,000,000	REV	85,642,281	31.10%
West Greenwich	-	-	214,500	-	214,500	-	GO	214,500	0.08%
Woonsocket	860,403	2,430,394	8,408,496	-	11,699,293	-	REV	11,699,293	4.25%
		<u>\$ 153,890,872</u>	<u>\$ 17,467,237</u>	<u>\$ 67,552,395</u>	<u>\$ 4,678,490</u>	<u>\$ 243,588,995</u>	<u>\$ 31,750,000</u>	<u>\$ 275,338,995</u>	<u>100.00%</u>

(1) Excludes certain Direct, Federal Direct and ARRA Federal Direct Loans which will be repaid but are not pledged as security for the Bonds.

(2) Includes Principal Forgiveness funds which will be allocated to certain borrowers funding "green projects."

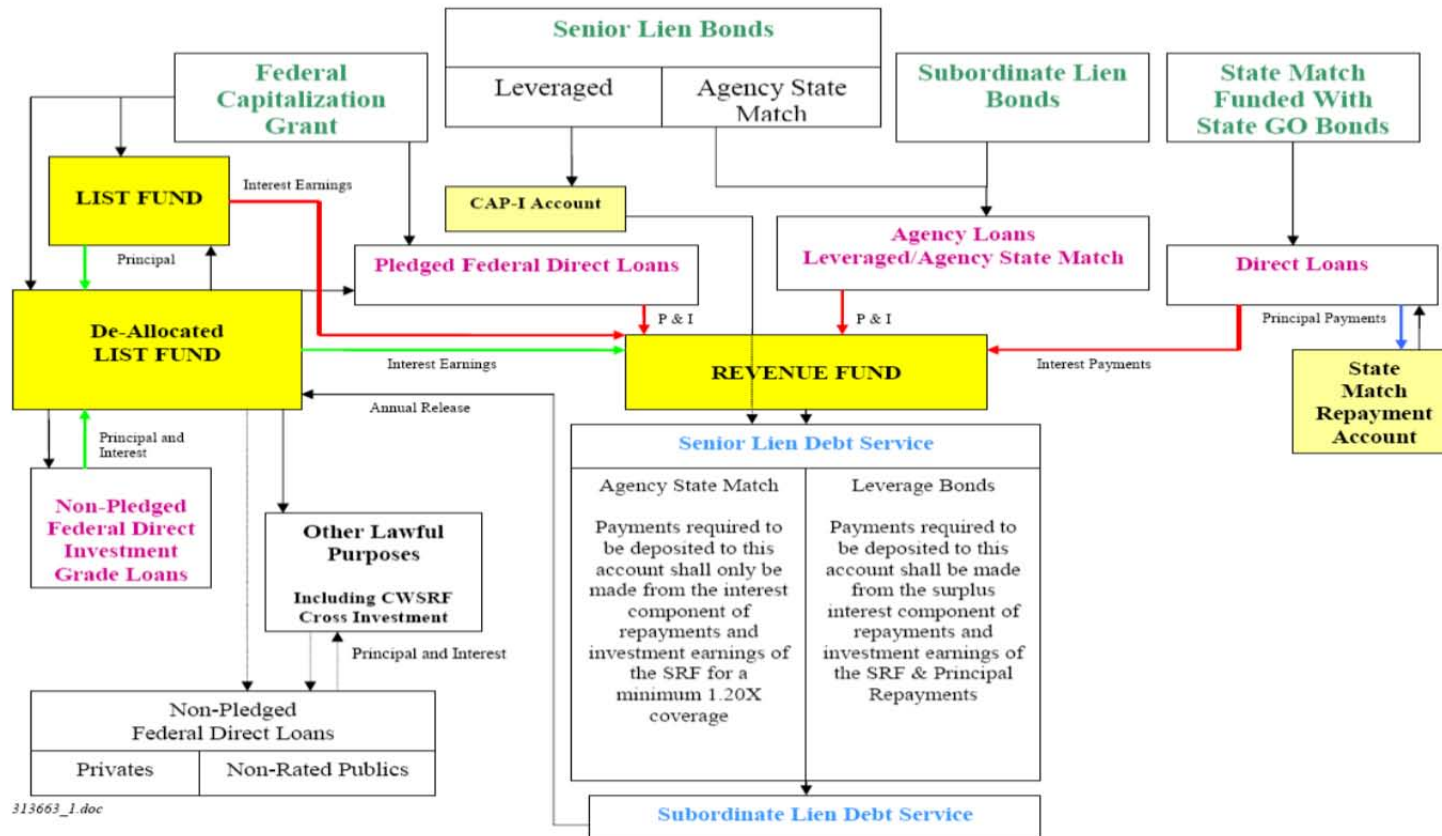
Flow of Funds

In connection with the Senior Bonds, the Indenture provides for a variety of funds and accounts, including, without limitation, an Administrative Fees Fund, Costs of Issuance Fund, Construction Proceeds Fund, Debt Service Fund and Local Interest Subsidiary Trust (“LIST”) Fund. For a detailed description of the Flow of Funds to and from these funds, see “APPENDIX A-1 -- Summary of Certain Provisions of the Indenture of Trust – Sections 5.01 through 5.08” herein.

The chart of the Flow of Funds provided below does not include the flow of funds of the ARRA Capitalization Grant awarded to the Bank in connection with the issuance of the Series 2009 A Bonds.

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**Rhode Island Clean Water Finance Agency
Drinking Water State Revolving Fund – Flow of Funds**



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ADDITIONAL BONDS

Senior Bonds

The Indenture permits the issuance of Additional Senior Bonds if certain documents including opinions of counsel and certificates are received by the Trustee. Among the certificates required is a certificate of an Independent Qualified Consultant:

(i) setting forth Projected Revenues, Projected LIST Fund Earnings, Projected Direct Loan Principal Repayments and Projected De-allocated amounts for each future fiscal year for which a showing must be made pursuant to clause (ii) below; and

(ii) showing:

(a) for each future fiscal year of the Bank (“Fiscal Year”) in which Senior Bonds will be outstanding following the issuance of such series of Senior Bonds, plus the Fiscal Year in which such Additional Senior Bonds are issued, that the sum of the Projected Revenues and Projected LIST Earnings for such Fiscal Year will be at least equal to one hundred percent (100%) of the maximum estimated aggregate debt service in such future fiscal year on all Senior Bonds outstanding (including the Additional Senior Bonds then to be issued);

(b) for each Fiscal Year prior to the Initial De-allocation Date for such Additional Senior Bonds, that the sum of the Projected Revenues, Projected LIST Earnings and Projected Direct Loan Principal Repayments for such Fiscal Year will be at least equal to one hundred five percent (105%) of the maximum estimated aggregate debt service in such fiscal year on all Senior Bonds outstanding (including the Additional Senior Bonds then to be issued); and

(c) for each future Fiscal Year in which Senior Bonds will be outstanding following the Initial De-allocation Date for such Additional Senior Bonds, that the sum of the Projected Revenues, Projected LIST Earnings, Projected Direct Loan Principal Repayments and Projected De-allocated Amounts for such Fiscal Year will be at least equal to one hundred fifteen percent (115%) of the maximum estimated aggregate debt service in such Fiscal Year on all Senior Bonds outstanding (including the Additional Senior Bonds then to be issued).

The Indenture provides that any Additional Senior Bonds will be on a parity with the outstanding Senior Agency Bonds and the Series 2015 A Bonds by a lien on the revenues and funds pledged under the Indenture, including the Borrower Bonds. In the event the Bank designates any portion of Additional Senior Bonds as State Match Bonds (as defined in the Indenture), then for each Fiscal Year in which such State Match Bonds will be outstanding following the issuance of such State Match Bonds, plus the Fiscal Year in which such State Match Bonds will be issued, the projected amounts to be available for the repayment of such State Match Bonds (exclusive of any principal repayments of Direct Loans, Agency Loans, and Federal Direct Loans which shall be derived solely from other amounts in the Revolving fund), including but not limited to, interest repayments on Direct Loans, Agency Loans and Federal Direct Loans that may be lawfully applied by the Bank to the repayment of the State Match Bonds, will be at least equal to 120% of the aggregate debt service allocable to all State Match Bonds payable in each Fiscal year on all State Match Bonds outstanding (including the State Match Bonds then to be issued). See “APPENDIX A-1 -- Summary of Certain Provisions of the Indenture of Trust – Authorization and Issuance of Agency Bonds – *Issuance of Agency Bonds*” and “– Security for Agency Bonds; General Terms and Conditions of Agency Bonds” herein.

Refunding Bonds

The Indenture permits the issuance of Bonds as “Refunding Bonds”, which may be Senior Bonds or Subordinate Bonds, as the case may be, if certain documents, including opinions of counsel and other certificates, are received by the Trustee. Among the required deliverables are: (i) a certificate of an Authorized Officer of the Bank delivered to the Trustee showing that average annual Debt Service on such series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded; (ii) irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be redeemed on a redemption date or dates specified in such instructions; (iii) if the Bonds to be refunded are not to be redeemed within the next succeeding sixty (60) days, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of any refunding of such Bonds on a specified date prior to their maturity; and (iv) either: (1) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment of the Principal Installments and the applicable redemption price, if any, of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date thereof, as the case may be, or (2)

Investment Obligations (which may be purchased with all or a portion of the proceeds of the Refunding Bonds to be issued) in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the defeasance provisions of the Indenture, which Investment Obligations and moneys shall be held in trust and used only in accordance with such defeasance provisions. For additional information relating to the terms and conditions for the issuance of Refunding Bonds, see “APPENDIX A-1 -- Summary of Certain Provisions of the Indenture of Trust – Authorization and Issuance of Agency Bonds – *Issuance of Refunding Bonds*” herein.

Subordinate Bonds

The Indenture permits the issuance of Subordinate Bonds if certain documents, including opinions of counsel and other certificates, are received by the Trustee. Among the certificates required, unless otherwise provided in the supplement to the Indenture authorizing the issuance of such Subordinate Bonds, is a certificate of an Independent Qualified Consultant showing that for each Fiscal Year in which Subordinate Bonds will be outstanding, the projected amounts to be deposited into the Subordinated Debt Service Fund pursuant to the Indenture for each such Fiscal Year will be at least equal to one hundred percent (100%) of the aggregate debt service in each such Fiscal Year on all outstanding Subordinate Bonds (including the Subordinate Bonds then to be issued). For additional information relating to the terms and conditions for the issuance of Additional Subordinate Bonds, see “APPENDIX A-1 -- Summary of Certain Provisions of the Indenture of Trust – Authorization and Issuance of Agency Bonds,” “– Security for Agency Bonds; General Terms and Conditions of Agency Bonds” and “– Administrative Fees Fund; Cost of Issuance Fund; Construction Proceeds Fund; Revenue Fund; Debt Service Fund; LIST Fund; Subordinated Debt Service Fund - *Subordinated Debt Service Fund*” herein. To date, no Subordinate Bonds have been issued under the Indenture.

INVESTMENT CONSIDERATIONS

The Bank expects to pay the principal of and interest on the Bonds then outstanding (within the meaning of the Indenture) and each series of Bonds issued in the future from payments made by Borrowers under the Loan Agreements and the related Borrower Bonds together with amounts from time to time on deposit in certain funds and accounts including, in the case of the Senior Bonds, the LIST Fund created by the Indenture. Such amounts will be pledged by the Bank to the Trustee pursuant to the Indenture as security for the Bonds then outstanding (within the meaning of the Indenture) and each series of Bonds issued in the future, as described in “APPENDIX A-1 -- Summary of Certain Provisions of the Indenture of Trust.”

The Bank’s ability to pay debt service on the Bonds and the continued operation of the DWSRF will be dependent upon the receipt of revenues from payments under the Loan Agreements and the related Borrower Bonds, and on the investment earnings on amounts from time to time on deposit in the funds and accounts created by the Indenture including, in the case of the Senior Bonds, the LIST Fund, in an amount sufficient to pay the principal of and interest on the Bonds. The ability of the Bank to generate such revenues will depend upon a number of factors, including the payment performance of the Borrowers participating in the Revolving Fund from time to time. To date, no defaults have occurred under the Borrower Bonds of the Borrowers participating in the DWSRF.

Amounts on deposit in the funds and accounts, including the LIST Fund, under the Indenture may be invested in various investments to the extent permitted under the Indenture, which investments include, without limitation, certain guaranteed investment contracts (“GICs”). For a listing of the types of investments permitted by the Indenture, see the definition of “Investment Securities” in “APPENDIX A-1 --Summary of Certain Provisions of the Indenture of Trust”. The GICs may be subject to early termination upon certain events, in which case the Trustee may have the right to require the return of certain funds or the repurchase of certain securities held pursuant to the GICs. In addition, the GICs, as well as other investments permitted by the Indenture, may be subject to certain other risks, including bankruptcy or insolvency of the party with which such funds have been invested or otherwise guaranteed. Investments will be valued monthly by the Trustee at the lower cost or fair market value, plus accrued interest. Investment earnings are a necessary source of funds for the payment of the Senior Bonds, including the Series 2015 A Bonds, because, among other things, the Borrower Bonds bear interest at below market rates and the debt service payments from the Borrower Bonds are insufficient by themselves to pay the debt service on the Bonds.

Since the Bank may make additional Loans and issue Additional Senior Bonds, and since Loans will be repaid and may be prepaid in certain circumstances, the composition of the pool of Loans will vary from time to time, both with respect to the identity of the Borrowers and with respect to amounts due from any particular Borrower in the aggregate and as a percentage of the total pool of Loans. The Borrowers have various credit characteristics. The DWSRF Act, however, allows the Bank to decline to award any financial assistance to a local governmental unit which the Bank determines will have a substantial adverse effect on the interests of the holders of the Bonds or other indebtedness of the Bank or the interests of other participants in the financial assistance program or, for good and sufficient cause affecting the finances of the Bank. Some Borrowers need not have ratings or obtain ratings on their Loans in order to qualify for the program. The failure of any

particular Borrower or group of Borrowers to pay debt service when due on its Loan could adversely affect the Bank's ability to pay debt service when due on the Bonds. Notwithstanding the foregoing, (i) in the event of a default by any Borrower in making Borrower Bond payments, amounts on deposit in the non-Defaulting Borrowers' subaccounts in the Federal Account and the State Account of the LIST Fund (on a parity basis) and the Direct Loan Principal Repayment Subaccount of the State Matching Fund Account of the Construction Proceeds Fund shall be available, in accordance with the priority set forth in the Indenture, for the payment of debt service on Senior Bonds; and (2) a default by one Borrower may require all Borrowers to pay up to the stated Interest Rate on the Borrower Bonds and not the Subsidized Interest Rate.

Inasmuch as the Loans securing the Bonds are to be made from a combination of proceeds from different sources, the Bank's ability to fund the Loans will be dependent, in part, upon the Bank's ability to draw down on the Federal Act Capitalization Grants and the extent to which the Federal Act Capitalization Grants and State Matching Funds are used by the Bank to make Federal Direct Loans and Direct Loans, respectively. See "THE DRINKING WATER STATE REVOLVING FUND PROGRAM" herein. Funds in an amount sufficient to fund the Federal Act Capitalization Grants have been appropriated by Congress and the Capitalization Grants have been obligated to the State by the EPA pursuant to Capitalization Grant Agreements. While the 1989 through 2015 Federal Act Capitalization Grants may not be rescinded absent fraud or misrepresentation, corrupt administrative procedures or lack of progress or inordinate delay without good cause, Federal Act Capitalization Grants or later years are subject to appropriation by Congress. Federal Act Capitalization Grants for years subsequent to 2015 may not necessarily secure the Series 2015 A Bonds. The ARRA Capitalization Grants received by the State have been provided by the EPA pursuant to ARRA and are subject to compliance with various terms and conditions applicable to the use of such funds that are not applicable to the Federal Act Capitalization Grants.

The Bank's ability to make cash draws under the Federal Act Capitalization Grants will be dependent on the progress of construction of certain projects as described under "THE DRINKING WATER STATE REVOLVING FUND PROGRAM." Thus, the delay or stoppage of one or more of those projects could impair the Bank's ability to make such cash draws.

THE DRINKING WATER STATE REVOLVING FUND PROGRAM

Introduction

The federal grants program for drinking water projects established under the Federal Act in 1974 has been replaced by the state revolving loan fund program. Under this program, Federal Act Capitalization Grants will be awarded to qualifying states to establish and capitalize revolving funds. These revolving funds provide loans and certain other forms of financial assistance (but not grants) for the acquisition, design, planning, construction, enlargement, repair, protection or improvement of public drinking water supply or treatment facilities.

The Federal Act Capitalization Grants authorized under the Federal Act are generally divided between two purposes: (i) portions of the grant are deposited into the DWSRF and used for providing loans and other types of assistance for drinking water infrastructure projects; and (ii) portions of the grant are deposited into set-aside accounts for programs, projects and activities that do not receive assistance from the DWSRF. The Federal Act provides that Federal Act Capitalization Grants will be made pursuant to agreements between each state and the EPA (each a "Capitalization Grant Agreement"). The Federal Act further requires, as a condition to receiving the Federal Act Capitalization Grant, that each state, among other conditions, deposit in the state revolving fund an amount equal to at least twenty (20%) percent of the amount of each Federal Act Capitalization Grant. The Bank must enter into binding commitments to provide financial assistance within one year of the scheduled payment date into the EPA Automated Clearing House in an amount equal to at least one hundred twenty (120%) percent of the amount of each Federal Act Capitalization Grant payment deposited into the DWSRF.

With respect to the proceeds of the Federal Act Capitalization Grants that are set-aside, the Department administers the following four set-aside accounts: (i) **Administrative** – up to four (4%) percent of the Federal Act Capitalization Grants may be used for administrative costs to support the DWSRF program, which are shared by the Department and the Bank equally (the "Administrative Set-Aside Funds"); (ii) **Technical Assistance** – up to two percent (2%) of the Federal Act Capitalization Grants may be used to provide technical training and outreach services to the operators of small public water systems specifically targeting operation, maintenance and compliance issues; (iii) **State Program Management** – up to ten (10%) percent of the Federal Act Capitalization Grants may be used to fund programs mandated by the Federal Act such as Capacity Development Programs, Source Water Assessment Programs and Operator Certification Programs if a one-to-one match of state money is provided; and (iv) **Local Assistance** - up to fifteen (15%) percent of the Federal Act Capitalization Grants may be used to implement programs set forth in the Federal Act to provide local support for the development of local government and small water capacity facilities and to establish and implement wellhead protection programs.

The Capitalization Grant Agreement consists of a Federal Act Capitalization Grant application and an Intended Use Plan, both of which are prepared annually. The Intended Use Plan identifies projects to be provided financial assistance from the revolving fund, the goals of the revolving fund and the criteria and method established for the distribution of revolving

fund moneys. The Capitalization Grant Agreement is made subject to a revolving fund Operating Agreement which describes the fundamentals of a state's program which are not expected to change from year to year. The Capitalization Grant Agreement contains a schedule of payments under which the EPA will pay the state the amount of each Federal Act Capitalization Grant. The payment schedule is based on the Intended Use Plan, with payments to be made in quarterly installments and in no event later than the earlier of eight quarters after the date the Federal Act Capitalization Grant was awarded or twelve quarters after the date the Federal Act Capitalization Grant funds were allotted to the state. In addition, each state is required to prepare a biannual report for each year in which Federal Act Capitalization Grant funds are received.

Fiscal Years 2014 and 2015 Capitalization Grants

The Bank will utilize the balance of the Fiscal Year 2014 Capitalization Grant of \$1,920,690, and has applied for and been awarded the Fiscal Year 2015 Capitalization Grant from the EPA in the amount of \$8,787,000 to provide Federal Direct Loans to Borrowers for the purpose of financing drinking water projects in connection with the Safe Drinking Water Revolving Fund. Pursuant to Fiscal Years 2014 and 2015 Capitalization Grant requirements, the Bank will also provide each Principal Forgiveness Recipient with a Principal Forgiveness Subsidy. See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Principal Forgiveness Subsidy Component of Fiscal Years 2014 and 2015 Capitalization Grants". All of the proceeds of the balance of the Fiscal Year 2014 Capitalization Grant and a portion of the Fiscal Year 2015 Capitalization Grant will be used to fund Federal Direct Loans in connection with the issuance of the Series 2015 A Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Project Data for Series 2015 A Loan Program".

Federal Stimulus Funds

Pursuant to ARRA and the ARRA Capitalization Grant Agreement, the State was awarded by the EPA under the Bank's Intended Use Plan for fiscal year 2009, as supplemented, a total of \$19,500,000 in ARRA grant funds that have been directed to fund safe drinking water projects under the Safe Drinking Water Revolving Fund in connection with the issuance of the Series 2009 A Bonds. None of the grant funds awarded under ARRA requires State Matching Funds as a condition precedent to the receipt or use of the grant funds. All of such grant funds, however, are subject to compliance with various terms and conditions applicable to their use that are not applicable to the Federal Act Capitalization Grants. Requests for ARRA Capitalization Grants are submitted in a similar fashion as requests for Federal Act Capitalization Grants.

The Budget Control Act of 2011, signed into law on August 3, 2011 (the "Budget Control Act"), sets limits on the federal government's discretionary spending caps at levels necessary to reduce expenditures by \$1.2 trillion dollars from the current federal budget baseline for federal fiscal years 2013 through 2021. The Joint Select Committee on Deficit Reduction failed to reach an agreement on the deficit reduction actions as required by the Budget Control Act and, as a result, the implementation of sequestration – a unique budgetary feature of the Budget Control Act consisting of across-the-board spending cuts – began on March 1, 2013. The Bank is uncertain of EPA's ability to provide future capitalization grants to the Bank's DWSRF program.

Administration of the Fund

As contemplated by the Federal Act, the Rhode Island General Assembly enacted the DWSRF Act establishing the DWSRF to be maintained and administered by the Bank. The DWSRF Act authorizes the Bank to make loans from the DWSRF to "Local Governmental Units" or "privately organized water suppliers" for the acquisition, design, planning, construction, enlargement, repair, protection or improvement of public drinking water supply or treatment facilities. The DWSRF Act also authorizes the Bank to pledge or assign all moneys and investments on deposit from time to time in the Revolving Fund as security for the payment of principal, premium, if any, and interest on the Bank's revenue bonds. Such revenue bonds are issued for the purpose of providing moneys for deposit to the Revolving Fund, which enables the Bank, among other things, to make loans to Local Governmental Units or privately organized water suppliers. The Act further provides that moneys in the DWSRF may be used to pay costs incurred in connection with bonds issued by the Bank. Under the Federal Act and the DWSRF Act, DWSRF moneys in an amount equal to up to four percent of the Capitalization Grants may be used to pay administrative expenses of the Department and Bank.

Under the Act, the Department is directed to promulgate rules and regulations pertaining to applications by Borrowers for financial assistance for drinking water projects. No project is eligible for financing by the Bank until the Department has issued its Certificate of Approval. The Certificate of Approval specifies, among other things, the costs which are eligible for financial assistance and other terms and conditions relating to the construction and operation of the project. The applications are evaluated by the Department on the basis of the expected effects of the proposed projects on water quality and the projects are ranked accordingly and set forth in the annual Project Priority List. Prospective Borrowers are selected from the Project Priority List and identified in the Intended Use Plan that is submitted to the EPA each year in connection with the Bank's application for a Federal Act Capitalization Grant. The Department and the Bank have entered

into a Memorandum of Understanding dated July 13, 2000, as amended, pursuant to which the Department and the Bank have agreed to administer the Revolving Fund. The Bank has been delegated the responsibility to determine the type of financial assistance to be provided and is not required to select such Borrowers in the order that they appear on the Project Priority List, but may make its selection based on the overall needs of the financing program with respect to credit quality, readiness to proceed and other factors.

Funding

The Bank has submitted capitalization grant applications and Intended Use Plans for fiscal years 1997 through 2016 and has been awarded \$166,104,500 in Federal Act Capitalization Grants up through and including fiscal year 2015, but not including, for fiscal year 2009, an ARRA Capitalization Grant in the amount of \$19,500,000. The Department has set-asides totaling \$38,414,480 from the 1997 through 2015 Federal Act Capitalization Grants. The Bank has used \$139,206,300 to make Federal Direct Loans and fund the LIST Fund for the Senior Agency Bonds issued to date. This leaves the Bank \$7,983,720 of Federal Act Capitalization Grants available, which the Bank intends to use the entire \$7,983,720 to fund Federal Direct Loans at the time of issuance of the 2015 Series A Bonds.

As set forth above, the Federal Act Capitalization Grants have four component set-asides, which have been allocated as follows: (i) Administrative Assistance for fiscal years 1997 through 2015 Federal Act Capitalization Grants total \$5,410,613 of which \$4,413,303 has been used as of October 31, 2015; (ii) Technical Assistance for fiscal years 1997 through 2015 Federal Act Capitalization Grants total \$2,998,590 of which \$2,754,405 has been used as of October 31, 2015; (iii) State Program Management for fiscal years 1997 through 2015 Federal Act Capitalization Grants total \$13,911,617 of which \$12,883,311 has been used as of October 31, 2015; and (iv) Local Assistance for fiscal years 1997 through 2015 Federal Act Capitalization Grants total \$16,093,660 of which \$13,763,335 has been used as of October 31, 2015.

The State has committed \$33,220,900 for fiscal years 1997 through 2015 in State Match. To generate the required State Matching Fund portions for the DWSRF, the Bank has received \$3,936,020 from the State Water Resource Board, \$3,000,000 from State Water Quality Management Bonds, \$3,212,480 from the Series 2004 A Bonds, \$1,600,820 from the Series 2005 A Bonds, \$4,963,580 from the Series 2007 A Bonds, \$3,291,720 from the Series 2008A Bonds, \$1,629,200 from the 2009 A Bonds and \$4,680,000 from the 2012 A Bonds, \$1,696,480 from the State in connection with the Fiscal Year 2012 Capitalization Grant, \$1,684,200 from the State in connection with the Fiscal Year 2013 Capitalization Grant, \$1,769,000 from the State in connection with the Fiscal Year 2014 Capitalization Grant and \$1,757,400 from the State in connection with the Fiscal Year 2015 Capitalization Grant.

The State is authorized to make cash draws with respect to the Federal Act Capitalization Grant pursuant to the Capitalization Grant Agreement via the Environmental Protection Bank's Automated Clearing House Payment System. The Bank has selected from the Project Priority List a group of projects for funding in fiscal year 2016 (the "Group of Projects"). See "Project Data for Series 2015 A Loan Program." Under EPA regulations, the Bank will be permitted to receive cash draws from the Federal Act Capitalization Grant, subject to certain limitations, based on the proportionate federal share of the incurred eligible costs of the Group of Projects as and when such costs are incurred.

Inasmuch as the Bank's ability to make cash draws is dependent upon the progress of construction of the Group of Projects, it is expected that the delay or stoppage of one or more of the projects would also cause a delay in the receipt of cash from the Federal Act Capitalization Grant. The Bank has been advised that it is EPA policy not to permit a state to change a list of cash draw projects in order to maximize draws from the Federal Act Capitalization Grant, but that EPA will permit a state to replace a designated project with another if the designated project has been stopped or has encountered unscheduled delays of a material nature. The Bank has experienced short term delays in one or more of the projects which has resulted in adjustments to the receipt of cash from the Federal Act Capitalization Grant. The State also has the option to change its method of cash draws to another method in case of delays in receipt of Federal Act Capitalization Grant proceeds, so long as it surrenders any excess benefits received under the earlier schedule.

Federal Act Capitalization Grants for any future year will be pledged to the extent determined by the Bank to the payment of Senior Bonds if the Bank issues Additional Senior Bonds under the Indenture. The Bank may, in its discretion, determine to establish a different loan program with the proceeds of future Federal Act Capitalization Grants.

The Bank provides for its own administrative expenses through a loan origination fee equal to one percent of the principal amount of the Borrower Bonds and an annual administrative fee equal to one half percent of the principal amount of the Borrower Bonds outstanding, both payable by the Borrowers under the Program.

The Borrowers

Each Borrower of Loans under the DWSRF must be either a town, city, district, commission, agency, authority, board or other public instrumentality of the State or any political subdivision thereof responsible for the ownership or operation of a water supply facilities within the State or a water company not owned or operated by a Local Governmental Unit, existing under the laws of the State, and in the business of operating a safe drinking water facility. The Department receives applications for project approval from prospective Borrowers and reviews them for prioritization consistent with the Intended Use Plan. The Bank makes no representation concerning the credit worthiness of any particular Borrower or its ability to make payments upon its Borrowers Bonds to the Bank.

The Bank expects to make loans to the Borrowers listed under the section entitled “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Project Data for Series 2015 A Loan Program” herein in the principal amount listed therein, but the satisfactory completion of the projects, modification of projects and other factors may cause loan amounts to vary and the identity of Borrowers to change. Accordingly, the Borrowers participating in the DWSRF from time to time, and the principal amount of a Borrower’s Loan, are subject to change and cannot be assured by the Bank.

City of Newport, Rhode Island

The City of Newport, Rhode Island, is currently the Bank’s largest Borrower under the DWSRF. After the issuance of the Series 2015 A Bonds, the City of Newport will be the Bank’s second largest Borrower under the DWSRF. Certain information regarding the City of Newport and the water system of the City of Newport is contained in Appendix C-1 to this Official Statement. The audited financial statements of the City of Newport for the fiscal year ending June 30, 2014 are included in Appendix C-2 of this Official Statement. The financial statements of the City of Newport for the fiscal year ending June 30, 2014 have been audited by CohnReznick LLP, independent accountants.

The Borrower Bonds of the City of Newport which have been issued to the Bank in connection with prior Loans made to the City of Newport under the DWSRF are special obligations of the City of Newport payable solely from the funds and accounts pledged therefore pursuant to an Indenture of Trust dated as of March 7, 2007, as amended and supplemented to the date hereof (the “Newport Indenture”), by and between the City of Newport and U.S. Bank National Association, as successor trustee. For further description and discussion of the various funds, accounts and revenues securing the currently outstanding Borrower Bonds of the City of Newport under the Newport Indenture, and all the terms, conditions, qualifications and limitations of such security, see APPENDIX C-3 - “SUMMARY OF CERTAIN PROVISIONS OF THE NEWPORT INDENTURE.”

The City of Newport has agreed, in connection with the issuance of certain Bonds by the Bank under the Revolving Fund, and will agree in connection with the Series 2015 A Bonds to provide as part of its continuing disclosure obligations certain annual operating data of the water system of the City of Newport. See Appendix G-2 - “FORM OF NEWPORT CONTINUING DISCLOSURE CERTIFICATE.”

City of Pawtucket, Rhode Island

The City of Pawtucket, Rhode Island, is the Bank’s third largest Borrower under the DWSRF and after the issuance of the Series 2015 A Bonds will remain the Bank’s third largest Borrower under the DWSRF. The system of water supply, treatment and distribution facilities of the City of Pawtucket is operated by and through the Pawtucket Water Supply Board (“PWSB”). Certain information regarding the City of Pawtucket, the PWSB and the water system of the City of Pawtucket, is contained in Appendix D-1 to this Official Statement. The audited financial statements of the PWSB for the fiscal year ending June 30, 2014 are included in Appendix D-2 of this Official Statement. The financial statements of the PWSB for the fiscal year ending June 30, 2014 have been audited by LGC&D LLP, independent accountants, to the extent indicated in their report thereon. LGC&D LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the 2014 financial statements of the PWSB addressed in that report, nor has LGC&D LLP audited or reviewed the PWSB’s financial statements subsequent to the completion of the audit of the financial statements as of and for the year ended June 30, 2014. Also, LGC&D LLP has not performed any procedures relating to this Official Statement.

The Borrower Bonds of the City of Pawtucket which have been issued to the Bank in connection with prior Loans made to the City of Pawtucket under the DWSRF are special obligations of the City of Pawtucket payable solely from the funds and accounts pledged therefore pursuant to an Indenture of Trust dated as of December 30, 2003, as amended and supplemented to the date hereof (the “Pawtucket Indenture”), by and between the City of Pawtucket and The Bank of New York Mellon Trust Company, N.A., as successor to J.P. Morgan Trust Company, National Association, as trustee, including, but not limited to, certain revenues derived from the system of water supply, treatment and distribution facilities of the City of Pawtucket operated by the PWSB. For a further description and discussion of the various funds, accounts and revenues securing the currently outstanding Borrower Bonds of the City of Pawtucket under the Pawtucket Indenture, and all the

terms, conditions, qualifications and limitations of such security, see APPENDIX D-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PAWTUCKET INDENTURE.”

The City of Pawtucket has agreed, in connection with the issuance of certain Bonds by the Bank under the Revolving Fund, and will agree, in connection with Series 2015 A Bonds, to provide as part of its continuing disclosure obligations certain annual operating data of the Pawtucket Water Supply Board and the water system of the City of Pawtucket. See Appendix G-3 – “FORM OF PAWTUCKET CONTINUING DISCLOSURE CERTIFICATE”.

City of Providence, Rhode Island

The City of Providence, Rhode Island, as a result of the Loans made to Providence Water by the Bank, is currently the Bank’s second largest Borrower under the DWSRF. After the issuance of the Series 2015 A Bonds, the City of Providence will be the Bank’s largest Borrower under the DWSRF. The City of Providence is the only Borrower in addition to the City of Pawtucket and the City of Newport obligated to repay more than twenty percent (20%) of the outstanding debt service on all Outstanding Bonds. The system of water supply, treatment and distribution facilities of the City of Providence is operated by and through Providence Water. Certain information regarding the City of Providence, Providence Water and the water system of the City of Providence, is contained in Appendix E-1 to this Official Statement. The audited financial statements of Providence Water for the fiscal year ending June 30, 2014 are included in Appendix E-2 of this Official Statement. The financial statements of Providence Water for the fiscal year ending June 30, 2014 have been audited by Marcum P.C., independent accountants.

The Borrower Bonds of the City of Providence which have been issued to the Bank in connection with the Series 2015 A Bonds and prior loans made to Providence Water under the DWSRF are special obligations of the City of Providence payable solely from the funds and accounts pledged therefore pursuant to an Indenture of Trust dated June 5, 2008, as amended and supplemented to the date hereof (the “Providence Indenture”), by and between the City of Providence and U.S. Bank National Association, including, but not limited to certain revenues derived from the system of water supply, treatment and distribution facilities of the City of Providence operated by Providence Water. For a further description and discussion of the various funds, accounts and revenues securing the currently outstanding Borrower Bonds of the City of Providence under the Providence Indenture, and all the terms, conditions, qualifications and limitations of such security, see APPENDIX E-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PROVIDENCE INDENTURE.”

The City of Providence has agreed, in connection with the issuance of certain Bonds by the Bank under the Revolving Fund, and will agree, in connection with the Series 2015 A Bonds, to provide as part of its continuing disclosure obligations certain annual operating data of Providence Water and the water system of the City of Providence. See Appendix G-4 - “FORM OF PROVIDENCE CONTINUING DISCLOSURE CERTIFICATE.”

Subordinate Bonds Under the DWSRF Program

The Bank may issue Subordinate Bonds pursuant to the Indenture. However, in all events the liability of the Bank under the Subordinate Bonds shall be subordinate to the liability of the Bank under the Senior Bonds, including the Series 2015 A Bonds.

There are no Capitalization Grants or State Matching Funds or any other reserve funds pledged as security for the payment of the Subordinate Bonds. However, the Indenture pledges to the payment of the Subordinate Bonds, certain excess revenues from the Revenue Fund under the Indenture, subject to the prior pledge of such revenues with respect to the Senior Bonds.

FINANCIAL STATEMENTS

The financial statements of the Bank for the year ended June 30, 2015 are incorporated by reference in Appendix B and have been audited by Cayer Caccia, LLP, independent auditors.

TAX EXEMPTION

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015 A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2015 A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2015 A Bonds. Pursuant to the Indenture, the Loan Agreements and a Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the “Tax Certificate”), the Bank and the Borrowers have covenanted

to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2015 A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Bank and the Borrowers have made certain representations and certifications in the Indenture, the Loan Agreements and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Bank and the Borrowers described above, interest on the Series 2015 A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2015 A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax-imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that the Series 2015 A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, are exempt from taxation by and within the State; although the Series 2015 A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, may be included in the measure of State estate taxes and certain State corporate and business taxes. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the Series 2015 A Bonds nor as to the taxability of the Series 2015 A Bonds or the income therefrom under the laws of any state other than the State.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2015 A Bonds maturing on October 1, 2027 with a 2.50% coupon, October 1, 2028 with a 2.625% coupon and October 1, 2030-2033, inclusive (collectively the “Discount Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2015 A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Series 2015 A Bonds other than the Discount Bonds (collectively, the “Premium Bonds”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2015 A Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2015 A 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, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2015 A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2015 A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2015 A Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2015 A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described in the opinion attached as Appendix F. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2015 A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2015 A Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2015 A Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2015 A Bonds from gross income for Federal or state income tax purposes, or otherwise. We note that in every year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2015 A Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2015 A Bonds may occur. Prospective purchasers of the Series 2015 A Bonds should consult their own tax advisors regarding the impact of any changes in law on the Series 2015 A Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2015 A Bonds may affect the tax status of interest on the Series 2015 A Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2015 A Bonds, or the interest thereon, if any action is taken with respect to the Series 2015 A Bonds or the proceeds thereof upon the advice or approval of other counsel.

CONTINUING DISCLOSURE

In order to assist the Underwriters in compliance with Rule 15(c)2-12 (the “Rule”), promulgated by the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended, the Bank and each obligated person with respect to the Bonds issued pursuant to the Indenture shall enter into a Continuing Disclosure Certificate with respect to the Series 2015 A Bonds, for the benefit of the beneficial owners of the Series 2015 A Bonds, substantially in the forms included in Appendix G to this Official Statement. Pursuant to the Continuing Disclosure Certificate to be executed by the Bank (the “Bank Continuing Disclosure Certificate”), the Bank shall agree to provide or cause to be provided, in accordance with the requirements of the Rule (i) certain annual financial information and operating data, (ii) timely notice not in excess of ten (10) business days after the occurrence thereof of certain events with respect to the Series 2015 A Bonds, and (iii) timely notice of the failure by the Bank or any obligated person with respect to the Series 2015 A Bonds to provide as required, annual financial information, operating data and certain other events required by the Rule on or before the date specified in the Bank Continuing Disclosure Certificate.

For purposes of the Bank’s undertaking, an obligated person is any entity who, as a result of outstanding loans from the Bank under the Drinking Water State Revolving Fund, is obligated by contract or otherwise to repay at least twenty (20%) percent of the outstanding debt service on all outstanding Bonds of the Bank issued under the Indenture. Each obligated person shall enter into a separate Continuing Disclosure Certificate with respect to the Bonds issued pursuant to the Indenture, for the benefit of the beneficial owners of the Series 2015 A Bonds, substantially in the form included in Appendix G to this Official Statement (the “Borrower Continuing Disclosure Certificate”), pursuant to which each of such Borrowers will agree to provide or cause to be provided in accordance with the requirements of the Rule and the provisions of the Borrower Continuing Disclosure Certificate: (i) certain annual financial information and operating data, and (ii) timely notice in accordance with the Rule of the failure by such Borrower to provide the required annual financial information and operating data on or before the date specified in the Borrower Continuing Disclosure Certificate for such Borrower. As of the date of issuance of the Series 2015 A Bonds, there will be no Borrowers obligated by contract or otherwise to pay at least twenty percent (20%) of the outstanding debt service on all Outstanding Bonds (including the Series 2015 A Bonds) of the Bank issued under the Indenture other than the City of Newport, Rhode Island, the City of Pawtucket, Rhode Island and the City of Providence, Rhode Island. The Bank’s loan agreement with each Borrower also provides that to the extent a

Borrower becomes an obligated person within the meaning of the Rule, each such Borrower will provide the Bank with the information necessary for the Bank's compliance with the Rule.

The Underwriters' obligations to purchase the Series 2015 A Bonds will be conditioned upon their receiving, at or prior to the delivery of the Series 2015 A Bonds, executed copies of the Bank Continuing Disclosure Certificate from the Bank substantially in the form included in Appendix G-1 and the Borrower Continuing Disclosure Certificate from the City of Newport, Rhode Island, the City of Pawtucket, Rhode Island and the City of Providence, Rhode Island substantially in the forms included in Appendix G-2, Appendix G-3 and Appendix G-4 respectively.

To date, the Bank has within the last five years complied in all material respects with the terms of all of its previous undertakings to provide continuing disclosure. Based upon a review of its past continuing disclosure practices, however, the Bank does note the following. The audited financial statements of certain obligated persons, although filed on a timely basis on EMMA, were not linked to the Bank's CUSIP numbers with respect to the outstanding Bonds and the Bank's outstanding Water Pollution Control Revolving Fund Revenue Bonds. The Bank plans to regularly review the effectiveness of its procedures for linking such information to such CUSIP numbers on a going forward basis, and to take prompt action to remedy any deficiencies of which it becomes aware. Also, in certain instances, the Bank inadvertently failed to file notices of changes in the financial strength ratings issued by the rating agencies during the period from 2008 through 2014 for those national bond insurers that have provided bond insurance on certain of the Bank's bonds. At this time, information as to such ratings has been filed. The Bank plans to regularly review the effectiveness of its procedures relative to event filings and take prompt action to remedy any deficiencies of which it becomes aware.

The City of Newport has previously entered into undertakings to provide continuing disclosure with respect to other debt and within the last five years has complied in all material respects with such undertakings. With respect to its undertakings related to the Bonds, the City of Newport has provided annual financial information and operating data to the Bank as required by its Borrower Continuing Disclosure Certificate.

The City of Pawtucket has previously entered into undertakings to provide continuing disclosure with respect to the Bonds and other debt and within the last five years has complied in all material respects with such undertakings.

The City of Providence has previously entered into undertakings to provide continuing disclosure with respect to the Bonds and other debt and within the last five years and notes the following with respect certain other undertakings:

- Due to an administrative oversight, a notice of the rating downgrade of Assured Guaranty Municipal Corp. ("AGM"), the bond insurer for the Rhode Island Health and Educational Building Corporation's Series 2006 A Bonds, the Series 2007 A Bonds, the Series 2007 B Bonds, and Series 2007 C Bonds issued on behalf of the Providence Public Buildings Authority, for which the City is an obligated party, from Aa3 to A2 on January 17, 2013 by Moody's was not filed on EMMA. In addition, a notice of the rating upgrade of AGM from AA- to AA on March 18, 2014 by S&P was not filed on EMMA. Notices of late filing regarding the Moody's and S&P rating changes have since been filed on EMMA.
- In connection with the issuance of the \$20,820,000 Providence Redevelopment Agency Certificates of Participation (Port of Providence Lease), Series 2003 A (the "Series 2003 A Certificates") and the \$6,857,571.15 Providence Redevelopment Agency Certificates of Participation (Port of Providence Lease), Series 2006 A (the "Series 2006 A Certificates"), the City is required to provide notices of certain listed events including, but not limited to, rating changes, in accordance with the Rule. Due to an administrative oversight, a notice of the rating downgrade of Radian Asset Assurance Inc., the bond insurer for the Series 2003 A Certificates and the Series 2006 A Certificates, from BB- to B+ on November 17, 2011 by S&P was not filed on EMMA. In addition, a notice of the downgrade in the unenhanced rating of the Series 2003 Certificates from BB+ to BB on April 30, 2012 by S&P was not filed on EMMA. Notices of late filing regarding the S&P rating changes have since been filed on EMMA.
- In connection with the issuance of the City's \$13,000,000 General Obligation Taxable Bonds, 2001 Series B, the City is required to provide the City's Annual Report by not later than 210 days after the end of each fiscal year. Due to an administrative oversight, the City's Annual Report for the fiscal year ending June 30, 2010 was filed five days late on EMMA.
- The City has implemented procedures to insure timely filing of such event notices and City Annual Reports in the future.

RATINGS

Fitch Ratings and Standard & Poor's Ratings Group have assigned their municipal bond ratings of AAA and AAA, respectively, to the Series 2015 A Bonds.

Such ratings reflect only the respective views of such organizations and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. The above ratings are not a recommendation to buy, sell or own the Series 2015 A Bonds, and there is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all of such rating agencies if, in its or their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2015 A Bonds.

UNDERWRITING

Raymond James & Associates ("Raymond James"), or its successor in interest, as representative of the Underwriters identified on the outside front cover page hereof (collectively, the "Underwriters"), has agreed, subject to certain customary conditions precedent to closing, to purchase the Series 2015 A Bonds from the Bank pursuant to a Bond Purchase Agreement at a price equal to the principal amount of the Series 2015 A Bonds plus a net original issue premium of \$1,499,919.25 and less an underwriting discount of \$132,050.12. The Underwriters are committed to take and pay for all of the Series 2015 A Bonds if any are taken. The Underwriters intend to offer the Series 2015 A Bonds to the public at the offering prices appearing on the front cover page of this Official Statement. After the initial public offering, the public offering prices may be varied from time to time by the Underwriters. No guarantee can be made that a secondary market for the Series 2015 A Bonds will develop or be maintained by the Underwriters or others.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers for the distribution of the Series 2015 Refunding Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation with such broker-dealers.

LITIGATION

There are no proceedings now pending or, to the knowledge of the Bank, threatened in any agency, court or tribunal restraining or enjoining or seeking to restrain or enjoin the issuance, sale, execution or delivery of any of the Series 2015 A Bonds, in any way questioning or affecting the validity of any provision of the Series 2015 A Bonds, the Indenture and any other related documents, in any way questioning or affecting the validity of any of the proceedings of the Bank relating to the authorization, sale, execution or delivery of the Series 2015 A Bonds, or of any provision, program or transactions made or authorized for their payment, or questioning or affecting the organization or existence of the Bank or the title of any of its officers to their respective offices.

FINANCIAL ADVISOR

FirstSouthwest, Lincoln, Rhode Island ("FSW") is employed by the Bank to perform professional services in the capacity of financial advisor. In its role as financial advisor to the Bank, FSW has provided advice on the plan of financing and structure of the Series 2015 A Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and assisted the Bank with the pricing of the Series 2015 A Bonds. As the Bank's financial advisor, FSW has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the Bank and other sources and the Bank's certification as to the Official Statement. FSW is also employed by a number of the Borrowers, including, without limitation, the City of Newport, Rhode Island, the City of Pawtucket, Rhode Island and the City of Providence, Rhode Island, to perform professional services in the capacity of financial advisor.

CERTAIN LEGAL MATTERS

The approving opinion of Nixon Peabody LLP, Bond Counsel, Providence, Rhode Island, in substantially the form attached to this Official Statement as Appendix F will be delivered upon the issuance of the Series 2015 A Bonds. Certain legal matters will be passed upon for the Bank by its General Counsel, Harrington & Vitale, Ltd., Providence, Rhode Island and for the Underwriters by Shechtman Halperin Savage LLP, Pawtucket, Rhode Island.

MISCELLANEOUS

The discussions of the Act, the Federal Act, ARRA the Indenture and the Loan Agreements set forth above are subject to all of the provisions of the Act, the Federal Act, the ARRA, and the subject documents and these discussions do not purport to be complete statements of such provisions. For more information, please refer to Appendix A, the Act, the Federal Act and the subject documents. A copy of the Indenture and the form of Loan Agreement may be examined at the office of the Bank and, after the issuance and delivery of the Series 2015 A Bonds, at the principal corporate trust office of the Trustee.

The agreements of the Bank with holders of the Series 2015 A Bonds are fully set forth in the Indenture. This Official Statement is not to be construed as a contract with the purchasers of the Series 2015 A Bonds. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact.

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

RHODE ISLAND INFRASTRUCTURE BANK

By: /s/ Merrill W. Sherman
Merrill W. Sherman, Chair

December 3, 2015

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APPENDIX A

Document Summaries

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APPENDIX A-1

Summary of Certain Provisions of the Indenture of Trust

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

Definitions; Rules of Construction; Liability under Agency Bonds

[Section 1.01]

Definitions. The following definitions apply to the summary of the Indenture of Trust hereinafter set forth and to the terms not otherwise defined in the Official Statement.

Act shall mean the Rhode Island Clean Water Protection Finance Agency Act, constituting Chapter 12.2 and Chapter 12.8 of Title 46 of the Rhode Island General Laws (1956), as from time to time amended and supplemented.

Administrative Fees Fund shall mean the Administrative Fees Fund established by the Indenture.

Agency shall mean the Rhode Island Clean Water Finance Agency, the public instrumentality created by the Act, and any successor entity which may succeed to its rights and duties respecting the Revolving Fund.

Agency Arbitrage Certificate means the Arbitrage Certificate executed by the Agency in connection with the issuance of the Agency Bonds.

Agency Bond or Agency Bonds shall mean any bond or bonds or all the bonds, as the case may be, of the Agency executed, authenticated and delivered under the Indenture.

Agency Loan shall mean a Loan made by the Agency to an Agency Loan Recipient pursuant to a Loan Agreement or a Bond Purchase Agreement and the Act, which Loan is made solely from the Agency Bond Account of the Construction Proceeds Fund from proceeds of Agency Bonds, designated by the Agency for the making of such loans in the Supplemental Indenture adopted by the Agency in connection with the authorization and issuance of a Series of Agency Bonds.

Agency Loan Recipient shall mean any Local Governmental Unit or Privately Organized Water Supplier (each as defined in the Act) specified in the Officer's Certificate delivered pursuant to the Indenture and its respective successors and assigns that is a recipient of an Agency Loan.

Aggregate Debt Service shall mean for any Fiscal Year, as of any date of calculation, the sum of the Debt Service for all Senior Agency Bonds outstanding during such Fiscal Year.

Aggregate Subordinated Debt Service shall mean for any Fiscal Year, as of any date of calculation, the sum of the Debt Service for all Subordinated Agency Bonds outstanding during such Fiscal Year.

Arbitrage Certificates shall mean the Arbitrage and Use of Proceeds Certificates delivered by the Borrowers in connection with the delivery of the Borrower Bonds.

Authorized Officer shall mean the Chairman, Executive Director or Secretary of the Agency or any other officer of the Agency designated to act as an Authorized Officer for purposes of the Indenture by resolution of the Board of Directors of the Agency.

Bond Purchase Agreement shall mean any Bond Purchase Agreement pursuant to which the Agency shall determine to provide financial assistance to a Borrower through the purchase of its Borrower Bonds.

Bond Register shall mean the bond register specified in the Indenture.

Borrower shall mean any Agency Loan Recipient or Direct Loan Recipient.

Borrower Bond Payments shall mean the amounts payable by a Borrower under each series of Borrower Bonds, including payments of principal of, premium, if any, and interest on such Borrower Bonds.

Borrower Bonds shall mean the bonds or notes issued by any Borrower which are acquired by the Agency as evidence of an Agency Loan, a Direct Loan, a Federal Direct Loan or a combination of an Agency Loan, a Direct Loan or a Federal Direct Loan, or which are purchased by the Agency pursuant to a Bond Purchase Agreement.

Borrower Capitalized Interest shall mean, with respect to any Borrower, that portion of the proceeds of such Borrower's Loan, if any, required by a Certificate of an Authorized Officer to be deposited in the Borrower Capitalized Interest Subaccount in such Borrower's subaccount of the Agency Loan Account or the State Matching Fund Account of the Construction Proceeds Fund, for the purpose of funding the payment of interest on such Borrower's Bonds.

Borrower Capitalized Interest Subaccount shall mean a Borrower Capitalized Interest Subaccount established by the Indenture.

Business Day shall mean a day on which banks located in (i) Providence, Rhode Island, and (ii) the city in which the principal office of the Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

Capitalized Interest shall mean, for any particular Series of Agency Bonds, that portion of the proceeds of the Agency Bonds of such Series, if any, required by a Certificate of an Authorized Officer to be deposited in a subaccount established for such Series in the Capitalized Interest Subaccount in the Interest Account of the Debt Service Fund, for the purpose of funding the payment of a portion of the interest on the Agency Bonds of such Series.

Capitalized Interest Subaccount shall mean the Capitalized Interest Subaccount established by the Indenture.

Certificate shall mean a signed document attesting to or acknowledging the matters therein stated or setting forth matters to be determined pursuant to the Indenture.

Code shall mean the Internal Revenue Code of 1986, as amended.

Construction, when used with respect to any of the Projects, shall include, without limitation, the construction, acquisition and installation of such Projects.

Construction Proceeds Fund shall mean the Construction Proceeds Fund established by the Indenture.

Corporate Trust Office shall mean an office of the Trustee, designated by the Trustee, at which at any particular time its corporate trust business shall be administered, which office is located at One Federal Street, Boston, Massachusetts.

Cost of Issuance Fund shall mean the Cost of Issuance Fund established by the Indenture.

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

Cross-Investment Agreement shall mean the Cross-Investment Agreement dated February, 2004, by and among the Agency, the Trustee and U.S. Bank National Association, as Trustee under and pursuant to the Indenture of Trust between the Rhode Island Clean Water Protection Finance Agency and U.S. Bank National Association, as successor trustee, dated as of February 15, 1992, as amended and supplemented.

Cross Investment Fund shall mean the Cross Investment Fund established by the Indenture.

Date of Issue shall mean December 17, 2015.

De-allocated Amount shall mean, for any Fiscal Year, (i) with respect to each Borrower's subaccount in the Federal Account of the LIST Fund, an amount equal to the difference between (A) such Borrower's Federal LIST Deposit and (B) the outstanding principal balance of such Borrower's Loan on the last day of the Fiscal Year multiplied by the Federal LIST Requirement Ratio for the applicable Series of Agency Bonds, and (ii) with respect to each Borrower's subaccount in the State Account of the LIST Fund, an amount equal to the difference between (A) such Borrower's State LIST Deposit and (B) the outstanding principal balance of such Borrower's Loan on the last day of the Fiscal Year multiplied by the State LIST Requirement Ratio for the applicable Series of Agency Bonds.

De-allocated Construction Amount shall mean, with respect to any Borrower, an amount equal to all or any portion of such Borrower's Loan that an authorized officer of such Borrower certifies in writing to the Agency, pursuant to the provisions of the applicable Loan Agreement, is not required to pay for costs of construction of such Borrower's Project or Projects.

De-allocated Subaccount shall mean the De-allocated Subaccount of the Federal Account or the State Account of the LIST Fund, as the case may be, established by the Indenture.

Debt Service for any Fiscal Year or part thereof shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest payable during such Fiscal Year or part thereof on Agency Bonds of such Series (except to the extent that such interest is to be paid from amounts representing capitalized interest) and (ii) Principal Installments of the Agency Bonds of such Series payable during such Fiscal Year or part thereof. Such interest and Principal Installment for such Series shall be calculated on the assumption that no Agency Bonds of such Series outstanding at the date of calculation will cease to be outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of sinking fund installments.

Debt Service Fund shall mean the Debt Service Fund established by the Indenture.

Defaulting Borrower shall mean any Borrower which the Agency shall specify, in an Officer's Certificate delivered to the Trustee, as being in default under such Borrower's Borrower Bond or Loan Agreement until such time as the Agency shall specify, in an Officer's Certificate delivered to the Trustee, that such Borrower is no longer in default under such Borrower Bond or Loan Agreement.

Description, when used with reference to any of the Projects, shall mean the description of such Projects set forth in an Exhibit to the applicable Loan Agreement, as such description may be amended in accordance with such Loan Agreement.

Direct Loan shall mean a Loan made by the Agency to a Direct Loan Recipient pursuant to a Loan Agreement or a Bond Purchase Agreement, as the case may be, and the Act, which Loan is made solely from the State Matching Fund Account of the Construction Proceeds Fund, provided, however, that such Loans may be made only to Borrowers constituting Governmental Units as defined in the Act.

Direct Loan Recipient shall mean any Local Governmental Unit specified in the Officer's Certificate delivered pursuant to the Indenture and its respective successors and assigns that is a recipient of a Direct Loan.

Disbursement Procedures shall mean with respect to each Loan the procedures and provisions set forth in the applicable Loan Agreement.

DOH shall mean the Rhode Island Department of Health and any successor entity which may succeed to its rights and duties respecting the Revolving Fund.

Eighth Supplemental Indenture shall mean the Eighth Supplemental Indenture of Trust relating to the issuance of the Series 2014 A Bonds.

EPA shall mean the United States Environmental Protection Agency or any successor entity which may succeed to the administration of the program established by the Safe Drinking Water Act.

EPA Capitalization Grant shall mean the amount of any capitalization grant or award or other federal assistance provided by EPA to the Agency pursuant to Title II or Title VI of the Safe Drinking Water Act for purposes of deposit in the Revolving Fund after payment by the Agency to DOH of expenses incurred by DOH in connection with its administration of the Revolving Fund, to the extent permitted by the Safe Drinking Water Act.

Event of Default shall mean any event of default specified in the Indenture.

Federal Account shall mean the Federal Account of the LIST Fund established by the Indenture.

Federal Direct Loan shall mean a Loan made by the Agency to a Federal Direct Loan Recipient pursuant to a Loan Agreement and the Act or pursuant to a Bond Purchase Agreement and the Act, which Loan is made solely from the EPA Capitalization Grant and not from the proceeds of Agency Bonds.

Federal Direct Loan Recipient shall mean any Local Governmental Unit or Privately Organized Water Supplier (as defined in the Act) specified in the Officer's Certificate delivered pursuant to the Indenture as the recipient of a Federal Direct Loan.

Federal LIST Deposit shall mean, with respect to any Borrower and for each Series of Senior Agency Bonds, the amount on deposit on the last day of any Fiscal Year in such Borrower's subaccount in the Federal Account of the LIST Fund with respect to such Series of Senior Agency Bonds.

Federal LIST Requirement Ratio shall mean, with respect to any Borrower and for each Series of Senior Agency Bonds, a fraction the numerator of which is the applicable Series Federal LIST Deposit and the denominator of which is the outstanding balance of all Borrowers' Loans on the Initial De-allocation Date for such Series of Senior Agency Bonds.

First Supplemental Indenture shall mean the First Supplemental Indenture of Trust relating to the issuance of the Series 2005 A Bonds.

Fiscal Year of the Agency shall mean the twelve months ending June 30 or such other period as may be specified, from time to time, in the By-laws of the Agency.

Fitch shall mean FitchRatings, Inc.

Fourth Supplemental Indenture shall mean the Fourth Supplemental Indenture of Trust relating to the issuance of the Series 2009 A Bonds.

Fifth Supplemental Indenture shall mean the Fifth Supplemental Indenture of Trust relating to the issuance of the Series 2012 A Bonds.

Indenture shall mean the Indenture of Trust, as from time to time amended or supplemented in accordance with its terms.

Initial De-allocation Date shall mean, with respect to the Series 2004 A Bonds, the date designated in the Indenture, and with respect to each Series of Agency Bonds other than the Series 2004 A Bonds, the date designated in the Supplemental Indenture authorizing such Agency Bonds.

Insurance Paying Agent shall have the meaning specified in the Indenture.

Insurer shall mean any issuer of a municipal bond insurance policy as specified in the Supplemental Indenture authorizing the issuance of a Series of Agency Bonds and its successors and assigns.

Interest Payment Date shall mean the fixed maturity of an installment of interest on the Agency Bonds.

Investment Obligations shall mean noncallable obligations issued or guaranteed by or backed by the full faith and credit of, the United States of America (including certificates or any other evidence of an ownership interest in any such obligation or in specified portions thereof, which may consist of specified portions of the principal thereof or the interest thereon).

Investment Securities shall mean any of the following securities, if and to the extent the same are at the time legal for investment of the Agency's funds:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) the following bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities being permitted only if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the United States Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financing of the United States Maritime Administration; and (viii) project notes, local authority bonds, guaranteed debentures and guaranteed public housing notes and bonds of the United States Department of Housing and Urban Development;

(c) the following bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities being permitted only if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and (iv) obligations of the Resolution Funding Corporation;

(d) money market funds registered under the Investment Company Act of 1940, the shares of which are registered under the Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G, AAAm, or AAm;

(e) certificates of deposit secured at all times by collateral described in (a) and/or (b) above and issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee, on behalf of the Bondowners, must have a perfected first security interest in the collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or FSLIC;

(g) investment agreements with or guaranteed by banks or other financial institutions whose long-term unsecured debt or claims-paying ability is rated in one of the three highest rating categories by any Rating Agency at the time of the investment;

(h) commercial paper, with a maturity not greater than 270 days, and rated, at the time of purchase, "Prime-1" or better by Moody's, "A-1" or better by Standard & Poor's, "F-1" or better by Fitch, or an equivalent rating by any other Rating Agency;

(i) bonds or notes issued by any state which are rated by any Rating Agency in one of the three highest rating categories assigned by such agencies at the time of the investment;

(j) federal funds or bankers' acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, "A-1" or "A" or better by Standard & Poor's, "F-1" or better by Fitch, or an equivalent rating by any other Rating Agency at the time of the investment; and

(k) repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Agency (buyer/lender), and the transfer of cash from the Agency to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Agency in exchange for the securities at a specified date, provided, however, that such repurchase agreements must satisfy the following criteria: (i) the repurchase agreement must be between the Agency and a primary dealer on the Federal Reserve reporting dealer list which at the time the agreement is entered into, is rated A or better by any Rating Agency or a bank rated "A" or above by any Rating Agency; (ii) the repurchase agreement must include the following provisions: (w) Securities which are acceptable for transfer are: (1) direct obligations of the United States of America or (2) securities of federal agencies backed by the full faith and credit of the United States of America, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, (x) the term of the repurchase agreement may be up to 30 days, (y) the collateral must be delivered to the Agency, Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities), and (z) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Agency to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Agency, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are securities of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, then the value of collateral must equal 105%; and (iii) the Agency must receive an opinion of counsel to the effect that the repurchase agreement meets guidelines under the law of the State for legal investment of public funds.

LIST Fund shall mean the LIST Fund established by the Indenture.

Loan shall mean any Agency Loan, Direct Loan, Federal Direct Loan or the provision of any other financial assistance to a Borrower in accordance with the terms of a Bond Purchase Agreement.

Loan Agreement shall mean any Loan Agreement relating to a Loan between a Borrower and the Agency, as amended and supplemented in accordance with its terms from time to time or any Bond Purchase Agreement pursuant to which the Agency shall purchase the Borrower Bond of a Borrower so as to provide such Borrower with financial assistance as described in the Act.

Loan Closing Fee shall mean the fee paid to the Agency by each Borrower upon the closing of any Loan as required pursuant to the provisions of such Borrower's Loan Agreement.

Loan Servicing Fee shall mean the annual fees paid to the Agency by each Borrower as required pursuant to the provisions of such Borrower's Loan Agreement.

Moody's shall mean Moody's Investors Service, Inc.

Ninth Supplemental Indenture shall mean the Ninth Supplemental Indenture of Trust relating to the issuance of the Series 2015 A Bonds.

Officer's Certificate shall mean a certificate signed by an Authorized Officer of the Agency.

Outstanding when used with reference to Agency Bonds shall mean, as of any particular date, the aggregate of all Agency Bonds authenticated and delivered under the Indenture, except

(a) Agency Bonds cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(b) Agency Bonds for the payment or redemption of which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the owners of such Agency Bonds, provided that if such Agency Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Agency Bonds paid or Agency Bonds deemed to be paid as provided in the Indenture; and

(d) Agency Bonds Paid or in lieu of or in substitution for which other Agency Bonds shall have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee shall be presented that any such Agency Bond shall be held by a bona fide purchaser (as such term is defined in the Uniform Commercial Code of the State);

provided, however, that in determining whether the owners of the requisite principal amount of Agency Bonds outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Agency Bonds owned by or for the account of a Borrower shall be disregarded and deemed not to be outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Agency Bonds which a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. Agency Bonds so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Agency Bonds and that the pledgee is not a Borrower and that the pledgee is not holding such Agency Bonds for the account of a Borrower.

Owner or Bondowner shall mean the Registered Owner of any Agency Bond.

Paying Agency Office shall mean an office of the Paying Agent designated by the Paying Agent at which at any particular time its corporate trust business shall be administered, which office at the date of the Indenture of Trust is the Corporate Trust Office of the Trustee.

Paying Agent shall mean any paying agent for the Agency Bonds and any successor or successors as paying agent appointed pursuant to the Indenture.

Person shall mean an individual, a corporation, a partnership, an association, a limited liability company, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

Principal Installment shall mean, as of any date of calculation, (i) the principal amount of Agency Bonds due on a future date for which no sinking fund installments have been established, or (ii) the unsatisfied balance of any sinking fund installment due on a future date, or (iii) if such future dates coincide, the sum of such principal amount of Agency Bonds and of such sinking fund installment due on such future date; in each case in the amounts and on the dates as provided in the Indenture.

Projects shall mean any safe drinking water project described in an Exhibit to any Loan Agreement or Bond Purchase Agreement, which shall constitute an approved project as defined in the Act.

Projected De-allocated Amounts for any Fiscal Year shall mean all amounts and receipts projected to be received in the De-allocated Subaccounts of the Federal Account and the State Account of the LIST Fund.

Projected Direct Loan Principal Repayments for any Fiscal Year shall mean all amounts and receipts projected to be received in the Direct Loan Principal Repayment Subaccount of the State Matching Fund Account of the Construction Proceeds Fund.

Projected LIST Earnings for any Fiscal Year shall mean all interest and other investment earnings projected to be earned by amounts in the Federal Account and State Account of the LIST Fund.

Projected Revenues for any Fiscal Year shall mean all amounts and receipts projected to be received into the Revenue Fund.

Qualified Independent Consultant shall mean an independent accountant or firm of independent accountants or such other independent consultant or firm of independent consultants which, in any case, shall be of recognized standing and shall have the necessary experience to provide the Certificate or other information required by the Indenture or the Agency, selected by the Agency and satisfactory to the Trustee.

Rating Agency shall mean any of Fitch, Moody's, Standard & Poor's or such other nationally recognized rating agency or agencies.

Ratings shall mean, as of any date, the ratings then assigned to the Agency Bonds by each Rating Agency which may, as of such date, have assigned a rating to the Agency Bonds.

Record Date shall mean the last Business Day of the month next preceding each Interest Payment Date for such Interest Payment Date.

Refunding Bond shall mean any Agency Bond authenticated and delivered on original issuance pursuant to the Indenture for the purpose of refunding any outstanding Agency Bonds, or thereafter authenticated and delivered in lieu of or substitution for such Agency Bond pursuant to the Indenture.

Registered Owner shall mean the person or persons in whose name or names a particular Agency Bond shall be registered on the Bond Register.

Responsible Officer shall mean any vice president, assistant vice president or corporate trust officer employed in the Corporate Trust Division of the Trustee.

Revenue Fund shall mean the Revenue Fund established pursuant to the Indenture.

Revolving Fund shall mean the safe drinking water revolving fund established by the Agency pursuant to the Act, which fund is to be used for purposes of the Safe Drinking Water Act.

Safe Drinking Water Act shall mean the Federal Safe Drinking Water Act of 1974, U.S.C. Sections 300f - 300j-9, inclusive, including the Safe Drinking Water Act Amendments of 1996 (Pub. L. 104-182), as amended and supplemented from time to time.

Second Supplemental Indenture shall mean the Second Supplemental Indenture of Trust relating to the issuance of the Series 2007 A Bonds.

Securities Depository shall mean a Bondowner acting as a central securities depository for a Series of Agency Bonds as provided in the Indenture.

Senior Agency Bond or Senior Agency Bonds shall mean any Agency Bond or Agency Bonds other than any Agency Bond of a Series which in accordance with its terms is a Subordinated Agency Bond.

Series Federal LIST Deposit shall mean, with respect to the Series 2004 A Bonds, the amount so designated in the Indenture, and with respect to each Series of Agency Bonds other than the Series 2004 A Bonds, the amount so designated in the Supplemental Indenture authorizing such Agency Bonds.

Series or Series of Agency Bonds shall mean all of the Agency Bonds authenticated and delivered on original issuance pursuant to the Indenture or any Supplemental Indenture authorizing such Agency Bonds as a separate series of bonds and any Agency Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Indenture regardless of variations in maturity, interest rate or other provisions.

Series of Senior Agency Bonds shall mean all of the Senior Agency Bonds authenticated and delivered on original issuance pursuant to the Indenture or any Supplemental Indenture authorizing such Senior Agency Bonds as

a separate series of bonds and any Senior Agency Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Indenture regardless of variations in maturity, interest rate or other provisions; and shall include the Series 2004 A Bonds, the Series 2005 A Bonds, the Series 2007 A Bonds, the Series 2008 A Bonds, the Series 2009 A Bonds, the Series 2012 A Bonds, the Series 2013 A Bonds, the Series 2013 B Bonds, the Series 2014 A Bonds and the Series 2015 A Bonds.

Series of Subordinated Agency Bonds shall mean all of the Subordinated Agency Bonds authenticated and delivered on original issuance pursuant to the Indenture or any Supplemental Indenture authorizing such Subordinated Agency Bonds as a separate series of Bonds and any Subordinated Agency Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Indenture regardless of variations in maturity, interest rate or other provisions.

Series 2004 A Bonds shall mean the \$40,170,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2004 A authorized by the Indenture.

Series 2005 A Bonds shall mean the \$42,960,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2005 A (Pooled Loan Issue) authorized by the First Supplemental Indenture.

Series 2007 A Bonds shall mean the \$5,135,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2007 A (Pooled Loan Issue) authorized by the Second Supplemental Indenture.

Series 2008 A Bonds shall mean the \$36,350,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2008 A (Pooled Loan Issue) authorized by the Third Supplemental Indenture.

Series 2009 A Bonds shall mean the \$9,935,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2009 A (Pooled Loan Issue) authorized by the Fourth Supplemental Indenture.

Series 2012 A Bonds shall mean the \$34,620,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2012 A (Pooled Loan Issue) authorized by the Fifth Supplemental Indenture.

Series 2013 A Bonds shall mean the \$35,780,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2013 A (Pooled Loan Issue) authorized by the Sixth Supplemental Indenture.

Series 2013 B Bonds shall mean the \$38,790,000 Safe Drinking Water Refunding Revenue Bonds, Series 2013 B authorized by the Seventh Supplemental Indenture.

Series 2014 A Bonds shall mean the \$13,090,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2014 A (Pooled Loan Issue) authorized by the Eighth Supplemental Indenture.

Series 2015 A Bonds shall mean the \$22,640,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2015 A (Green Bonds) (Pooled Loan Issue) authorized by the Ninth Supplemental Indenture.

Series 2004 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2004 A Bonds.

Series 2005 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2005 A Bonds.

Series 2007 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2007 A Bonds.

Series 2008 A Projects shall mean the Projects described in each of the Loan Agreement relating to the Series 2008 A Bonds.

Series 2009 A Projects shall mean the Projects described in each of the Loan Agreement relating to the Series 2009 A Bonds.

Series 2012 A Projects shall mean the Projects described in each of the Loan Agreement relating to the Series 2012 A Bonds.

Series 2013 A Projects shall mean the Projects described in each of the Loan Agreement relating to the Series 2013 A Bonds.

Series 2014 A Projects shall mean the Projects described in each of the Loan Agreement relating to the Series 2014 A Bonds.

Series 2015 A Projects shall mean the Projects described in each of the Loan Agreement relating to the Series 2015 A Bonds.

Series State LIST Deposit shall mean, with respect to the Series 2004 A Bonds, the amount so designated in the Indenture, and with respect to each Series of Senior Agency Bonds other than the Series 2004 A Bonds, the amount so designated in the Supplemental Indenture authorizing such Senior Agency Bonds.

Series of Subordinated Agency Bonds shall mean all of the Subordinated Agency Bonds authenticated and delivered on original issuance pursuant to the Indenture or any Supplemental Indenture authorizing such Subordinated Agency Bonds as a separate series of bonds and any Subordinated Agency Bonds thereafter authenticated and delivered in lieu of or in substitution therefore pursuant to the Indenture regardless of variations in maturity, interest rate or other provisions.

Seventh Supplemental Indenture shall mean the Seventh Supplemental Indenture of Trust relating to the issuance of the Series 2013 B Bonds.

Sixth Supplemental Indenture shall mean the Sixth Supplemental Indenture of Trust relating to the issuance of the Series 2013 A Bonds.

Standard & Poor's shall mean Standard & Poor's Corporation.

State shall mean the State of Rhode Island and Providence Plantations.

State Account shall mean the State Account of the LIST Fund established by the Indenture.

State LIST Deposit shall mean, with respect to any Borrower and for each Series of Senior Agency Bonds, the amount on deposit on the last day of any Fiscal Year in such Borrower's subaccount in the State Account of the LIST Fund with respect to such Series of Senior Agency Bonds.

State LIST Requirement Ratio shall mean, with respect to any Borrower and for each Series of Senior Agency Bonds, a fraction the numerator of which is the applicable Series State LIST Deposit and the denominator of which is the outstanding balance of all Borrowers' Loans on the Initial De-allocation Date for such Series of Senior Agency Bonds.

State Match Bonds shall mean, with respect to a Series of Senior Agency Bonds or a Series of Subordinated Agency Bonds, that portion of such Series of Senior Agency Bonds or such Series of Subordinated Agency Bonds so designated by the Agency in the Indenture or any Supplemental Indenture, as issued for the purpose of providing a source of State matching Funds.

State Matching Funds shall mean the amounts to be provided by the State, or by the Agency through the issuance of State Match Bonds under the Indenture, pursuant to the Safe Drinking Water Act, the regulations promulgated thereunder and the Act as matching funds.

State Revolving Fund shall mean the Rhode Island safe drinking water revolving loan fund established pursuant to the Act.

Subordinated Agency Bond or Subordinated Agency Bonds shall mean any Agency Bond or Agency Bonds secured in the manner set forth in the Indenture or otherwise issued pursuant to a Supplemental Indenture on terms and conditions that are subordinate in any respect to any other Series of Agency Bonds.

Subordinated Debt Service Fund shall mean the Subordinated Debt Service Fund established by the Indenture.

Supplemental Indenture shall mean any indenture authorizing the issuance of a Series of Agency Bonds or otherwise supplementary to or amendatory of the Indenture now or hereafter duly executed and delivered in accordance with the provisions of the Indenture.

Supplemental Loan Agreement shall mean an agreement supplementing or amending a Loan Agreement.

Tax Requirements shall mean those provisions of the Internal Revenue Code of 1986, as amended and supplemented from time to time (the "Code") and regulations of the United States Treasury Department, which are applicable to the Agency Bonds and which must be complied with in order that the interest on the Agency Bonds not be, and continue not to be, includable in the gross income of the owners thereof for federal income tax purposes.

Third Supplemental Indenture shall mean the Third Supplemental Indenture of Trust relating to the issuance of the Series 2008 A Bonds.

Trustee shall mean U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, having a corporate trust office in Boston, Massachusetts, in its capacity as trustee under the Indenture, and its successor or successors under the Indenture.

[Section 1.03]

Liability under Agency Bonds. The Agency Bonds shall not be general obligations of the Agency, and shall not constitute an indebtedness of or a charge against the general credit of the Agency. The liability of the Agency under the Agency Bonds shall be enforceable only to the extent provided in the Indenture, and the Agency Bonds shall be payable solely from the Borrower Bond Payments and any other funds held by the Trustee under the Indenture and available for such payment. The Agency Bonds shall not be a debt of the State or any Borrower and neither the State nor any Borrower shall be liable thereon. No owner of any Agency Bond shall have the right to demand payment of the principal of, or premium, if any, or interest on the Agency Bonds out of any funds raised by taxation, except to the extent that Borrower Bond Payments may be payable out of funds raised by taxation. In the case of Subordinated Agency Bonds, the liability of the Agency shall be enforceable only to the extent provided in the Supplemental Indenture establishing each such Series of Subordinated Agency Bonds, but in all events the liability of the Agency under the Subordinated Agency Bonds shall be subordinate to the liability of the Agency under the Senior Agency Bonds.

Authorization and Issuance of Agency Bonds

[Section 2.04]

Issuance of Agency Bonds. The Agency Bonds shall be executed by the Agency and delivered to the Trustee for authentication and thereupon the Agency Bonds shall be authenticated by the Trustee and shall be delivered to or upon the written order of an Authorized Officer, but only upon the receipt by the Trustee of proceeds (including accrued interest) of sale of the Agency Bonds, of which certain amounts will be deposited in accordance with such written order of an Authorized Officer, and the balance thereof shall be deposited in the Construction Proceeds Fund, all as specified in such order. Prior to, or simultaneously with, the authentication and delivery of the Agency Bonds, the Trustee shall also receive the following:

(a) A copy of the resolutions adopted by the Agency authorizing the execution and delivery of, in the case of the Series 2004 A Bonds, the Indenture, and, in the case of a Series of Agency Bonds other than the Series 2004 A Bonds, any applicable Supplemental Indenture, and the applicable Loan Agreements and the issuance, sale, execution and delivery of the Agency Bonds, certified by the Secretary of the Agency to have been duly adopted by the Agency and to be in full force and effect on the date of such certification;

(b) An original executed counterpart or a copy, certified by the Agency under its corporate seal, of the applicable Loan Agreements, Arbitrage Certificates and, in the case of the Series 2004 A Bonds, the Indenture, or in the case of a Series of Agency Bonds other than the Series 2004 A Bonds, the applicable Supplemental Indenture;

(c) The executed Borrower Bonds of each Borrower;

(d) A Certificate of an Authorized Officer setting forth the amount of the EPA Capitalization Grant to be deposited into the Federal Account of the LIST Fund with respect to each Series of Senior Agency Bonds and setting forth the proceeds of any State capitalization grant and award or other State assistance appropriated by the State, or proceeds of State Match Bonds to be deposited into the State Account of the LIST Fund with respect to such Series of Senior Agency Bonds, which deposits into the LIST Fund shall be in an amount sufficient such that an adverse change in at least two (2) of the Ratings then assigned by any Rating Agency to the Senior Agency Bonds will not result (provided, however, that if only one (1) Rating is then assigned by any Rating Agency to the Senior Agency Bonds, then such deposits shall be in an amount sufficient such that an adverse change in such Rating will not result), and containing instructions for investment of such deposits in accordance with Article VII, and the amount of such deposits, if any, to be deposited in the LIST Fund on the date of issuance of such Series of Senior Agency Bonds;

(e) The State Matching Funds derived from amounts made available to the Agency by the State, with respect to such Series of Senior Agency Bonds for deposit into the State Matching Fund Account of the Construction Proceeds Fund and a Certificate of an Authorized Officer setting forth the amount of such deposit and containing instructions for making Direct Loans of such amounts in accordance with the Indenture;

(f) The Officer's Certificates establishing one or more additional funds, accounts or subaccounts, if any;

(g) A copy of an opinion of nationally recognized bond counsel to each Borrower to the effect that the Borrower Bonds issued by such Borrower delivered pursuant to the applicable Loan Agreement have been duly authorized, executed and delivered and issued, together with a letter to the effect that the Trustee may rely on such opinion as if it were addressed to it;

(h) An opinion of Bond Counsel to the effect that the Agency Bonds have been duly authorized and that all conditions precedent to the issuance thereof have been fulfilled, together with a letter to the effect that the Trustee may rely on such opinion as if it were addressed to it;

(i) A written order and authorization to the Trustee on behalf of the Agency, signed by an Authorized Officer, directing the Trustee to authenticate and deliver the Agency Bonds to or upon the order of the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price (including accrued interest, if any) of the Agency Bonds, designating the Funds and Accounts into which the proceeds of the Agency Bonds shall be deposited and containing instructions for investment of such deposits in accordance with the Indenture;

(j) A Certificate of the Agency signed by an Authorized Officer stating:

(i) the name of each Borrower to which a Loan is to be made and specifying whether such Loan is an Agency Loan or a Direct Loan or a Federal Direct Loan or any combination of the foregoing; and

(ii) the amount of each Loan to each Borrower and the amount thereof, if any, constituting Borrower Capitalized Interest;

and containing, if applicable, the written direction to establish the Borrower Capitalized Interest Subaccount for each Borrower and deposit therein the Borrower Capitalized Interest of each Borrower.

(k) Except in the case of the Series 2004 A Bonds and any Subordinated Agency Bonds, a Certificate of an Independent Qualified Consultant (i) setting forth the Projected Revenues, the Projected LIST Earnings, the Projected Direct Loan Principal Repayments and the Projected De-allocated Amounts for each future Fiscal Year for which a showing must be made pursuant to clause (ii) below, and (ii) showing

(x) for each future Fiscal Year in which Senior Agency Bonds will be outstanding following the issuance of such Series of Senior Agency Bonds, plus the Fiscal Year in which such Senior Agency Bonds are issued, that the sum of the Projected Revenues and Projected LIST Earnings for such Fiscal Year will be at least equal to 100% of the maximum estimated Aggregate Debt Service in such future Fiscal Year on all Senior Agency Bonds outstanding (including the Senior Agency Bonds then to be issued);

(y) for each Fiscal Year prior to the Initial De-allocation Date for such Series of Senior Agency Bonds, that the sum of the Projected Revenues, Projected LIST earnings and Projected Direct Loan Principal Repayments for such Fiscal Year will be at least equal to 105% of the maximum estimated Aggregate Debt Service in such Fiscal Year on all Senior Agency Bonds outstanding (including the Senior Agency Bonds then to be issued); and

(z) for each future Fiscal Year in which Senior Agency Bonds will be outstanding following the Initial De-allocation Date for such Series, that the sum of the Projected Revenues, Projected LIST earnings, Projected Direct Loan Principal Repayments and Projected De-allocated Amounts for such Fiscal Year will be at least equal to 115% of the maximum estimated Aggregate Debt Service in such Fiscal Year on all Senior Agency Bonds outstanding (including the Senior Agency Bonds then to be issued);

(l) Except in the case of the Series 2004 A Bonds and in the case of Refunding Bonds issued pursuant to the provisions set forth under the heading “Authorization and Issuance of Agency Bonds - *Issuance of Refunding Bonds*” herein, a Certificate of an Authorized Officer of the Agency, dated as of the date of delivery of the Series of Agency Bonds being issued, stating that the Agency is not in default in the performance of any of the covenants, conditions, agreements or provisions of the Indenture;

(m) In the case of any Series of Agency Bonds for which Capitalized Interest will be provided (i) the written direction of an Authorized Officer to establish the subaccount for such Series in the Capitalized Interest Subaccount of the Interest Account in the Debt Service Fund and (ii) the amount of the proceeds of such Series to be deposited therein;

(n) Such further documents and moneys as are required by the provisions set forth under the heading “Supplemental Indentures” herein or any Supplemental Indenture adopted pursuant thereto; and

(o) In the case of any Series of Subordinated Agency Bonds, unless otherwise provided in a Supplemental Indenture authorizing the issuance of such Series of Subordinated Agency Bonds, a Certificate of an Independent Qualified Consultant showing that for each Fiscal Year in which

Subordinated Agency Bonds will be outstanding following the issuance of such Series of Subordinated Agency Bonds, plus the Fiscal Year in which such Subordinated Agency Bonds are issued, that the projected amounts to be available for deposit into the Subordinated Debt Service Fund pursuant to the Indenture for each such Fiscal Year will be at least equal to 100% of the Aggregate Subordinated Debt Service payable in each such Fiscal Year on all Subordinated Agency Bonds outstanding (including the Subordinated Agency Bonds then to be issued).

(p) In the case of any Series of Agency Bonds where the Agency has designated any or all of such Series as State Match Bonds (including the Series 2004 A Bonds), a Certificate of an Independent Qualified Consultant stating that for each Fiscal Year in which such State Match Bonds will be outstanding following the issuance of such State Match Bonds, plus the Fiscal Year in which such State Match Bonds are issued, that the projected amounts to be available for the repayment of such State Match Bonds, exclusive of any principal repayments to be received by the Agency on account of Direct Loans, Agency Loans and Federal Direct Loans which shall be derived solely from other amounts in the Revolving Fund, including but not limited to interest repayments on Direct Loans, Agency Loans and Federal Direct Loans pledged by the Agency to the repayment of Agency Bonds, and any earnings on any other amounts in the Revolving Fund that may be lawfully applied by the Agency to the repayment of State Match Bonds, will be at least equal to 120% of the Aggregate Debt Service allocable to all State Match Bonds payable in each Fiscal Year on all State Match Bonds outstanding (including the State Match Bonds then to be issued).

[Section 2.05]

Issuance of Refunding Bonds.

(a) One or more Series of Refunding Bonds may be issued pursuant to the Indenture at any time to refund any outstanding Agency Bonds, provided that average annual Debt Service on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Agency Bonds to be refunded, as shown in a Certificate signed by an Authorized Officer and delivered to the Trustee prior to the authentication and delivery of such Series of Refunding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the funds and accounts required by the provisions of the Supplemental Indenture authorizing such Refunding Bonds.

(b) All Refunding Bonds of a Series issued under the Indenture shall be executed by the Agency for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Agency or upon its order, but only upon the receipt by the Trustee (in addition to the documents required by subsections (a), (b), (f), (h), (i), (k) and (o) under the heading "Authorization and Issuance of Agency Bonds – Issuance of Agency Bonds" herein and subsection (a) above) of:

(i) irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Agency Bonds to be redeemed on a redemption date or dates specified in such instructions;

(ii) if the Agency Bonds to be refunded are not to be redeemed within the next succeeding sixty (60) days, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of any refunding of such Agency Bonds on a specified date prior to their maturity, as provided in the Indenture;

(iii) either (A) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment of the Principal Installments and the applicable redemption price, if any, of the Agency Bonds to be refunded, together with accrued interest on such Agency Bonds to the maturity or redemption date thereof, as the case may be, or (B) Investment Obligations (which may be purchased with all or a portion of the proceeds of the Refunding Bonds to be issued) in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions set forth under the heading

“Defeasance” herein, which Investment Obligations and moneys shall be held in trust and used only as provided under the heading “Defeasance” herein; and

(iv) such further documents and moneys as are required by the provisions set forth under the heading “Supplemental Indentures” herein or any Supplemental Indenture adopted pursuant thereto.

[Section 2.06]

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

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

Security for Agency Bonds; General Terms and Conditions of Agency Bonds

[Section 3.01]

Pledge and assignment effected by Indenture; Agency Bonds equally and ratably secured; option of Agency to assign certain further rights and remedies to Trustee. The pledge and assignment effected by the Indenture shall be valid and binding from the date of execution and delivery of the Indenture, the moneys so pledged and assigned and hereafter received by the Agency shall be subject to the lien of such pledge and assignment without any physical delivery thereof or further act, and such lien shall be a continuing, irrevocable and exclusive first lien and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency irrespective of whether such parties have notice thereof.

All Senior Agency Bonds issued and to be issued under the Indenture are, and are to be, to the extent provided in the Indenture, equally and ratably secured by the Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption of the Senior Agency Bonds or any of them, so that, subject to the provisions of the Indenture, all Senior Agency Bonds at any time outstanding under the Indenture shall have the same right, lien and preference under and by virtue of the Indenture and shall all be equally and ratably secured with like effect as if they had all been executed, authenticated and delivered simultaneously. The aggregate principal amount of Senior Agency Bonds which may be executed and delivered by the Agency and authenticated by the Trustee and secured by the Indenture is not limited except as is or may hereafter be provided in the Indenture or as may be limited by law. The Agency shall, nevertheless, allocate to repayment of interest on all Agency Loans and Direct Loans, and the repayment on all Federal Direct Loans allocated to the repayment of Agency Bonds by the Agency, first to the repayment, when due, of State Match Bonds then Outstanding, and thereafter, shall allocated any remainder of such payments and all other available amounts to the repayment of all other Senior Agency Bonds as the same shall be due and payable.

All Subordinated Agency Bonds issued and to be issued under the Indenture are, and are to be, to the extent provided in the Indenture, secured by the Indenture in accordance with the Supplemental Indenture authorizing the issuance of such Series of Subordinated Agency Bonds. The aggregate principal amount of Subordinated Agency Bonds which may be executed and delivered by the Agency and authenticated by the Trustee and secured by the Indenture is not limited except as is or may hereafter be provided in the Indenture or as may be limited by law.

As security for the payment of the principal of, and premium, if any, and interest on the outstanding Agency Bonds and for the performance of each other obligation of the Agency under the Indenture, the Agency may pledge and assign to the Trustee any portion of the Agency’s estate, right, title and interest and claim in, to and

under each Loan Agreement and the right to make all related waivers and agreements in the name and on behalf of the Agency, as agent and attorney-in-fact, and to perform all other related acts which are necessary and appropriate under the Loan Agreements, subject to the following conditions: (i) that the owners of the Agency Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Agency and (ii) that, unless and until the Trustee shall, in its discretion when an Event of Default shall have occurred and shall be continuing, so elect, by instrument in writing delivered to the Agency and the Borrower (and then only to the extent that the Trustee shall so elect), the Trustee shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in any Loan Agreement to be performed by the Agency (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision), the Agency, however, for the observance and performance of all the conditions and covenants in the Loan Agreements to be observed and performed by it.

In the event the Agency elects to pledge and assign to the Trustee any of its rights as provided in the Indenture, the Trustee shall accept such pledge and assignment which acceptance shall be evidenced in writing and signed by an authorized officer of the Trustee.

Amendment of Loan Agreements and Borrower Bonds

[Section 4.01]

Amendments to Loan Agreements not requiring consent of Bondowners. The Agency may, with prior written notice to the Trustee, but without the consent of or notice to the Bondowners, consent to any amendment or modification of any provision of any Loan Agreement which (i) is required for the purpose of curing any ambiguity or formal defect or omission in such Loan Agreement or (ii) will not adversely affect the Agency Bonds then outstanding, as determined in accordance with the next succeeding paragraph.

The Agency Bonds shall be deemed to be affected by a modification or amendment of a Loan Agreement if the same materially adversely changes or diminishes the rights of the owners of any Agency Bonds, which rights were granted pursuant to such Loan Agreement. The Agency may in its discretion determine whether or not in accordance with the foregoing provisions Agency Bonds would be affected by any modification or amendment of any Loan Agreement and any such determination shall be binding and conclusive on the Trustee and all owners of Agency Bonds. The Agency shall be entitled to rely upon an opinion of Bond Counsel with respect to the extent, if any, as to which any modification or amendment of a Loan Agreement affects the rights of any owners of Agency Bonds then outstanding.

[Section 4.02]

Amendments to Loan Agreements requiring consent of Bondowners. Except for amendments or modifications as described in the Indenture, the Agency shall not enter into any amendment or modification of any Loan Agreement without providing notice to the Trustee and obtaining the written consent of the owners of not less than sixty percent (60%) in aggregate principal amount of the Agency Bonds then outstanding.

Such consent of Bondowners shall be given and procured in the same manner as provided in the Indenture with respect to Supplemental Indentures.

Notwithstanding anything to the contrary contained in the Indenture or any Loan Agreement, the Agency shall not agree to any amendment, change or modification of, or any waiver, discharge or termination of, any of the provisions of any Loan Agreement which would adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Agency Bonds.

Notwithstanding anything to the contrary contained in the Indenture or any Loan Agreement, the Agency shall not change or modify the amount or rate of any Loan Servicing Fee provided in any Borrower's Loan Agreement, unless such change or modification shall not have an adverse effect on the ability of the Agency to make timely payments of principal of, premium, if any, and interest on, Agency Bonds.

[Section 4.03]

Amendments to Borrower Bonds. The Agency (as registered owner of the Borrower Bonds) shall not consent to any amendment or modification of any outstanding series of Borrower Bonds without obtaining the prior written consent of the owners of not less than sixty percent (60%) in aggregate principal amount of the Agency Bonds then outstanding; provided, however, that the Agency without the consent of or notice to the Bondowners, may consent to any amendment or modification of the Borrower Bonds of any Borrower which (i) is required for the purpose of curing any ambiguity or formal defect or omission or (ii) will not adversely affect the Agency Bonds then outstanding, as determined in accordance with the next succeeding paragraph. No such modification or amendment shall be made which will affect the times, amounts and currency of payment of the principal, including sinking fund installments, if any, and of premium, if any, and interest on any Borrower Bond.

The Agency Bonds shall be deemed to be affected by a modification or amendment of the Borrower Bonds if the same materially adversely changes or diminishes the rights of the owners of the Agency Bonds. The Agency may in its discretion determine whether or not in accordance with the foregoing provisions the Agency Bonds would be affected by any modification or amendment of the Borrower Bonds and any such determination shall be binding and conclusive on all owners of Agency Bonds. The Agency shall be entitled to rely upon an opinion of Bond Counsel with respect to the extent, if any, as to which any modification or amendment of the Borrower Bonds affects the rights of any owners of Agency Bonds then outstanding.

Such consent of Bondowners shall be given and procured in the same manner as provided in Section 13.03 with respect to Supplemental Indentures.

Notwithstanding anything to the contrary contained in the Indenture or any Borrower Bond, the Agency shall not agree to any amendment, change or modification of, or any waiver, discharge or termination of, any of the provisions of any Borrower Bond which would adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Agency Bonds.

Administrative Fees Fund; Cost of Issuance Fund; Construction Proceeds Fund; Revenue Fund; Debt Service Fund; LIST Fund; Subordinated Debt Service Fund

[Section 5.01]

Creation and custody of pledged funds and accounts. The following funds and accounts are established under the Indenture:

- (1) Administrative Fees Fund
- (2) Cost of Issuance Fund
- (3) Construction Proceeds Fund
 - (A) State Matching Fund Account
 - (B) Agency Bond Account
- (4) Revenue Fund
- (5) Debt Service Fund
 - (A) Interest Account
 - (B) Principal Account
- (6) Local Interest Subsidy Trust ("LIST") Fund
 - (A) Federal Account
 - (B) State Account.

(7) Cross Investment Fund

Each such fund and account shall be held by the Trustee. There is established by the Indenture in the Construction Proceeds Fund (other than in the De-allocated Account thereof) and in the LIST Fund (other than in the De-Allocated Subaccounts thereof) an account or subaccount, as appropriate, relating to each Borrower, each of which shall be designated as the “_____” Account or “_____” Subaccount thereof with the name of the related Borrower being inserted in the blank which shall be referred to as a “Borrower Account” or “Borrower Subaccount” as the case may be.

There is established by the Indenture in the Interest Account of the Debt Service Fund a separate subaccount to be known as the Capitalized Interest Subaccount. The Trustee shall, upon receipt of a written direction signed by an Authorized Officer, establish, in the Capitalized Interest Subaccount, a subaccount for each Series of Agency Bonds for which Capitalized Interest has been provided.

The Agency may, by Supplemental Indenture or by Officer’s Certificate, establish one or more additional funds, accounts or subaccounts.

All funds, accounts and subaccounts established as set forth above and any amounts on deposit therein except interest earnings to the extent necessary to comply with the Indenture, shall be available for and pledged for the payment of Senior Agency Bonds, provided, however, that a Supplemental Indenture establishing a Series of Agency Bonds may establish a fund, account or subaccount pledged as additional security for Agency Bonds of such Series or solely to the payment of Agency Bonds of such Series. In the event of a default by any Defaulting Borrower in making Borrower Bond Payments, amounts on deposit in the LIST Fund and in the Direct Loan Principal Repayment Subaccount of the State Matching Fund Account of the Construction Proceeds Fund shall be available, in accordance with the priority set forth in the Indenture, for the payment of debt service on Senior Agency Bonds.

A Subordinated Debt Service Fund is also established by the Indenture, which fund shall consist of an Interest Account and a Principal Account, and such other accounts and subaccounts that the Agency may from time to time, by Supplemental Indenture or Officer’s Certificate, establish. The Subordinated Debt Service Fund and each account and subaccount established thereunder shall be held by the Trustee. The Subordinated Debt Service Fund established by the Indenture and any amounts on deposit therein except interest earnings to the extent necessary to comply with the Indenture, shall be available for and pledged for the payment of each Series of Subordinated Agency Bonds secured as set forth in this paragraph. In the event of a default by any Defaulting Borrower in making Borrower Bond Payments, no amounts on deposit in any fund, account or subaccount pledged as set forth in the immediately preceding paragraph shall be available to the holders of any Subordinated Agency Bond secured as set forth in this paragraph. Subordinated Agency Bonds or Series of Subordinated Agency Bonds secured as set forth in this paragraph shall at all times remain subordinate to all Senior Agency Bonds secured as set forth in the immediately preceding paragraph. Subordinated Agency Bonds or Series of Subordinated Agency Bonds may be issued on a parity with or subordinate to the Subordinated Agency Bonds and may be secured as set forth in this paragraph.

For purposes of compliance with the Safe Drinking Water Act or regulations promulgated thereunder restricting the use of moneys within the Revolving Fund, the Construction Proceeds Fund, the Debt Service Fund, the Subordinated Debt Service Fund and the Federal Account of the LIST Fund shall be deemed to be within the Revolving Fund.

[Section 5.02]

Administrative Fees Fund. The Trustee, upon the written order of an Authorized Officer pursuant to the Indenture, shall promptly deposit in the Administrative Fees Fund the following amounts:

- (1) from the proceeds of Agency Bonds, an amount equal to the Loan Closing Fee of each Borrower;

- (2) an amount equal to any Loan Servicing Fee paid by any Borrower from the proceeds of Agency Bonds;
- (3) an amount equal to any Loan Servicing Fee required to be transferred to the Administrative Fees Fund pursuant to the Indenture; and
- (4) any other amounts required to be paid to the Administrative Fees Fund or otherwise made available for deposit therein.

Upon requisition of the Agency, amounts on deposit in the Administrative Fees Fund shall be paid by the Trustee to the Agency from time to time, for its own account and to be paid to DOH, to pay for administrative costs and expenses incurred by the Agency and DOH in connection with the carrying out and administration of their powers, duties and functions with respect to the Revolving Fund.

[Section 5.03]

Cost of Issuance Fund. From the proceeds of Agency Bonds, an amount equal to the aggregate amounts charged to the account of each Borrower as its costs of issuance pursuant to the applicable Loan Agreement shall be deposited in the Cost of Issuance Fund. Such amounts shall be paid by the Trustee upon requisition of the Agency to pay issuance costs incurred in connection with the issuance of the Agency Bonds.

[Section 5.04]

Construction Proceeds Fund. From the proceeds of the Agency Bonds, an amount determined in accordance with the Indenture shall be deposited in the Agency Bond Account of the Construction Proceeds Fund, and the Trustee shall use such moneys to make Agency Loans to the Agency Loan Recipients as follows:

- (1) The Trustee, in accordance with the Indenture, shall establish in the Agency Bond Account of the Construction Proceeds Fund a subaccount for the benefit of each Agency Loan Recipient and shall deposit therein the amount of the Agency Loan to be made to such Agency Loan Recipient, in exchange for which the Agency shall receive, as registered owner thereof, a Borrower Bond evidencing such Agency Loan.
- (2) The Agency shall promptly assign to the Trustee, and the Trustee shall promptly deposit and hold in the Agency Bond Account of the Construction Proceeds Fund, the Borrower Bonds evidencing such Agency Loans. Borrower Bond Payments shall be collected by the Agency and transferred to the Trustee for deposit in the Revenue Fund in accordance with the Indenture.
- (3) The Trustee shall disburse amounts in an Agency Loan Recipient's subaccount in the Agency Bond Account of the Construction Proceeds Fund, upon the written order of an Authorized Officer stating that such Agency Loan Recipient has complied with the Disbursement Procedures and setting forth the amount of such disbursement.

The Agency shall pay to the Trustee, and the Trustee shall promptly deposit in the State Matching Fund Account of the Construction Proceeds Fund any State Matching Funds provided to the Agency by the State and designated by the Agency for such deposit, and the Trustee shall use such moneys to make Direct Loans to Direct Loan Recipients as follows:

- (1) The Trustee, in accordance with the Indenture, shall establish in the State Matching Fund Account of the Construction Proceeds Fund a subaccount for the benefit of each Direct Loan Recipient and shall deposit therein the amount of the Direct Loan to be made to such Direct Loan Recipient, in exchange for which the Agency shall receive, as registered owner thereof, a Borrower Bond evidencing such Direct Loan.
- (2) The Agency shall promptly assign to the Trustee, and the Trustee shall promptly deposit in the State Matching Fund Account of the Construction Proceeds Fund, the Borrower Bonds evidencing such Direct Loans. Payments of principal on such Borrower Bonds, shall be collected by the Agency and transferred to the Trustee for deposit into the Direct Loan Principal Repayment Subaccount of the State Matching Fund Account of

the Construction Proceeds Fund in accordance with the Indenture. Payments of interest on Borrower Bonds evidencing Direct Loans shall be collected by the Agency and transferred to the Trustee for deposit in the Revenue Fund in accordance with the Indenture.

(3) The Trustee shall disburse amounts in a Direct Loan Recipient's subaccount in the State Matching Fund Account of the Construction Proceeds Fund, upon the written order of an Authorized Officer stating that such Direct Loan Recipient has complied with the Disbursement Procedures and setting forth the amount of such disbursement.

In the event that a Borrower Bond evidences a combination of an Agency Loan and a Direct Loan, Borrower Bond Payments on such Borrower Bond shall be allocated proportionately between such Agency Loan and such Direct Loan. Borrower Bond Payments in respect of the Agency Loan shall be applied in accordance with the Indenture, and Borrower Bond Payments in respect of the Direct Loan shall be applied in accordance with the Indenture.

There is established by the Indenture in the State Matching Fund Account of the Construction Proceeds Fund a subaccount to be known as the Direct Loan Principal Repayment Subaccount. In accordance with the Indenture, payments of principal on Borrower Bonds evidencing Direct Loans which were not made with proceeds of State Match Bonds, shall be deposited in the Direct Loan Principal Repayment Subaccount. By 12:00 noon on the date on which any Principal Installment or payment of interest on the Agency Bonds is due, the Trustee shall transfer, in proportion to any amount transferred from a non-Defaulting Borrower's Subaccount in either the Federal Account or the State Account of the LIST Fund pursuant to the Indenture, from the Direct Loan Principal Repayment Subaccount, for deposit in the Debt Service Fund, any amounts due on such payment date but as yet unavailable because of the failure of any Borrower to make full and timely payment under its Borrower Bonds of such amounts. The Trustee shall, on or after the last day of any Fiscal Year in which payments were deposited in the Direct Loan Principal Repayment Subaccount, provided that no Borrower shall then be a Defaulting Borrower and that any withdrawals from the Direct Loan Principal Repayment Subaccount pursuant to the preceding sentence shall have been restored, upon the written order of an Authorized Officer, withdraw amounts from the Direct Loan Principal Repayment Subaccount to be used to make additional Direct Loans to Direct Loan Recipients.

There is established by the Indenture in the Construction Proceeds Fund a De-allocated Account. The De-allocated Account shall have an Agency Bond Subaccount and a State Matching Fund Subaccount. Upon written direction of an Authorized Officer, the Trustee shall transfer to the Agency Bond Account or the Construction Proceeds Fund, as the case may be, such Borrower's De-allocated Construction Amount. Amounts on deposit in the Agency Bond Subaccount of the De-allocated Account of the Construction Proceeds Fund shall be used to make additional Agency Loans to Agency Loan Recipients in accordance with the procedures set forth in the Indenture, and amounts on deposit in the State Matching Fund Subaccount of the De-allocated Account of the Construction Proceeds Fund shall be available to make additional Direct Loans to Direct Loan Recipients in accordance with the procedures set forth in the Indenture, provided, however, that the rate of interest on any such additional Agency Loan or Direct Loan shall be at least equal to the rate of interest set forth in the Borrower Bond in respect of which the transfer of the De-allocated Construction Amount was made. Upon receipt by the Agency of Borrower Bonds evidencing such additional Agency Loans or Direct Loans and the assignment thereof to the Trustee, all in accordance with the provisions of the Indenture, the Trustee shall release that portion of the Borrower Bonds in respect of which the transfer of the De-allocated Construction Amount was made from the pledge made by the Agency in favor of the Trustee under the Indenture, and the Agency shall make the appropriate notations on such Borrower Bonds as set forth in the applicable Loan Agreement.

The Trustee shall establish, upon the written direction of an Authorized Officer in accordance with the Indenture, a subaccount for each Borrower in the subaccount established for such Borrower pursuant to the Indenture in the Agency Bond Account or the State Matching Fund Account of the Construction Proceeds Fund, as the case may be, to be designated as the Borrower Capitalized Interest Subaccount of such Borrower. The Trustee shall promptly deposit in such Borrower's Capitalized Interest Subaccount any Borrower Capitalized Interest required to be deposited therein in accordance with the Indenture. So long as a Borrower's Project is under construction, on any date that payment of interest on such Borrower's Bonds is due, the Trustee, upon the written direction of an Authorized Officer, shall withdraw from the Borrower Capitalized Interest Subaccount of such Borrower and transfer to the funds and accounts set forth below the following amounts: (i) to the Administrative

Fees Fund, an amount equal to any Loan Servicing Fee then owed by such Borrower and (ii) to the Revenue Fund, an amount equal to the Borrower Bond Payment then due and owing by such Borrower. In the event that there remain funds on deposit in the Borrower Capitalized Interest Subaccount of a Borrower on any date that payment of interest on such Borrower's Bonds is due after completion of the construction of such Borrower's Project, the Trustee, upon the written direction of an Authorized Officer, shall withdraw from the Borrower Capitalized Interest Subaccount of such Borrower and transfer, to the extent of such remaining funds, to the funds and accounts set forth below the following amounts: (i) to the Administrative Fees Fund, an amount equal to any Loan Servicing Fee then owed by such Borrower and (ii) to the Revenue Fund, an amount equal to the Borrower Bond Payment then due and owing by such Borrower. In the event that, prior to the completion of the construction of a Borrower's Project, the funds on deposit in the Borrower Capitalized Interest Subaccount of such Borrower on any date that payment of interest on such Borrower's Bonds is due are insufficient to make the Loan Servicing Fee payment or Borrower Bond Payment then due, such Borrower shall be obligated to pay the deficiency to the Agency and such deficiency shall be collected by the Agency in accordance with the procedures for collection of Borrower Bond Payments set forth in the Indenture.

[Section 5.05]

Revenue Fund. The Trustee shall promptly deposit the following receipts in the Revenue Fund:

- (1) all Borrower Bond Payments on Borrower Bonds evidencing Agency Loans collected by the Agency and required to be transferred to the Trustee pursuant to the Indenture;
- (2) all amounts constituting interest payments on Borrower Bonds evidencing Direct Loans collected by the Agency and required to be transferred to the Trustee pursuant to the Indenture;
- (3) all amounts constituting payments on Borrower Bonds evidencing Federal Direct Loans collected by the Agency and designated for deposit in the Revenue Fund by the Agency; and
- (4) any other amounts required to be paid to the Revenue Fund or otherwise made available for deposit therein.

On or before the date any Principal Installment or payment of interest on the Agency Bonds is due, the Trustee shall withdraw from the Revenue Fund and transfer to the funds and accounts set forth below the following amounts in the following order of priority:

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

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

THIRD: Proportionately to (i) the Direct Loan Principal Repayment Subaccount of the State Matching Fund Account of the Construction Proceeds Fund to reimburse such subaccount in the amount of any draws thereon due to a Borrower Bond Payment default of a Defaulting Borrower and (ii) the LIST Fund for deposit first in the appropriate non-Defaulting Borrower's subaccount in the State Account of the LIST Fund and second in the appropriate non-Defaulting Borrower's subaccount in the Federal Account of the LIST Fund to reimburse the LIST Fund in the amount of any draws on such non-Defaulting Borrower's subaccount due to a Borrower Bond Payment default of a Defaulting Borrower; and

FOURTH: To the LIST Fund for deposit first in the appropriate Defaulting Borrower's subaccount in the State Account of the LIST Fund and second in the appropriate Defaulting Borrower's subaccount in the Federal Account of the LIST Fund to reimburse the LIST Fund in the amount of any draws on such Defaulting Borrower's subaccount due to a Borrower Bond Payment default of such Defaulting Borrower; and

FIFTH: To the Interest Account in the Subordinated Debt Service Fund the amount, if any, required so that the balance in such Interest Account shall equal the amount of interest due on each Series of Subordinated Agency Bonds secured as set forth above on the applicable Interest Payment Date; and

SIXTH: To the Principal Account in the Subordinated Debt Service Fund the amount, if any, required so that the balance in such Principal Account shall equal the amount of the Principal Installment due on each Series of Subordinated Agency Bonds secured as set forth above on such date; and

SEVENTH: To the LIST Fund for deposit first in the De-allocated Subaccount of the State Account of the LIST Fund and second in the De-allocated Subaccount of the Federal Account of the LIST Fund to reimburse the LIST Fund in the amount of any draws on such De-allocated Subaccounts due to a Borrower Bond Payment default.

If, as of the last day of any Fiscal Year, any amount remains on deposit in the Revenue Fund, the Trustee shall, upon receipt of a Certificate of an Authorized Officer showing the information required by the Indenture and upon the written order of an Authorized Officer, transfer such amount to the De-allocated Subaccounts of the Federal Account or the State Account of the LIST Fund as appropriate.

[Section 5.06]

Debt Service Fund. The Trustee shall promptly deposit the following receipts in the Debt Service Fund:

(1) the amount, if any, of the proceeds of any Series of Senior Agency Bonds constituting Capitalized Interest, required by an order of an Authorized Officer in accordance with the Indenture to be deposited in the subaccount for such Series of Senior Agency Bonds in the Capitalized Interest Subaccount of the Interest Account;

(2) all amounts required to be transferred to the Interest Account from the Revenue Fund pursuant to paragraph "FIRST" above, which shall be deposited in the Interest Account;

(3) all amounts required to be transferred to the Principal Account from the Revenue Fund pursuant to paragraph "SECOND" above, which shall be deposited in the Principal Account;

(4) any amounts required to be transferred to the Debt Service Fund from the LIST Fund and the Direct Loan Principal Repayment Subaccount of the State Matching Fund Account of the Construction Proceeds Fund, which shall be deposited first in the Interest Account and second in the Principal Account;

(5) any amounts available in the Cross Investment Fund, to the extent necessary to meet a scheduled payment then due of the interest on and/or the principal of any Series of Senior Agency Bonds, after the making of the foregoing deposits; and

(6) any other amounts required to be paid to the Interest Account or Principal Account or otherwise made available for deposit therein by the Agency.

The Trustee shall pay out of the Interest Account of the Debt Service Fund, including the moneys credited to the subaccount, if any, established for a Series of Agency Bonds in the Capitalized Interest Subaccount, to any Paying Agents for the Agency Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on the Agency Bonds due on such Interest Payment Date, and (ii) on any redemption date, the amount required for the payment of accrued interest on the Agency Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment. The Trustee shall also pay out of the Interest Account the accrued interest included in the purchase price of the Agency Bonds purchased for retirement pursuant to the Indenture.

The Trustee shall pay out of the Principal Account of the Debt Service Fund to any Paying Agents for the Agency Bonds on each date on which a Principal Installment is due and on each date set for redemption for the Agency Bonds (each as set forth in the Indenture), the amounts required for the payment of such Principal Installment or redemption price on such date, and such amounts shall be applied by the Paying Agents to such payments.

Amounts made available by the Agency for such purpose may, and if so directed by the Agency shall, be applied by the Trustee prior to the forty-fifth (45th) day preceding any sinking fund redemption date to the purchase of Agency Bonds of the maturity that are subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Agency Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase. Upon such purchase of any Agency Bond, the Trustee shall then credit an amount equal to the principal of the Agency Bond so purchased toward the next succeeding sinking fund installment for such Agency Bond. In connection with any such purchase, the Trustee, at the direction of the Agency, shall permit a Borrower making funds available for the purpose of purchasing Agency Bonds to purchase a like principal amount of the Borrower Bonds of the same maturity at a purchase price equal to the price (including brokerage and other charges) paid for the purchase of the related Agency Bonds.

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

[Section 5.07]

LIST Fund. The Trustee shall promptly deposit in the respective Borrower subaccounts or the De-Allocated Subaccount of the Federal Account of the LIST Fund as directed by an Officer's Certificate the following receipts:

- (1) upon the direction of the Agency, all amounts paid to the Agency as EPA Capitalization Grants;
- (2) upon the direction of the Agency, subject to compliance with of the Indenture, any investment earnings on amounts on deposit in the Federal Account of the LIST Fund;
- (3) upon the direction of the Agency, any amounts made available by the Agency or the Borrower in order to reimburse such subaccount for transfers to the Debt Service Fund to provide for payment of principal of and interest on the Agency Bonds; and
- (4) upon the direction of the Agency, any other amounts made available by the Agency for deposit therein.

The Trustee shall promptly deposit in the respective Borrower subaccounts of the State Account of the LIST Fund the following receipts:

- (1) upon the direction of the Agency, all proceeds of State capitalization grants and awards or other State assistance (other than State Matching Funds) appropriated by the State for deposit in the State Account of the LIST Fund;
- (2) upon the direction of the Agency, subject to compliance with the provisions of the Indenture, any investment earnings on amounts on deposit in the State Account of the LIST Fund;
- (3) any amounts made available by the Agency or the Borrower in order to reimburse such subaccount for transfers to the Debt Service Fund to provide for payment of principal of and interest on the Agency Bonds;
- (4) upon the direction of the Agency, principal payments and/or interest payments on loans made by the Agency to Local Governmental Units from the State Revolving Fund; and

(5) upon the direction of the Agency, proceeds of any State Match Bonds, in such amount or amounts as the Agency shall, in the Supplemental Indenture authorizing the issuance of any State Match Bonds, direct; and

(6) upon the direction of the Agency, any other amounts made available by the Agency for deposit therein.

The Trustee shall make the following transfers and payments from the respective accounts of the LIST Fund:

(1) not later than 5:00 p.m. on the first Business Day next preceding any date on which any payment of interest on the Agency Bonds is due, subject to the Indenture, the Trustee shall deposit in the Interest Account of the Debt Service Fund all interest earned on investments held in the LIST Fund; and

(2) by 12:00 noon on the date on which any Principal Installment or payment of interest on the Agency Bonds is due, the Trustee shall transfer, (i) from the De-allocated Subaccount of the Federal Account of the LIST Fund, and (ii), to the extent that such amount is insufficient, from the De-allocated Subaccount of the State Account of the LIST Fund, and (iii), to the extent that such amount is insufficient, from any Defaulting Borrower's subaccount in the Federal Account of the LIST Fund, and (iv), to the extent that such amount is insufficient, from any Defaulting Borrower's subaccount in the State Account of the LIST Fund, and (v), to the extent that such amount is insufficient, in proportion to any amount transferred from the Direct Loan Principal Repayment Subaccount of the State Matching Fund Account of the Construction Proceeds Fund pursuant to the Indenture, on a parity basis from the non-Defaulting Borrower subaccounts in the Federal Account of the LIST Fund, and (vi), to the extent that such amount is insufficient, in proportion to any amount transferred from the Direct Loan Repayment Subaccount of the State Matching Fund Account of the Construction Proceeds Fund pursuant to the Indenture, on a parity basis from the non-Defaulting Borrower subaccounts in the State Account of the LIST Fund, for deposit in the Debt Service Fund, any amounts due on such payment date but as yet unavailable because of the failure of any Borrower to make full and timely payment under its Borrower Bonds of such amounts.

There is established by the Indenture in each of the Federal Account and the State Account of the LIST Fund a De-allocated Subaccount. Upon the written direction of an Authorized Officer, on the last Business Day of each Fiscal Year, commencing with the first Fiscal Year after the Initial De-allocation Date, the Trustee shall transfer to the appropriate De-allocated Subaccount in the Federal Account or in the State Account of the LIST Fund, as the case may be, (1) from each Borrower's subaccount in the Federal Account or the State Account of the LIST Fund, such Borrower's De-allocated Amount and (2) any amounts required to be transferred from the Revenue Fund pursuant to the Indenture. Investment earnings on amounts on deposit in the De-allocated Subaccounts of the Federal Account and the State Account of the LIST Fund shall be held in such De-allocated Subaccounts and shall not be subject to transfer to the Debt Service Fund pursuant to the Indenture. The Trustee shall, provided that no Borrower shall then be a Defaulting Borrower and that any withdrawals from the LIST Fund pursuant to the Indenture shall have been restored, upon the written order of an Authorized Officer:

(1) withdraw amounts from the De-allocated Subaccount of the Federal Account of the LIST Fund for reallocation to Borrower subaccounts in the Federal Account of the LIST Fund upon issuance of an additional Series or additional Series of Agency Bonds;

(2) withdraw amounts from the De-allocated Subaccount of the State Account of the LIST Fund for deposit into the State Matching Fund Account of the Construction Proceeds Fund to be used to make additional Direct Loans to Direct Loan Recipients;

(3) withdraw amounts from the De-allocated Subaccount of either the Federal Account or the State Account of the LIST Fund for any other purpose or use permitted by the Act and the Safe Drinking Water Act, including the repayment of any amounts paid to the Cross Investment Fund pursuant to the Cross-Collateralization Agreement, including any other amounts payable in accordance with the advance of such moneys under the Cross-Collateralization Agreement, and any amounts to be invested in the water pollution control revolving fund established by the Agency pursuant to the Act, in accordance with the terms of the Cross-Collateralization Agreement; or

(4) withdraw amounts from the De-allocated Subaccount of the Federal Account of the LIST Fund for the making of Federal Direct Loans, as directed by an Officer's Certificate identifying the Federal Direct Loan Recipient and the dollar amount thereof.

With respect to each Series of Agency Bonds, for purposes of determining the amount credited to each Borrower's subaccount in the LIST Fund, each Borrower shall be deemed to have equal proportionate shares of amounts on deposit in the Federal Account of the LIST Fund and of amounts on deposit in the State Account of the LIST Fund, regardless of whether deposits were made to the Federal Account or the State Account of the LIST Fund in connection with such Borrower's Loan. Such shares shall be equal to the total amount on deposit in each of such subaccounts multiplied by a fraction, the numerator of which is the aggregate outstanding principal amount of all Loans made to such Borrower and the denominator of which is the aggregate outstanding principal amount of all Loans made to all Borrowers.

[Section 5.08]

Subordinated Debt Service Fund. The Trustee shall promptly deposit the following receipts in the Subordinated Debt Service Fund:

(1) all amounts required to be transferred to the Interest Account of the Subordinated Debt Service Fund from the Revenue Fund pursuant to paragraph "FIFTH" above, which shall be deposited in the Interest Account;

(2) all amounts required to be transferred to the Principal Account of the Subordinated Debt Service Fund from the Revenue Fund pursuant to paragraph "SIXTH" above, which shall be deposited in the Principal Account; and

(3) any other amounts required to be paid to the Interest Account or Principal Account of the Subordinated Debt Service Fund or otherwise made available for deposit by the Agency.

The Trustee shall pay out of the Interest Account of the Subordinated Debt Service Fund to any Paying Agents for each Series of Subordinated Agency Bonds secured as set forth above (i) on each Interest Payment Date, the amount required for the payment of interest on such Subordinated Agency Bonds due on such Interest Payment Date, and (ii) on any redemption date, the amount required for the payment of accrued interest on such Subordinated Agency Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Payment Agents to such payments. The Trustee shall also pay out of the Interest Account the accrued interest included in the purchase price of such Subordinated Agency Bonds purchased for retirement pursuant to the Indenture.

The Trustee shall pay out of the Principal Account of the Subordinated Debt Service Fund to any Paying Agents for each Series of Subordinated Agency Bonds secured as set forth above on each date on which a Principal Installment is due and on each date set for redemption for such Subordinated Agency Bonds (each as set forth in the Indenture), the amounts required for the payment of such Principal Installment or redemption price on such date, and such amounts shall be applied by the Paying Agents to such payments.

Amounts made available by the Agency for such purpose may, and if so directed by the Agency shall, be applied by the Trustee prior to the forty-fifth (45th) day preceding any sinking fund redemption date to the purchase of Subordinated Agency Bonds secured as set forth above of the maturity that are subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Subordinated Agency Bonds secured as set forth above pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase. Upon such purchase of any Subordinated Agency Bond secured as set forth above, the Trustee shall then credit an amount equal to the principal of the Subordinated Agency Bond so purchased toward the next succeeding sinking fund installment for such Subordinated Agency Bond secured as set forth above.

As soon as practicable after the forty-fifth (45th) day preceding the date of any such sinking fund redemption, the Trustee shall proceed pursuant to the Indenture to call for redemption on such redemption date the Subordinated Agency Bonds secured as set forth above of the maturity for which sinking fund redemption is

required in such amount as shall be necessary to complete the retirement of the principal amount specified for such sinking fund redemption of the Subordinated Agency Bonds secured as set forth above. The Trustee shall so call such Subordinated Agency Bonds secured as set forth above for redemption whether or not it then has moneys in the Principal Account of the Subordinated Debt Service Fund sufficient to pay the applicable redemption price thereof and moneys in the Interest Account of the Subordinated Debt Service Fund sufficient to pay interest thereon to the redemption date. The Trustee shall pay out of the Principal Account of the Subordinated Debt Service Fund to the appropriate Paying Agents, on each such redemption date, the amount required for the redemption of the Subordinated Agency Bonds secured as set forth above so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

If, as of the last day of any Fiscal Year, any amount remains on deposit in the Subordinated Debt Service Fund, the Trustee shall, upon receipt of a Certificate of an Authorized Officer showing the information required by the Indenture and upon the written order of an Authorized Officer, transfer such amount to the De-allocated Subaccounts of the Federal Account or the State Account of the LIST Fund as appropriate.

[Section 5.08A]

Cross Investment Fund. If at any time the Trustee shall notify the Agency that insufficient funds are available, after the making of all Debt Service Fund Deposits called for in the Indenture, to make a scheduled payment, then due, of the interest on and/or principal of a Series of Senior Agency Bonds, the Agency may cause the investment of funds in the Cross-Investment Fund in accordance with the terms of the Cross-Investment Agreement, to the extent of any funds available therefor, to cure any such deficiency. Upon the deposit of funds derived under the Cross-Investment Agreement in the Cross Investment Fund, the Trustee shall immediately transfer such funds to the Debt Service Fund to meet the scheduled payment, then due, of the interest on and/or the principal of any Series of Senior Agency Bonds to which such draw under the Cross-Investment Agreement related. The Trustee shall, upon the written direction of the Agency, repay, in accordance with the terms of the Cross-Investment Agreement, any amounts deposited to the Cross-Investment Fund from any amounts held under the Indenture and available for such purpose.

[Section 5.11]

Federal Direct Loans. Federal Direct Loans shall be made by the Agency and disbursed from the De-allocated Subaccount of the Federal Account in the LIST Fund, all as provided under the heading Administrative Fees Fund; Cost of Issuance Fund; Construction Proceeds Fund; Revenue Fund; Debt Service Fund; LIST Fund; Subordinated Debt Service Fund – *LIST Fund*” herein. Repayments of interest on Federal Direct Loans shall be deposited in the Revenue Fund as provided under the heading Administrative Fees Fund; Cost of Issuance Fund; Construction Proceeds Fund; Revenue Fund; Debt Service Fund; LIST Fund; Subordinated Debt Service Fund – *Revenue Fund*” herein, in such amounts as the Agency shall determine. The principal repayments of Federal Direct Loans by Federal Direct Loan Recipients, and any related interest payments, to the extent the Agency shall have not directed the deposit of such interest repayments to the Revenue Fund, shall be deposited in the De-Allocated Subaccount of the Federal Account of the LIST Fund.

Tax Covenants

[Section 6.01]

Covenant to comply with Tax Requirement. The Agency covenants with the holders from time to time of the Agency Bonds that it will comply with the Tax Requirements, including, without limitation, those set forth in the Agency Arbitrage Certificate. The Authorized Officers, and each of them without the others, are authorized by the Indenture to execute all certificates, agreements and other documents necessary or desirable to evidence compliance with such covenant, and are authorized by the Indenture and directed to make all investments of moneys under the Indenture and any Supplemental Indenture in accordance with such certificates and agreements, required thereby.

In order to enable the Agency to satisfy the Tax Requirements, the Agency shall direct the Trustee to acquire and sell or otherwise dispose of all Investment Securities in accordance with the “market price rules” contained in Treasury Regulations Section 1.103-13(c)(1)(iii) or any successor or other applicable regulations

promulgated by the United States Treasury Department. In addition, the Trustee shall maintain accurate books and records setting forth the dates of purchase and sale of any such Investment Security, the purchase price of such Investment Security, and the proceeds received with respect to such Investment Security including any proceeds received upon a sale or other disposition thereof. Such books and records shall also separately record the amount of any brokerage commissions and similar amounts paid in connection with the purchase or sale of any such Investment Security. Books and records maintained by the Trustee with respect to any Series of Agency Bonds shall be retained by the Trustee until the sixth anniversary of the date on which the last of such Series of Agency Bonds is redeemed or otherwise retired or as otherwise provided in any Supplemental Indenture.

[Section 6.02]

Covenant to pay rebate with respect to the Series 2004 A Bonds. In connection with, and in furtherance of, the covenant contained in the Indenture, the Authorized Officers, and each of them without the others, are authorized by the Indenture and directed to pay to the United States Treasury Department at such time or times and in such amounts as shall be required by the Treasury Department all amounts required under Section 148 of the Code to be rebated, including, without limitation, (a) as of and within 60 days after the fifth, tenth, fifteenth and twentieth anniversaries of the date of issue of the Series 2004 A Bonds, an amount equal to the amount required under Section 148 of the Code to be rebated on such dates and (b) as of and within 60 days after the date on which all of the Series 2004 A Bonds have been retired, an amount equal to the balance of all rebatable amounts. Each such payment shall be accompanied by Internal Revenue Service Form 8038-T (or any successor or other applicable form).

Security for and Investment of Moneys

[Section 7.02]

Uninvested moneys held by the Trustee. All moneys received by the Trustee hereunder and not invested by the Trustee pursuant to the provisions of this Article VII, to the extent not insured by the Federal Deposit Insurance Corporation or other federal agency, shall be deposited with the Trustee or with a national or state bank or a trust company which (i) has a combined capital and surplus aggregating not less than \$100,000,000 and (ii) the long-term and short-term certificates of deposit of which are rated at least “Aa” and “Prime-2,” respectively, by Moody’s, at least “AA” and “A-2,” respectively, by Standard & Poor’s, or equivalent ratings by any other Rating Agency.

[Section 7.03]

Investment of, and payment of interest on, moneys. Moneys on deposit to the credit of the Administrative Fees Fund, Cost of Issuance Fund, Debt Service Fund, LIST Fund, Construction Proceeds Fund or Revenue Fund shall be invested to the fullest extent practicable. Such moneys shall, at the direction of an Authorized Officer, be invested by the Trustee in Investment Securities.

No investment shall be made pursuant to the Indenture of any funds pledged for the payment of Agency Bonds, unless, at the time such investment is made, the unsecured long-term debt of the obligor with respect to any such investment, or its guarantor, is then rated by each nationally recognized rating agency then rating the Agency Bonds at least equal to the rating then assigned by such rating agency to the Agency Bonds. Any investment made under the Indenture may be executed by any bank or trust company acting as Trustee under the Indenture at the time of such investment.

Investments of moneys on deposit to the credit of the Cost of Issuance Fund, Debt Service Fund, LIST Fund, Construction Proceeds Fund or Revenue Fund pursuant to the Indenture shall have maturity dates, or shall be subject to redemption (or tender at the option of the Trustee, on the respective dates specified by an Authorized Officer, which dates shall be on or prior to the respective dates on which the moneys invested therein are payable for the purposes of such funds, provided, however, that investment of moneys on deposit to the Construction Proceeds Fund may have maturity dates, or be subject to redemption or tender at the option of the Trustee, on dates after which such moneys are payable for the purposes of the Construction Proceeds Fund, provided, further, however, that, on or prior to such dates, an equal amount of moneys shall become available for payment in the LIST Fund and an Authorized Officer shall direct the Trustee to purchase the investment held in the Construction Proceeds Fund

with the moneys available for payment in the LIST Fund. The securities purchased with the moneys in each such fund shall be held by or under the control of the Trustee and shall be deemed a part of such fund. Subject to compliance with the provisions of the Indenture, the interest, including any realized increment on securities purchased at a discount, received on all such securities in any fund shall be deposited by the Trustee to the credit of such fund. Losses, if any, realized on securities held in any fund shall be debited to such fund; provided, however that interest received on any securities held in the Construction Proceeds Fund shall be deposited by the Trustee to the credit of the Revenue Fund. Neither the Trustee nor any Depository Bank shall be liable or responsible for any loss resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized by the Indenture. If at any time it shall become necessary that some or all of the securities purchased with the moneys in any such fund or account be redeemed or sold in order to raise the moneys necessary to comply with the provisions of the Indenture, the Trustee shall effect such redemption or sale.

Any direction to invest moneys given orally under the terms of the Indenture shall be confirmed in a writing in detail reasonably sufficient to the Trustee, signed by an Authorized Officer and which shall specify that any investment designated in such direction is of a type permitted by the Indenture.

Particular Covenants

[Section 9.01]

Payment of principal of and interest and redemption premium on Agency Bonds. The Agency will promptly pay from the Borrower Bond Payments and other funds held by the Trustee and available therefor the principal of, and the interest on, every Agency Bond issued under and secured by the Indenture and any sinking fund payments provided in the Indenture and any premium required to be paid for the retirement of said Agency Bonds by redemption, at the places, on the dates and in the manner specified in the Indenture and in said Agency Bonds according to the true intent and meaning thereof, subject, however, to the provisions set forth under the heading “Definitions; Rules of Construction; Liability under Agency Bonds – *Liability under Agency Bonds*” herein.

[Section 9.02]

Performance of Covenants. The Agency will faithfully perform at all times all covenants, undertakings, stipulations and provisions contained in the Indenture, the Loan Agreements, in any and every Agency Bond and in all proceedings of the Agency pertaining thereto.

[Section 9.05]

No Extension of Time of Payment of Interest. In order to prevent any accumulation of claims for interest after maturity the Agency will not directly or indirectly extend or assent to the extension of the time of payment of any claims for interest on any of the Agency Bonds and will not directly or indirectly be a party to or approve any such arrangement by purchasing such claims for interest or in any other manner. In case any such claim shall be extended in violation of the Indenture, such claim for interest shall not be entitled, in case of any default under the Indenture, to the benefit or security of the Indenture except subject to the prior payment in full of the principal of, and premium, if any, on, all Agency Bonds issued and outstanding under the Indenture, and of all claims for interest which shall not have been so extended or funded.

[Section 9.08]

Disposition of the Proceeds of Sale, Redemption or Prepayment of Borrower Bonds. Borrower Bonds shall not be sold by the Agency unless, in the opinion of Bond Counsel, the application of the proceeds of such sale or redemption will not affect the tax exempt status of such Borrower Bonds or the Agency Bonds. Borrower Bonds shall not be sold or redeemed by the Agency, or prepaid by any Borrower, unless the Agency shall have received a Certificate of a Qualified Independent Consultant stating that the proceeds of such sale, redemption or prepayment (including any prepayment penalties to be paid by the Borrower) are sufficient to pay, redeem or defease Agency Bonds having the same maturity date as, and being equal in principal amount to the principal amount of, the Borrower Bonds so sold, redeemed or prepaid. In the event Borrower Bonds shall be sold by the Agency or redeemed or prepaid by the Borrower, the Agency may (i) deposit the proceeds of such sale, redemption or

prepayment, net of the costs and expenses of the Agency in effecting the sale, redemption or prepayment into the Debt Service Fund and apply the same to the payment, defeasance or redemption of Agency Bonds having the same maturity date as, and being equal in principal amount to the principal amount of, the Borrower Bonds so sold, redeemed or prepaid, (ii) deposit the proceeds of such sale or redemption in a subaccount, to be established in the Debt Service Fund for investment by the Trustee in accordance with the Indenture, the earnings on which investment shall be used to pay interest when due on Agency Bonds being equal in principal amount to the principal amount of Borrower Bonds so sold, redeemed or prepaid, and the principal of which investment shall be used to pay the Principal Installments on such Agency Bonds, or (iii) deposit the proceeds of such sale, redemption or prepayment into the Agency Bond Account or State Matching Fund Account of the Construction Proceeds Fund as appropriate (depending upon whether the Borrower Bonds sold or redeemed evidenced Agency Loans or Direct Loans) to be used to make additional Agency Loans or Direct Loans in accordance with the procedures set forth in the Indenture, which Agency Loans or Direct Loans shall be on terms substantially similar to the Agency Loans or Direct Loans of the Borrowers, the Borrower Bonds of which were sold, redeemed or prepaid.

[Section 9.09]

Enforcement of Borrower Bonds and Loan Agreements. The Agency shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of the Borrower Bonds and the Loan Agreements.

Defaults and Remedies

[Section 10.01]

Events of Default. In case one or more of the following Events of Default shall have occurred and be continuing:

(a) default in the payment of any installment of interest in respect of any Agency Bond as the same shall become due and payable; or

(b) default in the payment of the principal of or premium, if any, in respect of any Agency Bond as the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise; or

(c) default in the payment of any sinking fund installment in respect of any Agency Bond the same shall become due and payable; or

(d) failure on the part of the Agency duly to observe or perform any other of the covenants or agreements on the part of the Agency contained in the Indenture or in any Agency Bond for a period of thirty (30) days after the date on which written notice of such failure, requiring the Agency to remedy the same, shall have been given to the Agency by the Trustee; provided that, if such failure cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the Agency within such period and is diligently pursued until the failure is corrected;

then, subject to the provisions of any Supplemental Indenture, in the case of any such Event of Default the Trustee shall give notice of such Event of Default to the registered holders of the Agency Bonds. Upon the happening and continuance of any Event of Default, the Trustee may, and upon the request of the holders of not less than a majority in principal amount of the Senior Agency Bonds Outstanding, or if no Senior Agency Bonds are Outstanding, Subordinated Agency Bonds Outstanding, the Trustee shall, in any such case, unless the principal amount of all the Agency Bonds then Outstanding shall already have become due and payable, by written notice given to the Agency and to the Borrowers and provided that the default has not theretofore been cured, declare the principal of all Agency Bonds then Outstanding to be due and payable immediately, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Agency Bonds to the contrary notwithstanding.

If, after the principal of said Agency Bonds has been so declared to be due and payable but before all the Agency Bonds shall have matured by their terms, all arrears of interest upon the Agency Bonds are paid by the Agency, and the Agency also performs all other things in respect to which it may have been in default and pays the reasonable compensation and expenses of the Trustee and the Bondowners, including reasonable attorney's fees, or provision satisfactory to the Trustee shall be made for such payments, then, subject to the Indenture or the provisions of any Supplemental Indenture, and in every such case, the owners of a majority in aggregate principal amount of the Agency Bonds then Outstanding, by written notice to the Agency and to the Trustee, may annul such declaration and its consequences, and such annulment shall be binding upon the Trustee and upon all owners of Agency Bonds issued, or, if the Trustee shall have acted in the absence of a written request of the owners of at least twenty-five percent (25%) in aggregate principal amount of all outstanding Agency Bonds, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the owners of a majority in aggregate principal amount of the Senior Agency Bonds then Outstanding or if no Senior Agency Bonds are then Outstanding, Subordinated Agency Bonds Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled; but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or remedy consequent thereon. The Trustee shall forward a copy of any notice from Bondowners received by it pursuant to this paragraph to each Borrower and the Agency.

[Section 10.02]

Judicial proceedings by Trustee. Upon the happening and continuance of any Event of Default, then, subject to the Indenture or the provisions of any Supplemental Indenture, and in every such case the Trustee in its discretion may, and upon the written request of the owners of at least twenty-five percent (25%) in aggregate principal amount of the Senior Agency Bonds then Outstanding or if no Senior Agency Bonds are then Outstanding, of Subordinated Agency Bonds Outstanding and receipt of indemnity to its satisfaction shall (a) by suit, action or special proceeding, enforce all rights of the Bondowners and require the Agency or each Borrower to perform its or their duties under the Act, the Loan Agreement, the Senior Agency Bonds, the Borrower Bonds and the Indenture; (b) bring suit upon the Senior Agency Bonds and any Borrower Bonds which may be in default; (c) by action or suit in equity require the Agency to account as if it were the trustee of an express trust for the Bondowners; or (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners.

[Section 10.04]

Power of Bondowners to direct proceedings. Anything in the Indenture to the contrary notwithstanding, subject to the Indenture or the provisions of any Supplemental Indenture, the owners of a majority in aggregate principal amount of the Senior Agency Bonds then Outstanding under the Indenture, or if no Senior Agency Bonds are then Outstanding, of Subordinated Agency Bonds, shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, subject, however, to the provisions of the Indenture, and provided, however, such direction shall not be in conflict with any rule of law or with any provision of the Indenture and shall not unduly prejudice the rights of the Bondowners who are not in such majority and shall not involve the Trustee in liabilities for which it does not reasonably expect reimbursement. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the owners of a majority in aggregate principal amount of the Senior Agency Bonds or if no Senior Agency Bonds are then Outstanding, of Subordinated Agency Bonds.

[Section 10.05]

Limitation on actions by Bondowners. No owner of any of the Senior Agency Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Indenture, or any other remedy under the Indenture or under the Senior Agency Bonds, unless such owner previously shall have given to the Trustee written notice of an Event of Default as provided in the Indenture and unless also the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Senior Agency Bonds then Outstanding or if no Senior Agency Bonds are then Outstanding, of Subordinated Agency Bonds Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the

powers granted by the Indenture, or to institute such action, suit or proceeding in its or their name, nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared by the Indenture in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that no one or more owners of the Agency Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Agency Bonds, except in the manner provided by the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided by the Indenture and for the equal benefit of all owners of Outstanding Senior Agency Bonds in accordance with their rights under the Indenture, and all the holders of Outstanding Subordinated Agency Bonds in accordance with their rights under the Indenture, subject, however, to the provisions of the Indenture. Nothing in the Indenture or in the Senior Agency Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any owner of any Senior Agency Bond to enforce payment of the principal of and premium, if any, and interest on his Senior Agency Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

[Section 10.09]

Application of moneys received by trustee upon Event of Default. Any moneys received by the Trustee or by any receiver upon an Event of Default, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of any fees, charges, expenses and indemnities owed to the Trustee, any Paying Agent or their agents in connection with services rendered under the Indenture, be applied, together with any other moneys held by the Trustee under the Indenture, as follows:

(a) Unless the principal of all Senior Agency Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on the Senior Agency Bonds, in the order of the maturity of the installments of such interest including (to the extent provided with respect to any Series of Senior Agency Bonds and permitted by law) interest on overdue installments of interest at the rate borne by the Senior Agency Bonds on which such interest shall then be due, and, if the amount available shall not be sufficient to pay in full any particular installment or installments, then to the payment ratably, according to the amounts due on such installment or installments, to the Persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal of and premium, if any, on any of the Senior Agency Bonds which shall have become due (other than Senior Agency Bonds called for redemption or purchase for the payment of which moneys are held pursuant to the provisions of the Indenture) in the order of their due dates, with interest on such Senior Agency Bonds from the respective dates, upon which they become due and, if the amount available shall not be sufficient to pay in full Senior Agency Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or preference.

(b) If the principal of all the Senior Agency Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Senior Agency Bonds, with interest on overdue principal, premium, if any, and interest as aforesaid, without preference or priority of principal and premium, if any, over interest or of interest over principal and premium, if any, or of any installment of interest over any other installment of interest, or of any Senior Agency Bond over any other Senior Agency Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal of all the Senior Agency Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under the provisions of the Indenture, then, subject to the provisions of paragraph (b) of this Section which shall be applicable in the event that the principal of all the Senior Agency Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

(d) Unless the principal of all Subordinated Agency Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on the Subordinated Agency Bonds, in the order of the maturity of the installments of such interest including (to the extent provided with respect to any Series of Subordinated Agency Bonds and permitted by law) interest on overdue installments of interest at the rate borne by the Subordinated Agency Bonds on which such interest shall then be due, and, if the amount available shall not be sufficient to pay in full any particular installment or installments, then to the payment ratably, according to the amounts due on such installment or installments, to the Persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal of and premium, if any, on any of the Subordinated Agency Bonds which shall have become due (other than Subordinated Agency Bonds called for redemption or purchase for the payment of which moneys are held pursuant to the provisions of the Indenture) in the order of their due dates, with interest on such Subordinated Agency Bonds from the respective dates, upon which they become due and, if the amount available shall not be sufficient to pay in full Subordinated Agency Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or preference.

(e) If the principal of all the Subordinated Agency Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Subordinated Agency Bonds, with interest on overdue principal, premium, if any, and interest as aforesaid, without preference or priority of principal and premium, if any, over interest or of interest over principal and premium, if any, or of any installment of interest over any other installment of interest, or of any Subordinated Agency Bond over any other Subordinated Agency Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto without any discrimination or preference.

(f) If the principal of all the Subordinated Agency Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under the provisions of the Indenture, then, subject to the provisions of paragraph (e) of this Section which shall be applicable in the event that the principal of all the Subordinated Agency Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (d) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date any interest on the amounts of principal or interest to be paid on such dates shall cease to accrue. The Trustee shall give notice to the Agency and all Registered Owners, in the manner required by the Indenture of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any Agency Bond until such Agency Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Concerning the Trustee and Paying Agent

[Section 11.05]

Right to rely. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been authorized or signed by the proper Person or to have been prepared and furnished pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Any action taken by the Trustee upon the request or consent of any Person who at the time of making such request or giving such consent is the owner of any Agency Bond shall be conclusive and binding upon all subsequent owners of such Agency Bond or any Agency Bond issued on registration of transfer thereof.

[Section 11.08]

Right to Resign Trust. The Trustee may at any time and for any reason resign and be discharged of the trusts created by the Indenture by filing a written instrument resigning such trusts and specifying the date when such resignation shall take effect with the Secretary of the Agency and each Borrower not less than 60 days before the date specified in such instrument when such resignation shall take effect, and by giving notice of such resignation to Bondowners by mail in the manner provided in the Indenture not less than twenty-one (21) days prior to the date specified in such notice when such resignation shall take effect; provided, however, that, subject to the provisions set forth under the heading “Supplemental Indentures - *Execution by Trustee*” herein, no such resignation shall become effective until the acceptance of appointment by a successor Trustee in accordance with the provisions set forth under the heading “Concerning the Trustee and Paying Agent - *Acceptance of appointment by, and transfer of trust estate to, successor Trustee*” herein.

[Section 11.09]

Removal of Trustee. The Trustee at any time and for any reason may be removed by an instrument in writing, appointing a successor, filed with the Trustee so removed and executed by the owners of a majority in aggregate principal amount of the Senior Agency Bonds then Outstanding or if no Senior Agency Bonds are then Outstanding, of Subordinated Agency Bonds then Outstanding; provided, however, that no such removal shall become effective until the acceptance of appointment by a successor Trustee in accordance with the Indenture.

The Trustee at any time other than during the continuance of an Event of Default and for any reason may be removed by an instrument in writing, executed by an Authorized Officer, appointing a successor, filed with the Trustee so removed; provided, however, that no such removal shall become effective until the acceptance of appointment by a successor Trustee in accordance with the Indenture.

[Section 11.10]

Appointment of Successor Trustee by Bondowners or Agency. In case at any time the Trustee shall resign or shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, a vacancy shall forthwith and ipso facto exist in the office of the Trustee, then a successor may be appointed by the owners of a majority in aggregate principal amount of the Senior Agency Bonds then Outstanding, or if no Senior Agency Bonds are then Outstanding, of Subordinated Agency Bonds then Outstanding, by an instrument or instruments in writing filed with the Secretary of the Agency, signed by such Bondowners or by their attorneys-in-fact duly authorized. Copies of each such instrument shall be promptly delivered by the Agency to the predecessor Trustee, to the Trustee so appointed and to each Borrower. Notwithstanding the foregoing provisions, at the end of the fifth calendar year following the calendar year in which the Indenture is adopted by the Agency, and at the end of every fifth calendar year thereafter, the Agency may remove the Trustee, except during the existence of an Event of Default, upon one hundred twenty (120) days written notice to the Trustee by filing with the Trustee an instrument signed by an Authorized Officer of the Agency.

Until a successor Trustee shall be appointed by the Bondowners as authorized by the Indenture, the Agency, by an instrument authorized by resolution, shall appoint a Trustee to fill such vacancy. After any appointment by the Agency, it shall cause notice of such appointment to be mailed to each Bondowner in the manner provided in the Indenture. Any new Trustee so appointed by the Agency shall immediately and without further act be superseded by a Trustee appointed by the Bondowners in the manner above provided.

[Section 11.11]

Qualifications of Successor Trustee. Every successor in the trust appointed pursuant to the foregoing provision shall be a bank or trust company with trust powers, organized and doing business under the laws of the United States or any state or territory thereof which has a combined capital and surplus of at least \$100,000,000.

[Section 11.12]

Court Appointment of Successor Trustee. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within forty-five days of the giving of notice of resignation, each Borrower, the owner of any Senior Agency Bond, or if no Senior Agency Bonds are then Outstanding, of any Subordinated Agency Bond, or the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such, court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

[Section 11.13]

Acceptance of appointment by, and transfer of trust estate to, successor Trustee. Any successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to the Agency an instrument accepting such appointment under the Indenture, and thereupon the resignation or removal of the withdrawing Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust under the Indenture, with like effect as if originally named Trustee in the Indenture and shall give notice thereof to each Borrower. Upon request of such Trustee, the Trustee ceasing to act and the Agency shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts under the Indenture of the Trustee so ceasing to act, and the Trustee so ceasing to act shall pay over to the successor Trustee all moneys and other assets, including the Borrower Bonds at the time held by it under the Indenture.

[Section 11.14]

Successor Trustee by Merger or Consolidation. Any corporation into which any Trustee under the Indenture may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee under the Indenture shall be a party, or any corporation to which any Trustee under the Indenture may transfer substantially all of its corporate trust business, shall be the successor under the Indenture, without the execution or filing of any paper or any further act on the part of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Supplemental Indentures

[Section 13.01]

Supplemental indentures effective upon filing with the Trustee. For any one or more of the following purposes and at any time or from time to time a Supplemental Indenture may be adopted by the Agency, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close the Indenture against or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture, on the authentication and delivery of Agency Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of the Agency in the Indenture other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(3) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Indenture;

(5) to authorize Agency Bonds of a Series and in connection therewith specify and determine the matters and things referred to in the Indenture and also any other matters and things relative to such Agency Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Agency Bonds including, without limiting the generality of the foregoing, provisions amending or modifying the Indenture to provide for the issuance of Agency Bonds in coupon form payable to bearer;

(6) to subject to the provisions of the Indenture additional revenues, properties or collateral or to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of any moneys, securities or funds;

(7) to establish one or more additional funds, accounts or subaccounts;

(8) to modify any of the provisions of the Indenture to permit compliance with any amendment to Section 103 or Sections 141 through 150 of the Code if, in the opinion of Bond Counsel, failure to so modify the Indenture would adversely affect the ability of the Agency to issue Agency Bonds the interest on which is exempt from federal income taxation;

(9) to modify any of the provisions of this Indenture in any respect (other than any modification requiring the written consent of the Holders of Bonds); provided that (i) for any Agency Bonds which are assigned a rating and which are not secured by a Credit Facility providing for the payment of the full amount of principal and interest to be paid thereon, at least two (2) of the Rating Agencies shall have given written notification to the Agency that such modification will not cause the then applicable Rating of such Rating Agencies on any Agency Bonds to be reduced or withdrawn (provided, however, that if only one (1) Rating Agency has then assigned a Rating to any Agency Bonds, then such Rating Agency shall have given written notification to the Agency that such modification will not cause such Rating to be reduced or withdrawn), and (ii) in the case of any Agency Bonds which are secured by Credit Facilities providing for the payment of the full amount of the principal and interest to be paid thereon, each issuer of a Credit Facility with respect to any such Agency Bonds shall have consented in writing to such modification; or

(10) to modify any of the provisions of the Indenture in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Agency Bonds of any Series outstanding at the date of the adoption of such Supplemental Indenture shall cease to be outstanding, (ii) such Supplemental Indenture shall be specifically referred to in the text of all Agency Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Agency Bonds issued in exchange therefor or in place thereof, and (iii) such modification does not affect the rights and duties of the Trustee.

[Section 13.02]

Supplemental Indentures effective upon consent of Trustee. For any one or more of the following purposes and at any time or from time to time a Supplemental Indenture may be adopted, which upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) the filing with the Agency of an instrument in writing made by the Trustee consenting thereto shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the Indenture;

(2) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect;

(3) to provide for additional duties of the Trustee; or

(4) to provide for any change in the Indenture which, in the opinion of the Trustee, does not materially affect or diminish the rights or interests of the Trustee or the Bondowners, provided that in making such determination the Trustee shall be entitled to rely on an opinion of counsel, in accordance with the Indenture.

Any such Supplemental Indenture may also contain one or more of the purposes specified in the Indenture and in that event the consent of the Trustee required by the Indenture shall be applicable only to those provisions of such Supplemental Indenture as shall contain one or more of the purposes set forth in the Indenture.

[Section 13.03]

Supplemental Indentures requiring consent of Bondowners. Except as otherwise provided in the Indenture, any modification or amendment of the Indenture may be made only with the consent of the owners of not less than sixty percent (60%) in aggregate principal amount of the Senior Agency Bonds then Outstanding and of the Subordinated Agency Bonds then Outstanding. No such modification or amendment shall be made which will reduce the percentages of aggregate principal amount of Agency Bonds, the consent of the owners of which is required for any such modification or amendment, or permit the creation by the Agency of any lien prior to or on a parity with the lien of the Indenture upon the Borrower Bond Payments and other funds pledged under the Indenture, or which will affect the times, amounts and currency of payment of the principal (including sinking fund payments, if any) of and premium, if any, and interest on the Agency Bonds without the consent of the owners of all Agency Bonds then outstanding and affected thereby.

For the purposes of the Indenture, Agency Bonds shall be deemed to be affected by a modification or amendment of the Indenture if the same materially adversely changes or diminishes the rights of the owners of the Agency Bonds. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Agency Bonds would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Agency and all owners of the Agency Bonds. For all purposes of the Indenture, the Trustee shall be entitled to rely upon an opinion of counsel with respect to the extent, if any, as to which such action affects the rights under the Indenture of any owners of Agency Bonds then outstanding, in accordance with the Indenture.

If at any time the Agency shall request the consent of Bondowners to the execution of any such Supplemental Indenture for any of the purposes of the Indenture, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given to Bondowners in the manner provided by the Indenture. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Bondowners. If, within 60 days or such longer period as shall be prescribed by the Agency following the giving of such notice, the required consent and approval of Bondowners is obtained, no owner of any Agency 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 Agency or the Trustee from executing the same or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and provided in the Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

[Section 13.04]

Execution by Trustee. The Trustee shall execute any Supplemental Indenture executed and delivered in accordance with the Indenture; provided that, if, in the opinion of the Trustee, any such Supplemental Indenture adversely affects the rights, duties, immunities or obligations of the Trustee under the Indenture or otherwise, the

Trustee may in its discretion resign in accordance with the provisions of the Indenture, and upon giving notice of such resignation the Trustee, in accordance with the Indenture, shall have no obligation to execute such Supplemental Indenture.

Defeasance

[Section 14.01]

If at any time (1) there shall have been delivered to the Trustee for cancellation any or all of the Agency Bonds (other than any Agency Bonds which have been mutilated, lost, stolen or destroyed and which shall have been replaced or paid as provided in the Indenture except for any such Agency Bonds as are shown by proof satisfactory to the Trustee to be held by bona fide purchasers), or (2) with respect to any or all of the Agency Bonds not theretofore delivered to the Trustee for cancellation, the whole amount of the principal and the interest and the premium, if any, due and payable or to become due and payable on such Agency Bond or Agency Bonds then outstanding shall be paid or deemed to be paid, and provision shall also be made for paying all other sums payable under the Indenture, including the Agency's, Trustee's and Paying Agents' fees and expenses with respect to such Agency Bonds, then the Trustee, in such case, on demand of the Agency, shall release the lien of the Indenture with respect to such Agency Bond or Agency Bonds and turn over to or at the direction of the Agency the Borrower Bonds relating to such Agency Bond or Agency Bonds or, if such Agency Bonds constitute less than all of the Agency Bonds, shall exchange the Borrower Bonds corresponding to such Agency Bonds for Borrower Bonds having the same terms except that the principal amount thereof shall be equal to the principal amount of the Agency Bonds relating to such Borrower Bonds outstanding after giving effect to such payment (or provision therefor) or cancellation and shall execute such documents as may be reasonably required by the Agency and in the case of such release in respect of all Agency Bonds issued under the Indenture, shall turn over to or at the direction of the Agency any balances remaining in any fund created under the Indenture, other than moneys and Investment Obligations retained for the redemption or payment of Agency Bonds; otherwise, the Indenture shall be, continue and remain in full force and effect.

Notwithstanding the foregoing, the Trustee shall not release any funds held pursuant to the Indenture to the Agency until it shall have received an opinion of Bond Counsel to the effect that such funds may be transferred to the Agency without adversely affecting the exclusion of interest on the Agency Bonds from gross income for federal income tax purposes.

Agency Bonds shall be deemed to be paid whenever there shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Agency Bonds) either moneys in an amount which shall be sufficient to, or Investment Obligations certified by an independent accounting firm of national reputation to be of such maturities and Interest Payment Dates and to bear such interest as will, without the necessity of further investment or reinvestment of either the principal amount thereof or interest therefrom, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of, and premium, if any, and interest due and to become due on all such Agency Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and if redeemed prior to maturity an irrevocable instruction to mail the redemption notice as provided in the Indenture has been given, and the Trustee shall have given notice to the Registered Owners of such Agency Bonds in the manner provided in the Indenture that a deposit meeting the requirements of this paragraph has been made and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, and premium, if any, and interest on, such Agency Bonds; provided, however, that neither Investment Obligations nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any Investment Obligations shall be withdrawn, or used for any purpose other than, and shall be held in trust for, the payment of the principal of, and premium, if any, and interest, on such Agency Bonds.

Miscellaneous

[Section 15.03]

No Individual Liability. No covenant or agreement contained in the Agency Bonds or in the Indenture shall be deemed to be the covenant or agreement of any director, officer, agent or employee of the Agency in his

individual capacity, and neither the directors of the Agency nor any official executing the Agency Bonds shall be liable personally on the Agency Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

[Ninth Supplemental Indenture]

Establishment of Principal Forgiveness Subsidy Subaccounts

Pursuant to the Indenture, the Bank hereby directs the Trustee to establish: (i) a Principal Forgiveness Subsidy Subaccount within each Agency Bond Account of the Construction Proceeds Fund for each of the Town of Cumberland and the City of Providence (collectively, the “Principal Forgiveness Borrowers”). Such subaccounts shall be used for the purpose of awarding an additional subsidy in the form of forgiveness of principal (the “Principal Forgiveness Subsidy”) to the Principal Forgiveness Borrowers. The Principal Forgiveness Subsidy funded with the proceeds of Agency Bonds shall be treated in the same manner as any other Agency Loans under the Indenture. Except as otherwise required by the EPA, the Principal Forgiveness Subsidy funded with EPA Capitalization Grants shall be treated in the same manner as any other Federal Direct Loans under the Indenture.

The Bank hereby further directs the Trustee to fund such subaccounts as provided in the Certificate Regarding the LIST Fund, State Matching Funds and Bank Equity dated the Date of Issue. Notwithstanding the provisions of Article III of the Indenture, none of the Principal Forgiveness Subsidy is pledged or assigned as security for the Agency Bonds.

Covenant to Pay

In connection with, and in furtherance of, the covenant contained under the heading “Tax Covenants - *Covenant to comply with Tax Requirement*” herein, the Authorized Officers, and each of them without the others, are authorized and directed to pay to the United States Treasury Department at such time or times and in such amounts as shall be required by the Treasury Department all amounts required under Section 148 of the Code to be rebated with respect to the Series 2015 A Bonds including, without limitation, (a) as of and within 60 days after the fifth, tenth, fifteenth and twentieth anniversaries of the Date of Issue, an amount equal to the amount required under Section 148 of the Code to be rebated on such dates with respect to the Series 2015 A Bonds, and (b) as of and within 60 days after the date on which all of the Series 2015 A Bonds have been retired, an amount equal to the balance of all rebatable amounts with respect to such Series of bonds. Such payments shall be made to the Internal Revenue Service at the Internal Revenue Service Center, Ogden, Utah 84201 or such other address designated by the Internal Revenue Service. Each such payment shall be accompanied by Internal Revenue Service Form 8038-T (or any successor or other applicable form). The provisions of this Section shall survive the termination or defeasance of the Indenture and the Ninth Supplemental Indenture.

APPENDIX A-2

Summary of Certain Provisions of the Loan Agreements

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SUMMARY OF CERTAIN PROVISIONS
OF
THE LOAN AGREEMENTS

The following is a brief summary of certain provisions of the Loan Agreements entered into between the Bank and each Borrower receiving proceeds of the Series 2015A Bonds with respect to each separate Loan made to that Borrower. Such summary does not purport to be a complete summary of the Loan Agreements and each Loan Agreement may contain certain additional terms or may vary in form from the other Loan Agreements in respects not summarized herein. Reference is made to the full Loan Agreements, available at the offices of the Bank, for a full and complete statement of all of the provisions of each.

Pursuant to each Loan Agreement the Bank agrees to make a loan (the "Loan") to the Borrower, which shall equal the aggregate principal amount of all sums disbursed or deemed disbursed by the Bank to the Borrower from time to time, and the Borrower shall repay the Loan, with interest thereon, in annual installments as provided in the Loan Agreement and in the Borrower Bond, described below. A portion of the proceeds of the Series 2015A Bonds and other funds of the Bank will be deposited in an account for the benefit of the Borrower in the Construction Proceeds Fund held by the Trustee under the Indenture (the "Bank Loan"). Certain Borrowers, as described herein, may also receive a forgiveness of a portion of loan principal, which will be deposited in a separate account for the benefit of the Borrower in the Construction Proceeds Fund held by the Trustee under the Indenture. Such deposit or deposits, less, in each case, a loan closing fee (the "Loan Closing Fee"), shall constitute the Loan.

Each Loan will be represented by a bond or note (the "Borrower Bond") which will bear an Interest Rate determined as set forth in "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS - Loans Made with Proceeds of the Senior Bonds" above. The Borrower Bond will state the Borrower's market interest rate (the "Market Interest Rate") but the Borrower will be obligated to pay only the Subsidized Interest Rate, except in special circumstances as set forth below. Interest will be charged only on the principal amount of the Loan which has been advanced or deemed advanced to Borrower. That portion of the Loan which is applicable to the Loan Closing Fee shall be deemed to be advanced to the Borrower as of the delivery of the Bonds; the balance of the Loan will be deemed advanced to the Borrower when the Trustee shall have transferred money for the Borrower's account out of the Construction Proceeds Fund to the Bank in response to a Borrower's requisition.

The Bank is required pursuant to the FY 2014 and FY15 Drinking Water Capitalization Grants awarded by EPA to provide a minimum amount of additional subsidy, in the form of forgiveness of principal (the "Principal Forgiveness Subsidy") to Borrowers. In the event of a default by a Borrower, the Borrower may be required to immediately forfeit and repay all or a portion of the Principal Forgiveness Subsidy, as determined by the Bank in its reasonable discretion. The Bank shall recalculate the Borrower's Debt Service Schedule to reflect such repayment among the remaining principal payments due on the Loan.

Annual payments by the Borrower of the principal of the Loan will be made in accordance with the terms of the Borrower Bond. Principal payments are, in general, scheduled to begin within one year after the estimated date of completion of construction of the Project, or in the case of a project completed prior to the issuance of the Borrower Bond, within one year after the Borrower Bond is issued. Principal payments will be made annually on September 1 and the schedule of payments will be shown in the form of the Borrower Bond. In no event shall such annual payments commence later than five (5) years from the time that a disbursement to the Borrower is first made.

Interest shall be paid by the Borrower semi-annually each March 1 and September 1 commencing not later than nine months after the date of the Borrower Bond. To the extent that the Borrower Bond is in the form of bond anticipation notes, interest shall be paid at the maturity of each bond anticipation note and may be paid from Loan proceeds as represented by the principal amount of the Borrower Bond (which may be in the form of one or more additional bond anticipation notes) issued to refund or renew such bond anticipation notes.

If any portion of the Project which is separately identified is not commenced or if, having been commenced, is abandoned or completed without the full amount of the Loan applicable thereto having been disbursed, the balance of the undisbursed Loan applicable to such portion shall be deemed disbursed and the Borrower shall be responsible for the payment of interest thereon. If, in accordance with the terms of the Indenture, such undisbursed balance is available to make loans to other borrowers, such balance shall not be deemed to be disbursed and the Bank shall re-compute the initial and adjusted annual debt service installments of each Loan to reflect the amount of the Loan actually advanced to the Borrower.

A Loan may be prepaid by the Borrower at any time with the consent of the Bank but in giving such consent the Bank may require a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Bank or any other reasonable negative financial impact to the Bank.

Each Borrower Bond shall be in fully marketable form accompanied by documentation in form and substance satisfactory to the Bank including an opinion of the Borrower's bond counsel as to the valid authorization, execution, delivery and enforceability of the Borrower Bond and the Loan Agreement. Said opinion shall include an opinion that interest on the Borrower Bond is not included in gross income for federal income taxation purposes and interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Each Loan Agreement permits the Bank to increase the interest paid by all Borrowers from the Subsidized Interest Rate up to as much as the Market Interest Rate if required to restore the LIST Fund, or to pay debt service on the Bonds in the event of a default in payment of any Borrower Bond by any Borrower. At such time as the default in payment is cured or, through payment of increased interest, the LIST is restored, the Bank shall again bill the Borrowers only at the Subsidized Interest Rate. The Bank shall not be required to reimburse or credit any Borrower for any increase paid pursuant to this provision.

Unless otherwise noted, if the Borrower is a city or a town, the Borrower Bond shall constitute a general obligation debt of the Borrower, payable from ad valorem taxes which may be levied without limit as to rate or amount on all of the taxable property within the Borrower. If the Borrower is a city or town which has complied with Bank requirements allowing a Borrower to pledge water system revenues, or if the Borrower is a district, commission or other special purpose public corporation, the Borrower Bond shall be secured by a pledge of (a) general revenues and/or water system revenues; and/or (b) may be secured by any other assets and upon such other terms and conditions as the Bank deems appropriate to protect the interests of the other participants in the loan programs of the Bank; bondholders; other creditors of the Bank; or the finances of the Bank. In connection with Loans being made from the proceeds of the Bonds, the Bank has not required any other assets to be pledged as security.

At any time, any Bank funds payable to a Borrower may be set off against and applied in payment of any obligations of that Borrower under the Loan Agreement. In the event of a default in the prompt and full payment when due of any installment of principal or interest on a Borrower Bond, any Bank funds payable to the defaulting Borrower for the Project may be held and treated as collateral security for the payment of its obligations and any such funds applied or held shall be treated as additional principal advances under the Loan.

No delay or omission on the part of the Bank in exercising any right vis-a-vis any Borrower shall act as a waiver of such right or of any other right against that Borrower. The Borrower will pay all costs of collection, legal expenses, and attorney's fees incurred or paid by the Bank in collecting or enforcing the Borrower Bond.

If any payment due from a Borrower to the Bank shall not be paid in full when and as due, additional interest charges shall be made as a late payment fee which will be charged to the Borrower and due to the Bank.

Each Borrower makes representations and warranties as to its legal existence, powers to participate in the Bank's program and make the Loan, issue the Borrower Bond and undertake the Project. Each Borrower also makes representations as to the disclosure of facts that materially adversely affect the properties, activities, financial condition or economic outlook of the Borrower or its ability to undertake the Project or repay the Loan, including the existence of litigation or other proceedings, pending or threatened, against or affecting the Borrower, in any court or before any government Bank that, if decided adversely to the Borrower, would materially adversely affect the properties, activities, financial condition or economic outlook of the Borrower or its ability to undertake the Project or repay the Loan.

The Loan Agreements provide that construction progress payments and reimbursements will be made to the Borrower or on its order from the Construction Proceeds Fund held under the Indenture. Payments and reimbursements will be made only on account of those portions of the Project for which the Borrower has received and filed with the Bank a Certificate of Approval from DEM. In general, the Bank is required to honor every requisition unless:

(i) there shall then be a continuing Event of Default under the Loan Agreement;

(ii) the Bank shall have been notified by DEM that disbursement of the Loan should be suspended as a result of conditions found during a DEM review or inspection of the Project, or any components thereof; or

(iii) certain of the representations and warranties of the Borrower shall not be true and correct in all material respects as of the date of the requisition.

Failure of a Borrower to (i) make any payment of principal or interest on the Borrower Bond when due, or (ii) to comply with the terms of any Indenture the Borrower has adopted with respect to the Borrower Bond, such failure or occurrence shall be and constitute an immediate Event of Default under the Loan Agreement. Failure of the Borrower to observe or comply with any other term of the Loan Agreement shall constitute an Event of Default if not cured within a period of thirty days after written notice thereof. Upon the occurrence and continuation of an Event of Default, the Bank may take any action, at law or in equity, as it may deem appropriate to enforce the Loan Agreement and the Borrower Bond.

The Loan Agreements provide that, to the extent permitted by law, so long as the Borrower shall constitute an obligated person (an "Obligated Person") with respect to the Bank Bonds within the meaning of S.E.C. Rule 15c2-12 (the "Rule") as in effect from time to time, the Borrower agrees to furnish to the Bank (1) such financial information and operating data with respect to the Borrower at such times and in such forms as the Bank shall reasonably request in order to comply with the provisions of the Rule, (2) when and if available, the Borrower agrees promptly to provide the Bank with its audited financial statements for each fiscal year, and (3) the Borrower agrees to provide or cause to be provided to the Bank, within ten (10) business days after the occurrence thereof, notice of the occurrence of any of the following events with respect to the Borrower Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TE3) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) tender offers;

- (m) bankruptcy, insolvency, receivership or similar event of the Obligated Person*;
- (n) the consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than pursuant to its terms, if material; and
- (o) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Borrower agrees that from time to time it will also provide notice to the Bank of the occurrence of other events, in addition to those as listed above, if such other event is material with respect to the Borrower Bonds.

The Borrower will also provide, in a timely manner, to the Bank, notice of a failure to satisfy the requirements of this Section, and agrees to provide the Bank with any additional information it may reasonably require in order to comply with the requirements of Rule, as in effect from time to time.

Each Borrower agrees to comply with all State and Federal requirements with respect to carrying out the Project and to make regular reports showing such compliance and other financial and economic information.

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U. S. Bankruptcy Code or in any 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 (ii) 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 B

Bank Audited Financial Statements

The Bank has filed its audited financial statements for the fiscal year ended June 30, 2015 (the “Bank Audited Financial Statements”) with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. The Bank Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix B. Copies of the Bank Audited Financial Statements may be accessed online at emma.msrb.org. Copies of the Bank Audited Financial Statements are also available by contacting the Bank at 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, telephone: (401) 453-4430, fax: (401) 453-4094.

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APPENDIX C

**Certain Information Regarding the City of Newport,
and the Newport Water System**

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APPENDIX C-1

**Information Relating to the
City of Newport and the Newport Water System**

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INFORMATION RELATING TO THE CITY OF NEWPORT AND NEWPORT WATER DIVISION

The Water Division of the City of Newport's Utilities Department (referred to herein as "Newport Water" or "Water Fund") does not prepare its own annual financial report. Financial information for Newport Water is included each year as part of the Comprehensive Annual Financial Report of the City of Newport, Rhode Island (the "CAFR"). (See "APPENDIX C-2 – Comprehensive Annual Financial Report of the City of Newport, Rhode Island") For financial information regarding the City of Newport's enterprise funds and, specifically, the Water Fund *see* APPENDIX C-2, and in particular, information under the following headings: (i) "FINANCIAL SECTION – MANAGEMENT'S DISCUSSION AND ANALYSIS – Government-Wide Financial Analysis – Business-type activities" and "–Financial Analysis of the City's Funds – *Proprietary funds*"; (ii) "FINANCIAL SECTION – FUND FINANCIAL STATEMENTS –Exhibit H –STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –PROPRIETARY FUNDS" and "– Exhibit I – STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS"; (iii) "FINANCIAL SECTION – Exhibit L – NOTES TO FINANCIAL STATEMENTS – I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – D. Assets, Liabilities, deferred outflows/inflows of resources, and net position/fund balance – 8. Restricted assets," "IV. DETAILED NOTES ON ALL FUNDS – B. *Receivables* – Business-type Activities" and "– E. *Changes in long-term obligations*"; and (iv) "TABLE 11 – PLEDGED REVENUE COVERAGE."

CITY OF NEWPORT

General

The City, founded in 1639, incorporated in 1784 and re-chartered in 1853, is located at the southern end of Aquidneck Island in Narragansett Bay, about 30 miles southeast of Rhode Island's capital of Providence. The City is bounded by the Atlantic Ocean on the east and south, Narragansett Bay on the west and by the Town of Middletown on the northeast. The City is 11 square miles in size, with 7.7 square miles of land and 3.3 square miles of inland water. The City is readily accessible to the west by Interstate 95 via the Jamestown Verrazano and Claiborne Pell Bridges and to the north by State Route 24 and Interstate 195 via the Mount Hope Bridge and the Portsmouth/Tiverton Bridge. The City has a year-round population of about 25,000 which grows substantially during the summer months. The City is also visited by over 2,000,000 people annually.

Government

The City operates under a Home Rule Charter adopted in 1953, providing for a council/city manager form of government. There is a seven-member City Council serving two-year terms, headed by its Chairperson, who is elected by the at-large City Councilors and who also holds the title of Mayor. All legislative powers of the City are vested in the City Council by the Charter, including the ordering of any tax, making appropriations and transacting any other business pertaining to the financial affairs of the City.

The Council is comprised of seven members: one representative elected from each of the City's three voting wards and four elected at-large. The present council took office on December 1, 2014. The Charter grants to the City Council all power to enact, amend, or repeal ordinances relating to the City's property, affairs and government including the power to create offices, departments or agencies of the City, to preserve the public peace, health and safety, to establish personnel policies, to authorize the issuance of bonds and to provide for an annual audit.

The City Manager is appointed by a majority vote of the City Council and is the chief administrative officer. The Charter grants to the City Manager the authority to appoint or remove all officers or employees of the City, to prepare and submit to the City Council the annual budget and annual report of the City, to recommend pay schedules for City employees and to recommend to the Council the adoption of such measures as they may deem necessary for the health, safety or welfare of the City.

The financial administration of the City is under the direction of the Director of Finance who is appointed by the City Manager. The duties of the Director of Finance include assisting the City Manager in the preparation of the

annual budget, supervising the disbursements of all monies and controlling all expenditures in accordance with the budget appropriations. The Director is also responsible for maintaining a general accounting system and duties related to assessment, collection, investment, information systems and data processing.

Government Services

Municipal services include public safety; potable water and wastewater collection, treatment and distribution; solid waste and recyclables collection and disposal; street and sidewalk maintenance; beach, harbor, recreation, tourism and parking operations; and planning, zoning and economic development functions.

Litigation

The City is a defendant in numerous lawsuits. With respect to any litigation, in the opinion of City officials, there is no litigation pending or threatened, against or affecting the City, which either individually or in the aggregate, would result in judgments that would materially and adversely affect the financial position of Newport Water or its ability to meet its debt service obligations on its water system revenue bonds.

NEWPORT WATER DIVISION

General

The Water Division (“Newport Water”) of the City’s Utilities Department operates the water system which includes two water treatment plants: the Station One Water Treatment Plant in Newport (“Station One”) and the Lawton Valley Water Treatment Plant (“Lawton Valley”) located in Portsmouth, Rhode Island. Together the plants have a capacity of 16 million gallons of water per day. The City has a regular ongoing water main design and construction schedule. Various improvements are or have been made to the tanks, distribution mains, hydrants, trench restoration and other improvements. The City has spent approximately \$100 million on repairs, construction of the new plant, improvements to Station One, and improvements to the system in the last 5 years. The work was funded from both water system revenues and the issuance of bonds to the Rhode Island Infrastructure Bank (“RIIB”), formerly known as the Rhode Island Clean Water Finance Agency.

Service Area and Physical System

The City’s water system provides water service to approximately 14,500 commercial and residential accounts in Newport, Middletown and a small section of Portsmouth. The City sells water on a wholesale basis to Portsmouth Water and Fire District and the Naval Station Newport. The water system is comprised of three service areas, each operating at difference pressures (i.e., three pressure zones). Three elevated tanks fed by the treated water pumping stations at each plant and two additional booster stations maintain the pressure in these zones.

Newport Water obtains its raw water supply from a system of nine surface reservoirs. Seven are located on Aquidneck Island and the remaining two are located in Tiverton and Little Compton, Rhode Island. The nine reservoirs are connected through pipelines and pumping stations.

Newport Water operates two water treatment plants as described above. The City has recently completed substantial long-term improvements to Station One, and rebuilt Lawton Valley. The City has made substantial improvements to the treatment process at Station One. The new plant at Lawton Valley was completed in September 2014 and has significantly improved the quality and capacity of water treatment. Advanced treatment processes have been added to both plants. Newport Water has finished water pumping improvements at both water treatment plants to maintain necessary pressure in the system.

Emergency provisions at the plants include stand-by power and an emergency bypass process that could allow water to flow to the system, bypassing the treatment process. Electrical service at Station One is provided by 3,200 amp 480V three phase transmission and Lawton Valley has 2,000 amp 480V three phase transmission.

Newport Water operates four water storage facilities throughout the distribution system with a combined storage capacity of 7.5 MG and after construction will have a storage capacity of 8.25 MG. These storage facilities are used for operating efficiencies and improving and stabilizing system flows and pressures as well as for providing reserves.

In order to maintain necessary levels of potable water at a sufficient pressure, Newport Water has finished water pumping at both plants as well as at the Forest Avenue pump station, which services the high pressure system.

Newport Water's nine reservoirs are interconnected through a complex network of pipelines and pumping stations. The water system has eight pumping facilities, five for raw water and three for pumping treated water to the distribution storage facilities. The system has four finished water storage facilities. There are three pressure zones in the distribution system. The transmission and distribution system consists of approximately 170 miles of water mains ranging in size of 1 inch to 24 inches. There are approximately 3,300 valves and 1,000 fire hydrants within the transmission and distribution system.

Financial Operations

Newport Water operates as an enterprise fund. As such, the costs and expenses of Newport Water, including debt service, are recovered from user charges. Newport Water is required to maintain its books and records in accordance with generally accepted accounting principles (GAAP) as applied to government agencies. Transactions of Newport Water are accounted for using the accrual basis of accounting; revenues are recognized when they are earned and expenses as they are incurred. Newport Water's annual financial report is included as part of the CAFR of the City of Newport.

Any surplus in the annual financial operations can be used for capital expenses, debt service, or future operating expenses. Deficits must be recovered by increasing rates in the following years.

Since 2007, the City has issued \$3,000,000 Water System Revenue Bonds, 2007 Series A, \$5,900,000 Water System Revenue Bonds, 2008 Series A, \$3,300,000 Water System Revenue Bonds, 2009 Series A, \$4,037,000 Water System Revenue Bond Anticipation Notes, 2010 Series 1, \$5,105,000 Water System Revenue Bond Anticipation Notes, 2011 Series 1, \$6,640,000 Water System Revenue Bonds, 2011 Series A, \$5,500,000 Water System Revenue Bond Anticipation Notes, 2012 Series 1, \$53,100,000 Water System Revenue Bonds, 2012 Series A, and \$31,000,000 Water System Revenue Bonds, 2013 Series A, all payable solely from revenues generated from the water system. Please see APPENDIX C-2 "Comprehensive Annual Financial Report of the City of Newport, Rhode Island" - Note IV. "DETAILED NOTES ON ALL FUNDS" - E. "*Changes in long-term obligations*".

Rates and Charges

Newport Water is highly regulated by the Rhode Island Public Utilities Commission (the "PUC"), which is the state agency responsible for approving all rate increases for regulated utilities within Rhode Island. The municipal water utilities that are regulated in Rhode Island are those that supply water to communities outside their own borders. Since Newport Water provides water service to other communities, it fits the definition of a regulated water utility, and the PUC must approve and authorize all rates and tariffs of Newport Water.

In accordance with the guidance of the PUC, Newport Water modified its rate structure from a declining block structure to a uniform rate structure in 2004.

The current water rate structure is in accordance with the Order for Docket 4243 and 4355 effective July 1, 2014. The Order for Docket 4243 and 4355 included the third and final rate increase of a multi-year plan to support debt service for the long-term improvements to Station One and the new plant at Lawton Valley, plus the approval to transition to monthly billing. The transition to monthly billing, effective July 1, 2014, required a reduction in the base charges that had been previously established for quarterly bills.

Rate Setting Procedures

All rates and tariffs are subject to the regulations of the PUC. The PUC is a three person quasi-judicial body. It rules on proposed rate increases after hearing opposing positions relative to the proposed rate increases from the utility seeking the increase and the Attorney General's office opposing the increase. Intervenor can and have entered their appearance to oppose Newport Water's proposed rate filings. The Rhode Island General Laws allow the PUC to consider rate increases for up to seven months after filing. In exceptional situations the utility may apply for emergency rate relief. Rate relief is granted in the form of gross revenue requirement. Actual management of the funds is generally left to the utility, subject to certain PUC requirements for restricted accounts.

Current rates support payment of debt service on Newport Water's Bonds. Any debt financings through RIIB are also subject to approval by the Rhode Island Division of Public Utilities and Carriers (the "Division"). There can be no assurances that the PUC will approve rates sufficient to pay debt service sufficient to finance completion of the projects, or that the Division will approve the issuance of such debt by Newport Water. Currently the PUC has approved sufficient rates to pay debt service on all outstanding debt.

Required Division Approval for the Issuance of the City's Borrower Bonds

The Rhode Island General Laws require that Newport Water obtain the consent and authority from the Division prior to issuance of debt.

Revenues and Expenditures

Set forth below is a summary statement of revenues and expenditures of Newport Water for fiscal years 2010 through 2014 as well as unaudited figures for fiscal year 2015 and the budgeted figures for fiscal year 2016.

	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Unaudited 2015	Budgeted 2016
Operating Revenues	\$ 10,466,106	\$ 10,270,053	\$ 12,285,310	\$ 13,436,648	\$ 15,723,033	\$ 18,458,856	\$ 18,065,961
Operating Expenses	8,613,211	9,095,199	8,807,880	9,538,889	9,618,750	10,262,501	11,337,371
Operating Income	1,852,895	1,174,854	3,477,430	3,897,759	6,104,283	8,196,355	6,728,590
Non-Operating Revenues	4,498	3,161	2,042	1,275	1,319	3,090	3,900
Non-Operating Expenses	368,855	1,432,984	719,275	1,570,155	2,667,530	2,875,038	2,827,650
Excess (Deficiency) of Income Over Expenses	\$ 1,488,538	\$ (254,969)	\$ 2,760,197	\$ 2,328,879	\$ 3,438,072	\$ 5,324,407	\$ 3,904,840

Billings for Services

All water services are metered. All accounts are read and billed monthly. Each bill issued includes a billing charge.

Budgets

Annual budgets, capital improvement plans, and cash flow projections are prepared by the Deputy Directors of Utilities for Finance and Engineering in consultation with the Director of Utilities and the City Director of Finance. The budget is presented to the Newport City Council for review and approval.

Collections

In accordance with PUC regulations, a customer with a delinquent account is issued a "Shutoff Statement" on or about the 15th day after the due date to the account. If the bill remains unpaid and a payment plan has not been arranged a "Shutoff Notice" is issued within 30 days after the issuance of the "Shutoff Statement". The "Shutoff Statement" informs the customer of a shutoff date that is at least 15 days after the date of such notice. At the time of

a scheduled shutoff, the charges are approximately 30 days old. Typically, delinquent customers make payment arrangements within 24 hours after service termination.

Management

The Director of Utilities, Julia A. Fogue, PE, is responsible for the overall administrative management of the Utilities Department. The Director has been in this position for thirteen years. The Director is assisted by the Deputy Utilities Director for Engineering, Robert Schultz, PE and the Deputy Utilities Director for Finance, William Yost.

Employee Relations

The City of Newport has bargaining contracts with various unions. The AFSCME and NEA contracts expired on June 30, 2015. Negotiations with AFSCME and NEA are underway for new contracts. Administrative employees are generally non-union employees.

Pensions

See Exhibit L, Note V.B. of Appendix C-2 – “Comprehensive Annual Financial Report of the City of Newport, Rhode Island” for a description of the pension plans covering City employees. As indicated in that footnote, municipal employees participate in the Municipal Employees Retirement System of the State of Rhode Island (“MERS”). The State recently enacted pension reform legislation regarding MERS. The legal challenges by certain unions and associations of retired municipal employees have been settled. What the final impact will be on future required pension contributions by the City as a result of the settlement has not yet been determined.

Litigation

In the opinion of Newport Water and the City Solicitor there is no litigation pending or threatened against Newport Water that either individually or in the aggregate, would result in judgments that would have a material adverse effect on Newport Water’s financial position or its ability to meet its debt service obligations.

The Borrower Bonds of the City of Newport are limited obligations of the City of Newport payable solely from the revenues and funds and accounts pledged under the Newport Indenture. The Borrower Bonds and the obligations evidenced thereby shall not constitute a general indebtedness or a pledge of the full faith and credit of the City of Newport within the meaning of any constitutional or statutory provision. No Bondholder shall ever have the right, directly or indirectly, to require or compel the exercise of the taxing power of the City for the payment of the Borrower Bonds of the City of Newport. The Borrower Bonds of the City of Newport and the obligations evidenced thereby shall not constitute a lien or encumbrance on any property of or in the City of Newport other than the revenues and funds pledged under the Newport Indenture.

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APPENDIX C-2

Financial Statements of Newport Water

The City of Newport has filed its audited financial statements for the fiscal year ended June 30, 2014 (the “Newport Audited Financial Statements”) with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. The Newport Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix C. Copies of the Newport Audited Financial Statements may be accessed online at emma.msrb.org. Copies of the Newport Audited Financial Statements are also available by contacting the Bank at 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, telephone: (401) 453-4430, fax: (401) 453-4094.

The Water Division of the City of Newport’s Utilities Department (referred to herein as “Newport Water” or “Water Fund”) does not prepare its own annual financial report. Financial information for Newport Water is included each year as part of the Comprehensive Annual Financial Report of the City of Newport, Rhode Island (the “CAFR”). (See “APPENDIX C-2 – Comprehensive Annual Financial Report of the City of Newport, Rhode Island”.) For financial information regarding the City of Newport’s enterprise funds and, specifically, the Water Fund, see APPENDIX C-2, and in particular, information under the following headings: (i) “FINANCIAL SECTION – MANAGEMENT’S DISCUSSION AND ANALYSIS – Government Wide Financial Analysis – Business type activities” and “– Financial Analysis of the City’s Funds – Proprietary funds”; (ii) “FINANCIAL SECTION – FUND FINANCIAL STATEMENTS – Exhibit H – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS” and “– Exhibit I – STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS”; (iii) “FINANCIAL SECTION – Exhibit L – NOTES TO FINANCIAL STATEMENTS – I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance – 8. Restricted assets,” “IV. DETAILED NOTES ON ALL FUNDS – B. Receivables – Business-type Activities” and “– E. Changes in long-term obligations”; and (iv) “TABLE 11 – PLEDGED REVENUE COVERAGE.”

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APPENDIX C-3

**Summary of Certain Provisions
of the Newport Indenture**

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SUMMARY OF CERTAIN PROVISIONS OF THE NEWPORT INDENTURE

The following are definitions of certain words and terms used in this Official Statement and in the City Indenture, and not otherwise defined herein. Reference is made to the City Indenture for complete and definitive definitions of such terms. The summaries do not purport to set forth all of the provisions of said documents to which reference is made for the complete and actual terms thereof.

"Accrued Benefits Buyout" shall mean the account in the Operating Fund so designated and created pursuant to Section 505 of the Indenture;

"Act" shall mean the applicable provisions of Chapter 12.8 of Title 46 of the General Laws of Rhode Island (1956) as amended from time to time and any other statute now or hereafter enacted, which by its general or specific terms authorizes the City to issue debt to finance the System or otherwise affects the terms of such debt.

"Additional Security" shall have the meaning given such term in Section 207 of the City Indenture.

"Advance-Refunded Municipal Bonds" shall mean obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by obligations described in clause (i) of the definition of Permitted Investments and that are rated in the highest rating category by each rating agency rating such obligations.

"Agency" means the Rhode Island Clean Water Finance Agency established pursuant to Chapter 12.2 of Title 46 of the General Laws of Rhode Island (1956) as amended.

"Agency Bonds" shall mean any Series of Bonds issued pursuant to Section 203(1)(v) of the City Indenture.

"Agency Loan Agreement" shall mean any loan agreement between the Agency and the City pertaining to a loan made to the City pursuant to Chapter 12.8 of the General Laws of Rhode Island (1956), as amended, and any bond purchase agreement between the Agency and the City relating to the purchase of Bonds issued pursuant hereto by the Agency in accordance with said Chapter 12.8 of Title 46.

"Annual Budget" shall have the meaning given such term in Section 608 of the City Indenture.

"Authenticating Agent" shall mean, for the Bonds of a Series or any portion thereof, the Trustee and, where authorized by the applicable City Supplemental Indenture, the Paying Agent or Paying Agents for the Bonds of such Series.

"Authorized Officer" shall mean the Finance Director of the City with the approval of the Mayor of the City and, when used in reference to an act or document, shall also mean any other person authorized by resolution of the City Council to perform such act or sign such document;

"Bond" or "Bonds" shall mean any of the Water System Revenue Bonds of the City authenticated and delivered under the City Indenture (and, unless expressly stated to the contrary, shall not include Subordinated Bonds; provided that the provisions of Article III, Article IV, Article VIII, Article IX, Article XI and Article XII of the City Indenture shall be applicable to Subordinated Bonds).

"Bondholder" or "Holder" or any similar term, when used with reference to a Bond or a Subordinated Bond, shall mean the registered owner of the Bond or the Subordinated Bond, respectively.

"Business Day" shall mean any day other than a Saturday, a Sunday or any other day on which any Fiduciary is authorized or required by law to be closed for business.

"Capital Improvements Budget" shall mean a capital budget for each Fiscal Year which identifies the Capital Improvements to the System to be undertaken by the City during such Fiscal Year, the nature of the work, the estimated completion date of each Capital Improvement, the estimated Costs expected to be expended therefor in such Fiscal Year, and estimated disbursements from any Project Account or Capital Improvements Account in the Project Fund and, to the extent provided by the City, any other fund or account under or outside the City Indenture, as well as the sources of moneys projected to be available to pay such estimated Costs in such Fiscal Year.

"Capitalized Interest Account" shall mean the account, if any, in the Debt Service Fund so designated and created pursuant to Section 506 of the City Indenture.

"Certified Public Accountant" shall mean an independent certified public accountant or firm of accountants selected by the City and reasonably acceptable to the Agency.

"Chemicals Account" shall mean the account in the Operating Fund so designated and created pursuant to Section 505 of the City Indenture.

"City" shall mean the City of Newport, Rhode Island or any body, agency, political subdivision, or instrumentality of the State or the City of Newport which shall hereafter assume ownership or control of the System.

"City Council" shall mean the City Council of Newport, provided that if the City Council shall have by resolution authorized an Authorized Officer to perform an act or sign a document, with respect to such act or signature "City Council" shall also mean such Authorized Officer and provided further that with respect to any successor body, agency, political subdivision or other instrumentality which shall hereafter own or control the System, "City Council" shall mean the governing body of such successor entity.

"City Indenture" shall mean the Trust Indenture between the City and the Trustee dated March 7, 2007 as the same may be amended or supplemented in accordance herewith.

"City Loan Repayment Account" shall mean the account in the Debt Service Fund so designated and created pursuant to Section 502 of the City Indenture;

"City Stabilization Account" shall mean the account in the Debt Service Fund established pursuant to Section 502 of the City Indenture.

"City Supplemental Indenture" shall mean any indenture of the City amending or supplementing the City Indenture adopted and becoming effective in accordance with the terms of Article IX of the City Indenture.

"Compound Interest Bonds" shall have the meaning given such term in Section 203(5) of the City Indenture.

"Consulting Engineer" shall mean an independent consultant or engineer or firm of consultants or engineers having a national reputation for expertise in such matters with respect to properties similar to those of the System selected by the City and reasonably acceptable to the Trustee; provided that for the purposes of Section 503(3) of the City Indenture the Consulting Engineer may be an engineer regularly in the employ of the City.

"Corporation Counsel" shall mean the City Solicitor of the City or any other attorney so designated by an Authorized Officer.

"Cost" as applied to any approved Project, means any or all costs, whenever incurred, of planning, designing, acquiring, constructing, and carrying out and placing the Project in operation, including, without limiting the generality of the foregoing, amounts for the following: planning, design, acquisition, construction, expansion, improvement and rehabilitation of facilities; acquisition of real or personal property; demolitions and relocations; labor, materials, machinery and equipment; services of architects, engineers, and environmental and financial experts and other consultants; feasibility studies, plans, specifications, and surveys; interest prior to and during the carrying out of any Project and for a reasonable period thereafter; reserves for debt service or other capital or current expenses; costs of issuance of local governmental obligations issued to finance the obligations including, without limitation, fees, charges, and expenses and costs of the Agency relating to the loan evidenced thereby, fees of trustees and other depositories, legal and auditing fees, premiums and fees for insurance, letters or lines of credit or other credit facilities securing local governmental obligations and other costs, fees, and charges in connection with the foregoing; and working capital, administrative expenses, legal expenses, and other expenses necessary or incidental to the aforesaid, to the financing of a Project and to the issuance therefor of local government obligations under the provisions of the Act, and shall include any item of cost, as may be permitted by the Act, as amended from time to time.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable or reimbursable by or to the City and related to the authorization, sale and issuance of Bonds or Subordinated Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Fiduciaries, legal fees and charges, fees and disbursements of consultants and professionals, initial fees and charges for Reserve Deposits, and any other cost, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys selected by the City and not unsatisfactory to the Trustee.

"Debt Service Assistance" shall mean any money received by or on behalf of the City under or pursuant to any agreement or on account of a grant or contribution, heretofore or hereafter made, in aid of, with respect to, or on account of debt service on debt incurred with respect to the System excluding any interest subsidies received from the Agency on account of any of its leveraged loan programs.

"Debt Service Assistance Account" shall mean the account in the Debt Service Fund so designated and created pursuant to Section 502 of the City Indenture.

"Debt Service Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Debt Service Fund Requirement" shall mean, as of any particular date of computation, the amount of money obtained by (i) aggregating the several sums, computed with respect to the Bonds of each Series Outstanding, of (A) any unpaid interest due on such Bonds at or before said date and all interest on such Bonds accrued but not due at said date, (B) the Principal Amount of any such Bonds matured and unpaid at or before said date, and (C) with respect to any Principal Installment of any Bonds not included in (B) above, but payable on the next succeeding Principal Installment payment date other than by reason of acceleration or redemption at the option of the City or the Holder of any Bonds, that portion of such Principal Installment

determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to the date of such calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to such next succeeding Principal Installment payment date and (ii) deducting amounts on deposit in the Debt Service Assistance Account available to make such payments on such Bonds; provided, that for purposes of any such computation, the Principal Installments of and interest on the Bonds in any period shall, in the case of any Series of Agency Bonds, be limited to the Required Debt Service Fund Deposits set forth for such period in the applicable City Supplemental Indenture.

"Debt Service Requirement" shall mean, for any period of calculation, (i) all interest payable on all Bonds Outstanding during such period, plus (ii) the Principal Installment or Installments payable on such Bonds during such period, less (iii) amounts available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year, including but not limited to (A) amounts on deposit in the Debt Service Assistance Account or Debt Service Assistance certified by an Authorized Officer of the City as reasonably expected to be received and deposited to the Debt Service Assistance Account on or before the last day of the Fiscal Year during which the applicable Debt Service Requirement calculation is to be made if such Debt Service Assistance has been appropriated by the applicable governmental entity, if any, or is payable pursuant to an agreement constituting a valid general obligation of the grantor, (B) amounts on deposit in the Stabilization Account and (C) the amount, if any, of Bond proceeds available or projected to be available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding; provided that the interest and Principal Installments payable on any Series of Agency Bonds during such period shall be limited to the Required Debt Service Fund Deposits for such period set forth in the applicable City Supplemental Indenture; and provided, further, for purposes of demonstrating compliance with Section 603(2) of the City Indenture (as contemplated by Section 603(4)) of the City Indenture, that the amount of Debt Service Assistance deducted from such calculation pursuant to clause (iii) above shall include only Debt Service Assistance actually received by the City during or on account of such period and deposited in the Debt Service Assistance Account or amounts in anticipation thereof transferred from the Revenue Fund or from general funds of the City and deposited in such account.

"Debt Service Reserve Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Debt Service Reserve Fund Requirement" shall mean, with respect to any Series of Bonds, as of any particular date of computation, an amount of cash, Permitted Investments or Reserve Deposits, or any combination of the foregoing, equal to the lesser of (i) the maximum aggregate Debt Service Requirement on a Series of Bonds in any current or future fiscal year or other appropriate twelve month period on such Series of Bonds; (ii) 125% of the average annual Debt Service Requirement on a Series of Bonds in any current or future fiscal year or other appropriate twelve month period, and (iii) 10% of the Outstanding Principal Amount of such Series of Bonds. For purposes of this computation, the amount of anticipated loan subsidies to be paid by the Agency on account of a Series of Bonds in such years shall be deducted from the calculation of Debt Service Requirement with respect to each Series of Bonds;

"Depository" shall mean any bank or trust company selected in accordance with Section 803 of the City Indenture as a depository of moneys to be held under the provisions of the City Indenture, and may include the Trustee.

"Discount Bonds" shall have the meaning given such term in Section 203(3) of the City Indenture.

"Electricity Account" shall mean the account in the Operating Fund so designated and created pursuant to Section 505 of the City Indenture;

"Fiduciary" shall mean the Trustee, any Paying Agent, any Depository or any Authenticating Agent.

"Fiscal Year" shall mean the period beginning on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year or such other period of twelve calendar months as may be authorized as the fiscal year of the City.

"Fixed Rate Bonds" shall have the meaning given such term in Section 203(2) of the City Indenture.

"General Fund" shall mean the general fund of the City.

"Insurance Reserve Fund" shall mean the fund so designated created pursuant to Section 502 of the City Indenture.

"Insurance Reserve Fund Requirement" shall have the meaning given to such term in Section 606 of the City Indenture.

"Net Revenues" shall mean, for any period of computation, (i) all Revenues (excluding Debt Service Assistance deposited in the Debt Service Assistance Account and any proceeds of insurance, condemnation or the sale or other disposition of any part of the System deposited in the Revenue Fund during such period, but including unrestricted fund balance on the books of the System) received by the City during such period and deposited in the Revenue Fund, plus (ii) moneys withdrawn from the Stabilization Account and transferred from the Stabilization Account in accordance with Section 506 of the City Indenture less (iii) all amounts withdrawn from the Revenue Fund during such period and (a) deposited in the Operating Fund or (b) required to be deposited in the Debt Service Reserve Fund during such period.

"Operating Expenses" shall mean any expenses incurred by or for the account of the City or reimbursable by or to the City for operation, maintenance and repair of the System including, without limiting the generality of the foregoing, administrative expenses, financial, legal and auditing expenses, insurance premiums, payments on claims against the City, to the extent moneys are unavailable therefor in the Insurance Reserve Fund or to the extent such claims shall fall within such reasonable deductible limits as may be determined by the City, if any, payments in lieu of taxes, if any, payments of rates, assessments or other charges to the City with respect to the System, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization and sick leave benefits for City employees allocable to the System and any other similar expenses required to be paid by the City, all to the extent properly and directly attributable to the System, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the City Indenture, but does not include the Cost of any Capital Improvement or any provision for interest, depreciation, amortization or similar charges on any indebtedness except for (i) interest paid on notes, and renewals thereof, issued in accordance with Section 607(2) (to the extent not included in the Cost of any Project), (ii) payments made with respect to any indebtedness represented by leases, mortgages, security interests and other encumbrances permitted by Section 604(3) and (iii) payments made on account of any general obligation indebtedness of the City issued for the benefit of the System.

"Operating Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Operation and Maintenance Reserve Fund" shall mean the fund so designated and created by Section 502 of the City Indenture.

"Operation and Maintenance Reserve Fund Requirement" shall mean, unless a greater amount is required by any City Supplemental Indenture, (i) from the date of delivery of the initial Series of Bonds hereunder until the last day of the third full Fiscal Year after such Bonds are delivered, the amount provided

in the City Supplemental Indenture for the initial Bonds, which is the amount approved by the Public Utilities Commission to be funded in accordance with the time frame approved by the Public Utilities Commission, and (ii) as of the last business day of each calendar month thereafter an amount equal to at least the sum of (a) the balance on deposit in the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year and (b) one-twelfth (1/12) of the amount, if any, by which the balance of the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year was less than the Operation and Maintenance Reserve Fund Requirement calculated as of such day multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year, and either plus (c) one-twelfth (1/12) of one-sixth (1/6) of the amount, if any, by which the projected aggregate Operating Expenses of the current Fiscal Year (as shown in the Annual Budget as then amended and supplemented for such Fiscal Year) exceeds the aggregate Operating Expenses for the prior Fiscal Year multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year or minus (d) one-sixth (1/6) of the amount, if any, by which such projected aggregate Operating Expenses are less than the aggregate Operating Expenses for the prior Fiscal Year.

For purposes of such computation, the City and the Trustee shall consider the amount of Operating Expenses paid in a prior Fiscal Year to be such amount as estimated by an Authorized Officer in a certificate filed with the Trustee on or before the last day of such Fiscal Year subject to adjustment with respect to the actual amount as set forth in a certificate of an Authorized Officer filed with the Trustee on or before one hundred twenty (120) days after the end of such Fiscal Year.

"Outstanding", when used with reference to Bonds or Subordinated Bonds, shall mean as of any particular date, all Bonds or Subordinated Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond or Subordinated Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the City or by any other Fiduciary, at or before said date, (2) any Bond or Subordinated Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest to the maturity or redemption date, shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond or Subordinated Bond) and, except in the case of a Bond or Subordinated Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article IV, (3) any Bond or Subordinated Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to Article III, Section 406 or Section 1006 of the City Indenture, and (4) any Bond or Subordinated Bond deemed to have been paid as provided in Section 1101 of the City Indenture.

"Paying Agent" shall mean any paying agent or co-paying agent for Bonds of any Series appointed pursuant to the City Indenture or an applicable Supplemental Indenture and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the City Indenture.

"Permitted Investments" except as provided in any Supplemental Indenture shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the funds held pursuant to the City Indenture:

- (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America, and any certificates or receipts representing direct ownership of future interest or principal payments in such bonds or other obligations;
- (ii) public housing bonds issued by public agencies or municipalities and fully guaranteed as to the payment of both principal and interest by the United States of America; temporary notes,

preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the timely payment of both principal and interest by a requisition or payment agreement with the United States of America, or obligations issued by any state or any public agencies or municipalities which at the time of purchase are rated in either of the two highest rating categories by each Rating Agency then maintaining a rating on such obligations;

- (iii) direct and general obligations of any state of the United States to the payment of the principal of and interest on which the full faith and credit of such state is pledged, and direct and general obligations of any political subdivision of any such state to the payment of which the full faith and credit and unlimited ad valorem taxing power of such political subdivision is pledged, provided that at the time of their purchase under the Indenture such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
- (iv) commercial paper rated in the highest category by each Rating Agency then maintaining a rating on such commercial paper;
- (v) investments in a money market fund or other fund the investments of which consist exclusively of obligations described in clause (i) above;
- (vi) bank time deposits evidenced by certificates of deposit issued by banks or savings and loan institutions (which may include any Fiduciary) having at the time of purchase a combined capital and surplus of not less than \$50,000,000 which are members of the Federal Deposit Insurance Corporation; provided that any such time deposits in excess of applicable federally insured limits are fully secured by obligations described in clause (i) above, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such bank time deposits so secured, including interest;
- (vii) repurchase agreements relating to securities of the type specified in clause (i) above with banks or trust companies having a combined capital and surplus of not less than \$50,000,000 or with government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; provided that the market value of such securities is at the time of entering into such agreement at least one hundred three percent (103%) of the repurchase price specified in the agreement; and provided further that such securities are delivered to or held by the Trustee or a depository satisfactory to the Trustee in such manner as may be required to provide a perfected security interest in such securities;
- (viii) investment contracts with, or guaranteed by, banks or other financial institutions whose long-term unsecured debt or claims-paying ability at the time of purchase is rated in one of the three highest rating categories for such debt or claims-paying ability by each Rating Agency then maintaining a rating on such banks or other financial institutions;
- (ix) bonds, notes or other evidences of indebtedness issued or guaranteed by the Federal Banks for Cooperatives, Federal Intermediate Credit Bank, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank System, Federal Land Banks, Export-Import Bank of the United States, Federal National Mortgage Association, Government National Mortgage Association or any agency or Instrumentality of or corporation wholly owned by the United States of America; and
- (x) Advance-Refunded Municipal Bonds.

"Principal Amount," with respect to any Bond or Subordinated Bond, shall mean the stated principal thereon or such other amount payable on any Compound Interest Bond or Discount Bond designated as the Principal Amount thereof pursuant to the applicable City Supplemental Indenture.

"Principal Installment" shall mean, as of any particular date of computation and with respect to Bonds or Subordinated Bonds of a particular Series, an amount of money equal to the aggregate of (i) the Principal Amount of Outstanding Bonds or Subordinated Bonds of said Series which mature on such date, reduced by the aggregate Principal Amount of such Outstanding Bonds or Subordinated Bonds which would at or before said date be retired by reason of the payment when due and application in accordance with the City Indenture of Sinking Fund Payments payable at or before said date for the retirement of such Outstanding Bonds or Subordinated Bonds, plus (ii) the amount of any Sinking Fund Payment payable on said date for the retirement of any Outstanding Bonds or Subordinated Bonds of said Series.

"Principal Office," when used with respect to a Fiduciary, shall mean the office where such Fiduciary maintains its principal office or, where different, its principal corporate trust office.

"Project" shall mean a Capital Improvement, all or a portion of the Cost of which is financed by Bonds.

"Project Account" shall mean one of the accounts so designated in the Project Fund created by Section 503 of the City Indenture.

"Project Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Public Utilities Commission" shall mean the Public Utilities Commission of the State created pursuant to Chapter 39-1 of the General Laws of Rhode Island, as amended from time to time.

"Rate Case Account" shall mean the account in the Operating Fund designated and created pursuant to Section 505 of the City Indenture;

"Rates and Charges" shall mean, except as otherwise expressly provided in the City Indenture, all fees, rates, rents, assessments and other charges established by or on behalf of the City for the services, facilities and commodities furnished or supplied by it from the operation of the System.

"Rating Agency" shall mean Fitch, Moody's Investors Service or Standard & Poor's and their respective successors and assigns and shall also include any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Bonds or Subordinated Bonds.

"Rebate Fund" shall mean the fund so designated in any City Supplemental Indenture.

"Redemption Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Redemption Price" shall mean, with respect to any Bond or Subordinated Bond or portion thereof, the Principal Amount thereof or of such portion, or such other amount as may be provided in the applicable City Supplemental Indenture, plus the premium, if any, payable upon redemption thereof.

"Refunding Bonds" shall mean any of the Bonds authorized by Section 205 of the City Indenture.

"Reimbursement Obligation" shall have the meaning given such term in Section 207 of the City Indenture.

"Required Debt Service Fund Deposits" shall mean, with respect to each Series of Agency Bonds, the amounts so designated pursuant to Section 205(1)(ix) of the City Indenture and the applicable City Supplemental Indenture.

"Reserve Deposits" shall mean one or more of the following:

- (i) irrevocable, unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or of the holding company of such banking institution) have (at the time of issue of such letter of credit) a rating within the two highest rating categories generally available to banking institutions by each Rating Agency rating such debt without regard to any gradations within such categories; or
- (ii) irrevocable and unconditional policies of insurance in full force and effect issued by municipal bond insurers the obligations insured by which are eligible for a rating at the time of issuance of such policies within the two highest rating categories available to insurers generally issuing such insurance by each Rating Agency rating such insurance without regard to any gradations within such categories.

in each case providing for the payment of sums for the payment of Principal Installments and interest on Bonds in the manner provided under Section 508 of the City Indenture.

"Retiree Health Insurance Account" shall mean the account in the Operating Fund so designated and created pursuant to Section 505 of the City Indenture;

"Revenue Fund" shall mean the fund so designated created in accordance with Section 502 of the City Indenture.

"Revenues" shall mean and include (except as otherwise expressly provided in the City Indenture) (i) all income, fees, revenues, rates, receipts, assessments, rents, charges and other moneys, including any unrestricted fund balance attributable to the operation of the System, (a) derived by the City from its ownership and operation of the System (including collections by or on behalf of the City on account of services and commodities furnished or supplied by the System prior to the effective date of the City Indenture) or (b) derived from any other source, to the extent such moneys are deposited or required to be deposited to the Revenue Fund by the City from time to time pursuant to a City Supplemental Indenture (provided that any such moneys shall not be considered Revenues for purposes of Section 603(2) of the City Indenture unless at the time of the deposit thereof to the Revenue Fund an Authorized Officer shall have submitted to the Trustee a certificate designating such moneys as Revenues for such purpose) and (ii) all accounts, receivables, general intangibles and contract or other rights to receive the Revenues described in clause (i), whether existing at the effective date of the City Indenture or thereafter coming into existence and whether held by the City at the effective date of the City Indenture or thereafter acquired, and the proceeds thereof, including, without limiting the generality of the foregoing, receipts from Rates and Charges and from the earnings on the investment of any moneys held under the City Indenture by the Trustee, a Depository or the City or remitted to the City by the Agency (other than moneys held in the Rebate Fund and the Unrestricted Fund), receipts from fees, rates, assessments and other charges to any political subdivision of the State for services or commodities furnished or supplied by the System, proceeds of any grant or appropriation for or on account of Operating Expenses received by the City from the United States or the State or from any agency, instrumentality or political subdivision of either thereof, Debt Service Assistance and except to the extent otherwise provided in the City Indenture, proceeds of the sale or other disposition of all or any part of the System and of insurance and condemnation awards received with respect to the System or any part thereof, but not including any amounts not deemed "Revenues" pursuant to Section 504(1) of the City Indenture.

"Series" when used with respect to less than all of the Bonds or Subordinated Bonds, shall mean or refer to all of the Bonds or Subordinated Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions and may also mean, if appropriate, a lot or subseries of any Series if, for any reason, the City should determine to divide any Series into two or more lots or subseries.

"Series Debt Service Reserve Fund Requirement" shall mean, as of any date of calculation, the aggregate amount required to be deposited to the Debt Service Reserve Fund pursuant to the City Supplemental Indenture applicable to a particular Series of Bonds.

"Sinking Fund Payment" shall mean, as of any particular date of computation and with respect to Bonds or Subordinated Bonds of a particular Series, the amount of money required by any City Supplemental Indenture to be paid by the City on such date for the retirement of any Outstanding Bonds or Subordinated Bonds of said Series which mature after said date, but does not include any amount payable by the City by reason of the redemption of Bonds or Subordinated Bonds at the election of the City or the Holders of such Bonds.

"State" shall mean the State of Rhode Island and Providence Plantations.

"Subordinated Bonds" shall have the meaning given such term in Section 208 of the City Indenture.

"System" shall mean the system of water supply, treatment and distribution facilities of the City, together with any Capital Improvements or other additions to the System and substitutions for any part thereof heretofore or hereafter acquired or made by or on behalf of the City, and all other water supply facilities (as such terms are defined in the Act) of the City used in, or necessary or desirable for, the operation of such system, including but not limited to, artesian wells, reservoirs, dams, pipelines, treatment plants and related equipment; provided that, on such date, if any, as the City consolidates its water system operationally or financially with its wastewater system and pledges the revenues thereof to the Trustee pursuant to a Supplemental Indenture, references to the System shall include such wastewater system

"Trust Estate" means all right, title and interest of the City and the Board in and to (i) all Revenues, and (ii) all moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the City Indenture, except the Operating Fund, the Rebate Fund, and the Unrestricted Fund, if established.

"Trustee" means the trustee appointed in accordance with Section 801 of the City Indenture, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the City Indenture.

"Unrestricted Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

Bonds Authorized

Under the City Indenture, the City may issue Bonds which bear a fixed rate of interest ("Fixed Rate Bonds"), Bonds which provide for a variable interest rate ("Variable Rate Bonds"), Bonds which provide for mandatory redemption at the option of the registered owner ("Tender Bonds"), Bonds providing for the compounding of interest ("Compound Interest Bonds"), or zero interest rate or deep discount Bonds ("Discount Bonds"), or any combination thereof.

City Indenture to Constitute a Contract

The City Indenture shall constitute a contract between the City and the Holders from time to time of the Bonds and Subordinated Bonds, and the pledge made in the City Indenture and the covenants and agreements therein set forth to be performed by or on behalf of the City and the Board shall be, subject to the provisions of Section 208 of the City Indenture, for the equal benefit, protection and security of the Holders of any and all of the Bonds and Subordinated Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof or of any of the Subordinated Bonds over any other thereof, except as expressly provided in or permitted by the City Indenture.

Pledge of City Indenture

There are pledged pursuant to the City Indenture for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and, subject to the provisions of Section 208 of the City Indenture, Subordinated Bonds, in each case, subject to the provisions of the City Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the City Indenture, (i) subject to Section 207 of the City Indenture, the proceeds of Sale of the Bonds, (ii) all Revenues, and (iii) all moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the City Indenture except the Operating Fund, the Rebate Fund and the Unrestricted Fund.

Authorization of Bonds; General Provisions

The Bonds of each Series shall be executed by the City and delivered to the Authenticating Agent for such Series of Bonds and by it authenticated and delivered to or upon the order of the City, but only upon receipt by the Trustee of:

- (i) written order signed by an Authorized Officer of the City as to the authentication and delivery of such Bonds;
- (ii) a copy of the applicable City Supplemental Indenture executed by an Authorized Officer;
- (iii) an amount of moneys or Reserve Deposits in a stated amount such that following the issuance of such Bonds and application of their proceeds, the amounts on deposit in and the aggregate stated and unpaid amount of all Reserve Deposits held as part of the Debt Service Reserve Fund shall equal the Debt Service Reserve Fund Requirement; provided, however, that the applicable City Supplemental Indenture may provide that the Series Debt Service Reserve Fund Requirement attributable to any Series of Agency Bonds may be funded in substantially equal monthly installments over a period of time after issuance as specified in the applicable City Supplemental Indenture (which period shall not exceed 24 months);
- (iv) a certificate of a Consulting Engineer or Certified Public Accountant selected by the City and satisfactory to the Trustee (a) setting forth the estimated annual Net Revenues for each of the three full Fiscal Years following the issuance of such Bonds (including the Fiscal Year in which such Bonds are issued), after giving effect to any increases or decreases in Rates and Charges projected to be in effect for such period, and to the Series Debt Service Reserve Fund Requirement attributable to such Bonds and to any additional Revenues projected to be available during such period, and (b) showing for each of such Fiscal Years that the estimated annual Net Revenues for such Fiscal Year together with amounts in the Stabilization Account, if any, available in such Fiscal Year (as calculated by an Authorized Officer at the time of issuance of such Bonds) will be at least equal to one hundred twenty-five (125%) (or such higher amount as may be set forth in the City Supplemental Indenture

authorizing the issuance of such Series of Bonds) of the Debt Service Requirement for such Fiscal Year; provided that the Consulting Engineer's or Certified Public Accountant's certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the City and approved by the Public Utilities Commission for such Fiscal Year on or before the date of such certificate;

- (v) if on the date of issuance of such Series of Bonds the City has any outstanding obligation to replenish the Debt Service Reserve Fund under Section 508(4) of the City Indenture, evidence that the City has made at least one monthly payment with respect to such obligation on or before the date required thereunder; and
- (vi) a certificate of an Authorized Officer stating that, as of the date of delivery of such Bonds, no Event of Default, as described in Section 701 of the City Indenture, has occurred and is continuing.
- (vii) evidence that all regulatory approvals required to issue the Bonds or to collect fees and charges sufficient to pay the Bonds have been obtained.

Additional Security

In addition to the security provided for the Bonds under the City Indenture, in connection with the initial issuance of any Series of Bonds under the City Indenture, the City may obtain or cause to be obtained letters of credit, lines of credit, insurance or similar obligations, agreements or instruments ("Additional Security") securing or providing for the payment of all or a portion of the Principal Installments or Redemption Price of, or interest due or to become due on, such Bonds or providing for the purchase of such Bonds or a portion thereof by the issuer or obligor of any such Additional Security. In connection therewith the City may enter into such agreements with the issuer or obligor on such Additional Security providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Additional Security, which fees and expenses may be Costs of Issuance or Operating Expenses as appropriate, the terms and conditions of such Additional Security and the Series of Bonds affected thereby, and the security, if any, to be provided for the issuance of such Additional Security and the payments of such fees and expenses or the obligations of the City with respect thereto.

In addition to any security permitted hereunder, the City may secure its obligations with respect to any Additional Security by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the City in the applicable City Supplemental Indenture. The City may also in an agreement with the issuer or obligor on such Additional Security agree to directly reimburse ("Reimbursement Obligations") such issuer or obligor for amounts paid under the terms of such Additional Security, together with interest thereon. Such Reimbursement Obligations may be secured by a lien on Revenues which, upon payment of amounts payable under the terms of such Additional Security and application of such amounts as provided in the agreements providing therefor, may be on a parity with the lien created by Section 501 hereof. So long as no amounts shall be paid under such Additional Security and such Reimbursement Obligations shall remain contingent, such Reimbursement Obligations shall not be taken in account hereof under the provisions of Section 204 or Section 603 of the City Indenture, provided the issuer or obligor on such Additional Security may be deemed a Holder hereunder, including the Holder of all Bonds secured thereby, for the purposes of voting, giving consents, receiving notices and otherwise as may be specified in the applicable Supplemental Indenture. Upon the payment of amounts under the Additional Security which results in a Reimbursement Obligation becoming due and payable, such Reimbursement Obligation shall be deemed a Bond Outstanding hereunder for the purposes of Section 603 of the City Indenture and for such other purposes hereunder as may be specified in the applicable Supplemental Indenture.

Issuance of Additional Bonds and Refunding Bonds

The pledge of the right, title and interest of the City in and to the Trust Estate is given subject to the right of the City to issue additional bonds secured on a parity basis with the Bonds by the Trust Estate. One or more Series of Refunding Bonds may be issued in accordance with Section 206 of the City Indenture for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

Establishment of Funds and Accounts

The pledge of the right, title and interest of the City in and to the Trust Estate is given subject to the right of the City to issue additional bonds secured on a parity basis with the Bonds by the Trust Estate. One or more Series of Refunding Bonds may be issued in accordance with Section 206 of the City Indenture for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

The Debt Service Fund, the Redemption Fund, the Debt Service Reserve Fund and the Rebate Fund shall be held by the Trustee. The Operating Fund, the Insurance Reserve Fund, and the Unrestricted Fund, shall be held by the City in the custody of one or more banks selected by the City (including but not limited to the Trustee or any Depository). The Revenue Fund and any Capital Improvements Accounts of the Project Fund, shall, prior to the occurrence of any Event of Default hereunder, be under the exclusive control of the City, and shall be held by the Trustee upon the occurrence of any Event of Default hereunder:

- (i) Project Fund
- (ii) Revenue Fund
- (iii) Operating Fund
- (iv) Debt Service Fund
- (v) Redemption Fund
- (vi) Debt Service Reserve Fund
- (vii) Rebate Fund
- (viii) Operation and Maintenance Reserve Fund
- (ix) Insurance Reserve Fund
- (x) Unrestricted Fund

There shall be established within the Project Fund one or more Capital Improvements Accounts. There shall be established within the Debt Service Fund separate accounts to be known as the Debt Service Account, the Stabilization Account, the City Loan Repayment Account, and the Debt Service Assistance Account. The City may establish, in connection with the issuance of one or more Series of Bonds or Subordinated Bonds, or pursuant to an order of the Public Utilities Commission, additional funds or accounts hereunder to be held for the benefit of one or more Series of Bonds or Subordinated Bonds and subaccounts within the funds and accounts established hereunder, as set forth in City Supplemental Indentures. Any fund or account established pursuant to an order of the Public Utilities Commission may be closed with the approval of the Public Utilities Commission without Bondholder consent.

Application of Moneys in the Revenue Fund

All Revenues, except (i) proceeds of insurance and condemnation to the extent provided in Section 606 of the City Indenture, (ii) proceeds of any sale or other disposition of any part of the System to the extent provided in Section 604 of the City Indenture, (iii) earnings on investment of the funds and accounts hereunder to the extent provided in Section 512 of the City Indenture and (iv) Debt Service Assistance deposited in the Debt Service Assistance Account as provided in Section 506 of the City Indenture, shall be collected by or for the account of the City and deposited by or on behalf of the City as promptly as practicable in the Revenue Fund. There shall also be deposited in the Revenue Fund any other moneys so directed by the

City Indenture and any other moneys of the City which the City may in its discretion determine to so apply unless required to be otherwise applied by the City Indenture.

On the last Business Day of each calendar month, the City (or during such times as the Trustee shall hold the Revenue Fund, the Trustee) shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

- (i) To the City for deposit in the Operating Fund and the Insurance Fund and any subaccounts therein, the amount specified by an Authorized Officer in accordance with Section 608 of the City Indenture; provided that if no amount has been specified by such Authorized Officer, the Operating Expenses for such month shall be deemed to be 125% of the Operating Expenses expended in the same calendar month in the preceding year or such lesser amount as an Authorized Officer shall certify in writing to the Trustee, but in no event less than 100% of such amount;
- (ii) To the Debt Service Account within the Debt Service Fund, an amount, which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement as of the first day of the next ensuing month;
- (iii) To the Rebate Fund the amount which together with the amounts on deposit therein will equal the Rebate Requirement as of such day;
- (iv) Subject to Section 508 of the City Indenture, to the Debt Service Reserve Fund, an amount which, together with the amounts on deposit therein, will equal the Debt Service Reserve Fund Requirement as of the first day of the next ensuing month;
- (v) To the Debt Service Assistance Account in the Debt Service Fund an amount specified by an Authorized Officer in a certificate delivered to the Trustee, as amended from time to time;
- (vi) To the Stabilization Account of the Debt Service Fund such amount, if any designated by the City as further provided in Section 504(4) of the City Indenture;
- (vii) To the City Loan Repayment Account of the Debt Service Fund such amount as approved by the Public Utilities Commission;
- (viii) Subject to Section 608 of the City Indenture, to the Operation and Maintenance Reserve Fund, including the PUC Restricted Operating Reserve Account an amount necessary for such Fund to equal the Operation and Maintenance Reserve Fund Requirement as of such day;
- (ix) To the City for deposit in the Insurance Reserve Fund, the amount, if any, determined by the City pursuant to Section 606(3) of the City Indenture as necessary to maintain such Fund at the Insurance Reserve Fund Requirement;
- (x) To the one or more Capital Improvements Accounts, such amounts as are required by order of the Public Utilities Commission or, such amounts as requested by the City but only upon receipt by the Trustee of (a) a copy of the resolution or ordinance of the City Council approving the funding of such Capital Improvements in whole or in part from such Accounts, certified by an Authorized Officer and (b) a certificate of an Authorized Officer stating that such deposit will not impair the ability of the City to either (A) meet the requirements of the Revenue Fund in the succeeding months of such Fiscal Year based on the then current Annual Budget prepared in accordance with Section 608 of the City

Indenture or (B) satisfy the requirements of Section 603 of the City Indenture in the current or next succeeding Fiscal Year;

- (xi) To such other funds or accounts as shall be required by any City Supplemental Indenture; and
- (xii) To such other funds or accounts established by the City in compliance with applicable law or as required by any order of the Public Utilities Commission.

On the last Business Day of each Fiscal Year (or an earlier date, but only to the extent that no additional payments to the Debt Service Fund are due during such Fiscal Year), the City (or the Trustee, during such times as the Trustee shall hold the Revenue Fund) shall, after making the deposits required by Section 504(2) of the City Indenture, apply amounts available in the Revenue Fund to the following purposes and in the following order and the Trustee, upon order of the City signed by the Finance Director and another Authorized Officer shall apply amounts available in the Stabilization Account and the City Loan Repayment Account (but only to the extent permitted by the Public Utilities Commission), and the City may apply amounts in the Capital Improvements Account (at such times it holds such Account) to the following purposes and in the following order:

- (i) To the City for the reimbursement or payment of principal of or interest on general obligation bonds and notes of the City issued to finance System costs paid or payable during the then ending or the next Fiscal Year, as shown on a schedule filed with the Trustee by an Authorized Officer of the City; provided that the City shall have delivered to the Trustee a certificate of an Authorized Officer stating that (A) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provision of the City Indenture, (B) the City is in compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ending and (C) such deposit will not adversely affect the ability of the City to fund the funds and accounts established under the City Indenture to the amounts required to be funded in the next Fiscal Year.
- (ii) Subject to Section 510 of the City Indenture, to the Unrestricted Fund, the amount, if any, directed to be deposited therein in writing by an Authorized Officer.

Subject to Section 504(4) of the City Indenture any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for payments therefrom in the succeeding months, provided that if the City shall have issued notes in accordance with Section 607(2)(i) or (iii) of the City Indenture, amounts in the Revenue Fund remaining after the above payments have been made may be used by the City to pay the principal of such notes at maturity or upon earlier redemption.

Notwithstanding the foregoing, in the event that any order of the Public Utilities Commission requires that Revenues be held in a restricted account, the City shall request the Trustee to make such transfers as may be required to comply with any rate order. In the event that Revenues must be restricted in an account for debt service, such moneys shall be deposited by the Trustee to the Debt Service Fund Stabilization Account. In the event that Revenues must be restricted in an account for repayment of a loan from the City's general fund, such monies shall be deposited by the Trustee in the City Loan Repayment Account.

So long as any Agency Bonds are Outstanding hereunder, if, on the last Business Day of any month, the amounts deposited pursuant to Section 504(2)(ii) of the City Indenture are, as of such date of calculation, less than the amounts required to be deposited therein, the Trustee shall promptly notify the Agency of any such deficit.

Application of Moneys in the Debt Service Fund

The Trustee shall pay out of the Debt Service Account of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, to the respective Paying Agents (i) on each interest payment date the amount required for the interest and Principal Installments payable on such date and (ii) on each redemption date for any Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest on the Bonds then to be redeemed; provided that in each case the City may direct the Trustee in writing to make such payments to the Paying Agents on such date prior to the due date as the City determines. The Paying Agents shall apply such amounts to the payment of interest and Principal Installments on and after the due dates thereof.

If on any interest payment date the amount accumulated in the Debt Service Account of the Debt Service Fund, including the Debt Service Assistance Account, for either of the purposes specified above exceeds the amount required therefor, the City may direct the Trustee in writing to deposit such excess in the Stabilization Account, the Redemption Fund or, in its discretion consistent with any order of the Public Utilities Commission, in the Revenue Fund. The Trustee shall also pay out of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, accrued interest included in the purchase price of Bonds purchased for retirement under any provision of the City Indenture.

Amounts accumulated in the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Payment was established), if so directed in writing by the City, shall be applied by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Bonds to the first date on which such Bonds could be redeemed (or in the case of a Sinking Fund Payment due on the maturity date, the Principal Amount thereof plus interest to such date), such purchases to be made as directed in writing by the City or otherwise in such manner as the Trustee shall determine, or (ii) the redemption, pursuant to Section 402 of the City Indenture, of such Bonds then redeemable by their terms. The applicable Redemption Price or Principal Amount (in the case of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Payment date for the purpose of calculating the amount of such Fund. As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed (by giving notice as provided in Section 405 of the City Indenture) to call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Payment was established (except in the case of Bonds maturing on a Sinking Fund Payment date) in such amount as shall be necessary to complete the retirement of the Principal Amount of the Bonds of such Series and maturity as specified for such Sinking Fund Payment in the applicable City Supplemental Indenture, and whether or not the balance in the Debt Service Fund is sufficient to pay all such Bonds. The Trustee shall pay out of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, to the appropriate Paying Agents, on or before such redemption date or maturity date, the amount required for the redemption of the Bonds so called for redemption or for the payment of such Bonds then maturing, and such amount shall be applied by such Paying Agents to such redemption or payment.

In satisfaction, in whole or in part, of any amount required to be paid into the Debt Service Fund pursuant to Section 504(2)(ii) of the City Indenture which is attributable to a Sinking Fund Payment, there may be delivered on behalf of the City to the Trustee Bonds of the Series and maturity entitled to such payment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Payment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of such Bonds.

Notwithstanding anything to the contrary contained in this Section, the Trustee shall not purchase or accept Bonds in lieu of any Sinking Fund Payment during the period of 45 days prior to the due date of any Sinking Fund Payment.

Amounts in the Stabilization Account shall be invested in Permitted Investments at a yield not in excess of the yield recommended by nationally recognized bond counsel or in Permitted Investments described in paragraph (iv) of the definition thereof the interest on which is excluded from income for purposes of federal income taxation and not subject to the alternative minimum tax.

The Trustee shall apply moneys on deposit in the Stabilization Account and the City Loan Repayment Account as follows:

- (i) to any shortfall in the Debt Service Account of the Debt Service Fund after deposit of moneys from the Revenue Fund but before transfers from the Debt Service Reserve Fund, on the Business Day prior to the date on which any payment of principal or interest on any Bonds is due and payable;
- (ii) to any shortfall in the Debt Service Reserve Fund;
- (iii) to fund capitalized interest and to fund the Debt Service Reserve Fund Requirement on any future series of Bonds, as requested by the City;
- (iv) to the Redemption Fund, as requested by the City;
- (v) to the City for reimbursement or payment of principal of or interest on general obligation bonds and notes of the City to finance System costs paid or payable during the then ending fiscal year; provided that the City shall have delivered to the Trustee a certificate of an Authorized Officer stating that (A) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provisions of the City Indenture, (B) the City is compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ending, (C) such deposit will not adversely affect the ability of the City to fund the funds and accounts established under the City Indenture to the amounts required to be funded in the next Fiscal Year; provided however, that with respect to transfers from the City Loan Repayment account, that prior to any release of monies to the City, the City shall have established the approval of the Public Utilities Commission; and
- (vi) to such other purposes as the City may direct, not inconsistent with any order of the Public Utilities Commission.

Application of Moneys in the Rebate Fund

If any Series of Bonds or Subordinated Bonds is issued, or becomes, subject to the rebate requirement of Section 148(f) of the Internal Revenue Code of 1986, as amended, the City may, by City Supplemental Indenture, activate the Rebate Fund established hereunder, and the Trustee shall then establish a separate Rebate Account within the Rebate Fund for such Series of Bonds or Subordinated Bonds. Funds on deposit in any Rebate Account shall be applied as set forth in the applicable City Supplemental Indenture.

Application of Moneys in the Redemption Fund

The City may deposit in the Redemption Fund any moneys, including Revenues, not otherwise required by the City Indenture to be deposited or applied elsewhere.

If at any time the amount on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account and the City Loan Repayment Account, is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall have already been given by the Trustee). Subject to the foregoing, if at any time the amount on deposit and available therefor in the Operating Fund is insufficient to pay Operating Expenses when due, the Trustee shall withdraw from the Redemption Fund and deposit in the Operating Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall already have been given by the Trustee). Subject to the foregoing, amounts in the Redemption Fund may be applied by the City to the redemption of Bonds in accordance with Section 402 of the City Indenture and the applicable City Supplemental Indenture or, in lieu thereof, to the purchase of Bonds at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Bonds been redeemed (or, if not then subject to redemption, at the applicable Redemption Prices when next subject to redemption), such purchases to be made by the Trustee at such times and in such manner as directed in writing by the City.

Application of Moneys in the Debt Service Reserve Fund

Except as provided in any City Supplemental Indenture amounts in each Account in the Debt Service Reserve Fund shall be used to pay debt service on the related Series of Bonds on the date such debt service is due when insufficient moneys for that purpose are available in the Debt Service Fund; provided, however that all amounts in an Account in the Debt Service Reserve Fund shall be used, together with other amounts available for such purpose hereunder, to provide for payment of the related Series of Bonds when the aggregate of such amounts is sufficient for such purpose. Amounts in each Account of the Debt Service Reserve Fund shall be pledged only to Holders of Bonds of the related Series; provided, however, if so provided in a City Supplemental Indenture, upon the issuance of a Series of Refunding Bonds to advance refund a portion of a Series of Outstanding Bonds, amounts in the related Account of the Debt Service Reserve Fund securing the Outstanding Bonds may be pledged to the unrefunded Series of Outstanding Bonds and the Holders of the Series of Refunding Bonds on a pro rata basis. If at any time the amounts on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account and the City Loan Repayment Account, after application of any funds on deposit in the Stabilization Account pursuant to Section 506(6) of the City Indenture, and after transfers from the Redemption Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Account of the Debt Service Fund the amount necessary to meet any such deficiency. Amounts so withdrawn shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Deposits held as a part thereof upon the terms and conditions set forth in the agreements applicable to any such Reserve Deposits or as otherwise set forth in the City Supplemental Indenture providing for such Reserve Deposits.

The City may from time to time provide Reserve Deposits to satisfy the Debt Service Reserve Fund requirement; provided that (A) in the case of a Reserve Deposit described in clause (i) of the definition of Reserve Deposits, the City shall provide evidence reasonably satisfactory to the Agency that such provision will not affect any ratings then in effect on any bonds of the Agency secured by Agency Bonds (without regard to the effect of any credit enhancement of such bonds), and (B) in the case of a Reserve Deposit described in clause (ii) of the definition of Reserve Deposits, the Agency shall approve such Reserve Deposit. If on the last business day of any month or on any day when a new Reserve Deposit is deposited in the Debt Service Reserve Fund, the amount on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement (calculated as of the first day of the next succeeding month) the Trustee, shall promptly notify the City and the Board and, acting in accordance with a certificate of an Authorized Officer, to the extent of such excess, either (i) transfer cash and Permitted Investments to any Fund or

Account established hereunder or (ii) consent to the reduction of the stated amount of any Reserve Deposit or (iii) do any combination of the foregoing.

The Trustee shall determine the amount of cash and Permitted Investments on deposit in the Debt Service Reserve Fund on each interest payment date for the Bonds after any withdrawals have been made on such date. Whenever the Trustee shall determine that the cash and Permitted Investments on deposit in the Debt Service Reserve Fund together with all other funds available for the purpose is equal to or in excess of the Redemption Price of all Bonds Outstanding, the Trustee, at the written direction of the City, shall transfer the balance of such cash and Permitted Investments from the Debt Service Reserve Fund to the Redemption Fund in connection with the redemption of all Bonds Outstanding.

Notwithstanding anything to the contrary in the City Indenture or any City Supplemental Indenture, if a cash withdrawal is made from the Debt Service Reserve Fund pursuant to Section 508(1) of the City Indenture or in the event that the City shall not be in compliance with the Debt Service Reserve Requirement, monthly deposits shall be made to the Debt Service Reserve Fund pursuant to Section 504(2)(iv) of the City Indenture on the last Business Day of the calendar month in which the withdrawal is made and on the last Business Day of each of the five succeeding calendar months in an amount equal to one-sixth (1/6) of the amount of such withdrawal. In the event that the Debt Service Reserve Fund Requirement is satisfied in whole or in part by a Reserve Deposit and there shall have been a draw on such Reserve Deposit, the City shall (i) restore the Reserve Deposit within six months of such draw in six equal monthly restorations or (ii) deposit cash in the Debt Service Reserve Fund to replenish the Debt Service Reserve Requirement in accordance with the schedule set forth in the prior sentence. Unless and until the requirements of the preceding two sentences are not met, the difference between the amount of such withdrawals or draws and the amount redeposited or restored to the Debt Service Reserve Fund on account of such withdrawal or draws pursuant to the preceding sentences shall be deemed to be on deposit in the Debt Service Reserve Fund for purposes of calculating compliance with the Debt Service Reserve Fund Requirement.

Operation and Maintenance Reserve Fund

If any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Debt Service Reserve Fund, and one or more Capital Improvements Accounts is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from the Operation and Maintenance Reserve Fund to the Debt Service Fund the amount necessary to meet the deficiency.

Subject to the above paragraph, if at any time the amount on deposit in the Operating Fund is insufficient to pay all Operation and Maintenance Expenses then payable, the Trustee, upon receipt of a certificate of an Authorized Officer to that effect, shall withdraw from the Operation and Maintenance Reserve Fund and pay to the City for deposit in the Operating Fund the amount specified in such certificate.

Unrestricted Fund

The City may make transfers to the Unrestricted Fund in accordance with Section 504(3)(ii) of the City Indenture, provided that (1) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provision of the City Indenture, (2) the City is in compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ended and (3) upon certification of an Authorized Officer of the City, such deposit will not adversely affect the ability of the City to comply with the terms of Section 603 of the City Indenture in the next ensuing Fiscal Year. Amounts on deposit in the Unrestricted Fund may be used for any lawful purpose.

Investments

Except as otherwise provided below, money held for the credit of any fund or account held by the Trustee under the City Indenture shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other fund or account, by the Trustee at the written direction an Authorized Officer of the City in Permitted Investments which shall mature or be redeemable at the option of the holder thereof, on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof held for the credit of such fund or account. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund shall be invested solely in the investments specified in paragraphs (i), (ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) of the definition of Permitted Investments. Unless otherwise directed by any City Supplemental Indenture, Permitted Investments purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account and all income thereon shall accrue to and be deposited in such fund or account and all losses from investment shall be charged against such fund or account; provided that all income earned on investment of the Redemption Fund, the Debt Service Reserve Fund and the Insurance Reserve Fund shall be credited to and deposited in the Debt Service Fund.

Covenant as to Rates and Charges.

To the extent not otherwise provided by a Supplemental Indenture, so long as any Bonds are Outstanding, the City will take all actions within its power to establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other moneys including amounts from the Stabilization Account, at least sufficient to pay or provide for, as the same become due or are payable (i) all Operating Expenses, (ii) all payments of Principal Installments and Redemption Price of and interest on the Bonds and all other bonds, notes or other evidences of indebtedness of or assumed by the City which are payable from Revenues of the System, (iii) all amounts, if any, payable to the Operation and Maintenance Reserve Fund, the Debt Service Reserve Fund, and, if any, the Insurance Reserve Fund, (iv) all repairs, replacements, and renewals of the System deemed necessary by the City and the Board which are payable from Revenues of the System and (v) all other amounts which the City and the Board may by law order of the Public Utilities Commission or contract be obligated to pay from Revenues of the System.

Without limiting the generality of the foregoing, the City will take all actions within its power to establish and maintain Rates and Charges at levels sufficient so that total Net Revenues in each Fiscal Year during which Bonds are Outstanding, shall equal at least one hundred twenty-five percent (125%) of the Debt Service Requirement during such Fiscal Year with respect to all Bonds Outstanding as of the first day of such Fiscal Year. Failure by the to comply with the requirements of this subsection (2) shall not be considered an Event of Default under the Indenture so long as the City has complied or is diligently proceeding to comply with the rate covenant; provided that the setting of Rates and Charges shall to the extent required by law, be subject to the approval of the Public Utilities Commission.

Creation of Liens; Other Indebtedness

The City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and Subordinated Bonds, secured by a pledge of or other lien on the Revenues of the System and other moneys, securities, Reserve Deposits, if any, and funds held or set aside by the City or by the Fiduciaries under the City Indenture, and shall not otherwise create or cause to be created any lien or charge on the Revenues of the System, moneys, securities, Reserve Deposits, if any, and funds, except to the extent provided in Section 607 of the City Indenture.

Annual Operating Budget

Not less than one day prior to the beginning of each Fiscal Year, the City Council shall adopt and file with the Trustee an annual operating budget for the System (the "Annual Budget") for such Fiscal Year. The City Council may at any time, but not more often than once a month, adopt and file with the Trustee (or annually delegate to an Authorized Officer the authority to prepare and file with the Trustee) an amended or supplemental Annual Budget for the Fiscal Year then in progress, provided that an amendment for the purpose of making changes in one or more line items within the Annual Budget, but which does not increase the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year may be filed by an Authorized Officer without action by the City Council and provided further that any amendment that increases the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year shall be accompanied by a certificate of an Authorized Officer to the effect that such increase will not preclude compliance by the City with the covenants set forth in Section 603 of the City Indenture. An Authorized Officer shall prepare and may amend from time to time, a monthly breakdown of the Annual Budget which breakdown or amendment thereto shall be filed with the Trustee and shall show for each month projected Operating Expenses to be paid from the Operating Fund in such month, as well as the Revenues or other moneys held hereunder projected to be available to meet the same. The City shall not incur aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount of Operating Expenses shown in the Annual Budget as amended and supplemented for such Fiscal Year except in case of emergency or as required by law and shall promptly file a written report of any such excess expenditure with the Trustee signed by an Authorized Officer. For the purposes of Section 608 of the City Indenture, "Authorized Officer" shall include, individually, the Mayor, the Finance Director, and the Department of Public Works Director of the City.

For purposes of Section 504(2) of the City Indenture, the Operation and Maintenance Reserve Fund Requirement shall mean, unless a greater amount is required by any City Supplemental Indenture, (i) from the date of delivery of the initial Series of Bonds hereunder until the last day of the third full Fiscal Year after such Bonds are delivered, the amount provided in the City Supplemental Indenture for the initial Bonds, and (ii) as of the last business day of each calendar month thereafter an amount equal to at least the sum of (a) the balance on deposit in the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year and (b) one-twelfth (1/12) of the amount, if any, by which the balance of the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year was less than the Operation and Maintenance Reserve Fund Requirement calculated as of such day multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year, and either plus (c) one-twelfth (1/12) of one-sixth (1/6) of the amount, if any, by which the projected aggregate Operating Expenses of the current Fiscal Year (as shown in the Annual Budget as then amended and supplemented for such Fiscal Year) exceeds the aggregate Operating Expenses for the prior Fiscal Year multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year or minus (d) one-sixth (1/6) of the amount, if any, by which such projected aggregate Operating Expenses are less than the aggregate Operating Expenses for the prior Fiscal Year.

For purposes of such computation, the City and the Trustee shall consider the amount of Operating Expenses paid in a prior Fiscal Year to be such amount as estimated by an Authorized Officer in a certificate filed with the Trustee on or before the last day of such Fiscal Year subject to adjustment with respect to the actual amount as set forth in a certificate of an Authorized Officer filed with the Trustee on or before one hundred twenty (120) days after the end of such Fiscal Year.

Prior to an Event of Default, the City and the Authorized Officers shall not be required to file the Annual Budget and other reports required by Section 608(1) with the Trustee and shall provide such items to the Agency to the extent required by any Loan Agreement between the City and the Agency.

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

- (i) if default shall be made by the City in the payment of the Principal Installments or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption at the option of the City or any Holder, or otherwise, or in the payment of any sinking fund payment when due,
- (ii) if default shall be made by the City in the payment of any installment of interest on any Bond when due,
- (iii) if default shall be made by the City in the payment of any installment of interest on or any Principal Installment or Redemption Price of any Subordinated Bonds when due,
- (iv) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the City Indenture or in the Bonds and such default shall continue for a period of 30 days after written notice thereof shall be given to the City by the Trustee or to the City and the Trustee by the Holders of a majority in Principal Amount of the Bonds Outstanding; provided that if such default cannot be remedied within such 30 day period, it shall not constitute an Event of Default hereunder if corrective action is instituted by the City within such period and diligently pursued until the default is remedied,
- (v) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the City or the whole or any substantial part of the System, (b) granting relief in involuntary proceedings with respect to the City under the federal bankruptcy act, or (c) assuming custody or control of the City or of the whole or any substantial part of the System under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of entry of the order, judgment or decree, or
- (vi) if the City (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of the System, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the City or of the whole or any substantial part of the System.

Upon the occurrence of an Event of Default described in clauses (i), (ii), (v) or (vi), so long as such Event of Default shall not have been cured, either the Trustee (by notice in writing to the City), or the Holders of twenty-five percent (25%) in Principal of the Bonds Outstanding (by notice in writing to the City, the Board and the Trustee) may, with the consent of the Agency (so long as there are Agency Bonds Outstanding hereunder), declare the Principal Amount of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the City Indenture or in any of the Bonds contained to the contrary notwithstanding.

Application of Revenues and Other Moneys After Default

The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, shall pay over and assign to the Trustee (i) forthwith, all moneys, securities, Reserve Deposits, Additional Security, if any, and funds then held by the City in any fund or account pledged under the City Indenture including, without limitation, funds then held by it in the Revenue Fund, and (ii) as promptly as practicable after receipt thereof the Revenues.

During the continuance of an Event of Default, the Trustee shall apply the moneys, Reserve Deposits, Additional Security, if any, and funds held by the Trustee and such Revenues and the income therefrom as follows and in the following order:

- (i) to the payment of the reasonable and proper charges and expenses of the Fiduciaries and of its agents, representatives, advisors and legal counsel, and of any engineer or firm of engineers selected by the Trustee pursuant to this Article and to the payment of any fees and expenses required to keep any Reserve Deposits or Additional Security in full force and effect;
- (ii) to the payment of the amounts required for reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the System necessary to prevent loss of Revenues or to provide for the continued operation of the System, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the City for other purposes) selected by the Trustee;
- (iii) to the payment of the interest and Principal Amount or Redemption Price then due on the Bonds, as follows:

- (a) unless the Principal Amount of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments maturing, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Amount or Redemption Price of any Bonds which shall become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Amount or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

- (b) if the Principal Amount of all of the Bonds shall have become or have been declared due and payable, to the payment of the Principal Amount and interest then due and unpaid upon the Bonds without preference or priority of Principal Amount over interest or of interest over Principal Amount, or of any installment of interest over any other installment of interest, or of

any Bond over any other Bond, ratably, according to the amounts due respectively for Principal Amount and interest, to the persons entitled thereto without any discrimination or preference;

Proceedings Brought by Trustee

Whether or not a declaration shall be made by the Trustee or Bondholders pursuant to Section 701 of the City Indenture, if an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the City Indenture by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the City Indenture, or in aid of the execution of any power granted in the City Indenture, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the City Indenture. All rights of action under the City Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings.

Restriction on Bondholders' Action

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the City Indenture or for any remedy under the City Indenture, unless such Holder shall have previously given to the Trustee written notice of the happening of any Event of Default and shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity to exercise the powers granted in this Article in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby or in connection therewith, and the Trustee shall have refused to comply with such request within a reasonable time.

Amendment

Any modification or amendment of the Bonds or of the City Indenture may be made by a City Supplemental Indenture, with the written consent given as provided in Section 1003 of the City Indenture, (i) of the Holders of at least a majority in aggregate Principal Amount of all Bonds Outstanding at the time such consent is given or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in aggregate Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the vote or consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1003 of the City Indenture; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the Principal Amount of any Outstanding Bond, or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon or the method for determining such rate without the consent of the Holder of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages of the Principal Amount of Bonds the consent of which is required to effect any such modification or amendment.

Defeasance

If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds of a Series then Outstanding, the Principal Amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the City Indenture then the pledge of any

Revenues or other moneys, securities, Reserve Deposits and Additional Security, if any, pledged by the City Indenture and all other rights granted by the City Indenture shall be discharged and satisfied.

All Outstanding Bonds of any Series or any part of a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) of Section 1101 of the City Indenture if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide as provided in Article IV, notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Permitted Investments of the type described in clause (1) of the definition thereof or Advance Refunded Municipal Bonds not subject to redemption at the option of the issuer thereof prior to the due date thereof, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time of deposit of such Permitted Investments, shall be sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to provide, as soon as practicable, at least thirty (30) days written notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with paragraph (1) of Section 1101 of the City Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal Amount or Redemption Price, if applicable, on said Bonds. Neither Permitted Investments nor moneys deposited with the Trustee pursuant to Section 1101 of the City Indenture nor principal or interest payments on any such Permitted Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Amount or Redemption Price, if applicable, and interest on said Bonds, provided that any cash received from the principal or interest payments on such Permitted Investments deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Permitted Investments maturing at times and in principal amounts sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. After the making of the payments for which such Permitted Investments or moneys were held, any surplus shall be promptly paid over to the City, as received by the Trustee, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under the City Indenture.

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APPENDIX D

**Certain Information Regarding
the City of Pawtucket, PWSB
and
the Pawtucket Water System**

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APPENDIX D-1

**Information Relating to the
City of Pawtucket, PWSB and
Pawtucket Water System**

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INFORMATION RELATING TO THE CITY OF PAWTUCKET, THE PAWTUCKET WATER SUPPLY BOARD AND THE PAWTUCKET WATER SYSTEM

For financial information regarding the PWSB, see APPENDIX D-2 – “Financial Statements of the Pawtucket Water Supply Board.”

THE CITY OF PAWTUCKET

General

The City of Pawtucket, Rhode Island (the “City”) was founded and incorporated as a city in 1886. According to the 2010 U.S. Census, the City’s population in 2010 was 71,148. It is currently ranked fourth in population among Rhode Island municipalities. Pawtucket borders the capital city of Providence and is situated approximately 40 miles from Boston, 190 miles from New York and 70 miles from Hartford, all points easily accessible via a network of interstate highways. U.S. Route 1 and Interstate 95 connect with an interstate highway system which links Pawtucket to the Northeast Corridor and the eastern and international markets.

The City's land area extends over 8.94 square miles and is intersected by the Blackstone River which flows southward into the Seekonk River, a tidal tributary of Narragansett Bay. According to the latest statistics prepared by the Department of Planning and Development, 97.0% of Pawtucket's land area is developed.

The City is served by railroad freight connection with the Providence and Worcester Railroad. Long distance passenger train service is available through Amtrak at the Providence railroad station. Commuter rail service to Boston can be obtained in either South Attleboro, Massachusetts, an adjacent town, or in Providence.

The main airline terminal for the metropolitan Providence area, T.F. Green Airport, is located in Warwick, Rhode Island, a fifteen-minute drive from the City. Most major domestic airlines are represented at the airport. The relocated Providence bus station, with service to all New England points, is less than one mile from the City’s border.

Government

The City operates under a Home Rule Charter, originally adopted in 1953. The Charter provides for a Mayor-Council form of government with a nine-member City Council, consisting of six district council members and three which are elected at-large. The Mayor and members of the City Council are elected for two year terms in even numbered years.

Executive and administrative powers are vested exclusively in and exercised by the Mayor and such other officers, departments, boards and commissions as designated and authorized by the Charter. All department heads and most of the members of boards and commissions which directly affect City operations are appointed by the Mayor.

The Mayor of the City is Donald Grebien. He has held the office of Mayor since January 2011. Prior to his election as Mayor, Mayor Grebien was employed in the field of manufacturing, most recently by American Insulated Wire, a Division of Leviton Manufacturing. The Mayor served on the Pawtucket City Council for eleven years and was City Council President from 2005 – 2007. One of the Mayor’s top priorities prior to and since taking office has been economic development of the City as a whole and the

downtown business district. A past board member of the Preservation Society of Pawtucket and member of the Pawtucket Riverfront Commission, the Mayor is an active member of the community including serving as a coach and/or sponsor for the Little League and other youth teams.

The Director of Finance of the City is Joanna L'Heureux. Ms. L'Heureux was appointed by the Mayor on January 9, 2012. Ms. L'Heureux served as Pawtucket's chief accountant in the Finance Department for nearly four years, ending in January 2001, after previously working as a staff accountant for the Pawtucket School Department. She later worked as town auditor for the town of Stoughton, MA, before moving into private industry as senior accountant for more than eight years with Parmelee, Poirier & Associates, LLP, in Warwick, RI. Most recently, Ms. L'Heureux had been the business manager for the West Bay Collaborative. Ms. L'Heureux holds a bachelor of science degree in business administration from Bryant University, where she majored in accounting.

Government Services

The City provides general governmental services within its boundaries including police and fire protection, collection and disposal of garbage and rubbish, public education in grades pre-school through 12, water and sewerage collection services, public works and highway services and a rescue service which is staffed by emergency medical technicians.

Sewerage System

While the City is responsible to collect wastewater, sewerage treatment services are provided by the Narragansett Bay Commission ("NBC"), a regional governmental entity, serving the City, the Cities of Providence, Central Falls, East Providence, a portion of the City of Cranston, and portions of the Towns of Lincoln, Cumberland, Smithfield, Johnston and North Providence. Each residence and business served pays an annual service fee to the NBC based on water consumption.

The NBC's capital improvement program includes a project to address combined sewer overflows (the "CSO Project"). Phases 1 and 2 of the CSO Project are complete, and NBC is in the process of defining the scope of Phase 3. The cost of the CSO Project will be supported by NBC user fees system-wide, subject to review and approval of the State's Public Utilities Commission.

Litigation

The City is a defendant in numerous lawsuits. With respect to any litigation, in the opinion of the City officials, there is no litigation pending or threatened against the City which either individually or in the aggregate, would result in judgments that would materially and adversely affect the financial position of the Pawtucket Water Supply Board or its ability to meet its debt service obligations regarding the water system revenue bonds.

THE PAWTUCKET WATER SUPPLY BOARD AND WATER SYSTEM

General

The Pawtucket Water Supply Board (the “PWSB”) is a semi-autonomous agency of the City. The functions of the PWSB are delineated in the City Charter. The PWSB is comprised of six members, four of whom are appointed by the mayor of Pawtucket, one member of the City Council elected by the City Council and the sixth is the Finance Director of the City, who serves ex-officio.

Physical System

The PWSB provides water service to a population of about 98,000 people. The PWSB has a retail service area that encompasses three communities: all of the Cities of Pawtucket and Central Falls, and the Valley Falls portion of the Town of Cumberland. The PWSB also provides wholesale water to the Town of Cumberland, Rhode Island.

The water source for the Pawtucket Water System is the Abbott Run watershed, which is a tributary of the Blackstone River. The PWSB operates two large reservoirs on Abbott Run in the northern part of Cumberland and several smaller impoundments along the seven miles of Abbott Run between the reservoirs and the water treatment plant. The two large reservoirs hold about 3.7 and 1.2 billion gallons, respectively. A number of wells can augment the surface water system.

The PWSB provides an average supply of 7.4 million gallons of treated water per day. The system includes a water filtration plant, several pump stations, three treated water storage tanks, eight ground water wells and approximately 285 miles of water transmission and distribution mains.

A new water treatment plant was constructed to replace the existing 1938 plant and to comply with federal safe drinking water standards that took effect in 2008. The Plant was placed in service and began providing water to the PWSB distribution system on March 19, 2008. The water treatment plant is operated by United Water, a third party subcontractor, under a twenty year operating contract due to expire in February 2024.

The accelerated water distribution system program will rehabilitate or replace the entire distribution system by 2017. To finance the remaining distribution system improvements, the PWSB is expected to seek funding from the Rhode Island Infrastructure Bank (the “Bank”), supported by user fees, in part under the Bank's drinking water revolving loan fund and the remainder as additional market rate loans as required. The treatment plant cost was \$47.558 million and the PWSB capital improvement plan calls for expenditures of \$18.7 million through 2017 for distribution line upgrades. These amounts include estimated related engineering costs, oversight and contingency.

The approximately 23,000 accounts in the water system are all metered and are billed monthly. The water rate structure has been modified to a uniform rate structure to conform to the state regulations. All rates and tariffs are subject to the regulations of the Rhode Island Public Utilities Commission (the “PUC”). Current rates support payment of debt service on the City and the PWSB’s outstanding bonds related to the water system, and are projected to support debt to be issued to complete the planned distribution line updates. Any debt financings through the Bank or otherwise for the distribution line upgrades are also subject to approval by the Rhode Island Division of Public Utilities and Carriers (the “Division”).

Financial Operations

The PWSB operates as an enterprise fund. As such, the costs and expenses of the PWSB, including debt service, are recovered from user charges. The PWSB is required to maintain its books and records in accordance with generally accepted accounting principles (GAAP) as applied to government agencies. Transactions of the PWSB are accounted for using the accrual basis of accounting; revenues are recognized when they are earned and expenses as they are incurred. The PWSB has had an audit prepared each year from its inception up to and including the year ended June 30, 2014. The audit is also submitted as part of the audit of the City of Pawtucket. See APPENDIX D-2 herein for the Pawtucket Water Supply Board's Audited Financial Statements for the Year Ended June 30, 2014. The financial statements of the PWSB, an enterprise fund of the City, as of and for the year ended June 30, 2014 are included as Appendix D-2 to the Official Statement and have been incorporated herein. The 2014 financial statements of the PWSB have been audited by LGC&D LLP, Providence, Rhode Island, independent certified public accountants, to the extent indicated in their report thereon. LGC&D LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the 2014 financial statements of PWSB addressed in that report, nor has LGC&D LLP audited or reviewed the PWSB's financial statements subsequent to the completion of the audit of the financial statements as of and for the year ended June 30, 2014. Also, LGC&D LLP has not performed any procedures relating to this Official Statement.

Any surplus in the annual financial operations can be used for capital expenses, debt service, or future operating expenses. Deficits must be recovered by increasing rates in the following years.

Recent New and Anticipated Debt

The PWSB closed a new loan with the Bank on August 6, 2015 in the amount of \$5,907,000 to finance the next construction contract as part of the entire rehabilitation of the transmission and distribution pipeline system. This loan also included debt forgiveness of \$1,208,200 which reduces the principal and interest debt service over the term of the loan. The PWSB also anticipates closing a new loan with the Bank in January of 2016 in the amount of \$4,718,000 to finance the final construction contract as part of its entire rehabilitation of the transmission and distribution pipeline system.

Rates and Charges

The PWSB is highly regulated by the PUC, which is the state agency responsible for approving all rate increases for regulated utilities within Rhode Island. The municipal water utilities that are regulated in Rhode Island are those that supply water to municipalities outside their own borders. Since the PWSB provides water service to other communities, it fits the definition of a regulated water utility, and the PUC must approve and authorize all rates and tariffs of the PWSB.

In accordance with the guidance of the PUC, the PWSB has modified its rate structure from a declining block structure to a uniform rate structure.

Rate-Setting Procedures

The PUC is a three person quasi-judicial body. It rules on proposed rate increases after hearing opposing positions relative to the proposed rate increases from the utility seeking the increase and the Attorney General's office opposing the increase. Intervenors can and have entered their appearance to oppose the PWSB's proposed rating filings. The Rhode Island General Laws allow the PUC to consider rate increases for up to nine months after filing. In exceptional situations the utility may apply for emergency rate relief. Rate relief is granted in the form of gross revenue requirement. Actual management of the funds is generally left to the utility, subject to certain PUC requirements for restricted accounts. The PWSB filed an application to increase its rates on February 4, 2015. The rate case (Docket #4550) has been settled and the PUC approved a total increase in rate revenues of \$1,598,016 or 8.5%

effective October 1, 2015. This settlement agreement also includes rate revenue increases of \$1,352,419 or 6.6% effective July 1, 2016, and \$826,561 or 3.8% effective July 1, 2017. PWSB is required to submit a compliance filing prior to the effective date of each of the subsequent rate revenue increases. These approved increases may be adjusted based upon actual water sales and any significant changes resulting from the issuance of new debt and debt refunding.

Revenues and Expenditures

Set forth below is a summary statement of revenues and expenditures of PWSB for the fiscal years 2011 through 2015.

	Audited 2011	Audited 2012	Audited 2013	Audited 2014	Unaudited 2015
Operating Revenues	\$16,847,762	\$18,583,762	\$18,006,305	\$18,444,023	\$18,701,897
Operating Expenses	<u>12,156,375</u>	<u>12,398,998</u>	<u>11,722,123</u>	<u>11,566,100</u>	<u>11,695,708</u>
Operating Income	4,691,387	6,184,583	6,284,182	6,877,923	7,006,189
Non-operating Revenues	398,935	875,955	546,227	640,998	604,801
Non-operating Expenses	<u>(3,686,106)</u>	<u>(3,736,372)</u>	<u>(3,604,559)</u>	<u>(3,899,203)</u>	<u>(3,880,913)</u>
Excess (Deficiency) of Income over Expenses	<u>\$ 1,404,216</u>	<u>\$ 3,324,166</u>	<u>\$ 3,225,850</u>	<u>\$ 3,619,718</u>	<u>\$ 3,730,077</u>

Billings for Services

Metered water sales account for the largest portion of revenue of the PWSB. All water services are metered, and all accounts are read monthly. All users are billed based on these readings. Each account is also billed a customer service charge, which is a monthly charge based on the size of the water meter. The PWSB supplies both public and private fire protection services at rates which are tied to the size of the fire line connection.

The PWSB sells water wholesale to the Town of Cumberland in Rhode Island. Raw water safe yields in excess of retail water demand permit the sale of wholesale water to neighboring communities.

Budgets

Annual budgets, capital improvement plans, and cash flow projections are prepared by the Chief Engineer, Assistant Chief Engineer and the Chief Financial Officer of the PWSB in consultation with the departmental directors. The budget is presented to the PWSB Board for review and approval.

Collections

The PWSB has a staff member assigned full-time to the collection of delinquent accounts. In accordance with PUC regulations, a customer with a delinquent account is reminded of the overdue bill 30 days after due date. If the bill remains unpaid, the account is placed in a delinquency collection program which may include the termination of water service. Typically, delinquent customers make payment arrangements within 24 hours after service termination. In addition, Rhode Island law establishes the assessment of water charges as a lien against the property and the unpaid account balance can be collected in accordance with the State of Rhode Island tax sale statutes. The PWSB conducts two tax sales each year to collect significantly delinquent accounts that have failed to make or defaulted on their payment arrangements.

Management

James DeCelles is the Chief Engineer/General Manager of the Pawtucket Water Supply Board. Mr. DeCelles assumed this position March 11, 2008, after having first served in an acting capacity since February 2006. He had previously served as the Assistant Chief Engineer since February 2005. Mr. DeCelles previously served as the Utilities Manager for the Town of North Attleboro, MA and the Water and Sewer Superintendent of the Town of North Smithfield, RI. While serving in these positions Mr. DeCelles was responsible for the operating, maintenance, and management of the water and wastewater systems for these communities. Mr. DeCelles has over 25 years of experience in municipal water and wastewater operation and construction. Mr. DeCelles has a BS in engineering from Norwich University, an MS in civil engineering from Worcester Polytechnic Institute and is a registered Professional Engineer in the State of Rhode Island.

Russell Houde assumed the position of Assistant Chief Engineer/Chief of Operations for the Pawtucket Water Supply Board on April 22, 2013. Mr. Houde previously worked for the consulting firms C&E Engineering and Pare Engineering Corporation for over 20 years. Mr. Houde was a Principal and Managing Engineer in charge of projects ranging from studies to design. Mr. Houde has over 25 years of project management and drinking water experience. Mr. Houde has a BS degree from Worcester Polytechnic Institute in civil engineering and a BA in Mathematics from Assumption College. Mr. Houde is a registered Professional Engineer in the States of Rhode Island and Vermont.

Robert E. Benson is the Chief Financial Officer of the Pawtucket Water Supply Board. Mr. Benson assumed his position January 16, 2005. His background consists of over thirty years of financial management experience in public accounting, private industry and government finance. Mr. Benson previously served as the Chief Accountant for the City of Pawtucket from March 2004 to January 2005. Mr. Benson has a BSBA in accounting and an MBA in accounting from Bryant College (now known as Bryant University). Mr. Benson is a licensed Certified Public Accountant by the State of Rhode Island.

Employee Relations

Other than administrative personnel, employees of the Pawtucket Water Supply Board are represented by Local 1012 of the American Federation of State, County and Municipal Employees ("AFSCME") which represents employees of the City and is affiliated with the AFL-CIO.

Supervisory personnel, other than the Chief Engineer/General Manager, the Chief Financial Officer and the Assistant Chief Engineer, are represented by the Teamsters Local 251.

Under the Rhode Island General Laws, PWSB employees have certain organizational and representational rights which include the right to organize, to bargain collectively by representatives of their choice on questions of wages, hours and other terms and conditions of employment, and to engage in lawful activities for concerted bargaining or other mutual aid protections. The law prohibits strikes by employees of the Board.

The City and AFSCME Local 1012 have negotiated a new collective bargaining contract for the three year period ending June 20, 2017. The collective bargaining agreement with Teamsters Local 251 expired June 30, 2012. A tentative new collective bargaining agreement has been agreed to between the PWSB and Teamsters Local 251, subject to approval by the City Council.

Pensions

See footnote 7 of Appendix D-2 – “Financial Statements of the Pawtucket Water Supply Board” for a description of the pension plans covering the PWSB employees. As indicated in that footnote, the PWSB, as part of the City, participates in the Municipal Employees Retirement System of the State of

Rhode Island (“MERS”). The State recently enacted pension reform legislation regarding MERS. The legality of the legislation has been challenged in court by certain unions and associations of retired municipal employees. Neither the PWSB nor the City were defendants in those challenges. The litigation has been settled in a manner that the State estimates would preserve approximately 90% of the savings anticipated from the pension reforms. The impact of the settlement on future required pension contributions by the PWSB is not expected to be material to the PWSB.

Litigation

In the opinion of the PWSB’s general counsel after consultation with the Chief Engineer/General Manager, there is no litigation pending or threatened against the PWSB which either individually or in the aggregate, would result in judgments that would have a material adverse effect on the PWSB’s financial position or its ability to meet its debt service obligations.

THE BORROWER BONDS OF THE CITY OF PAWTUCKET ARE LIMITED OBLIGATIONS OF THE CITY OF PAWTUCKET PAYABLE SOLELY FROM THE REVENUES AND FUNDS AND ACCOUNTS PLEDGED UNDER THE CITY INDENTURE. THE BORROWER BONDS AND THE OBLIGATIONS EVIDENCED THEREBY SHALL NOT CONSTITUTE A GENERAL INDEBTEDNESS OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY OF PAWTUCKET WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. NO BONDHOLDER SHALL EVER HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY FOR THE PAYMENT OF THE BORROWER BONDS OF THE CITY OF PAWTUCKET. THE BORROWER BONDS OF THE CITY OF PAWTUCKET AND THE OBLIGATIONS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN OR ENCUMBRANCE ON ANY PROPERTY OF OR IN THE CITY OF PAWTUCKET OTHER THAN THE REVENUES AND FUNDS PLEDGED UNDER THE CITY INDENTURE.

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APPENDIX D-2

Financial Statements of the PWSB

The Pawtucket Water Supply Board (the "PWSB") has filed its audited financial statements for the fiscal year ended June 30, 2014 (the "PWSB Audited Financial Statements") with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. The PWSB Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix D. Copies of the PWSB Audited Financial Statements may be accessed online at emma.msrb.org. Copies of the PWSB Audited Financial Statements are also available by contacting the Bank at 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, telephone: (401) 453-4430, fax: (401) 453-4094.

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APPENDIX D-3

**Summary of Certain Provisions
of the Pawtucket Indenture**

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SUMMARY OF CERTAIN PROVISIONS OF THE PAWTUCKET INDENTURE

The following are definitions of certain words and terms used in this Official Statement and in the City Indenture, and not otherwise defined herein. Reference is made to the City Indenture for complete and definitive definitions of such terms. The summaries do not purport to set forth all of the provisions of said documents to which reference is made for the complete and actual terms thereof.

"Act" shall mean the applicable provisions of Chapter 12.8 of Title 46 of the General Laws of Rhode Island (1956) as amended from time to time and any other statute now or hereafter enacted, which by its general or specific terms authorizes the City to issue debt to finance the System or otherwise affects the terms of such debt.

"Additional Security" shall have the meaning given such term in Section 208 of the City Indenture.

"Advance-Refunded Municipal Bonds" shall mean obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by obligations described in clause (i) of the definition of Permitted Investments and that are rated in the highest rating category by each rating agency rating such obligations.

"Agency" means the Rhode Island Infrastructure Bank, formerly known as the Rhode Island Clean Water Finance Agency established pursuant to Chapter 12.2 of Title 46 of the General Laws of Rhode Island (1956) as amended.

"Agency Bonds" shall mean any Series of Bonds issued pursuant to Section 203(1)(v) of the City Indenture.

"Agency Loan Agreement" shall mean any loan agreement between the Agency and the City pertaining to a loan made to the City pursuant to Chapter 12.8 of the General Laws of Rhode Island (1956), as amended, and any bond purchase agreement between the Agency and the City relating to the purchase of Bonds issued pursuant hereto by the Agency in accordance with said Chapter 12.8 of Title 46.

"Annual Budget" shall have the meaning given such term in Section 608 of the City Indenture.

"Authorized Officer" shall mean the Mayor and the City Treasurer of the City, the Chief Engineer and the Deputy Chief Engineer of the Pawtucket Water Supply Board and, when used in reference to an act or document, shall also mean any other person authorized by resolution of the City Council to perform such act or sign such document.

"Authenticating Agent" shall mean, for the Bonds of a Series or any portion thereof, the Trustee and, where authorized by the applicable City Supplemental Indenture, the Paying Agent or Paying Agents for the Bonds of such Series.

"Bond" or "Bonds" shall mean any of the Water System Revenue Bonds of the City authenticated and delivered under the City Indenture (and, unless expressly stated to the contrary, shall not include Subordinated Bonds; provided that the provisions of Article III, Article IV, Article VIII, Article IX, Article XI and Article XII shall be applicable to Subordinated Bonds).

"Bondholder" or "Holder" or any similar term, when used with reference to a Bond or a Subordinated Bond, shall mean the registered owner of the Bond or the Subordinated Bond, respectively.

"Bond Insurance Policy" means the municipal bond new issue insurance policies issued by the Bond Insurer that guarantees the payment of the principal of and interest on the 2004 Series A Bonds and the 2005 Series A Bonds.

"Bond Insurer" means MBIA Insurance Corporation the insurer for the 2004 Series A Bonds and the 2005 Series A Bonds, or any successor thereto.

"Business Day" shall mean any day other than a Saturday, a Sunday or any other day on which any Fiduciary is authorized or required by law to be closed for business.

"Capital Improvements Budget" shall mean a capital budget for each Fiscal Year which identifies the Capital Improvements to the System to be undertaken by the City during such Fiscal Year, the nature of the work, the estimated completion date of each Capital Improvement, the estimated Costs expected to be expended therefor in such Fiscal Year, and estimated disbursements from any Project Account or Renewal or Replacement Account in the Project Fund and, to the extent provided by the City, any other fund or account under or outside the City Indenture, as well as the sources of moneys projected to be available to pay such estimated Costs in such Fiscal Year.

"Capitalized Interest Account" shall mean the account, if any, in the Debt Service Fund so designated and created pursuant to Section 506 of the City Indenture.

"Certified Public Accountant" shall mean an independent certified public accountant or firm of accountants selected by the City and reasonably acceptable to the Agency.

"City" shall mean the City of Pawtucket, Rhode Island or any body, agency, political subdivision, or instrumentality of the State or the City of Pawtucket which shall hereafter assume ownership or control of the System.

"City Council" shall mean the City Council of Pawtucket, provided that if the City Council shall have by resolution authorized an Authorized Officer to perform an act or sign a document, with respect to such act or signature "City Council" shall also mean such Authorized Officer and provided further that with respect to any successor body, agency, political subdivision or other instrumentality which shall hereafter own or control the System, "City Council" shall mean the governing body of such successor entity.

"City Indenture" shall mean the Trust Indenture between the City and the Trustee dated December 30, 2003 as the same may be amended or supplemented in accordance herewith.

"City Stabilization Account" shall mean the account in the Debt Service Fund established pursuant to Section 502 of the City Indenture.

"City Supplemental Indenture" shall mean any indenture of the City amending or supplementing the City Indenture adopted and becoming effective in accordance with the terms of Article IX of the City Indenture.

"Compound Interest Bonds" shall have the meaning given such term in Section 203(5) of the City Indenture.

"Consulting Engineer" shall mean an independent consultant or engineer or firm of consultants or engineers having a national reputation for expertise in such matters with respect to properties similar to those of the System selected by the City and reasonably acceptable to the Trustee; provided that for the purposes of Section 503(3) of the City Indenture the Consulting Engineer may be an engineer regularly in the employ of the City.

"Corporation Counsel" shall mean the City Solicitor of the City or any other attorney so designated by an Authorized Officer.

"Cost" as applied to any approved Project, means any or all costs, whenever incurred, of planning, designing, acquiring, constructing, and carrying out and placing the Project in operation, including, without limiting the generality of the foregoing, amounts for the following: planning, design, acquisition, construction, expansion, improvement and rehabilitation of facilities; acquisition of real or personal property; demolitions and relocations; labor, materials, machinery and equipment; services of architects, engineers, and environmental and financial experts and other consultants; feasibility studies, plans, specifications, and surveys; interest prior to and during the carrying out of any Project and for a reasonable period thereafter; reserves for debt service or other capital or current expenses; costs of issuance of local governmental obligations issued to finance the obligations including, without limitation, fees, charges, and expenses and costs of the Agency relating to the loan evidenced thereby, fees of trustees and other depositories, legal and auditing fees, premiums and fees for insurance, letters or lines of credit or other credit facilities securing local governmental obligations and other costs, fees, and charges in connection with the foregoing; and working capital, administrative expenses, legal expenses, and other expenses necessary or incidental to the aforesaid, to the financing of a Project and to the issuance therefor of local government obligations under the provisions of the Act, and shall include any item of cost, as may be permitted by the Act, as amended from time to time.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable or reimbursable by or to the City and related to the authorization, sale and issuance of Bonds or Subordinated Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Fiduciaries, legal fees and charges, fees and disbursements of consultants and professionals, initial fees and charges for Reserve Deposits, and any other cost, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys selected by the City and not unsatisfactory to the Trustee.

"Debt Service Assistance Account" shall mean the account in the Debt Service Fund so designated and created pursuant to Section 502 of the City Indenture.

"Debt Service Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Debt Service Fund Requirement" shall mean, as of any particular date of computation, the amount of money obtained by (i) aggregating the several sums, computed with respect to the Bonds of each Series Outstanding, of (A) any unpaid interest due on such Bonds at or before said date and all interest on such Bonds accrued but not due at said date, (B) the Principal Amount of any such Bonds matured and unpaid at or before said date, and (C) with respect to any Principal Installment of any Bonds not included in (B) above, but payable on the next succeeding Principal Installment payment date other than by reason of acceleration or redemption at the option of the City or the Holder of any Bonds, that portion of such Principal Installment determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to the date of such

calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to such next succeeding Principal Installment payment date and (ii) deducting amounts on deposit in the Debt Service Assistance Account available to make such payments on such Bonds; provided, that for purposes of any such computation, the Principal Installments of and interest on the Bonds in any period shall, in the case of any Series of Agency Bonds, be limited to the Required Debt Service Fund Deposits set forth for such period in the applicable City Supplemental Indenture.

"Debt Service Requirement" shall mean, for any period of calculation, (i) all interest payable on all Bonds Outstanding during such period, plus (ii) the Principal Installment or Installments payable on such Bonds during such period, less (iii) amounts available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year, including but not limited to (A) amounts on deposit in the Debt Service Assistance Account or Debt Service Assistance certified by an Authorized Officer of the City as reasonably expected to be received and deposited to the Debt Service Assistance Account on or before the last day of the Fiscal Year during which the applicable Debt Service Requirement calculation is to be made if such Debt Service Assistance has been appropriated by the applicable governmental entity, if any, or is payable pursuant to an agreement constituting a valid general obligation of the grantor, (B) amounts on deposit in the Stabilization Account and (C) the amount, if any, of Bond proceeds available or projected to be available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding; provided that the interest and Principal Installments payable on any Series of Agency Bonds during such period shall be limited to the Required Debt Service Fund Deposits for such period set forth in the applicable City Supplemental Indenture; and provided, further, for purposes of demonstrating compliance with Section 603(2) of the City Indenture (as contemplated by Section 603(4)) of the City Indenture, that the amount of Debt Service Assistance deducted from such calculation pursuant to clause (iii) above shall include only Debt Service Assistance actually received by the City during or on account of such period and deposited in the Debt Service Assistance Account or amounts in anticipation thereof transferred from the Revenue Fund or from general funds of the City and deposited in such account.

"Debt Service Reserve Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Debt Service Reserve Fund Requirement" shall mean, with respect to any Series of Bonds, as of any particular date of computation, an amount of cash, Permitted Investments or Reserve Deposits, or any combination of the foregoing, equal to the lesser of (i) the maximum aggregate Debt Service Requirement on a Series of Bonds in any current or future fiscal year or other appropriate twelve month period on such Series of Bonds; (ii) 125% of the average annual Debt Service Requirement on a Series of Bonds in any current or future fiscal year or other appropriate twelve month period, and (iii) 10% of the Outstanding Principal Amount of such Series of Bonds. For purposes of this computation, the amount of anticipated loan subsidies to be paid by the Agency on account of a Series of Bonds in such years shall be deducted from the calculation of Debt Service Requirement with respect to each Series of Bonds.

"Defeasance Obligations" for purposes of the 2004 Series A Bonds and the 2005 Series A Bonds, shall mean:

1. Cash.
2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – "SLGS").

3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

4. Resolution Funding Corp. (REFCORP) (only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form are acceptable).

5. Pre-funded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P (if however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S.- or U.S.-guaranteed obligations, or AAA-rated pre-refunded municipals to satisfy this condition).

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

- a. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership;
- b. Farmers Home Administration (FmHA)
Certificates of beneficial ownership;
- c. Federal Financing Bank;
- d. General Services Administration
Participation certificates;
- e. U.S. Maritime Administration
Guaranteed Title XI financing;
- f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

"Depository" shall mean any bank or trust company selected in accordance with Section 803 of the City Indenture as a depository of moneys to be held under the provisions of the City Indenture, and may include the Trustee.

"Discount Bonds" shall have the meaning given such term in Section 203(3) of the City Indenture.

"Fiduciary" shall mean the Trustee, any Paying Agent, any Depository or any Authenticating Agent.

"Fiscal Year" shall mean the period beginning on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year or such other period of twelve calendar months as may be authorized as the fiscal year of the City.

"Fixed Rate Bonds" shall have the meaning given such term in Section 203(2) of the City Indenture.

"General Fund" shall mean the general fund of the City.

"Insurance Reserve Fund" shall mean the fund so designated created pursuant to Section 502 of the City Indenture.

"Insurance Reserve Fund Requirement" shall have the meaning given to such term in Section 606 of the City Indenture.

"Net Revenues" shall mean, for any period of computation, (i) all Revenues (excluding Debt Service Assistance deposited in the Debt Service Assistance Account and any proceeds of insurance, condemnation or the sale or other disposition of any part of the System deposited in the Revenue Fund during such period, but including unrestricted fund balance on the books of the System) received by the City during such period and deposited in the Revenue Fund, plus (ii) moneys withdrawn from the Stabilization Account and transferred from the Stabilization Account in accordance with Section 506 of the City Indenture less (iii) all amounts withdrawn from the Revenue Fund during such period and (a) deposited in the Operating Fund, the Rebate Fund and the Stabilization Account or (b) required to be deposited in the Debt Service Reserve Fund during such period.

"Operating Expenses" shall mean any expenses incurred by or for the account of the City or reimbursable by or to the City for operation, maintenance and repair of the System including, without limiting the generality of the foregoing, administrative expenses, financial, legal and auditing expenses, insurance premiums, payments on claims against the City, to the extent moneys are unavailable therefor in the Insurance Reserve Fund or to the extent such claims shall fall within such reasonable deductible limits as may be determined by the City, if any, payments in lieu of taxes, if any, payments of rates, assessments or other charges to the City with respect to the System, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization and sick leave benefits for City employees allocable to the System and any other similar expenses required to be paid by the City, all to the extent properly and directly attributable to the System, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the City Indenture, but does not include the Cost of any Capital Improvement or any provision for interest, depreciation, amortization or similar charges on any indebtedness except for (i) interest paid on notes, and renewals thereof, issued in accordance with Section 607(2) (to the extent not included in the Cost of any Project), (ii) payments made with respect to any indebtedness represented by leases, mortgages, security interests and other encumbrances permitted by Section 604(3) and (iii) payments made on account of any general obligation indebtedness of the City issued for the benefit of the System.

"Operating Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Operation and Maintenance Reserve Fund" shall mean the fund so designated and created by Section 502 of the City Indenture.

"Operation and Maintenance Reserve Fund Requirement" shall mean, unless a greater amount is required by any City Supplemental Indenture, (i) from the date of delivery of the initial Series of Bonds hereunder until the last day of the third full Fiscal Year after such Bonds are delivered, the amount provided in the City Supplemental Indenture for the initial Bonds, which is the amount approved by the Public Utilities Commission to be funded in accordance with the time frame approved by the Public Utilities Commission, and (ii) as of the last business day of each calendar month thereafter an amount equal to at least the sum of (a) the balance on deposit in the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year and (b) one-twelfth (1/12) of the amount, if any, by which the balance of the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year was less than the Operation and Maintenance Reserve

Fund Requirement calculated as of such day multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year, and either plus (c) one-twelfth (1/12) of one-sixth (1/6) of the amount, if any, by which the projected aggregate Operating Expenses of the current Fiscal Year (as shown in the Annual Budget as then amended and supplemented for such Fiscal Year) exceeds the aggregate Operating Expenses for the prior Fiscal Year multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year or minus (d) one-sixth (1/6) of the amount, if any, by which such projected aggregate Operating Expenses are less than the aggregate Operating Expenses for the prior Fiscal Year.

For purposes of such computation, the City and the Trustee shall consider the amount of Operating Expenses paid in a prior Fiscal Year to be such amount as estimated by an Authorized Officer in a certificate filed with the Trustee on or before the last day of such Fiscal Year subject to adjustment with respect to the actual amount as set forth in a certificate of an Authorized Officer filed with the Trustee on or before one hundred twenty (120) days after the end of such Fiscal Year.

"Outstanding", when used with reference to Bonds or Subordinated Bonds, shall mean as of any particular date, all Bonds or Subordinated Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond or Subordinated Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the City or by any other Fiduciary, at or before said date, (2) any Bond or Subordinated Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest to the maturity or redemption date, shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond or Subordinated Bond) and, except in the case of a Bond or Subordinated Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article IV, (3) any Bond or Subordinated Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to Article III, Section 406 or Section 1006 of the City Indenture, and (4) any Bond or Subordinated Bond deemed to have been paid as provided in Section 1101 of the City Indenture.

"Pawtucket Water Supply Board" shall mean the Water Supply Board of the City of Pawtucket, provided that if the Pawtucket Water Supply Board shall have by resolution authorized an authorized officer to perform an act or sign a document with respect to such act or signature "Pawtucket Water Supply Board" shall also mean such Authorized Officer and provided further that with respect to any successor body, agency, political subdivision or other instrumentality which shall hereafter operate the System, "Pawtucket Water Supply Board" shall mean such successor entity

"Paying Agent" shall mean any paying agent or co-paying agent for Bonds of any Series appointed pursuant to this Resolution or an applicable Series Resolution and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to this Resolution.

"Permitted Investments" shall mean and include for purposes of the City's 2003 Series Bonds, 2004 Series A Bonds and 2005 Series A Bonds, any of the following securities, if and to the extent the same are at the time legal for investment of the City's funds:

- (i) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;
- (ii) the following bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities being

permitted only if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the United States Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financing of the United States Maritime Administration; and (viii) project notes, local authority bonds, guaranteed debentures and guaranteed public housing notes and bonds of the United States Department of Housing and Urban Development;

- (iii) the following bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities being permitted only if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and (iv) obligations of the Resolution Funding Corporation;
- (iv) money market funds registered under the Investment Company Act of 1940, the shares of which are registered under the Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G, AAAm, or Aam;
- (v) certificates of deposit secured at all times by collateral described in (a) and/or (b) above and issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Bondowners must have a perfected first security interest in the collateral;
- (vi) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or FSLIC;
- (vii) investment agreements, including guaranteed investment contracts, approved in writing by the Bond Insurer, its successors or assigns;
- (viii) commercial paper, with a maturity not greater than 270 days, and rated, at the time of purchase, "Prime-1" by Moody's or "A-1" or better by Standard & Poor's;
- (ix) bonds or notes issued by any state which are rated by Moody's or Standard & Poor's in one of the three highest rating categories assigned by such agencies;
- (x) federal funds or bankers' acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by Standard & Poor's; and
- (xi) repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the City (buyer/lender), and the transfer of cash from the City to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the City in exchange for the securities at a specified date, provided, however, that such repurchase agreements must either be approved in writing by the Bond Insurer, its successors or assigns or satisfy the following criteria: (i) the

repurchase agreement must be between the City and a primary dealer on the Federal Reserve reporting dealer list which is rated A or better by Standard & Poor's and Moody's or a bank rated "A" or above by Standard & Poor's and Moody's; (ii) the repurchase agreement must include the following provisions: (w) securities which are acceptable for transfer are: (1) direct obligations of the United States of America or (2) securities of federal agencies backed by the full faith and credit of the United States of America, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, (x) the term of the repurchase agreement may be up to 30 days, (y) the collateral must be delivered to the City, Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities), and (z) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the City to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral falls below 104% of the value of the cash transferred by the City, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are securities of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, then the value of collateral must equal 105%; and (iii) the City must receive an opinion of counsel to the effect that the repurchase agreement meets guidelines under the law of the State for legal investment of public funds.

"Permitted Investments" except as provided in any Supplemental Indenture, shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the funds held pursuant to this Indenture:

- (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America, and any certificates or receipts representing direct ownership of future interest or principal payments in such bonds or other obligations;
- (ii) public housing bonds issued by public agencies or municipalities and fully guaranteed as to the payment of both principal and interest by the United States of America; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the timely payment of both principal and interest by a requisition or payment agreement with the United States of America, or obligations issued by any state or any public agencies or municipalities which at the time of purchase are rated in either of the two highest rating categories by each Rating Agency then maintaining a rating on such obligations;
- (iii) direct and general obligations of any state of the United States to the payment of the principal of and interest on which the full faith and credit of such state is pledged, and direct and general obligations of any political subdivision of any such state to the payment of which the full faith and credit and unlimited ad valorem taxing power of such political subdivision is pledged, provided that at the time of their purchase under the Indenture such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;

- (iv) commercial paper rated in the highest category by each Rating Agency then maintaining a rating on such commercial paper;
- (v) investments in a money market fund or other fund the investments of which consist exclusively of obligations described in clause (i) above;
- (vi) bank time deposits evidenced by certificates of deposit issued by banks or savings and loan institutions (which may include any Fiduciary) having at the time of purchase a combined capital and surplus of not less than \$50,000,000 which are members of the Federal Deposit Insurance Corporation; provided that any such time deposits in excess of applicable federally insured limits are fully secured by obligations described in clause (i) above, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such bank time deposits so secured, including interest;
- (vii) repurchase agreements relating to securities of the type specified in clause (i) above with banks or trust companies having a combined capital and surplus of not less than \$50,000,000 or with government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; provided that the market value of such securities is at the time of entering into such agreement at least one hundred three percent (103%) of the repurchase price specified in the agreement; and provided further that such securities are delivered to or held by the Trustee or a depository satisfactory to the Trustee in such manner as may be required to provide a perfected security interest in such securities;
- (viii) investment contracts with, or guaranteed by, banks or other financial institutions whose long-term unsecured debt or claims-paying ability at the time of purchase is rated in one of the three highest rating categories for such debt or claims-paying ability by each Rating Agency then maintaining a rating on such banks or other financial institutions;
- (ix) bonds, notes or other evidences of indebtedness issued or guaranteed by the Federal Banks for Cooperatives, Federal Intermediate Credit Bank, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank System, Federal Land Banks, Export-Import Bank of the United States, Federal National Mortgage Association, Government National Mortgage Association or any agency or Instrumentality of or corporation wholly owned by the United States of America; and
- (x) Advance-Refunded Municipal Bonds.

"Principal Amount," with respect to any Bond or Subordinated Bond, shall mean the stated principal thereon or such other amount payable on any Compound Interest Bond or Discount Bond designated as the Principal Amount thereof pursuant to the applicable City Supplemental Indenture.

"Principal Installment" shall mean, as of any particular date of computation and with respect to Bonds or Subordinated Bonds of a particular Series, an amount of money equal to the aggregate of (i) the Principal Amount of Outstanding Bonds or Subordinated Bonds of said Series which mature on such date, reduced by the aggregate Principal Amount of such Outstanding Bonds or Subordinated Bonds which would at or before said date be retired by reason of the payment when due and application in accordance with the City Indenture of Sinking Fund Payments payable at or before said date for the retirement of such Outstanding Bonds or Subordinated Bonds, plus (ii) the amount of any Sinking Fund Payment payable on said date for the retirement of any Outstanding Bonds or Subordinated Bonds of said Series.

"Principal Office," when used with respect to a Fiduciary, shall mean the office where such Fiduciary maintains its principal office or, where different, its principal corporate trust office.

"Project" shall mean a Capital Improvement, all or a portion of the Cost of which is financed by Bonds and, in connection with the issuance of the initial Bonds issued pursuant to the City Indenture, shall mean the acquisition of the System by the City from the Pawtucket Public Buildings Authority.

"Project Account" shall mean one of the accounts so designated in the Project Fund created by Section 503 of the City Indenture.

"Project Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Public Utilities Commission" shall mean the Public Utilities Commission of the State created pursuant to Chapter 39-1 of the General Laws of Rhode Island, as amended from time to time.

"Rates and Charges" shall mean, except as otherwise expressly provided in the City Indenture, all fees, rates, rents, assessments and other charges established by or on behalf of the City for the services, facilities and commodities furnished or supplied by it from the operation of the System.

"Rating Agency" shall mean Fitch, Moody's Investors Service or Standard & Poor's and their respective successors and assigns and shall also include any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Bonds or Subordinated Bonds.

"Rebate Fund" shall mean the fund so designated in any City Supplemental Indenture.

"Redemption Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Redemption Price" shall mean, with respect to any Bond or Subordinated Bond or portion thereof, the Principal Amount thereof or of such portion, or such other amount as may be provided in the applicable City Supplemental Indenture, plus the premium, if any, payable upon redemption thereof.

"Refunding Bonds" shall mean any of the Bonds authorized by Section 205 of the City Indenture.

"Reimbursement Obligation" shall have the meaning given such term in Section 208 of the City Indenture.

"Required Debt Service Fund Deposits" shall mean, with respect to each Series of Agency Bonds, the amounts so designated pursuant to Section 204(1)(ix) of the City Indenture and the applicable City Supplemental Indenture.

"Reserve Deposits", with respect to the Issuer's 2004 Series A Bonds and 2005 Series A Bonds, shall mean one or more of the following:

- (i) irrevocable, unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or of the holding company of such banking institution) have (at the time of issue of such letter of credit) a rating within the two highest rating categories generally available to banking institutions by each Rating Agency rating such debt without regard to any gradations within such categories; or

- (ii) irrevocable and unconditional policies of insurance in full force and effect issued by municipal bond insurers the obligations insured by which are eligible for a rating at the time of issuance of such policies within the two highest rating categories available to insurers generally issuing such insurance by each Rating Agency rating such insurance without regard to any gradations within such categories.

"Reserve Deposits", except with respect to the Issuer's 2004 Series A Bonds and 2005 Series A Bonds, shall mean one or more of the following:

- (i) irrevocable, unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or of the holding company of such banking institution) have (at the time of issue of such letter of credit) a rating within the two highest rating categories generally available to banking institutions by each Rating Agency rating such debt without regard to any gradations within such categories; or
- (ii) irrevocable and unconditional policies of insurance in full force and effect issued by municipal bond insurers the obligations insured by which are eligible for a rating at the time of issuance of such policies within the three highest rating categories available to insurers generally issuing such insurance by each Rating Agency rating such insurance without regard to any gradations within such categories.

in each case providing for the payment of sums for the payment of Principal Installments and interest on Bonds in the manner provided under Section 508 of the City Indenture.

"Revenue Fund" shall mean the fund so designated created in accordance with Section 502 of the City Indenture.

"Revenues" shall mean and include (except as otherwise expressly provided in the City Indenture) (i) all income, fees, revenues, rates, receipts, assessments, rents, charges and other moneys, including any unrestricted fund balance attributable to the operation of the System, (a) derived by the City from its ownership and operation of the System (including collections by or on behalf of the City on account of services and commodities furnished or supplied by the System prior to the effective date of the City Indenture) or (b) derived from any other source, to the extent such moneys are deposited or required to be deposited to the Revenue Fund by the City from time to time pursuant to a City Supplemental Indenture (provided that any such moneys shall not be considered Revenues for purposes of Section 603(2) of the City Indenture unless at the time of the deposit thereof to the Revenue Fund an Authorized Officer shall have submitted to the Trustee a certificate designating such moneys as Revenues for such purpose) and (ii) all accounts, receivables, general intangibles and contract or other rights to receive the Revenues described in clause (i), whether existing at the effective date of the City Indenture or thereafter coming into existence and whether held by the City at the effective date of the City Indenture or thereafter acquired, and the proceeds thereof, including, without limiting the generality of the foregoing, receipts from Rates and Charges and from the earnings on the investment of any moneys held under the City Indenture by the Trustee, a Depository or the City or remitted to the City by the Agency (other than moneys held in the Rebate Fund and the Unrestricted Fund), receipts from fees, rates, assessments and other charges to any political subdivision of the State for services or commodities furnished or supplied by the System, proceeds of any grant or appropriation for or on account of Operating Expenses received by the City from the United States or the State or from any agency, instrumentality or political subdivision of either thereof, Debt Service Assistance and except to the extent otherwise provided in the City Indenture, proceeds of the sale or other disposition of all or any part of the System and of insurance and condemnation awards received with respect to the System or any part

thereof, but not including any amounts not deemed "Revenues" pursuant to Section 504(1) of the City Indenture.

"Series" when used with respect to less than all of the Bonds or Subordinated Bonds, shall mean or refer to all of the Bonds or Subordinated Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions and may also mean, if appropriate, a lot or subseries of any Series if, for any reason, the City should determine to divide any Series into two or more lots or subseries.

"Series Debt Service Reserve Fund Requirement" shall mean, as of any date of calculation, the aggregate amount required to be deposited to the Debt Service Reserve Fund pursuant to the City Supplemental Indenture applicable to a particular Series of Bonds.

"Sinking Fund Payment" shall mean, as of any particular date of computation and with respect to Bonds or Subordinated Bonds of a particular Series, the amount of money required by any City Supplemental Indenture to be paid by the City on such date for the retirement of any Outstanding Bonds or Subordinated Bonds of said Series which mature after said date, but does not include any amount payable by the City by reason of the redemption of Bonds or Subordinated Bonds at the election of the City or the Holders of such Bonds.

"State" shall mean the State of Rhode Island and Providence Plantations.

"Subordinated Bonds" shall have the meaning given such term in Section 208 of the City Indenture.

"System" shall mean the system of water supply, treatment and distribution facilities of the City, together with any Capital Improvements or other additions to the System and substitutions for any part thereof heretofore or hereafter acquired or made by or on behalf of the City, and all other water supply facilities (as such terms are defined in the Act) of the City used in, or necessary or desirable for, the operation of such system, including but not limited to, artesian wells, reservoirs, dams, pipelines, treatment plants and related equipment.

"Trust Estate" means all right, title and interest of the City in and to (i) all Revenues, and (ii) all moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the City Indenture, except the Operating Fund, the Rebate Fund, and the Unrestricted Fund, if established.

"Trustee" means the trustee appointed in accordance with Section 801 of the City Indenture, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the City Indenture.

"2003 Series Bonds" shall mean the City's \$19,340,000 Water System Revenue Bonds, 2003 Series A and \$7,655,000 Water System Taxable Revenue Bonds, 2003 Series B.

"2004 Series A Bonds" shall mean the City's \$41,875,000 Water System Revenue Bonds, 2004 Series A.

"2005 Series A Bonds" shall mean the City's \$31,909,000 Water System Revenue Bonds, 2005 Series A.

A. "2009 Series A Bonds" shall mean the City's \$5,935,000 Water System Revenue Bonds, 2009 Series

A. "2011 Series A Bonds" shall mean the City's \$7,485,000 Water System Revenue Bonds, 2011 Series

A. "2012 Series A Bonds" shall mean the City's \$1,955,000 Water System Revenue Bonds, 2012 Series

A. "2013 Series A Bonds" shall mean the City's \$8,645,000 Water System Revenue Bonds, 2013 Series

A. "2015 Series A Bonds" shall mean the City's \$5,907,000 Water System Revenue Bonds, 2015 Series

"2015 Series B Bonds" shall mean the City's \$24,265,000 Water System Refunding Revenue Bonds, 2015 Series B.

"Unrestricted Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

Bonds Authorized

Under the City Indenture, the City may issue Bonds which bear a fixed rate of interest ("Fixed Rate Bonds"), Bonds which provide for a variable interest rate ("Variable Rate Bonds"), Bonds which provide for mandatory redemption at the option of the registered owner ("Tender Bonds"), Bonds providing for the compounding of interest ("Compound Interest Bonds"), or zero interest rate or deep discount Bonds ("Discount Bonds"), or any combination thereof.

City Indenture to Constitute a Contract

The City Indenture shall constitute a contract between the City and the Holders from time to time of the Bonds and Subordinated Bonds, and the pledge made in the City Indenture and the covenants and agreements therein set forth to be performed by or on behalf of the City shall be, subject to the provisions of Section 209 of the City Indenture, for the equal benefit, protection and security of the Holders of any and all of the Bonds and Subordinated Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof or of any of the Subordinated Bonds over any other thereof, except as expressly provided in or permitted by the City Indenture.

Pledge of City Indenture

There are pledged pursuant to the City Indenture for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and, subject to the provisions of Section 209 of the City Indenture, Subordinated Bonds, in each case, subject to the provisions of the City Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the City Indenture, (i) subject to Section 207 of the City Indenture, the proceeds of Sale of the Bonds, (ii) all Revenues, and (iii) all moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the City Indenture except the Operating Fund, the Rebate Fund and the Unrestricted Fund.

Authorization of Bonds; General Provisions

The Bonds of each Series shall be executed by the City and delivered to the Authenticating Agent for such Series of Bonds and by it authenticated and delivered to or upon the order of the City, but only upon receipt by the Trustee of:

- (i) written order signed by an Authorized Officer of the City as to the authentication and delivery of such Bonds;
- (ii) a copy of the applicable City Supplemental Indenture executed by an Authorized Officer;
- (iii) an amount of moneys or Reserve Deposits in a stated amount such that following the issuance of such Bonds and application of their proceeds, the amounts on deposit in and the aggregate stated and unpaid amount of all Reserve Deposits held as part of the Debt Service Reserve Fund shall equal the Debt Service Reserve Fund Requirement; provided, however, that the applicable City Supplemental Indenture may provide that the Series Debt Service Reserve Fund Requirement attributable to any Series of Agency Bonds may be funded in substantially equal monthly installments over a period of time after issuance as specified in the applicable City Supplemental Indenture (which period shall not exceed 24 months);
- (iv) a certificate of a Consulting Engineer or Certified Public Accountant selected by the City and satisfactory to the Trustee (a) setting forth the estimated annual Net Revenues for each of the three full Fiscal Years following the issuance of such Bonds (including the Fiscal Year in which such Bonds are issued), after giving effect to any increases or decreases in Rates and Charges projected to be in effect for such period, and to the Series Debt Service Reserve Fund Requirement attributable to such Bonds and to any additional Revenues projected to be available during such period, and (b) showing for each of such Fiscal Years that the estimated annual Net Revenues for such Fiscal Year together with amounts in the Stabilization Account, if any, available in such Fiscal Year (as calculated by an Authorized Officer at the time of issuance of such Bonds) will be at least equal to one hundred twenty-five percent (125%) (or such higher amount as may be set forth in the City Supplemental Indenture authorizing the issuance of such Series of Bonds) of the Debt Service Requirement for such Fiscal Year; provided that the Consulting Engineer's or Certified Public Accountant's certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the City and approved by the Public Utilities Commission for such Fiscal Year on or before the date of such certificate;
- (v) if on the date of issuance of such Series of Bonds the City has any outstanding obligation to replenish the Debt Service Reserve Fund under Section 508(4) of the City Indenture, evidence that the City has made at least one monthly payment with respect to such obligation on or before the date required thereunder;
- (vi) a certificate of an Authorized Officer stating that, as of the date of delivery of such Bonds, no Event of Default, as described in Section 701 of the City Indenture, has occurred and is continuing; and
- (vii) evidence that all regulatory approvals required to issue the Bonds or to collect fees and charges sufficient to pay the Bonds have been obtained.

Additional Security

In addition to the security provided for the Bonds under the City Indenture, in connection with the initial issuance of any Series of Bonds under the City Indenture, the City may obtain or cause to be obtained letters of credit, lines of credit, insurance or similar obligations, agreements or instruments ("Additional Security") securing or providing for the payment of all or a portion of the Principal Installments or Redemption Price of, or interest due or to become due on, such Bonds or providing for the purchase of such Bonds or a portion thereof by the issuer or obligor of any such Additional Security. In connection therewith the City may enter into such agreements with the issuer of or obligor on such Additional Security providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Additional Security, which fees and expenses may be Costs of Issuance or Operating Expenses as appropriate, the terms and conditions of such Additional Security and the Series of Bonds affected thereby, and the security, if any, to be provided for the issuance of such Additional Security and the payments of such fees and expenses or the obligations of the City with respect thereto.

In addition to any security permitted hereunder, the City may secure its obligations with respect to any Additional Security by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the City in the applicable City Supplemental Indenture. The City may also in an agreement with the issuer of or obligor on such Additional Security agree to directly reimburse ("Reimbursement Obligations") such issuer or obligor for amounts paid under the terms of such Additional Security, together with interest thereon.

Issuance of Additional Bonds and Refunding Bonds

The pledge of the right, title and interest of the City in and to the Trust Estate is given subject to the right of the City to issue additional bonds secured on a parity basis with the Bonds by the Trust Estate. One or more Series of Refunding Bonds may be issued in accordance with Section 206 of the City Indenture for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

Establishment of Funds and Accounts

The pledge of the right, title and interest of the City in and to the Trust Estate is given subject to the right of the City to issue additional bonds secured on a parity basis with the Bonds by the Trust Estate. One or more Series of Refunding Bonds may be issued in accordance with Section 206 of the City Indenture for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

The following funds shall be established to be held by the Trustee, except the Operating Fund, the Insurance Reserve Fund, and the Unrestricted Fund, which shall be held by the City in the custody of one or more banks selected by the City (including but not limited to the Trustee or any Depository) and the Revenue Fund, which, prior to the occurrence of any Event of Default hereunder, shall be under the exclusive control of the City, and which shall be held by the Trustee upon the occurrence of any Event of Default hereunder:

- (i) Project Fund
- (ii) Revenue Fund
- (iii) Operating Fund
- (iv) Debt Service Fund
- (v) Redemption Fund
- (vi) Debt Service Reserve Fund
- (vii) Rebate Fund

- (viii) Operation and Maintenance Reserve Fund
- (ix) Insurance Reserve Fund
- (x) Unrestricted Fund

There shall be established in the Project Fund an Infrastructure Replacement Account. There shall be established within the Debt Service Fund separate accounts to be known as the Debt Service Account, the Stabilization Account and the Debt Service Assistance Account. The City may establish, in connection with the issuance of one or more Series of Bonds or Subordinated Bonds, or pursuant to an order of the Public Utilities Commission, additional funds or accounts hereunder to be held for the benefit of one or more Series of Bonds or Subordinated Bonds and subaccounts within the funds and accounts established hereunder, as set forth in City Supplemental Indentures. Any fund or account established pursuant to an order of the Public Utilities Commission may be closed with the approval of the Public Utilities Commission.

Application of Moneys in the Revenue Fund

All Revenues, except (i) proceeds of insurance and condemnation to the extent provided in Section 606 of the City Indenture, (ii) proceeds of any sale or other disposition of any part of the System to the extent provided in Section 604 of the City Indenture, (iii) earnings on investment of the funds and accounts hereunder to the extent provided in Section 512 of the City Indenture and (iv) Debt Service Assistance deposited in the Debt Service Assistance Account as provided in Section 506 of the City Indenture, shall be collected by or for the account of the City and deposited by or on behalf of the City as promptly as practicable in the Revenue Fund. There shall also be deposited in the Revenue Fund any other moneys so directed by the City Indenture and any other moneys of the City which the City may in its discretion determine to so apply unless required to be otherwise applied by the City Indenture.

On the last Business Day of each calendar month, the City (or during such times as the Trustee shall hold the Revenue Fund, the Trustee) shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

- (i) To the City for deposit in the Operating Fund, the amount specified by an Authorized Officer in accordance with Section 608 of the City Indenture; provided that if no amount has been specified by such Authorized Officer, the Operating Expenses for such month shall be deemed to be 125% of the Operating Expenses expended in the same calendar month in the preceding year or such lesser amount as an Authorized Officer shall certify in writing to the Trustee, but in no event less than 100% of such amount;
- (ii) To the Debt Service Account within the Debt Service Fund, an amount, which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement as of the first day of the next ensuing month;
- (iii) To the Rebate Fund the amount which together with the amounts on deposit therein will equal the Rebate Requirement as of such day;
- (iv) Subject to Section 508 of the City Indenture, to the Debt Service Reserve Fund, an amount which, together with the amounts on deposit therein, will equal the Debt Service Reserve Fund Requirement as of the first day of the next ensuing month;
- (v) To the Debt Service Assistance Account in the Debt Service Fund an amount specified by an Authorized Officer in a certificate delivered to the Trustee, as amended from time to time;

- (vi) To the Stabilization Account of the Debt Service Fund such amount, if any designated by the City as further provided in Section 504(4) of the City Indenture;
- (vii) Subject to Section 608 of the City Indenture, to the Operation and Maintenance Reserve Fund, an amount necessary for such Fund to equal the Operation and Maintenance Reserve Fund Requirement as of such day;
- (viii) To the City for deposit in the Insurance Reserve Fund, the amount, if any, determined by the City pursuant to Section 606(3) of the City Indenture as necessary to maintain such Fund at the Insurance Reserve Fund Requirement;
- (ix) To the one or more Infrastructure Replacement Accounts, such amounts as are required by order of the Public Utilities Commission or, such amounts as requested by the City but only upon receipt by the Trustee of (a) a copy of the resolution of the City Council or Pawtucket Water Supply Board approving the Capital Improvements to be funded in whole or in part from such Accounts, certified by an Authorizing Officer and (b) a certificate of an Authorized Officer stating that such deposit will not impair the ability of the City to either (A) meet the requirements of the Revenue Fund in the succeeding months of such Fiscal Year based on the then current Annual Budget prepared in accordance with Section 608 of the City Indenture or (B) satisfy the requirements of Section 603 of the City Indenture in the current or next succeeding Fiscal Year;
- (x) To such other funds or accounts as shall be required by any City Supplemental Indenture; and
- (xi) To such other funds or accounts established by the City in compliance with applicable law or as required by any order of the Public Utilities Commission.

On the last Business Day of each Fiscal Year, the City (or the Trustee, during such times as the Trustee shall hold the Revenue Fund) shall, after making the deposits required by Section 504(2) of the City Indenture, apply amounts available in the Revenue Fund to the following purposes and in the following order and the Trustee, upon order of the City signed by the City Treasurer and another Authorized Officer shall apply amounts available in the Stabilization Account and the Infrastructure Replacement Account to the following purposes and in the following order:

- (i) To the City for the reimbursement or payment of principal of or interest on general obligation bonds and notes of the City issued to finance System costs paid or payable during the then ending or the next Fiscal Year, as shown on a schedule filed with the Trustee by an Authorized Officer of the City; provided that the City shall have delivered to the Trustee a certificate of an Authorized Officer stating that (A) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provisions of the City Indenture, (B) the City is in compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ending and (C) such deposit will not adversely affect the ability of the City to fund the funds and accounts established under the City Indenture to the amounts required to be funded in the next Fiscal Year.
- (ii) Subject to Section 511 of the City Indenture, to the Unrestricted Fund, the amount, if any, directed to be deposited therein in writing by an Authorized Officer.

Subject to Section 504(4) of the City Indenture any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for payments therefrom in the succeeding months, provided that if the City shall have issued notes in accordance with Section 607(2)(i) or (iii) of the City Indenture, amounts in the Revenue Fund remaining after the above payments have been made may be used by the City to pay the principal of such notes at maturity or upon earlier redemption.

Notwithstanding the foregoing, in the event that any order of the Public Utilities Commission requires that Revenues be held in a restricted account, the City shall request the Trustee to make such transfers as may be required to comply with any rate order. In the event that Revenues must be restricted in an account for debt service, such moneys shall be deposited by the Trustee to the Debt Service Fund Stabilization Account.

If, on the last Business Day of any month, the amounts deposited pursuant to Section 504(2)(ii) of the City Indenture are, as of such date of calculation, less than the amounts required to be deposited therein, the Trustee shall promptly notify the Agency of any such deficit.

Application of Moneys in the Debt Service Fund

The Trustee shall pay out of the Debt Service Account of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, to the respective Paying Agents (i) on each interest payment date the amount required for the interest and Principal Installments payable on such date and (ii) on each redemption date for any Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest on the Bonds then to be redeemed; provided that in each case the City may direct the Trustee in writing to make such payments to the Paying Agents on such date prior to the due date as the City determines. The Paying Agents shall apply such amounts to the payment of interest and Principal Installments on and after the due dates thereof.

If on any interest payment date the amount accumulated in the Debt Service Account of the Debt Service Fund, including the Debt Service Assistance Account, for either of the purposes specified above exceeds the amount required therefor, the City may direct the Trustee in writing to deposit such excess in the Stabilization Account, the Redemption Fund or, in its discretion consistent with any order of the Public Utilities Commission, in the Revenue Fund. The Trustee shall also pay out of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, accrued interest included in the purchase price of Bonds purchased for retirement under any provision of the City Indenture.

Amounts accumulated in the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Payment was established), if so directed in writing by the City, shall be applied by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Bonds to the first date on which such Bonds could be redeemed (or in the case of a Sinking Fund Payment due on the maturity date, the Principal Amount thereof plus interest to such date), such purchases to be made as directed in writing by the City or otherwise in such manner as the Trustee shall determine, or (ii) the redemption, pursuant to Section 402 of the City Indenture, of such Bonds then redeemable by their terms. The applicable Redemption Price or Principal Amount (in the case of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Payment date for the purpose of calculating the amount of such Fund. As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Payment, the

Trustee shall proceed (by giving notice as provided in Section 405 of the City Indenture) to call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Payment was established (except in the case of Bonds maturing on a Sinking Fund Payment date) in such amount as shall be necessary to complete the retirement of the Principal Amount of the Bonds of such Series and maturity as specified for such Sinking Fund Payment in the applicable City Supplemental Indenture, and whether or not the balance in the Debt Service Fund is sufficient to pay all such Bonds. The Trustee shall pay out of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, to the appropriate Paying Agents, on or before such redemption date or maturity date, the amount required for the redemption of the Bonds so called for redemption or for the payment of such Bonds then maturing, and such amount shall be applied by such Paying Agents to such redemption or payment.

In satisfaction, in whole or in part, of any amount required to be paid into the Debt Service Fund pursuant to Section 504(2)(ii) of the City Indenture which is attributable to a Sinking Fund Payment, there may be delivered on behalf of the City to the Trustee Bonds of the Series and maturity entitled to such payment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Payment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of such Bonds.

Notwithstanding anything to the contrary contained in this Section, the Trustee shall not purchase or accept Bonds in lieu of any Sinking Fund Payment during the period of 45 days prior to the due date of any Sinking Fund Payment.

Amounts in the Stabilization Account shall be invested in Permitted Investments at a yield not in excess of the yield permitted by nationally recognized bond counsel or in Permitted Investments described in paragraph (iv) of the definition thereof the interest on which is excluded from income for purposes of federal income taxation and not subject to the alternative minimum tax.

The Trustee shall apply moneys on deposit in the Stabilization Account as follows:

- (i) to any shortfall in the Debt Service Account of the Debt Service Fund after deposit of moneys from the Revenue Fund but before transfers from the Debt Service Revenue Fund, on the Business Day prior to the date on which any payment of principal or interest on any Bonds is due and payable;
- (ii) to any shortfall in the Debt Service Reserve Fund;
- (iii) to fund capitalized interest and to fund the Debt Service Reserve Fund Requirement on any future series of Bonds, as requested by the City;
- (iv) to the Redemption Fund, as requested by the City;
- (v) to the City for reimbursement or payment of principal of or interest on general obligation bonds and notes of the City to finance System costs paid or payable during the then ending fiscal year; provided that the City shall have delivered to the Trustee a certificate of an Authorized Officer stating that (A) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provisions of the City Indenture, (B) the City in compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ending and (C) such deposit will not adversely affect the ability of the City to fund the funds and accounts established under the City Indenture to the amounts required to be funded in the next Fiscal Year; and

- (vi) to such other purposes as the City may direct, not inconsistent with any order of the Public Utilities Commission.

Application of Moneys in the Rebate Fund

If any Series of Bonds or Subordinated Bonds is issued, or becomes, subject to the rebate requirement of Section 148(f) of the Internal Revenue Code of 1986, as amended, the City may, by City Supplemental Indenture, activate the Rebate Fund established hereunder, and the Trustee shall then establish a separate Rebate Account within the Rebate Fund for such Series of Bonds or Subordinated Bonds. Funds on deposit in any Rebate Account shall be applied as set forth in the applicable City Supplemental Indenture.

Application of Moneys in the Redemption Fund

The City may deposit in the Redemption Fund any moneys, including Revenues, not otherwise required by the City Indenture to be deposited or applied elsewhere.

If at any time the amount on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account, is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall have already been given by the Trustee). Subject to the foregoing, if at any time the amount on deposit and available therefor in the Operating Fund is insufficient to pay Operating Expenses when due, the Trustee shall withdraw from the Redemption Fund and deposit in the Operating Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall already have been given by the Trustee). Subject to the foregoing, amounts in the Redemption Fund may be applied by the City to the redemption of Bonds in accordance with Section 402 of the City Indenture and the applicable City Supplemental Indenture or, in lieu thereof, to the purchase of Bonds at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Bonds been redeemed (or, if not then subject to redemption, at the applicable Redemption Prices when next subject to redemption), such purchases to be made by the Trustee at such times and in such manner as directed in writing by the City.

Application of Moneys in the Debt Service Reserve Fund

Except as provided in any City Supplemental Indenture amounts in each Account in the Debt Service Reserve Fund shall be used to pay debt service on the related Series of Bonds on the date such debt service is due when insufficient moneys for that purpose are available in the Debt Service Fund; provided, however that all amounts in an Account in the Debt Service Reserve Fund shall be used, together with other amounts available for such purpose hereunder, to provide for payment of the related Series of Bonds when the aggregate of such amounts is sufficient for such purpose. Amounts in each Account of the Debt Service Reserve Fund shall be pledged only to Holders of Bonds of the related Series; provided, however, if so provided in a City Supplemental Indenture, upon the issuance of a Series of Refunding Bonds to advance refund a portion of a Series of Outstanding Bonds, amounts in the related Account of the Debt Service Reserve Fund securing the Outstanding Bonds may be pledged to the unrefunded Series of Outstanding Bonds and the Holders of the Series of Refunding Bonds on a pro rata basis. If at any time the amounts on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account, after application of any funds on deposit in the Stabilization Account pursuant to Section 506(6) of the City Indenture, and after transfers from the Redemption Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Account of the Debt Service Fund the amount necessary to

meet any such deficiency. Amounts so withdrawn shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Deposits held as a part thereof upon the terms and conditions set forth in the agreements applicable to any such Reserve Deposits or as otherwise set forth in the City Supplemental Indenture providing for such Reserve Deposits.

The City may from time to time provide Reserve Deposits to satisfy the Debt Service Reserve Fund requirement; provided that (A) in the case of a Reserve Deposit described in clause (i) of the definition of Reserve Deposits, the City shall provide evidence reasonably satisfactory to the Agency that such provision will not affect any ratings then in effect on any bonds of the Agency secured by Agency Bonds (without regard to the effect of any credit enhancement of such bonds), and (B) in the case of a Reserve Deposit described in clause (ii) of the definition of Reserve Deposits, the Agency shall approve such Reserve Deposit. If on the last business day of any month or on any day when a new Reserve Deposit is deposited in the Debt Service Reserve Fund, the amount on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement (calculated as of the first day of the next succeeding month) the Trustee, shall promptly notify the City and, acting in accordance with a certificate of an Authorized Officer, to the extent of such excess, either (i) transfer cash and Permitted Investments to any Fund or Account established hereunder or (ii) consent to the reduction of the stated amount of any Reserve Deposit or (iii) do any combination of the foregoing.

The Trustee shall determine the amount of cash and Permitted Investments on deposit in the Debt Service Reserve Fund on each interest payment date for the Bonds after any withdrawals have been made on such date. Whenever the Trustee shall determine that the cash and Permitted Investments on deposit in the Debt Service Reserve Fund together with all other funds available for the purpose is equal to or in excess of the Redemption Price of all Bonds Outstanding, the Trustee, at the written direction of the City, shall transfer the balance of such cash and Permitted Investments from the Debt Service Reserve Fund to the Redemption Fund in connection with the redemption of all Bonds Outstanding.

Notwithstanding anything to the contrary in the City Indenture or any City Supplemental Indenture, if a cash withdrawal is made from the Debt Service Reserve Fund pursuant to Section 508(1) of the City Indenture or in the event that the City shall not be in compliance with the Debt Service Reserve Requirement, monthly deposits shall be made to the Debt Service Reserve Fund pursuant to Section 504(2)(iv) of the City Indenture on the last Business Day of the calendar month in which the withdrawal is made and on the last Business Day of each of the five succeeding calendar months in an amount equal to one-sixth (1/6) of the amount of such withdrawal. In the event that the Debt Service Reserve Fund Requirement is satisfied in whole or in part by a Reserve Deposit and there shall have been a draw on such Reserve Deposit, the City shall (i) restore the Reserve Deposit within six months of such draw in six equal monthly restorations or (ii) deposit cash in the Debt Service Reserve Fund to replenish the Debt Service Reserve Requirement in accordance with the schedule set forth in the prior sentence. Unless and until the requirements of the preceding two sentences are not met, the difference between the amount of such withdrawals or draws and the amount redeposited or restored to the Debt Service Reserve Fund on account of such withdrawal or draws pursuant to the preceding sentences shall be deemed to be on deposit in the Debt Service Reserve Fund for purposes of calculating compliance with the Debt Service Reserve Fund Requirement.

Operation and Maintenance Reserve Fund

If any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Fund, Debt Service Reserve Fund, and one or more Infrastructure Replacement Accounts is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from the Operation and Maintenance Reserve Fund to the Debt Service Fund the amount necessary to meet the deficiency.

Subject to the above paragraph, if at any time the amount on deposit in the Operating Fund is insufficient to pay all Operation and Maintenance Expenses then payable, the Trustee, upon receipt of a certificate of an Authorized Officer to that effect, shall withdraw from the Operation and Maintenance Reserve Fund and pay to the City for deposit in the Operating Fund the amount specified in such certificate.

Unrestricted Fund

The City may make transfers to the Unrestricted Fund in accordance with Section 504(3)(ii) of the City Indenture, provided that (1) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provision of the City Indenture, (2) the City is in compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ended and (3) upon certification of an Authorized Officer of the City, such deposit will not adversely affect the ability of the City to comply with the terms of Section 603 of the City Indenture in the next ensuing Fiscal Year. Upon certification of an Authorized Officer, the City may make transfers from the Unrestricted Fund to (1) any fund or account established under the City Indenture or (2) the General Fund of the City (a) amounts certified by an Authorized Officer as not exceeding the difference between (i) amounts previously deposited to funds established under the City Indenture from moneys described in clause (i)(b) of the definition of Revenues and not designated as Revenues thereunder and (ii) amounts previously transferred to the General Fund pursuant to Section 511 of the City Indenture, (b) amounts needed to pay debt service on general obligation bonds of the City issued subsequent to the effective date of the City Indenture to finance System costs not previously paid or reimbursed under Section 504(3)(1) of the City Indenture and (c) amounts necessary to reimburse the City for any fees, expenses, repayments of draws or claims, interest charges or other costs associated with a Reserve Deposit.

Investments

Except as otherwise provided below, money held for the credit of any fund or account held by the Trustee under the City Indenture shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other fund or account, by the Trustee at the written direction of the City Director of Finance in Permitted investments which shall mature or be redeemable at the option of the holder thereof, on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof held for the credit of such fund or account. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund shall be invested solely in the investments specified in paragraphs (i), (ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) of the definition of Permitted Investments. Unless otherwise directed by any City Supplemental Indenture, Permitted Investments purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account and all income thereon shall accrue to and be deposited in such fund or account and all losses from investment shall be charged against such fund or account; provided that all income earned on investment of the Redemption Fund, the Debt Service Reserve Fund and the Insurance Reserve Fund shall be credited to and deposited in the Revenue Fund.

Covenant as to Rates and Charges. To the extent not otherwise provided by a Supplemental Indenture,

(1) So long as any Bonds are Outstanding, the City will take all actions within its power to establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other moneys, including amounts from the Stabilization Account, at least sufficient to pay or provide for, as the same become due or are payable (i) all Operating Expenses, (ii) all payments of Principal

Installments and Redemption Price of and interest on the Bonds and all other bonds, notes or other evidences of indebtedness of or assumed by the City which are payable from Revenues of the System, (iii) all amounts, if any, payable to the Operation and Maintenance Reserve Fund, the Debt Service Reserve Fund, and, if any, the Insurance Reserve Fund, (iv) all repairs, replacements, and renewals of the System deemed necessary by the City which are payable from Revenues of the System and (v) all other amounts which the City may by law, order of the Public Utilities Commission, or contract be obligated to pay from Revenues of the System. Provided the City is diligently proceeding to comply with the requirements of this subsection, the Trustee shall take no action on account of any failure by the City to comply with the requirements of this subsection; provided that the setting of the Rates and Charges shall, to the extent required by law, be subject to the approval of the Public Utilities Commission.

(2) Without limiting the generality of the foregoing, the City will take all actions within its power to establish and maintain Rates and Charges at levels sufficient so that total Net Revenues in each Fiscal Year during which Bonds are Outstanding, shall equal at least one hundred twenty-five percent (125%) of the Debt Service Requirement during such Fiscal Year with respect to all Bonds Outstanding as of the first day of such Fiscal Year. Failure by the City to comply with the requirements of this subsection (2) shall not be considered an Event of Default under the Indenture so long as the City has complied or is diligently proceeding to comply with the requirements of this subsection; provided that the setting of the Rates and Charges shall, to the extent required by law, be subject to the approval of the Public Utilities Commission.

(3) On or before the day which is six months prior to the last Business Day of each Fiscal Year the City shall review the adequacy of its Rates and Charges to satisfy the requirements of this Section for the next succeeding Fiscal Year. If such review indicates that the Rates and Charges are, or are likely to be, insufficient to meet the requirements of this Section for the next succeeding Fiscal Year, or if it otherwise appears at any time during such Fiscal Year that Rates and Charges are or are likely to be insufficient to meet such requirements, the City shall promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency, including but not limited to, making an emergency request to the Public Utilities Commission to raise its Rates and Charges.

(4) Within one hundred and eighty days of the close of each Fiscal Year while Bonds are Outstanding, the City shall deliver to the Trustee a certificate of an Authorized Officer (which may be based on unaudited financial statements) stating, if such was the case, that the City satisfied the requirements of paragraphs (1) and (2) above in such Fiscal Year or, if such was not the case, specifying in reasonable detail the corrective steps taken by the City so that it will comply with such requirements in the then current Fiscal Year. If such certificate is based on unaudited financial statements, then within 270 days of the close of each Fiscal Year while the Bonds are Outstanding, the City shall deliver to the Trustee an additional certificate based on audited financial statements. Any certificate based on audited financial statements shall be accompanied by a certificate of the independent public accountant or firm of accountants regularly auditing the books of the City setting forth the Net Revenues for the preceding Fiscal Year.

Creation of Liens; Other Indebtedness

The City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and Subordinated Bonds, secured by a pledge of or other lien on the Revenues of the System and other moneys, securities, Reserve Deposits, if any, and funds held or set aside by the City or by the Fiduciaries under the City Indenture, and shall not otherwise create or cause to be created any lien or charge on the Revenues of the System, moneys, securities, Reserve Deposits, if any, and funds, except to the extent provided in Section 607 of the City Indenture.

Annual Operating Budget

Not less than one day prior to the beginning of each Fiscal Year, the Pawtucket Water Supply Board shall adopt and file with the Trustee an annual operating budget for the System (the "Annual Budget") for such Fiscal Year. The Pawtucket Water Supply Board may at any time, but not more often than once a month, adopt and file with the Trustee (or annually delegate to an Authorized Officer the authority to prepare and file with the Trustee) an amended or supplemental Annual Budget for the Fiscal Year then in progress, provided that an amendment for the purpose of making changes in one or more line items within the Annual Budget, but which does not increase the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year may be filed by an Authorized Officer without action by the Pawtucket Water Supply Board and provided further that any amendment that increases the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year shall be accompanied by a certificate of an Authorized Officer to the effect that such increase will not preclude compliance by the City with the covenants set forth in Section 603 of the City Indenture. An Authorized Officer shall prepare and may amend from time to time, a monthly breakdown of the Annual Budget which breakdown or amendment thereto shall be filed with the Trustee and shall show for each month projected Operating Expenses to be paid from the Operating Fund in such month, as well as the Revenues or other moneys held hereunder projected to be available to meet the same. The City shall not incur aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount of Operating Expenses shown in the Annual Budget as amended and supplemented for such Fiscal Year except in case of emergency or as required by law and shall promptly file a written report of any such excess expenditure with the Trustee signed by an Authorized Officer. For the purposes of Section 608 of the City Indenture, "Authorized Officer" shall include, individually, the Mayor, the City Director of Finance and the Chief Engineer of the Pawtucket Water Supply Board.

For purposes of Section 504(2) of the City Indenture, the Operation and Maintenance Reserve Fund Requirement shall mean, unless a greater amount is required by any City Supplemental Indenture, (i) from the date of delivery of the initial Series of Bonds hereunder until the last day of the third full Fiscal Year after such Bonds are delivered, the amount provided in the City Supplemental Indenture for the initial Bonds, and (ii) as of the last business day of each calendar month thereafter an amount equal to at least the sum of (a) the balance on deposit in the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year and (b) one-twelfth (1/12) of the amount, if any, by which the balance of the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year was less than the Operation and Maintenance Reserve Fund Requirement calculated as of such day multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year, and either plus (c) one-twelfth (1/12) of one-sixth (1/6) of the amount, if any, by which the projected aggregate Operating Expenses of the current Fiscal Year (as shown in the Annual Budget as then amended and supplemented for such Fiscal Year) exceeds the aggregate Operating Expenses for the prior Fiscal Year multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year or minus (d) one-sixth (1/6) of the amount, if any, by which such projected aggregate Operating Expenses are less than the aggregate Operating Expenses for the prior Fiscal Year.

For purposes of such computation, the City and the Trustee shall consider the amount of Operating Expenses paid in a prior Fiscal Year to be such amount as estimated by an Authorized Officer in a certificate filed with the Trustee on or before the last day of such Fiscal Year subject to adjustment with respect to the actual amount as set forth in a certificate of an Authorized Officer filed with the Trustee on or before one hundred twenty (120) days after the end of such Fiscal Year.

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

- (i) if default shall be made by the City in the payment of the Principal Installments or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption at the option of the City or any Holder, or otherwise, or in the payment of any sinking fund payment when due,
- (ii) if default shall be made by the City in the payment of any installment of interest on any Bond when due,
- (iii) if default shall be made by the City in the payment of any installment of interest on or any Principal Installment or Redemption Price of any Subordinated Bonds when due,
- (iv) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the City Indenture or in the Bonds and such default shall continue for a period of 30 days after written notice thereof shall be given to the City by the Trustee or to the City and the Trustee by the Holders of a majority in Principal Amount of the Bonds Outstanding; provided that if such default cannot be remedied within such 30 day period, it shall not constitute an Event of Default hereunder if corrective action is instituted by the City within such period and diligently pursued until the default is remedied,
- (v) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the City or the whole or any substantial part of the System, (b) granting relief in involuntary proceedings with respect to the City under the federal bankruptcy act, or (c) assuming custody or control of the City or of the whole or any substantial part of the System under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of entry of the order, judgment or decree, or
- (vi) if the City (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of the System, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the City or of the whole or any substantial part of the System.

Application of Revenues and Other Monies After Default

Upon the occurrence of an Event of Default described in clauses (i), (ii), (v) or (vi), so long as such Event of Default shall not have been cured, either the Trustee (by notice in writing to the City), or the Holders of twenty-five percent (25%) in Principal of the Bonds Outstanding (by notice in writing to the City and the Trustee) may, with the consent of the Agency (so long as there are Agency Bonds Outstanding hereunder), declare the Principal Amount of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the City Indenture or in any of the Bonds contained to the contrary notwithstanding.

The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, shall pay over and assign to the Trustee (i) forthwith, all moneys, securities, Reserve Deposits, Additional Security, if any, and funds then held by the City in any fund or account pledged under the City Indenture including, without limitation, funds then held by it in the Revenue Fund, and (ii) as promptly as practicable after receipt thereof the Revenues.

During the continuance of an Event of Default, the Trustee shall apply the moneys, Reserve Deposits, Additional Security, if any, and funds held by the Trustee and such Revenues and the income therefrom as follows and in the following order:

- (i) to the payment of the reasonable and proper charges and expenses of the Fiduciaries and of its agents, representatives, advisors and legal counsel, and of any engineer or firm of engineers selected by the Trustee pursuant to this Article and to the payment of any fees and expenses required to keep any Reserve Deposits or Additional Security in full force and effect;
- (ii) to the payment of the amounts required for reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the System necessary to prevent loss of Revenues or to provide for the continued operation of the System, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the City for other purposes) selected by the Trustee;
- (iii) to the payment of the interest and Principal Amount or Redemption Price then due on the Bonds, as follows:
 - (a) unless the Principal Amount of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments maturing, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Amount or Redemption Price of any Bonds which shall become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Amount or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and
 - (b) if the Principal Amount of all of the Bonds shall have become or have been declared due and payable, to the payment of the Principal Amount and interest then due and unpaid upon the Bonds without preference or priority of Principal Amount over interest or of interest over Principal Amount, or of any installment of interest over any other installment of interest, or of

any Bond over any other Bond, ratably, according to the amounts due respectively for Principal Amount and interest, to the persons entitled thereto without any discrimination or preference;

Proceedings Brought by Trustee

Whether or not a declaration shall be made by the Trustee or Bondholders pursuant to Section 701 of the City Indenture, if an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the City Indenture by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the City Indenture, or in aid of the execution of any power granted in the City Indenture, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the City Indenture. All rights of action under the City Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings.

Restriction on Bondholders' Action

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the City Indenture or for any remedy under the City Indenture, unless such Holder shall have previously given to the Trustee written notice of the happening of any Event of Default and shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity to exercise the powers granted in this Article in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby or in connection therewith, and the Trustee shall have refused to comply with such request within a reasonable time.

Amendment

Any modification or amendment of the Bonds or of the City Indenture may be made by a City Supplemental Indenture, with the written consent given as provided in Section 1003 of the City Indenture, (i) of the Holders of at least a majority in aggregate Principal Amount of all Bonds Outstanding at the time such consent is given or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in aggregate Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the vote or consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1003 of the City Indenture; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the Principal Amount of any Outstanding Bond, or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon or the method for determining such rate without the consent of the Holder of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages of the Principal Amount of Bonds the consent of which is required to effect any such modification or amendment.

Defeasance

If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds of a Series then Outstanding, the Principal Amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the City Indenture then the pledge of any Revenues or other moneys, securities, Reserve Deposits and Additional Security, if any, pledged by the City Indenture and all other rights granted by the City Indenture shall be discharged and satisfied.

All Outstanding Bonds of any Series or any part of a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) of Section 1101 of the City Indenture if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide as provided in Article IV, notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Permitted Investments of the type described in clause (1) of the definition thereof or Advance Refunded Municipal Bonds not subject to redemption at the option of the issuer thereof prior to the due date thereof, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time of deposit of such Permitted Investments, shall be sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to provide, as soon as practicable, at least thirty (30) days written notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with paragraph (1) of Section 1101 of the City Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal Amount or Redemption Price, if applicable, on said Bonds. Neither Permitted Investments nor moneys deposited with the Trustee pursuant to Section 1101 of the City Indenture nor principal or interest payments on any such Permitted Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Amount or Redemption Price, if applicable, and interest on said Bonds, provided that any cash received from the principal or interest payments on such Permitted Investments deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Permitted Investments maturing at times and in principal amounts sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. After the making of the payments for which such Permitted Investments or moneys were held, any surplus shall be promptly paid over to the City, as received by the Trustee, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under the City Indenture.

Provisions Relating to Bond Insurance

While the Bond Insurance Policies with respect to the 2004 Series A Bonds and the 2005 Series A Bonds are in effect, notwithstanding anything else to the contrary in the City Indenture, no right, power or remedy under the Indenture with respect to the 2004 Series A Bonds or the 2005 Series A Bonds may be pursued without the prior written consent of such Bond Insurer. So long as the Bond Insurer continues to insure the 2004 Series A Bonds and the 2005 Series A Bonds, the Bond Insurer shall be recognized as the sole Bondholder with respect to the 2004 Series A Bonds and the 2005 Series A Bonds for the purpose of exercising all rights and privileges available to Bondholders. The Bond Insurer shall have the right to direct the Trustee to pursue any right, power or remedy available hereunder with respect to any assets available hereunder which secure the 2004 Series A Bonds and the 2005 Series A Bonds secured by such respective Bond Insurance Policy, including, without limitation, any right, power or remedy with respect to Revenues or

other assets securing all Bonds on a pro rata basis. The 2004 Series A Bonds and the 2005 Series A Bonds shall not be accelerated without the consent of the Bond Insurer.

While the Bond Insurance Policies with respect to the 2004 Series A Bonds and the 2005 Series A Bonds are in effect, no removal of the Trustee and no appointment of a successor Trustee shall become effective without the written approval of the Bond Insurer.

In the event that, on the second Business Day, and again on the Business Day prior to the payment date on the 2004 Series A Bonds or the 2005 Series A Bonds, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the 2005 Series A Bonds due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

In addition, if the Paying Agent has actual notice that any Bondholder has been required to disgorge payments of principal or interest on the 2004 Series A Bonds or the 2005 Series A Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Bond Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Bondholders of the 2004 Series A Bonds and the 2005 Series A Bonds as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on the 2004 Series A Bonds or the 2005 Series A Bonds, the Paying Agent shall (i) execute and deliver to U.S. Bank Trust National Association, or its successors under the Bond Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Bond Insurer as agent for such Bondholders in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (ii) receive, as designee of the respective Bondholders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy, payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (iii) disburse the same to such respective Bondholders; and

(2) If and to the extent of a deficiency in amounts required to pay principal of the 2004 Series A Bonds or the 2005 Series A Bonds, the Paying Agent shall (i) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Bond Insurer as agent for such Bondholder in any legal proceeding relating to the payment of such principal and an assignment to the Bond Insurer of any of the 2004 Series A Bonds or the 2005 Series A Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (ii) receive, as designee of the respective Bondholders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy, payment therefor from the Insurance Paying Agent, and (iii) disburse the same to such Bondholders.

Payments with respect to claims for interest on and principal of 2004 Series A Bonds and the 2005 Series A Bonds disbursed by the Paying Agent from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the City with respect to such 2004 Series A Bonds and the 2005

Series A Bonds, and the Bond Insurer shall become the owner of such unpaid 2004 Series A Bonds and the 2005 Series A Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

Irrespective of whether any such assignment is executed and delivered, the City and the Paying Agent hereby agree for the benefit of the Bond Insurer that:

(1) The City and the Paying Agent recognize that to the extent the Bond Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the 2004 Series A Bonds and the 2005 Series A Bonds, the Bond Insurer will be subrogated to the rights of such Bondholders to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in the Indenture and the 2004 Series A Bonds and the 2005 Series A Bonds; and

(2) The City and the Paying Agent, to the extent that monies have been provided by the City therefor, will accordingly pay to the Bond Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Indenture and the 2004 Series A Bonds and the 2005 Series A Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the 2004 Series A Bonds and the 2005 Series A Bonds to Bondholders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

Copies of any amendments made to the documents executed in connection with the issuance of the 2004 Series A Bonds and the 2005 Series A Bonds which are consented to by the Bond Insurer shall be sent to Standard & Poor's Corporation. The Bond Insurer shall be considered the sole Bondholder for the purposes of (a) consenting to supplemental indentures entered into or (b) amendments made pursuant to Article IX of the Indenture.

Notwithstanding Section 903 of the Indenture, neither the City nor the Bond Insurer shall enter into any agreement or consent to or participate in any arrangement pursuant to which the 2004 Series A Bonds and the 2005 Series A Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such 2004 Series A Bonds and the 2005 Series A Bonds without the prior written consent of the Bond Insurer.

The Bond Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the City's audited financial statements and annual budget.

Any notice that is required to be given to a holder of the 2004 Series A Bonds, the 2005 Series A Bonds or to the Paying Agent pursuant to the Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

Provisions relating to Reserve Deposit for 2015 Series B Bonds.

The Trustee (as Paying Agent) shall draw such funds under the Reserve Deposit for the 2015 Series B Bonds in accordance with the terms thereof to the extent of the "Surety Bond Coverage" thereunder from time to time as may be necessary to permit the Trustee to withdraw funds from the 2015 Series B Account of the

Debt Service Reserve Fund to timely pay debt service on the 2015 Series B Bonds in accordance with the provisions of the Indenture relating to the Debt Service Reserve Fund. The Trustee (as Paying Agent) shall endeavor to deliver a Demand for Payment under the Reserve Deposit for the 2015 Series B Bonds at least three (3) business days prior to the date on which funds thereunder are required. In the event that cash and/or Permitted Investments are on deposit in the 2015 Series B Account of the Debt Service Reserve Fund as well as the Reserve Deposit for the 2015 Series B Bonds, the Trustee shall withdraw funds from such Account, first, from such cash and/or Permitted Investments until such funds are depleted and, then, second, from such Reserve Deposit.

The Trustee is required to reimburse the provider of the Reserve Deposit for the 2015 Series B Bonds, with interest, until the face amount of the Reserve Deposit is reinstated before any deposit is made to the Unrestricted Fund. No optional redemption of 2015 Series B Bonds may be made until the Reserve Deposit for the 2015 Series B is reinstated.

APPENDIX E

**Certain Information Regarding the City of Providence, the Providence Water Supply Board
and the Providence Water System**

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APPENDIX E-1

**Information Relating to the City of Providence,
the Providence Water Supply Board and the Providence Water System**

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**INFORMATION RELATING TO THE CITY OF PROVIDENCE, THE PROVIDENCE
WATER SUPPLY BOARD AND THE PROVIDENCE WATER SYSTEM**

For financial information regarding the Providence Water Supply Board, see APPENDIX E-2 – “Financial Statements of the Providence Water Supply Board.”

THE CITY OF PROVIDENCE

General

The City of Providence, Rhode Island (the “City”) is located at the head of Narragansett Bay on the Providence River and is the major population, industrial, and commercial center of the State of Rhode Island (the “State”). Providence is the center of State government. Providence occupies a total land area of 18.1 square miles and an additional 1.9 square miles of water. The City is ranked first in population among the thirty-nine cities and towns in Rhode Island. The United States Census Bureau reported that the population in 2010 was 178,042, an increase of 2.5% over the population in 2000 of 173,618. According to the School Department, 23,586 students were enrolled in the Providence public schools as of the school year ending June 2015. The Providence Public Library offers many educational services to the citizens of Providence and the State. In addition, the Providence Community Library, a 501(c)(3) not-for-profit organization, manages the City’s nine neighborhood libraries. There are a number of private and parochial schools, as well as public and private institutions of higher learning, in Providence, including Brown University, Providence College, the Rhode Island School of Design, Johnson & Wales University, Rhode Island College, the University of Rhode Island Providence Center and Roger Williams University.

Several industrial parks, built as part of major urban renewal projects in recent years, are located in Providence. The Port of Providence has, with its neighbor, City of East Providence, over 10 miles of commercial waterfront with 25 wharves and docks for medium and deep draft vessels. The channel has been deepened to 40 feet to accommodate larger vessels. Rail service and transit sheds are accessible to ships docking in the Port. The cargo entering and leaving the Port of Providence includes principally gasoline, fuel and diesel oil, cement and lumber.

Government

The City operates under a Home Rule Charter adopted in November, 1980, providing for a Mayor-Council form of government with a fifteen-member City Council. The Charter became fully effective on January 3, 1983. The Mayor is elected by the voters of the City for a four-year term of office. The Mayor supervises preparation of the annual City budget which is presented to the City Council for its approval. The Mayor is authorized to approve or veto any ordinance passed by the City Council. The Mayor also appoints all department heads and most of the members of the agencies, boards, and commissions which directly affect City operations. The Mayor also serves ex-officio on many of these bodies.

Mayor Jorge Elorza took the oath of office as the 38th Mayor of the City of Providence on January 5, 2015.

Mayor Elorza is a graduate of the University of Rhode Island, and a graduate of Harvard Law School. Prior to becoming Mayor, he was a professor at the Roger Williams University School of Law. He is also a former judge in the Providence Housing Court.

The fifteen members of the City Council are elected for a term of four years concurrent with that of the Mayor. One member is elected from each of the City's 15 wards. The Council passes ordinances within the scope of powers defined in the Charter and its major responsibility is passage of the City budget. The City Council may amend or alter the budget before passage, subject to the requirement of Rhode Island law that the budget be balanced when adopted. The Mayor also has line-item veto powers.

Under the City Charter, the City has a Finance Department headed by a Finance Director who is appointed by the Mayor with the approval of the City Council. The Finance Director has charge of the administration of the financial affairs of the City, with specific responsibility for assessing, collecting and authorizing the disbursement of all City money, for preparing and administering the annual City Budget, and for accounting of all financial transactions. The following divisions are located within the finance department: assessment, collections and accounting.

The City's Finance Director is Lawrence J. Mancini. Mr. Mancini was appointed Director of Finance effective October 7, 2013. Mr. Mancini has enjoyed a 28-year career with the City of Providence, holding various and significant finance, fiscal and accounting positions. He has also held positions as the City's Acting Director of Administration, the City's Acting Finance Director and as the Accounting Administrator and Director of Administration in the Department of Planning and Development as well as Deputy Tax Collector. In his capacity as Director, he has primary responsibility for the City's municipal budget, as well as developing executive-level budget strategies and solutions to complex budgetary issues. Additionally, Mr. Mancini oversees daily cash-management and the development and execution of monthly cash-flow, financial, and operational monitoring and reporting. He also oversees the City's annual audit. Mr. Mancini participates in all major policy undertakings and decisions within the Finance Department and enjoys a solid and highly-esteemed reputation amongst government leaders, colleagues and elected officials. Prior to joining the City of Providence in 1987, Mr. Mancini held Principal and Senior Accountant positions with 2 well-established local Certified Public Accountant firms in Rhode Island, with significant and diversified accounting and tax related duties. He holds a Bachelor of Science in Business Administration, with a major concentration in accounting, from Bryant University.

The City Treasurer is elected by the City Council, with duties relating to reviewing the decisions of the Controller as to the sufficiency of funds before approving payment of any bill, payroll or other claim, demand or charge against the City; having custody of all public funds belonging to or under the control of the City, or any office, department or agency of city government; and issuing notes and bonds of the City. The Treasurer does not set policy or make decisions about the day to day operations of the City or its fiscal policy. The position of Treasurer is a part time position in the City. The City Treasurer is James J. Lombardi III. Mr. Lombardi is both an attorney and certified public accountant. He has been employed by the City since 1999. From 1999 to 2011, he served as the Internal Auditor for the City and in 2011 was appointed Treasurer. Mr. Lombardi was appointed by and reports to the City Council. Prior to his employment with the City, Mr. Lombardi worked as a field agent for the Internal Revenue Service. He also has his own law practice. He holds a Bachelor's degree from Rhode Island College, and a Juris Doctor from Southern New England School of Law.

Government Services

The City provides municipal services including police, fire, sanitation, parks and recreation through various City departments. Although elementary and secondary education expenditures are the responsibility of the City, the public school system is administered by a separately appointed School Board. Certain other services are provided by related entities such as the Providence Water Supply Board, the Providence Housing Authority, and the Providence Redevelopment Agency. The State and its agencies, and not the City, are responsible for providing service programs such as Medicaid, aid to families with dependent children, general public assistance, public health, public transportation, corrections, and sewage treatment.

Public Works

The City's Public Works Department has the primary responsibility of maintaining all City streets, bridges, and sewer laterals, and conducting snow removal. Waste collection and processing is performed by outside contractors. There are 101 employees funded in the Public Works Department in the fiscal year 2016 adopted budget. The Public Works actual expenditures in fiscal year 2014 were \$19,199,188 and unaudited expenditures in fiscal year 2015 were \$20,222,051.

Sewerage System

While the City is responsible for the collection of wastewater, the sewerage treatment services are provided to the City by the Narragansett Bay Commission (“NBC”). The NBC is a regional quasi-governmental agency serving the Cities of Providence, Pawtucket, Central Falls, East Providence, and a portion of Cranston as well as all or portions of the Towns of Lincoln, Cumberland, Johnston, North Providence, and Smithfield. All customers served, residential or commercial, pay an annual service fee based on water consumption.

The NBC capital improvement plan includes the Combined Sewer Overflow (“CSO”) project which will address said overflows. Phases 1 and 2 of the CSO project are completed and NBC is defining Phase 3. The cost of the Phase 3 project will be supported by NBC user fees throughout the system, subject to the approval of the State’s Public Utilities Commission.

Litigation

The City is a defendant in numerous lawsuits. With respect to any litigation, in the opinion of City officials, there is no litigation pending or threatened, against or affecting the City, which either individually or in the aggregate, would result in judgments that would materially and adversely affect the financial position of the Providence Water Supply Board or its ability to meet its debt service obligations on its water system revenue bonds.

PROVIDENCE WATER SUPPLY BOARD AND WATER SYSTEM

General Service Area

Providence Water Supply Board (“Providence Water”), supplies water to the cities of Providence and Cranston and the Towns of Johnston and North Providence on a retail basis. In addition, water is sold on a wholesale basis to the City of East Providence, Warwick, the Towns of Lincoln, Smithfield and Johnston and the Village of Greenville, and, through the Kent County Water Authority, part of the City of Warwick and the Towns of West Warwick, East Greenwich, North Kingstown, Coventry, and Scituate. In addition, the towns of Barrington, Bristol and Warren are presently on the system and serviced through the Bristol County Water Authority. In total, approximately 60% of the State of Rhode Island’s population is served by Providence Water.

Providence Water obtains its water supply from the Scituate Reservoir and five tributary reservoirs. The entire watershed covers 93 square miles and Providence Water owns 26.8 square miles of land outright. Providence Water, therefore, controls approximately 28% of the land in the watershed; land that is primarily adjacent to the major water bodies. The system has an output capacity of 144 million gallons per day (“MGD”).

Physical System

The Scituate Reservoir Complex is utilized by Providence Water as an active source which supplies approximately 600,000 people in the State of Rhode Island with potable water through both its retail and wholesale customers in Providence and in the surrounding communities.

The retail service area consists primarily of the cities and towns of Providence and portions of North Providence, Cranston, and Johnston. This area has approximately 74,800 service connections. These connections include residential, industrial, commercial, and fire service connections. The retail service area is divided into four separate pressure zones; the low service, high service, extra high service, and the Western Cranston water district.

Providence Water wholesales water to nine water utilities in the Providence area. These utilities include the Bristol County Water Authority (one interconnection), East Providence Water Division (one interconnection), Greenville Water District (one interconnection), Kent County Water Authority (three interconnections), Lincoln Water Commission (two interconnections), Smithfield Water Department (one interconnection), Warwick Water

Department (two interconnections), Johnston Sewer and Water Department (six interconnections), and the East Smithfield Water District (three interconnections).

The sole source of water used by Providence Water is the Scituate Reservoir Complex. The Scituate Reservoir complex consists of six reservoirs: the main (Scituate) reservoir and five smaller reservoirs which are tributary to the main reservoir. Water in the Scituate Reservoir is impounded behind the Gainer Dam, at the southeast end of the Reservoir which is traversed along its 3,200 foot length by Rhode Island Route 12 (Scituate Avenue). The net storage capacity of the Scituate Reservoir is 36.611 billion gallons (BG). The reservoir has a water surface area of 5.30 square miles, and a watershed area of 92.8 square miles. A 9 MGD reservoir release flow discharges through a natural rock channel to the Pawtuxet River below the dam. Water needed for water supply flows through conduits from the reservoir to the treatment plant.

Providence Water operates one conventional water treatment plant to purify source water which flows from the Scituate Reservoir to the plant. The raw water characteristics from the Scituate Reservoir are typical of well protected surface water supplies in the New England region. It is a low pH, low alkalinity, and low turbidity water with seasonal overturn events.

The plant utilizes a conventional treatment process. The hydraulics of the plant allow it to be normally operated fully under gravity flow conditions. Pumping facilities are available for pumping water to the plant under extremely low reservoir conditions. The treatment process consists of aeration, coagulation, flocculation, lime addition for corrosion control and pH adjustment, sedimentation, disinfection, rapid sand filtration, and fluoridation.

Emergency provisions at the plant include stand by power and an emergency bypass process that could allow water to flow to the system, bypassing the treatment process. Electrical service is provided by a 23 kilo-volt (KV) transmission line to a 2.3 KV service to the treatment plant.

The emergency electrical power for the plant is provided by a 600 KW diesel generator. This generator is capable of providing adequate power through an automatic transfer switch for treatment operations and life safety requirements during power outages. Redundant backup power for the system is also available through a 2000 KW diesel generator.

Providence Water operates five storage facilities throughout the distribution system with a combined storage capacity of 119 MG. Water is also collected in a 260,000 gallon clearwell at the plant before being delivered to the transmission lines to the distribution system. These storage facilities are used to optimize operating efficiencies by equalizing demands, improving and stabilizing system flows and pressures, and providing reserve supplies for fire fighting, and an emergency reserve.

In order to maintain an adequate supply of potable water at a sufficient pressure, Providence Water owns and operates ten potable water pump stations in the distribution system, and one raw water pump station to assist water delivery from the Scituate Reservoir to the treatment plant during low reservoir level periods.

Large diameter pipe conduits transfer water by gravity from the dam intakes to the treatment plant. Finished water is transmitted from the clearwell at the plant to the distribution system through two major transmission conduits, the 90-inch diameter Scituate Tunnel and Aqueduct, and the 78-inch and 102-inch diameter Supplemental Tunnel and Aqueduct.

Providence Water currently operates approximately 4 miles of concrete lined tunnel, 10 miles of concrete aqueduct, 131 miles of various sizes of transmission piping and 874 miles of distribution piping.

Providence Water meters water produced at the treatment plant and meters 100% of its service connections. Raw water flowing into the plant is measured by two 72" x 36" diameter venturi meters. The flow of effluent discharged from the plant to the distribution system is measured by 36 master plant effluent meters. These meters are 12 inch venturi tube meters located on the effluent lines of the rapid sand filters at the treatment plant. Plant effluent flows are also measured by two 72" x 42" finished water effluent venturi meters.

Providence Water meters all customers in its entire service area, with the exception of some private fire services. Service area metering includes meters at interconnections to wholesale customers as well as normal metering of all retail service connections. The retail service area contains a variety of water consumers including large industrial and manufacturing accounts, commercial accounts, and residential users.

Financial Operations

Providence Water operates as an enterprise fund. As such, the costs and expenses of Providence Water, including debt service, are recovered from user charges. Any surplus in annual financial operations can be used for capital expenses, debt service or future operating expenses. Any deficit must be eliminated through future rate increases. Providence Water is required to maintain its books and records in accordance with generally accepted accounting principles (GAAP) as applied to government agencies. Transactions of Providence Water are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Providence Water has had an audit completed each fiscal year since 1984 including the year ended June 30, 2014. The audit for fiscal year ended June 30, 2015 is expected to be finalized in late November 2015.

The City is authorized to issue limited obligations payable from drinking water system revenues, pursuant to Title 46-12.8 of the Rhode Island General Laws. Such bonds are authorized by an ordinance passed by a majority vote of the City Council subject to the Mayor's veto; such authorization is not subject to referendum. The City is authorized to issue such revenue bonds only to RIIB.

Since December 2001 Providence Water has issued \$2,500,000 Clean Water Revenue Bonds, 2001 Series B; \$8,101,000 Safe Drinking Water Revenue Bonds, 2005 Series A; \$35,000,000 Safe Drinking Water Revenue Bonds, 2008 Series A; \$13,250,000 Safe Drinking Water Revenue Bonds, 2009 Series A; \$3,000,000 Subordinate Water Pollution Control Revenue Bonds, 2012 Series A; \$25,000,000 Safe Drinking Water Revenue Bonds, 2013 Series A; \$4,200,000 Water Pollution Control Revenue Bonds, 2013 Series B; and \$8,000,000 Safe Drinking Water Revenue Bonds, 2014 Series A. In addition the Providence Public Buildings Authority issued Lease Revenue Refunding Bonds, a portion of which are paid by Providence Water revenues (\$2,260,000). Providence Water long-term debt is lease appropriation or special obligation revenue debt of the City. However, because it is the intent of the City to have Providence Water meet the debt service requirements of this debt, all such amounts are recorded in the enterprise funds of the City. Please see APPENDIX E-2 "Financial Statements of the Providence Water Supply Board" - Note 5 ("LONG-TERM OBLIGATIONS").

Rates and Charges

On April 30, 2009, Providence Water filed with the PUC an application (Docket #4061) to change rate schedules to collect additional revenue requirements in the amount of \$5.6 million effective May 30, 2009. This increase was requested to provide additional funds for the operational improvements to the facility and structures within Providence Water to better protect the future water quality and health of the public. In October 2009, the PUC approved the increases to all rates for water totaling \$3.4 million effective October 5, 2009.

On January 27, 2010, Providence Water filed a motion to reopen Docket 4061 with the PUC. The purpose of the Motion was to utilize calendar year 2009 consumption figures to calculate rates. This resulted in an across the board rate increase of approximately 9.9%. The revised rates did not increase Providence Water's allowed cost of service. This rate increase was approved by the PUC and went into effect on April 27, 2010.

On September 23, 2011, Providence Water filed a Tariff Advice Filing to implement a new Fire Service Protection Charge to appear on the water bills for each Providence Water service connected in the City of Providence. This tariff was approved by the PUC and went into effect on November 1, 2011.

On March 29, 2013, Providence Water filed with the PUC an application (Docket # 4406) to change rate schedules to collect additional revenue requirements in the amount of \$14.6 million effective April 29, 2013. This increase was requested to provide additional funds for infrastructure replacements, water quality and operational improvements. In November 2013, the PUC approved an increase to all water rates totaling \$7.5 million effective December 7, 2013.

On June 18, 2015, Providence Water filed with the PUC an application (Docket # 4571) to change rate schedules to collect additional revenue requirements in the amount of \$2.448 million effective September 1, 2015. This increase was requested to provide additional funds for operations, including debt service and debt service coverage requirements. The PUC approved an increase on retail consumption rates to recover additional revenues totaling \$2.1 million effective September 1, 2015.

The current rates are set forth below:

	Effective 1/10/2006	Effective 11/1/2007	Effective 10/5/2009	Effective 4/27/2010	Effective 12/7/2013	Effective 9/1/2015
Retail Consumption						
Residential (per HCF)	\$ 1.958	\$ 2.134	\$ 2.264	\$ 2.488	\$ 2.880	\$ 3.044
Commercial (per HCF)	1.882	2.049	2.174	2.390	2.744	2.901
Industrial (per HCF)	1.825	2.011	2.134	2.346	2.695	2.848
 Wholesale Customers (per million gallons)	 \$ 1,236.00	 \$ 1,455.77	 \$ 1,544.16	 \$ 1,697.21	 \$ 1,731.16	 \$ 1,731.16
 Public Fire Protection Municipal per year/per hydrant	 \$ 250.99	 \$ 291.06	 \$ 308.73	 \$ 339.33	 \$ 394.80	 \$ 394.80

Rate-Setting Procedures

Providence Water is regulated by the Rhode Island Public Utilities Commission (the "PUC"), the state agency responsible for approving all rate increases for regulated utilities in Rhode Island. Since Providence Water supplies water service to users in other communities, its rates and charges are subject to PUC regulation. Providence Water must file its proposed general rate schedule changes with the PUC pursuant to Rhode Island General Laws 39-3-11 and the PUC's Rules of Practice and Procedure.

Required Division Approval for Issuance of the City's Borrower Bonds

The Rhode Island General Laws require that the City obtain the consent and authority from the Rhode Island Division of Public Utilities and Carriers (the "DPUC") prior to issuance of long-term debt. On August 7, 2015, Providence Water applied to the DPUC for authority to issue \$30 million in bonds to the Rhode Island Infrastructure Bank ("RIIB"), formerly the Rhode Island Clean Water Finance Agency, for a new central operations facility. The DPUC approved Providence Water's application on August 27, 2015. This issuance of bonds is for the entire \$30 million authorization.

Revenues and Expenditures

Set forth below is a summary statement of revenues and expenditures of Providence Water for the fiscal years 2011 through 2015.

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Unaudited 2015
Operating Revenues	\$63,874,826	\$61,725,852	\$61,069,675	\$62,872,231	\$69,212,259
Operating Expenses	<u>45,912,326</u>	<u>49,595,735</u>	<u>50,303,983</u>	<u>54,394,039</u>	<u>52,362,727</u>
Operating Income	<u>\$17,962,500</u>	<u>\$12,130,117</u>	<u>\$10,765,692</u>	<u>\$ 8,478,192</u>	<u>\$16,849,532</u>
Non-Operating Revenues ⁽¹⁾	545,168	494,483	2,396,689	3,618,237	1,423,012
Non-Operating Expenses	<u>1,428,826</u>	<u>1,485,610</u>	<u>1,890,330</u>	<u>1,877,131</u>	<u>2,136,592</u>
Net:	<u>\$17,078,842</u>	<u>\$11,138,990</u>	<u>\$11,272,051</u>	<u>\$10,219,298</u>	<u>\$16,135,952</u>
Excess (deficiency) of Income Over Expenses	<u>\$17,078,842</u>	<u>\$11,138,990</u>	<u>\$11,272,051</u>	<u>\$10,219,298</u>	<u>\$16,135,952</u>

Source: Audited financial statements.

(1) Restricted Revenues

Billings for Services

Metered water sales account for the largest portion of revenue of Providence Water. Approximately 99% of Providence Water's approximately 72,000 residential, commercial and industrial meters have recently been retrofitted with an automatic meter reading electronic radio transmitter. This allows for a high percentage of actual bills with the use of a drive-by van. The majority of meters are read and billed monthly. In addition to the volume charges for water used, retail customers receive a service charge based on the size of meter. Private fire protection charges are based on the size of water service into the premises. There is no charge for water used. Hydrant fees are set by the PUC and are charged to Cranston, Johnston, North Providence and Lincoln. Effective November 1, 2011, a Fire Protection Service Charge was implemented on all retail customers in the City of Providence. The fee is based on the size of meter. In addition, water is sold on a wholesale basis to the City of East Providence, parts of the City of Warwick, the Towns of Lincoln, Smithfield and Johnston and the Village of Greenville, the East Smithfield Water District, through the Kent County Water Authority, part of the City of Warwick and the Towns of West Warwick, East Greenwich, North Kingstown, Coventry, and Scituate, and, through the Bristol County Water Authority, the Towns of Barrington, Bristol and Warren.

Budgets

Annual budgets, capital improvement plans and cash flow projections are prepared under the direction of the Chief Financial Officer and General Manager of Providence Water, in consultation with Senior Managers. The budget is presented to the Providence Water Supply Board for review and approval. Budget Ordinances are then forwarded to the Providence City Council. They are typically reviewed by the Finance Committee and require two passages of the Council before they are sent to the Mayor for approval.

Collections

Providence Water uses a lockbox and receives most payments of water bills through this system. Century Bank is the current lockbox vendor. Payments are also accepted at the main office at 552 Academy Avenue in Providence. Credit Card payments and ACH payments are also accepted through third party vendors.

The Commercial Services department maintains a collection staff which issue dunning letters, call customers and follow the PUC's rules for the posting and shutting of delinquent accounts. Providence Water must post a property for shut off at least 10 business days prior to termination. Providence Water then mails the posting notice to the owner of the property for non-owner-occupied premises or multi-family premises. During the winter moratorium on utility shut-offs, typically from November 1st to April 15th, Providence Water must post the property for at least 10 business days, prior to posting the property for an additional 48 hours, prior to shut off. A list of properties posted for 48 hours must be e-mailed to the PUC the next business day. Providence Water must keep on file, a notarized affidavit as to the results of the attempted contact, should the PUC request it.

Management

Ricky Caruolo is the General Manager of the Providence Water Supply Board. He has been with Providence Water since April 1993 when he was hired as a Regulatory Analyst. Mr. Caruolo graduated from the University of Rhode Island with a Bachelor of Science degree in Finance and a Bachelor of Science degree in Management. He also holds a Master of Business Administration degree from Providence College. Mr. Caruolo served as a Trustee for the Automatic Meter Reading Association and served as a board member on the Itron Users' Advisory Board. He is a member of the American Water Works Association, New England Water Works Association, and the Rhode Island Water Works Association.

Thomas Massaro is the Sr. Director for Finance for Providence Water. He came to Providence Water in March of 2015 after having served as the Finance Director/ Treasurer for a municipality in Rhode Island. Prior to that, he held the position of Chief Financial Analyst for the Rhode Island Public Utilities Commission for 24 years. Mr. Massaro had also been employed at the Rhode Island Auditor General's Office for nine years, and he worked for local and national public accounting firms. Mr. Massaro graduated Summa Cum Laude from Bryant University with a Bachelor of Science degree in Accounting. He received his CPA certificate in 1973.

Employee Relations

Approximately 1/3 of Providence Water staff are "management" employees and are not represented by any bargaining unit. The internal directors, managers and supervisors would be management employees. The additional 2/3 of staff are represented by the RI Laborer's District Council on behalf of Public Service Employees' Local Union 1033 of the Laborers' International Union of North America, AFL-CIO. The City's contract with the union expired in June 2015. In October, members of the union ratified a three-year agreement that now awaits review and action by the City Council. There are two classes of employees, blue collar and white collar. The blue collar staff man and maintain the Treatment Plant, maintain the pipes and infrastructure, and read and install the meters, while the white collar staff is primarily office clerical.

Pensions

See footnote 9 of Appendix E-2 – "Financial Statements of the Providence Water Supply Board" for a description of the pension plans covering the Providence Water Supply Board employees. As indicated in that footnote, substantially all of the employees of the Providence Water Supply Board, as part of the City, participate in the Employees' Retirement System of the City of Providence.

Litigation

In the opinion of Providence Water's general counsel after consultation with the General Manager, there is no litigation pending or threatened against Providence Water which either individually or in the aggregate, would result in judgments that would have a material adverse affect on Providence Water's financial position or its ability to meet its debt service obligations.

The Borrower Bonds of the City of Providence are limited obligations of the City of Providence payable solely from the revenues and funds and accounts pledged under the Providence Indenture. The Borrower Bonds and the obligations evidenced thereby shall not constitute a general indebtedness or a pledge of the full faith and credit of the City of Providence within the meaning of any constitutional or statutory provision. No Bondholder shall ever have the right, directly or indirectly, to require or compel the exercise of the taxing power of the City for the payment of the Borrower Bonds of the City of Providence. The Borrower Bonds of the City of Providence and the obligations evidenced thereby shall not constitute a lien or encumbrance on any property of or in the City of Providence other than the revenues and funds pledged under the Providence Indenture.

APPENDIX E-2

Financial Statements of the Providence Water Supply Board

The Providence Water Supply has filed its audited financial statements for the fiscal year ended June 30, 2014 (the "Providence Water Supply Board Audited Financial Statements") with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. The Providence Water Supply Board Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix E. Copies of the Providence Water Supply Board Audited Financial Statements may be accessed online at emma.msrb.org. Copies of the Providence Water Supply Board Audited Financial Statements are also available by contacting the Bank at 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, telephone: (401) 453-4430, fax: (401) 453-4094.

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APPENDIX E-3

Summary of Certain Provisions of the Providence Indenture

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SUMMARY OF CERTAIN PROVISIONS OF THE PROVIDENCE INDENTURE

The following are definitions of certain words and terms used in this Official Statement and in the City Indenture, and not otherwise defined herein. Reference is made to the City Indenture for complete and definitive definitions of such terms. The summaries do not purport to set forth all of the provisions of said documents to which reference is made for the complete and actual terms thereof.

"Act" shall mean the applicable provisions of Chapter 12.8 of Title 46 of the General Laws of Rhode Island (1956) as amended from time to time and any other statute now or hereafter enacted, which by its general or specific terms authorizes the City to issue debt to finance the System or otherwise affects the terms of such debt.

"Additional Security" shall have the meaning given such term in Section 208 of the City Indenture.

"Advance-Refunded Municipal Bonds" shall mean obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by obligations described in clause (i) of the definition of Permitted Investments and that are rated in the highest rating category by each rating agency rating such obligations.

"Agency" means the Rhode Island Clean Water Finance Agency established pursuant to Chapter 12.2 of Title 46 of the General Laws of Rhode Island (1956) as amended.

"Agency Bonds" shall mean any Series of Bonds issued to the Agency prior to the date of the City Indenture and any Series of Bonds issued pursuant to Section 203(1)(v) of the City Indenture.

"Agency Loan Agreement" shall mean any loan agreement between the Agency and the City pertaining to a loan made to the City pursuant to Chapter 12.8 of the General Laws of Rhode Island (1956), as amended, and any bond purchase agreement between the Agency and the City relating to the purchase of Bonds issued pursuant hereto by the Agency in accordance with said Chapter 12.8 of Title 46.

"Annual Budget" shall have the meaning given such term in Section 608 of the City Indenture.

"Authenticating Agent" shall mean, for the Bonds of a Series or any portion thereof, the Trustee and, where authorized by the applicable City Supplemental Indenture, the Paying Agent or Paying Agents for the Bonds of such Series.

"Authorized Officer" shall mean the Mayor, the City Treasurer and the City Finance Director of the City and the Chief Engineer, Deputy Chief Engineer and Board Director of Finance of the Providence Water Supply Board, when used in reference to an act or document, shall also mean any other person authorized by resolution of the City Council or the Providence Water Supply Board to perform such act or sign such document.

"Board" shall mean the Water Supply Board of the City of Providence, provided that if the Providence Water Supply Board shall have by resolution authorized an Authorized Officer to perform an act or sign a document with respect to such act or signature, "Board" shall also mean such Authorized Officer and provided further that with respect to any successor body, agency, political subdivisions or other instrumentality which shall hereafter operate the System, "Board" shall mean such successor entity.

"Bond" or "Bonds" shall mean any of the Water System Revenue Bonds of the City authenticated and delivered under the City Indenture (and, unless expressly stated to the contrary, shall not include Subordinated Bonds; provided that the provisions of Article III, Article IV, Article VIII, Article IX, Article XI and Article XII of the City Indenture shall be applicable to Subordinated Bonds). The term shall also include Agency Bonds.

"Bondholder" or "Holder" or any similar term, when used with reference to a Bond or a Subordinated Bond, shall mean the registered owner of the Bond or the Subordinated Bond, respectively.

"Business Day" shall mean any day other than a Saturday, a Sunday or any other day on which any Fiduciary is authorized or required by law to be closed for business.

"Capital Improvements Account" shall mean an account in the Project Fund established pursuant to Section 502 of the City Indenture.

"Capital Improvements Budget" shall mean a capital budget for each Fiscal Year which identifies the Capital Improvements to the System to be undertaken by the Board during such Fiscal Year, the nature of the work, the estimated completion date of each Capital Improvement, the estimated Costs expected to be expended therefor in such Fiscal Year, and estimated disbursements from any Project Account or Infrastructure Replacement Account, Capital Improvements Account or Meter Replacement Account in the Project Fund and, to the extent provided by the City, any other fund or account under or outside the City Indenture, as well as the sources of moneys projected to be available to pay such estimated Costs in such Fiscal Year.

"Capitalized Interest Account" shall mean the account, if any, in the Debt Service Fund so designated and created pursuant to Section 506 of the City Indenture.

"Certified Public Accountant" shall mean an independent certified public accountant or firm of accountants selected by the Board and reasonably acceptable to the Agency.

"Chemical and Sludge Account" shall mean the account in the Operating Fund so designated and created pursuant to Section 505 of the City Indenture.

"City" shall mean the City of Providence, Rhode Island or any body, agency, political subdivision, or instrumentality of the State or the City of Providence which shall hereafter assume ownership or control of the System.

"City Council" shall mean the City Council of Providence, provided that if the City Council shall have by resolution authorized an Authorized Officer to perform an act or sign a document, with respect to such act or signature "City Council" shall also mean such Authorized Officer and provided further that with respect to any successor body, agency, political subdivision or other instrumentality which shall hereafter own or control the System, "City Council" shall mean the governing body of such successor entity.

"City Indenture" shall mean the Trust Indenture between the City and the Trustee dated June 4, 2008 as the same may be amended or supplemented in accordance herewith.

"City Stabilization Account" shall mean the account in the Debt Service Fund established pursuant to Section 502 of the City Indenture.

"City Supplemental Indenture" shall mean any indenture of the City amending or supplementing the City Indenture adopted and becoming effective in accordance with the terms of Article IX of the City Indenture.

"Compound Interest Bonds" shall have the meaning given such term in Section 203(5) of the City Indenture.

"Consulting Engineer" shall mean an independent consultant or engineer or firm of consultants or engineers having a national reputation for expertise in such matters with respect to properties similar to those of the System selected by the Board and reasonably acceptable to the Trustee; provided that for the purposes of Section 503(3) of the City Indenture the Consulting Engineer may be an engineer regularly in the employ of the City or the Board.

"Corporation Counsel" shall mean the City Solicitor of the City or the counsel to the Board or any other attorney so designated by an Authorized Officer.

"Cost" as applied to any approved Project, means any or all costs, whenever incurred, of planning, designing, acquiring, constructing, and carrying out and placing the Project in operation, including, without limiting the generality of the foregoing, amounts for the following: planning, design, acquisition, construction, expansion, improvement and rehabilitation of facilities; acquisition of real or personal property; demolitions and relocations; labor, materials, machinery and equipment; services of architects, engineers, and environmental and financial experts and other consultants; feasibility studies, plans, specifications, and surveys; interest prior to and during the carrying out of any Project and for a reasonable period thereafter; reserves for debt service or other capital or current expenses; costs of issuance of local governmental obligations issued to finance the obligations including, without limitation, fees, charges, and expenses and costs of the Agency relating to the loan evidenced thereby, fees of trustees and other depositories, legal and auditing fees, premiums and fees for insurance, letters or lines of credit or other credit facilities securing local governmental obligations and other costs, fees, and charges in connection with the foregoing; and working capital, administrative expenses, legal expenses, and other expenses necessary or incidental to the aforesaid, to the financing of a Project and to the issuance therefor of local government obligations under the provisions of the Act, and shall include any item of cost, as may be permitted by the Act, as amended from time to time.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable or reimbursable by or to the City or the Board and related to the authorization, sale and issuance of Bonds or Subordinated Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Fiduciaries, legal fees and charges, fees and disbursements of consultants and professionals, initial fees and charges for Reserve Deposits, and any other cost, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys selected by the City or the Board and not unsatisfactory to the Trustee.

"Debt Service Assistance" shall mean any money received by or on behalf of the City or the Board under or pursuant to any agreement or on account of a grant or contribution, heretofore or hereafter made, in aid of, with respect to, or on account of debt service on debt incurred with respect to the System excluding any interest subsidies received from the Agency on account of any of its leveraged loan programs.

"Debt Service Assistance Account" shall mean the account in the Debt Service Fund so designated and created pursuant to Section 502 of the City Indenture.

"Debt Service Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Debt Service Fund Requirement" shall mean, as of any particular date of computation, the amount of money obtained by (i) aggregating the several sums, computed with respect to the Bonds of each Series Outstanding, of (A) any unpaid interest due on such Bonds at or before said date and all interest on such Bonds accrued but not due at said date, (B) the Principal Amount of any such Bonds matured and unpaid at or

before said date, and (C) with respect to any Principal Installment of any Bonds not included in (B) above, but payable on the next succeeding Principal Installment payment date other than by reason of acceleration or redemption at the option of the City or the Holder of any Bonds, that portion of such Principal Installment determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to the date of such calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to such next succeeding Principal Installment payment date and (ii) deducting amounts on deposit in the Debt Service Assistance Account available to make such payments on such Bonds; provided, that for purposes of any such computation, the Principal Installments of and interest on the Bonds in any period shall, in the case of any Series of Agency Bonds, be limited to the Required Debt Service Fund Deposits set forth for such period in the applicable City Supplemental Indenture.

"Debt Service Requirement" shall mean, for any period of calculation, (i) all interest payable on all Bonds Outstanding during such period, plus (ii) the Principal Installment or Installments payable on such Bonds during such period, less (iii) amounts available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year, including but not limited to (A) amounts on deposit in the Debt Service Assistance Account or Debt Service Assistance certified by an Authorized Officer of the City as reasonably expected to be received and deposited to the Debt Service Assistance Account on or before the last day of the Fiscal Year during which the applicable Debt Service Requirement calculation is to be made if such Debt Service Assistance has been appropriated by the applicable governmental entity, if any, or is payable pursuant to an agreement constituting a valid general obligation of the grantor, (B) amounts on deposit in the Stabilization Account and (C) the amount, if any, of Bond proceeds available or projected to be available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding; provided that the interest and Principal Installments payable on any Series of Agency Bonds during such period shall be limited to the Required Debt Service Fund Deposits for such period set forth in the applicable City Supplemental Indenture; and provided, further, for purposes of demonstrating compliance with Section 603(2) of the City Indenture (as contemplated by Section 603(4)) of the City Indenture, that the amount of Debt Service Assistance deducted from such calculation pursuant to clause (iii) above shall include only Debt Service Assistance actually received by the City during or on account of such period and deposited in the Debt Service Assistance Account or amounts in anticipation thereof transferred from the Revenue Fund or from general funds of the City and deposited in such account.

"Debt Service Reserve Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Debt Service Reserve Fund Requirement" shall mean, as of any date of calculation, an amount equal to the lesser of (A) 10% of the original principal amount of such Series of Bonds, (B) one hundred twenty five percent (125%) of the average annual Debt Service Requirement on a Series of Bonds in any current or future Fiscal Year or other appropriate twelve month period on such Series of Bonds, (C) the maximum aggregate Debt Service Requirement on a Series of Bonds in any current or future Fiscal Year or other appropriate twelve month period on such Series of Bonds, or (D) the maximum amount permitted by federal tax law to be funded from Bond proceeds without requiring yield restriction. The City may, by Supplemental Indenture, establish a different Debt Service Reserve Fund Requirement for a subaccount of a Debt Service Reserve Account that is established to secure one or more, but less than all Series of Bonds issued under the City Indenture. There shall be no Debt Service Reserve Fund Requirement for any Series of Agency Bonds Outstanding on the date of the City Indenture. For purposes of this computation, the amount of anticipated loan subsidies to be paid by the Agency on account of a Series of Bonds in such years shall be deducted from the calculation of Debt Service Requirement with respect to each Series of Bonds.

"Depository" shall mean any bank or trust company selected in accordance with Section 803 of the City Indenture as a depository of moneys to be held under the provisions of the City Indenture, and may include the Trustee.

"Discount Bonds" shall have the meaning given such term in Section 203(3) of the City Indenture.

"Fiduciary" shall mean the Trustee, any Paying Agent, any Depository or any Authenticating Agent.

"Fiscal Year" shall mean the period beginning on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year or such other period of twelve calendar months as may be authorized as the fiscal year of the City.

"Fixed Rate Bonds" shall have the meaning given such term in Section 203(2) of the City Indenture.

"General Fund" shall mean the general fund of the City.

"Infrastructure Replacement Account" shall mean an account in the Project Fund established pursuant to Section 502 of the City Indenture.

"Insurance Fund" shall mean the fund so designated and created pursuant to Section 502 of the City Indenture;

"Insurance Reserve Fund" shall mean the fund so designated created pursuant to Section 502 of the City Indenture.

"Insurance Reserve Fund Requirement" shall have the meaning given to such term in Section 606 of the City Indenture.

"Meter Replacement Account" shall mean the account so designated and created in the Project Fund pursuant to Section 502 of the City Indenture.

"Net Revenues" shall mean, for any period of computation, (i) all Revenues (excluding Debt Service Assistance deposited in the Debt Service Assistance Account and any proceeds of insurance, condemnation or the sale or other disposition of any part of the System deposited in the Revenue Fund during such period, but including unrestricted fund balance on the books of the System) received by the City or the Board during such period and deposited in the Revenue Fund, plus (ii) moneys withdrawn from the Stabilization Account and transferred from the Stabilization Account in accordance with Section 506 of the City Indenture less (iii) all amounts withdrawn from the Revenue Fund during such period and (a) deposited in the Operating Fund and the Rebate Fund or (b) required to be deposited in the Debt Service Reserve Fund during such period.

"Operating Expenses" shall mean any expenses incurred by or for the account of the City or the Board or reimbursable by or to the City or the Board for operation, maintenance and repair of the System including, without limiting the generality of the foregoing, administrative expenses, financial, legal and auditing expenses, insurance premiums, payments on claims against the City or the Board, to the extent moneys are unavailable therefor in the Insurance Reserve Fund or to the extent such claims shall fall within such reasonable deductible limits as may be determined by the City or the Board, if any, payments in lieu of taxes, if any, payments of rates, assessments or other charges to the City or the Board with respect to the System, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization and sick leave benefits for City or the Board employees allocable to the System and any other similar expenses required to be paid by the City or the Board, all to the extent properly and directly attributable to the System, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the City Indenture, but does not include the Cost of any Capital Improvement or any

provision for interest, depreciation, amortization or similar charges on any indebtedness except for (i) interest paid on notes, and renewals thereof, issued in accordance with Section 607(2) (to the extent not included in the Cost of any Project), (ii) payments made with respect to any indebtedness represented by leases (including, but not limited to, the lease relating to the Rhode Island Water Resources Board, Corporate Bonds and the sublease relating to the Providence Public Buildings Authority Bonds), mortgages, security interests and other encumbrances permitted by Section 604(3) and (iii) payments made on account of any general obligation indebtedness of the City issued for the benefit of the System.

"Operating Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Operation and Maintenance Reserve Fund" shall mean the fund so designated and created by Section 502 of the City Indenture.

"Operation and Maintenance Reserve Fund Requirement" shall mean, unless a greater amount is required by any City Supplemental Indenture, (i) from the date of delivery of the initial Series of Bonds hereunder until the last day of the third full Fiscal Year after such Bonds are delivered, the amount provided in the City Supplemental Indenture for the initial Bonds, which is the amount approved by the Public Utilities Commission to be funded in accordance with the time frame approved by the Public Utilities Commission, and (ii) as of the last business day of each calendar month thereafter an amount equal to at least the sum of (a) the balance on deposit in the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year and (b) one-twelfth (1/12) of the amount, if any, by which the balance of the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year was less than the Operation and Maintenance Reserve Fund Requirement calculated as of such day multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year, and either plus (c) one-twelfth (1/12) of one-sixth (1/6) of the amount, if any, by which the projected aggregate Operating Expenses of the current Fiscal Year (as shown in the Annual Budget as then amended and supplemented for such Fiscal Year) exceeds the aggregate Operating Expenses for the prior Fiscal Year multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year or minus (d) one-sixth (1/6) of the amount, if any, by which such projected aggregate Operating Expenses are less than the aggregate Operating Expenses for the prior Fiscal Year.

For purposes of such computation, the City and the Trustee shall consider the amount of Operating Expenses paid in a prior Fiscal Year to be such amount as estimated by an Authorized Officer in a certificate filed with the Trustee on or before the last day of such Fiscal Year subject to adjustment with respect to the actual amount as set forth in a certificate of an Authorized Officer filed with the Trustee on or before one hundred twenty (120) days after the end of such Fiscal Year.

"Outstanding", when used with reference to Bonds or Subordinated Bonds, shall mean as of any particular date, all Bonds or Subordinated Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond or Subordinated Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the City or by any other Fiduciary, at or before said date, (2) any Bond or Subordinated Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest to the maturity or redemption date, shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond or Subordinated Bond) and, except in the case of a Bond or Subordinated Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article IV, (3) any Bond or Subordinated Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to Article III, Section 406 or Section 1006 of the City Indenture, and (4) any Bond or Subordinated Bond deemed to have been paid as provided in Section 1101 of the City Indenture.

"Paying Agent" shall mean any paying agent or co-paying agent for Bonds of any Series appointed pursuant to the City Indenture or an applicable Supplemental Indenture and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the City Indenture.

"Permitted Investments" except as provided in any Supplemental Indenture shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the funds held pursuant to the City Indenture:

- (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America, and any certificates or receipts representing direct ownership of future interest or principal payments in such bonds or other obligations;
- (ii) public housing bonds issued by public agencies or municipalities and fully guaranteed as to the payment of both principal and interest by the United States of America; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the timely payment of both principal and interest by a requisition or payment agreement with the United States of America, or obligations issued by any state or any public agencies or municipalities which at the time of purchase are rated in either of the two highest rating categories by each Rating Agency then maintaining a rating on such obligations;
- (iii) direct and general obligations of any state of the United States to the payment of the principal of and interest on which the full faith and credit of such state is pledged, and direct and general obligations of any political subdivision of any such state to the payment of which the full faith and credit and unlimited ad valorem taxing power of such political subdivision is pledged, provided that at the time of their purchase under the Indenture such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
- (iv) commercial paper rated in the highest category by each Rating Agency then maintaining a rating on such commercial paper;
- (v) investments in a money market fund or other fund the investments of which consist exclusively of obligations described in clause (i) above;
- (vi) bank time deposits evidenced by certificates of deposit issued by banks or savings and loan institutions (which may include any Fiduciary) having at the time of purchase a combined capital and surplus of not less than \$50,000,000 which are members of the Federal Deposit Insurance Corporation; provided that any such time deposits in excess of applicable federally insured limits are fully secured by obligations described in clause (i) above, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such bank time deposits so secured, including interest;
- (vii) repurchase agreements relating to securities of the type specified in clause (i) above with banks or trust companies having a combined capital and surplus of not less than \$50,000,000 or with government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; provided that the market value of such securities is at the time of entering into such agreement at least one hundred three percent

(103%) of the repurchase price specified in the agreement; and provided further that such securities are delivered to or held by the Trustee or a depository satisfactory to the Trustee in such manner as may be required to provide a perfected security interest in such securities;

- (viii) investment contracts with, or guaranteed by, banks or other financial institutions whose long-term unsecured debt or claims-paying ability at the time of purchase is rated in one of the three highest rating categories for such debt or claims-paying ability by each Rating Agency then maintaining a rating on such banks or other financial institutions;
- (ix) bonds, notes or other evidences of indebtedness issued or guaranteed by the Federal Banks for Cooperatives, Federal Intermediate Credit Bank, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank System, Federal Land Banks, Export-Import Bank of the United States, Federal National Mortgage Association, Government National Mortgage Association or any agency or Instrumentality of or corporation wholly owned by the United States of America; and
- (x) Advance-Refunded Municipal Bonds.

"Principal Amount," with respect to any Bond or Subordinated Bond, shall mean the stated principal thereon or such other amount payable on any Compound Interest Bond or Discount Bond designated as the Principal Amount thereof pursuant to the applicable City Supplemental Indenture.

"Principal Installment" shall mean, as of any particular date of computation and with respect to Bonds or Subordinated Bonds of a particular Series, an amount of money equal to the aggregate of (i) the Principal Amount of Outstanding Bonds or Subordinated Bonds of said Series which mature on such date, reduced by the aggregate Principal Amount of such Outstanding Bonds or Subordinated Bonds which would at or before said date be retired by reason of the payment when due and application in accordance with the City Indenture of Sinking Fund Payments payable at or before said date for the retirement of such Outstanding Bonds or Subordinated Bonds, plus (ii) the amount of any Sinking Fund Payment payable on said date for the retirement of any Outstanding Bonds or Subordinated Bonds of said Series.

"Principal Office," when used with respect to a Fiduciary, shall mean the office where such Fiduciary maintains its principal office or, where different, its principal corporate trust office.

"Project" shall mean a Capital Improvement, all or a portion of the Cost of which is financed by Bonds.

"Project Account" shall mean one of the accounts so designated in the Project Fund created by Section 503 of the City Indenture.

"Project Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Property Tax Refund Account" shall mean the Account in the Operation and Maintenance Reserve Fund established pursuant to Section 502.

"Providence Public Buildings Authority Bonds" means the portion of the \$36,225,000 Providence Public Buildings Authority Refunding Revenue Bonds, 1996 Series A dated March 1, 1996 allocable to watershed property acquisition, and any other bonds or other obligations issued to refund such Providence Public Buildings Authority Bonds, or in exchange or replacement therefor.

"Public Drinking Water Supply Act of 1997" shall mean Chapter 15.3 of Title 46 of the General Laws of Rhode Island (1956) as amended from time to time.

"Public Utilities Commission" shall mean the Public Utilities Commission of the State created pursuant to Chapter 39-1 of the General Laws of Rhode Island, as amended from time to time.

"PUC Restricted Operating Reserve Account" shall mean the account in the Operation and Maintenance Reserve Fund designated and created pursuant to Section 502.

"Rates and Charges" shall mean, except as otherwise expressly provided in the City Indenture, all fees, rates, rents, assessments and other charges established by or on behalf of the City for the services, facilities and commodities furnished or supplied by it from the operation of the System.

"Rating Agency" shall mean Fitch, Moody's Investors Service or Standard & Poor's and their respective successors and assigns and shall also include any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Bonds or Subordinated Bonds.

"Rebate Fund" shall mean the fund so designated in any City Supplemental Indenture.

"Redemption Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Redemption Price" shall mean, with respect to any Bond or Subordinated Bond or portion thereof, the Principal Amount thereof or of such portion, or such other amount as may be provided in the applicable City Supplemental Indenture, plus the premium, if any, payable upon redemption thereof.

"Refunding Bonds" shall mean any of the Bonds authorized by Section 205 of the City Indenture.

"Reimbursement Obligation" shall have the meaning given such term in Section 207 of the City Indenture.

"Required Debt Service Fund Deposits" shall mean, with respect to each Series of Agency Bonds, the amounts so designated pursuant to Section 205(1)(ix) of the City Indenture and the applicable City Supplemental Indenture.

"Reserve Deposits" shall mean one or more of the following:

- (i) irrevocable, unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or of the holding company of such banking institution) have (at the time of issue of such letter of credit) a rating within the two highest rating categories generally available to banking institutions by each Rating Agency rating such debt without regard to any gradations within such categories; or
- (ii) irrevocable and unconditional policies of insurance in full force and effect issued by municipal bond insurers the obligations insured by which are eligible for a rating at the time of issuance of such policies within the two highest rating categories available to insurers generally issuing such insurance by each Rating Agency rating such insurance without regard to any gradations within such categories.

in each case providing for the payment of sums for the payment of Principal Installments and interest on Bonds in the manner provided under Section 508 of the City Indenture.

"Revenue Fund" shall mean the fund so designated created in accordance with Section 502 of the City Indenture.

"Revenues" shall mean and include (except as otherwise expressly provided in the City Indenture) (i) all income, fees, revenues, rates, receipts, assessments, rents, charges and other moneys, including any unrestricted fund balance attributable to the operation of the System, (a) derived by the City or the Board from its ownership and operation of the System (including collections by or on behalf of the City or the Board on account of services and commodities furnished or supplied by the System prior to the effective date of the City Indenture) or (b) derived from any other source, to the extent such moneys are deposited or required to be deposited to the Revenue Fund by the City or the Board from time to time pursuant to a City Supplemental Indenture (provided that any such moneys shall not be considered Revenues for purposes of Section 603(2) of the City Indenture unless at the time of the deposit thereof to the Revenue Fund an Authorized Officer shall have submitted to the Trustee a certificate designating such moneys as Revenues for such purpose) and (ii) all accounts, receivables, general intangibles and contract or other rights to receive the Revenues described in clause (i), whether existing at the effective date of the City Indenture or thereafter coming into existence and whether held by the City or the Board at the effective date of the City Indenture or thereafter acquired, and the proceeds thereof, including, without limiting the generality of the foregoing, receipts from Rates and Charges and from the earnings on the investment of any moneys held under the City Indenture by the Trustee, a Depository, the City or the Board or remitted to the City or the Board by the Agency (other than moneys held in the Rebate Fund and the Unrestricted Fund), receipts from fees, rates, assessments and other charges to any political subdivision of the State for services or commodities furnished or supplied by the System, proceeds of any grant or appropriation for or on account of Operating Expenses received by the City or the Board from the United States or the State or from any agency, instrumentality or political subdivision of either thereof, Debt Service Assistance and except to the extent otherwise provided in the City Indenture, proceeds of the sale or other disposition of all or any part of the System and of insurance and condemnation awards received with respect to the System or any part thereof, but not including any amounts not deemed "Revenues" pursuant to Section 504(1) of the City Indenture, and not including amounts collected as "water quality protection charges" pursuant to the Public Drinking Water Supply Act of 1997, except for the portion of the water quality protection charges that are deposited in the "Water Quality Protection Charges Account" in the Debt Service Fund and such amounts as are authorized by the Public Drinking Water Supply Act of 1997 to be applied as an administrative charge for any purpose relating to the operation of the Board, which shall be deposited in the Operating Fund.

"Rhode Island Water Resources Board, Corporate Bonds" means the \$9,930,000 Rhode Island Water Resources Board Corporate Refunding Revenue Bonds (Providence Water Supply Board Project), Series 1997 dated July 15, 1997, due September 15, 1997 – 2009 and any bonds or other obligations issued to refund such Rhode Island Clean Water Resources Board, Corporate Bonds, or in exchange or replacement therefor.

"Series" when used with respect to less than all of the Bonds or Subordinated Bonds, shall mean or refer to all of the Bonds or Subordinated Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions and may also mean, if appropriate, a lot or subseries of any Series if, for any reason, the City should determine to divide any Series into two or more lots or subseries.

"Series Debt Service Reserve Fund Requirement" shall mean, as of any date of calculation, the aggregate amount required to be deposited to the Debt Service Reserve Fund pursuant to the City Supplemental Indenture applicable to a particular Series of Bonds.

"Sinking Fund Payment" shall mean, as of any particular date of computation and with respect to Bonds or Subordinated Bonds of a particular Series, the amount of money required by any City Supplemental Indenture to be paid by the City on such date for the retirement of any Outstanding Bonds or Subordinated Bonds of said Series which mature after said date, but does not include any amount payable by the City by reason of the redemption of Bonds or Subordinated Bonds at the election of the City or the Holders of such Bonds.

"State" shall mean the State of Rhode Island and Providence Plantations.

"Subordinated Bonds" shall have the meaning given such term in Section 208 of the City Indenture.

"System" shall mean the system of water supply, treatment and distribution facilities of the City, together with any Capital Improvements or other additions to the System and substitutions for any part thereof heretofore or hereafter acquired or made by or on behalf of the City, and all other water supply facilities (as such terms are defined in the Act) of the City used in, or necessary or desirable for, the operation of such system, including but not limited to, artesian wells, reservoirs, dams, pipelines, treatment plants and related equipment.

"Trust Estate" means all right, title and interest of the City and the Board in and to (i) all Revenues, and (ii) all moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the City Indenture, except the Operating Fund, the Rebate Fund, and the Unrestricted Fund, if established.

"Trustee" means the trustee appointed in accordance with Section 801 of the City Indenture, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the City Indenture.

"Unrestricted Fund" shall mean the fund so designated created by Section 502 of the City Indenture.

"Water Quality Protection Charges" shall have the meaning ascribed to such term pursuant to the Public Drinking Water Supply Act of 1997; and

"Western Cranston Account" shall mean an account in the Project Fund established pursuant to Section 502 of the City Indenture.

Bonds Authorized

Under the City Indenture, the City may issue Bonds which bear a fixed rate of interest ("Fixed Rate Bonds"), Bonds which provide for a variable interest rate ("Variable Rate Bonds"), Bonds which provide for mandatory redemption at the option of the registered owner ("Tender Bonds"), Bonds providing for the compounding of interest ("Compound Interest Bonds"), or zero interest rate or deep discount Bonds ("Discount Bonds"), or any combination thereof.

City Indenture to Constitute a Contract

The City Indenture shall constitute a contract between the City and the Holders from time to time of the Bonds and Subordinated Bonds, and the pledge made in the City Indenture and the covenants and agreements therein set forth to be performed by or on behalf of the City and the Board shall be, subject to the provisions of Section 209 of the City Indenture, for the equal benefit, protection and security of the Holders of any and all of the Bonds and Subordinated Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof or of any of the Subordinated Bonds over any other thereof, except as expressly provided in or permitted by the City Indenture.

Pledge of City Indenture

There are pledged pursuant to the City Indenture for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and, subject to the provisions of Section 209 of the City Indenture, Subordinated Bonds, in each case, subject to the provisions of the City Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the City Indenture, (i) subject to Section 207 of the City Indenture, the proceeds of Sale of the Bonds, (ii) all Revenues, and (iii) all moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the City Indenture except the Operating Fund, the Rebate Fund and the Unrestricted Fund.

Authorization of Bonds; General Provisions

The Bonds of each Series shall be executed by the City and delivered to the Authenticating Agent for such Series of Bonds and by it authenticated and delivered to or upon the order of the City, but only upon receipt by the Trustee of:

- (i) written order signed by an Authorized Officer of the City as to the authentication and delivery of such Bonds;
- (ii) a copy of the applicable City Supplemental Indenture executed by an Authorized Officer;
- (iii) an amount of moneys or Reserve Deposits in a stated amount such that following the issuance of such Bonds and application of their proceeds, the amounts on deposit in and the aggregate stated and unpaid amount of all Reserve Deposits held as part of the Debt Service Reserve Fund shall equal the Debt Service Reserve Fund Requirement; provided, however, that the applicable City Supplemental Indenture may provide that the Series Debt Service Reserve Fund Requirement attributable to any Series of Agency Bonds may be funded in substantially equal monthly installments over a period of time after issuance as specified in the applicable City Supplemental Indenture (which period shall not exceed 24 months);
- (iv) a certificate of a Consulting Engineer or Certified Public Accountant selected by the Board and satisfactory to the Trustee (a) setting forth the estimated annual Net Revenues for each of the three full Fiscal Years following the issuance of such Bonds (including the Fiscal Year in which such Bonds are issued), after giving effect to any increases or decreases in Rates and Charges projected to be in effect for such period, and to the Series Debt Service Reserve Fund Requirement attributable to such Bonds and to any additional Revenues projected to be available during such period, and (b) showing for each of such Fiscal Years that the estimated annual Net Revenues for such Fiscal Year together with amounts in the Stabilization Account, if any, available in such Fiscal Year (as calculated by an Authorized Officer at the time of issuance of such Bonds) will be at least equal to (i) one hundred percent (100%) for any Agency Bonds issued on or before March 23, 2005 and (ii) for all other bonds, one hundred twenty-five (125%) (or such higher amount as may be set forth in the City Supplemental Indenture authorizing the issuance of such Series of Bonds) of the Debt Service Requirement for such Fiscal Year (based on debt Service net of any interest rate subsidy); provided that the Consulting Engineer's or Certified Public Accountant's certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the City and approved by the Public Utilities Commission for such Fiscal Year on or before the date of such certificate;

- (v) if on the date of issuance of such Series of Bonds the City has any outstanding obligation to replenish the Debt Service Reserve Fund under Section 508(4) of the City Indenture, evidence that the City has made at least one monthly payment with respect to such obligation on or before the date required thereunder; and
- (vi) a certificate of an Authorized Officer stating that, as of the date of delivery of such Bonds, no Event of Default, as described in Section 701 of the City Indenture, has occurred and is continuing.
- (vii) evidence that all regulatory approvals required to issue the Bonds or to collect fees and charges sufficient to pay the Bonds have been obtained.

Additional Security

In addition to the security provided for the Bonds under the City Indenture, in connection with the initial issuance of any Series of Bonds under the City Indenture, the City may obtain or cause to be obtained letters of credit, lines of credit, insurance or similar obligations, agreements or instruments ("Additional Security") securing or providing for the payment of all or a portion of the Principal Installments or Redemption Price of, or interest due or to become due on, such Bonds or providing for the purchase of such Bonds or a portion thereof by the issuer or obligor of any such Additional Security. In connection therewith the City may enter into such agreements with the issuer or obligor on such Additional Security providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Additional Security, which fees and expenses may be Costs of Issuance or Operating Expenses as appropriate, the terms and conditions of such Additional Security and the Series of Bonds affected thereby, and the security, if any, to be provided for the issuance of such Additional Security and the payments of such fees and expenses or the obligations of the City with respect thereto.

In addition to any security permitted hereunder, the City may secure its obligations with respect to any Additional Security by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the City in the applicable City Supplemental Indenture. The City may also in an agreement with the issuer or obligor on such Additional Security agree to directly reimburse ("Reimbursement Obligations") such issuer or obligor for amounts paid under the terms of such Additional Security, together with interest thereon. Such Reimbursement Obligations may be secured by a lien on Revenues which, upon payment of amounts payable under the terms of such Additional Security and application of such amounts as provided in the agreements providing therefor, may be on a parity with the lien created by Section 501 hereof. So long as no amounts shall be paid under such Additional Security and such Reimbursement Obligations shall remain contingent, such Reimbursement Obligations shall not be taken in account hereof under the provisions of Section 204 or Section 603 of the City Indenture, provided the issuer of or obligor on such Additional Security may be deemed a Holder hereunder, including the Holder of all Bonds secured thereby, for the purposes of voting, giving consents, receiving notices and otherwise as may be specified in the applicable Supplemental Indenture. Upon the payment of amounts under the Additional Security which results in a Reimbursement Obligation becoming due and payable, such Reimbursement Obligation shall be deemed a Bond Outstanding hereunder for the purposes of Section 603 of the City Indenture and for such other purposes hereunder as may be specified in the applicable Supplemental Indenture.

Issuance of Additional Bonds and Refunding Bonds

The pledge of the right, title and interest of the City in and to the Trust Estate is given subject to the right of the City to issue additional bonds secured on a parity basis with the Bonds by the Trust Estate. One

or more Series of Refunding Bonds may be issued in accordance with Section 206 of the City Indenture for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

Establishment of Funds and Accounts

The pledge of the right, title and interest of the City in and to the Trust Estate is given subject to the right of the City to issue additional bonds secured on a parity basis with the Bonds by the Trust Estate. One or more Series of Refunding Bonds may be issued in accordance with Section 206 of the City Indenture for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

The Debt Service Fund, the Redemption Fund, the Debt Service Reserve Fund and the Rebate Fund shall be held by the Trustee. The Operating Fund, the Insurance Fund, the Insurance Reserve Fund, and the Unrestricted Fund, shall be held by the Board in the custody of one or more banks selected by the Board (including but not limited to the Trustee or any Depository). The Revenue Fund, the Project Fund, the Operation and Maintenance Reserve Fund and the Water Quality Protection Fund, shall, prior to the occurrence of any Event of Default hereunder, be under the exclusive control of the Board, and shall be held by the Trustee upon the occurrence of any Event of Default hereunder:

- (i) Project Fund
- (ii) Revenue Fund
- (iii) Operating Fund
- (iv) Insurance Fund
- (v) Debt Service Fund
- (vi) Redemption Fund
- (vii) Debt Service Reserve Fund
- (viii) Rebate Fund
- (ix) Operation and Maintenance Reserve Fund
- (x) Insurance Reserve Fund
- (xi) Water Quality Protection Fund
- (xii) Unrestricted Fund

There shall be established within the Project Fund one or more Infrastructure Replacement Accounts, Capital Improvements Accounts, Meter Replacement Accounts and Equipment and Replacement Accounts. There shall be established within the Debt Service Fund separate accounts to be known as the Debt Service Account, the Stabilization Account, the Water Quality Protection Debt Service Account, and the Debt Service Assistance Account. There shall be established within the Operation and Maintenance Reserve Fund a Property Tax Refund Account and a PUC Restricted Operating Reserve Account. There shall be established within the Water Quality Protection Fund one or more Watershed Land Acquisition Accounts and one or more Water Quality Improvement Capital Accounts. The Board may establish, in connection with the issuance of one or more Series of Bonds or Subordinated Bonds, or pursuant to an order of the Public Utilities Commission, additional funds or accounts hereunder to be held for the benefit of one or more Series of Bonds or Subordinated Bonds and subaccounts within the funds and accounts established hereunder, as set forth in City Supplemental Indentures. Any fund or account established pursuant to an order of the Public Utilities Commission may be closed with the approval of the Public Utilities Commission without Bondholder consent.

Application of Moneys in the Revenue Fund

All Revenues, except (i) proceeds of insurance and condemnation to the extent provided in Section 606 of the City Indenture, (ii) proceeds of any sale or other disposition of any part of the System to the extent provided in Section 604 of the City Indenture, (iii) earnings on investment of the funds and accounts hereunder to the extent provided in Section 512 of the City Indenture and (iv) Debt Service Assistance

deposited in the Debt Service Assistance Account as provided in Section 506 of the City Indenture, shall be collected by or for the account of the City and deposited by or on behalf of the City as promptly as practicable in the Revenue Fund. There shall also be deposited in the Revenue Fund any other moneys so directed by the City Indenture and any other moneys of the City which the City or the Board may in its discretion determine to so apply unless required to be otherwise applied by the City Indenture.

On the last Business Day of each calendar month, the Board (or during such times as the Trustee shall hold the Revenue Fund, the Trustee) shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

- (i) To the City for deposit in the Operating Fund and the Insurance Fund and any subaccounts therein, the amounts specified by an Authorized Officer in accordance with Section 608 of the City Indenture; provided that if no amount has been specified by such Authorized Officer, the Operating Expenses for such month shall be deemed to be 125% of the Operating Expenses expended in the same calendar month in the preceding year or such lesser amount as an Authorized Officer shall certify in writing to the Trustee, but in no event less than 100% of such amount;
- (ii) To the Debt Service Account within the Debt Service Fund, an amount, which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement as of the first day of the next ensuing month;
- (iii) To the Rebate Fund the amount which together with the amounts on deposit therein will equal the Rebate Requirement as of such day;
- (iv) Subject to Section 508 of the City Indenture, to the Debt Service Reserve Fund, an amount which, together with the amounts on deposit therein, will equal the Debt Service Reserve Fund Requirement as of the first day of the next ensuing month;
- (v) To the Debt Service Assistance Account in the Debt Service Fund an amount specified by an Authorized Officer in a certificate delivered to the Trustee, as amended from time to time;
- (vi) To the Stabilization Account of the Debt Service Fund such amount, if any designated by the City or the Board as further provided in Section 504(4) of the City Indenture;
- (vii) Subject to Section 608 of the City Indenture, to the Operation and Maintenance Reserve Fund, including the PUC Restricted Operating Reserve Account an amount necessary for such Fund to equal the Operation and Maintenance Reserve Fund Requirement as of such day;
- (viii) To the Board for deposit in the Insurance Reserve Fund, the amount, if any, determined by the Board pursuant to Section 606(3) of the City Indenture as necessary to maintain such Fund at the Insurance Reserve Fund Requirement;
- (ix) To the one or more Infrastructure Replacement Accounts, Capital Improvements Accounts, Meter Replacement Accounts, Equipment Replacement Accounts, and the Western Cranston Account, such amounts as are required by order of the Public Utilities Commission or, such amounts as requested by the Board but only upon receipt by the Trustee of (a) a copy of the resolution of the City Council or Providence Water Supply Board approving the funding of Capital Improvements in whole or in part from such Accounts, certified by an Authorized Officer and (b) a certificate of an Authorized Officer stating that such deposit will not impair the ability of the City to either (A) meet the requirements of the Revenue Fund in the

succeeding months of such Fiscal Year based on the then current Annual Budget prepared in accordance with Section 608 of the City Indenture or (B) satisfy the requirements of Section 603 of the City Indenture in the current or next succeeding Fiscal Year;

- (x) To such other funds or accounts as shall be required by any City Supplemental Indenture; and
- (xi) To such other funds or accounts established by the City in compliance with applicable law or as required by any order of the Public Utilities Commission.

On the last Business Day of each Fiscal Year (or an earlier date, but only to the extent that no additional payments to the Debt Service Fund are due during such Fiscal Year), the City (or the Trustee, during such times as the Trustee shall hold the Revenue Fund) shall, after making the deposits required by Section 504(2) of the City Indenture, apply amounts available in the Revenue Fund to the following purposes and in the following order and the Trustee, upon order of the City signed by the City Finance Director and another Authorized Officer shall apply amounts available in the Stabilization Account, and the City may apply amounts in an Infrastructure Replacement Account or a Capital Improvements Account (at such times it holds such Account) to the following purposes and in the following order:

- (i) to the City for reimbursement of rentals, if any, paid by the City (from its general fund rather than from Water Quality Protection Charges) pursuant to the (A) Lease and Agreement (Scituate Reservoir Project) between the Providence Public Buildings Authority and the City dated as of December 15, 1990 as it may be amended from time to time, which lease secures the Providence Public Buildings Authority Bonds, and (B) the Lease and Agreement (Providence Water Supply Board Fruit Hill Extra High Service System Extension Project) between the Rhode Island Water Resources Board, Corporate and the City dated as of July 1, 1988 as amended from time to time, including by the First Amendment dated as of July 1, 1989 and the Second Amendment dated as of July 15, 1997 which lease secures the Rhode Island Water Resources Board, Corporate Bonds;
- (ii) To the City for the reimbursement or payment of principal of or interest on general obligation bonds and notes of the City issued to finance System costs paid or payable during the then ending or the next Fiscal Year, as shown on a schedule filed with the Trustee by an Authorized Officer of the City; provided that the City shall have delivered to the Trustee a certificate of an Authorized Officer stating that (A) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provisions of the City Indenture, (B) the City is in compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ending and (C) such deposit will not adversely affect the ability of the City to fund the funds and accounts established under the City Indenture to the amounts required to be funded in the next Fiscal Year.
- (iii) Subject to Section 510 of the City Indenture, to the Unrestricted Fund, the amount, if any, directed to be deposited therein in writing by an Authorized Officer.

Subject to Section 504(4) of the City Indenture any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for payments therefrom in the succeeding months, provided that if the City shall have issued notes in accordance with Section 607(2)(i) or (iii) of the City Indenture, amounts in the Revenue Fund remaining after the above payments have been made may be used by the City to pay the principal of such notes at maturity or upon earlier redemption.

Notwithstanding the foregoing, in the event that any order of the Public Utilities Commission requires that Revenues be held in a restricted account, the Board shall request the Trustee to make such transfers as may be required to comply with any rate order. In the event that Revenues must be restricted in an account for debt service, such moneys shall be deposited by the Trustee to the Debt Service Fund Stabilization Account.

So long as any Agency Bonds are Outstanding hereunder, if, on the last Business Day of any month, the amounts deposited pursuant to Section 504(2)(ii) of the City Indenture are, as of such date of calculation, less than the amounts required to be deposited therein, the Trustee shall promptly notify the Agency of any such deficit.

Application of Moneys in the Debt Service Fund

The Trustee shall pay out of the Debt Service Account of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, to the respective Paying Agents (i) on each interest payment date the amount required for the interest and Principal Installments payable on such date and (ii) on each redemption date for any Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest on the Bonds then to be redeemed; provided that in each case the City may direct the Trustee in writing to make such payments to the Paying Agents on such date prior to the due date as the City determines. The Paying Agents shall apply such amounts to the payment of interest and Principal Installments on and after the due dates thereof.

If on any interest payment date the amount accumulated in the Debt Service Account of the Debt Service Fund, including the Debt Service Assistance Account, for either of the purposes specified above exceeds the amount required therefor, the Board may direct the Trustee in writing to deposit such excess in the Stabilization Account, the Redemption Fund or, in its discretion consistent with any order of the Public Utilities Commission, in the Revenue Fund. The Trustee shall also pay out of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, accrued interest included in the purchase price of Bonds purchased for retirement under any provision of the City Indenture.

Amounts accumulated in the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Payment was established), if so directed in writing by the City, shall be applied by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Bonds to the first date on which such Bonds could be redeemed (or in the case of a Sinking Fund Payment due on the maturity date, the Principal Amount thereof plus interest to such date), such purchases to be made as directed in writing by the City or otherwise in such manner as the Trustee shall determine, or (ii) the redemption, pursuant to Section 402 of the City Indenture, of such Bonds then redeemable by their terms. The applicable Redemption Price or Principal Amount (in the case of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Payment date for the purpose of calculating the amount of such Fund. As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed (by giving notice as provided in Section 405 of the City Indenture) to call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Payment was established (except in the case of Bonds maturing on a Sinking Fund Payment date) in such amount as shall be necessary to complete the retirement of the Principal Amount of the Bonds of such Series and maturity as specified for such Sinking Fund Payment in the applicable City Supplemental Indenture, and whether or not the balance in the Debt Service Fund is sufficient to pay all such Bonds. The Trustee shall pay out of the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an

Authorized Officer, to the appropriate Paying Agents, on or before such redemption date or maturity date, the amount required for the redemption of the Bonds so called for redemption or for the payment of such Bonds then maturing, and such amount shall be applied by such Paying Agents to such redemption or payment.

In satisfaction, in whole or in part, of any amount required to be paid into the Debt Service Fund pursuant to Section 504(2)(ii) of the City Indenture which is attributable to a Sinking Fund Payment, there may be delivered on behalf of the City to the Trustee Bonds of the Series and maturity entitled to such payment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Payment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of such Bonds.

Notwithstanding anything to the contrary contained in this Section, the Trustee shall not purchase or accept Bonds in lieu of any Sinking Fund Payment during the period of 45 days prior to the due date of any Sinking Fund Payment.

Amounts in the Stabilization Account shall be invested in Permitted Investments at a yield not in excess of the yield permitted by nationally recognized bond counsel or in Permitted Investments described in paragraph (iv) of the definition thereof the interest on which is excluded from income for purposes of federal income taxation and not subject to the alternative minimum tax.

The Trustee shall apply moneys on deposit in the Stabilization Account as follows:

- (i) to any shortfall in the Debt Service Account of the Debt Service Fund after deposit of moneys from the Revenue Fund but before transfers from the Debt Service Reserve Fund, on the Business Day prior to the date on which any payment of principal or interest on any Bonds is due and payable;
- (ii) to any shortfall in the Debt Service Reserve Fund;
- (iii) to fund capitalized interest and to fund the Debt Service Reserve Fund Requirement on any future series of Bonds, as requested by the City;
- (iv) to the Redemption Fund, as requested by the City;
- (v) to the City for reimbursement or payment of principal of or interest on general obligation bonds and notes of the City to finance System costs paid or payable during the then ending fiscal year; provided that the City shall have delivered to the Trustee a certificate of an Authorized Officer stating that (A) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provisions of the City Indenture, (B) the City is compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ending, (C) such deposit will not adversely affect the ability of the City to fund the funds and accounts established under the City Indenture to the amounts required to be funded in the next Fiscal Year; and
- (vi) to such other purposes as the City may direct, not inconsistent with any order of the Public Utilities Commission.

The Board shall deposit in the Water Quality Protection Debt Service Account in the Debt Service Fund such portion or portions of Water Quality Protection Charges as are authorized by the Public Drinking Water Supply Act of 1997 to be applied to the payment of bonds, notes, or other obligations. The Trustee shall apply amounts deposited in the Water Quality Protection Debt Service Account to the payment of Bonds, rentals under the sublease securing the Providence Public Buildings Authority Bonds, and other

obligations (including Costs of Issuance) incurred for the acquisition of land or rights in land and other eligible expenditures and purposes permitted by the Public Drinking Water Supply Act.

Application of Moneys in the Rebate Fund

If any Series of Bonds or Subordinated Bonds is issued, or becomes, subject to the rebate requirement of Section 148(f) of the Internal Revenue Code of 1986, as amended, the City may, by City Supplemental Indenture, activate the Rebate Fund established hereunder, and the Trustee shall then establish a separate Rebate Account within the Rebate Fund for such Series of Bonds or Subordinated Bonds. Funds on deposit in any Rebate Account shall be applied as set forth in the applicable City Supplemental Indenture.

Application of Moneys in the Redemption Fund

The City may deposit in the Redemption Fund any moneys, including Revenues, not otherwise required by the City Indenture to be deposited or applied elsewhere.

If at any time the amount on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account, is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall have already been given by the Trustee). Subject to the foregoing, if at any time the amount on deposit and available therefor in the Operating Fund is insufficient to pay Operating Expenses when due, the Trustee shall withdraw from the Redemption Fund and deposit in the Operating Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall already have been given by the Trustee). Subject to the foregoing, amounts in the Redemption Fund may be applied by the City to the redemption of Bonds in accordance with Section 402 of the City Indenture and the applicable City Supplemental Indenture or, in lieu thereof, to the purchase of Bonds at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Bonds been redeemed (or, if not then subject to redemption, at the applicable Redemption Prices when next subject to redemption), such purchases to be made by the Trustee at such times and in such manner as directed in writing by the City.

Application of Moneys in the Debt Service Reserve Fund

Except as provided in any City Supplemental Indenture amounts in each Account in the Debt Service Reserve Fund shall be used to pay debt service on the related Series of Bonds on the date such debt service is due when insufficient moneys for that purpose are available in the Debt Service Fund; provided, however that all amounts in an Account in the Debt Service Reserve Fund shall be used, together with other amounts available for such purpose hereunder, to provide for payment of the related Series of Bonds when the aggregate of such amounts is sufficient for such purpose. Amounts in each Account of the Debt Service Reserve Fund shall be pledged only to Holders of Bonds of the related Series; provided, however, if so provided in a City Supplemental Indenture, upon the issuance of a Series of Refunding Bonds to advance refund a portion of a Series of Outstanding Bonds, amounts in the related Account of the Debt Service Reserve Fund securing the Outstanding Bonds may be pledged to the unrefunded Series of Outstanding Bonds and the Holders of the Series of Refunding Bonds on a pro rata basis. If at any time the amounts on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account, after application of any funds on deposit in the Stabilization Account pursuant to Section 506(6) of the City Indenture, and after transfers from the Redemption Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Account of the Debt Service Fund the amount necessary to meet any such deficiency. Amounts so withdrawn shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Deposits held as a part thereof upon the

terms and conditions set forth in the agreements applicable to any such Reserve Deposits or as otherwise set forth in the City Supplemental Indenture providing for such Reserve Deposits.

The City may from time to time provide Reserve Deposits to satisfy the Debt Service Reserve Fund requirement; provided that (A) in the case of a Reserve Deposit described in clause (i) of the definition of Reserve Deposits, the City shall provide evidence reasonably satisfactory to the Agency that such provision will not affect any ratings then in effect on any bonds of the Agency secured by Agency Bonds (without regard to the effect of any credit enhancement of such bonds), and (B) in the case of a Reserve Deposit described in clause (ii) of the definition of Reserve Deposits, the Agency shall approve such Reserve Deposit. If on the last business day of any month or on any day when a new Reserve Deposit is deposited in the Debt Service Reserve Fund, the amount on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement (calculated as of the first day of the next succeeding month) the Trustee, shall promptly notify the City and the Board and, acting in accordance with a certificate of an Authorized Officer, to the extent of such excess, either (i) transfer cash and Permitted Investments to any Fund or Account established hereunder or (ii) consent to the reduction of the stated amount of any Reserve Deposit or (iii) do any combination of the foregoing.

The Trustee shall determine the amount of cash and Permitted Investments on deposit in the Debt Service Reserve Fund on each interest payment date for the Bonds after any withdrawals have been made on such date. Whenever the Trustee shall determine that the cash and Permitted Investments on deposit in the Debt Service Reserve Fund together with all other funds available for the purpose is equal to or in excess of the Redemption Price of all Bonds Outstanding, the Trustee, at the written direction of the City, shall transfer the balance of such cash and Permitted Investments from the Debt Service Reserve Fund to the Redemption Fund in connection with the redemption of all Bonds Outstanding.

Notwithstanding anything to the contrary in the City Indenture or any City Supplemental Indenture, if a cash withdrawal is made from the Debt Service Reserve Fund pursuant to Section 508(1) of the City Indenture or in the event that the City shall not be in compliance with the Debt Service Reserve Requirement, monthly deposits shall be made to the Debt Service Reserve Fund pursuant to Section 504(2)(iv) of the City Indenture on the last Business Day of the calendar month in which the withdrawal is made and on the last Business Day of each of the five succeeding calendar months in an amount equal to one-sixth (1/6) of the amount of such withdrawal. In the event that the Debt Service Reserve Fund Requirement is satisfied in whole or in part by a Reserve Deposit and there shall have been a draw on such Reserve Deposit, the City or the Board shall (i) restore the Reserve Deposit within six months of such draw in six equal monthly restorations or (ii) deposit cash in the Debt Service Reserve Fund to replenish the Debt Service Reserve Requirement in accordance with the schedule set forth in the prior sentence. Unless and until the requirements of the preceding two sentences are not met, the difference between the amount of such withdrawals or draws and the amount redeposited or restored to the Debt Service Reserve Fund on account of such withdrawal or draws pursuant to the preceding sentences shall be deemed to be on deposit in the Debt Service Reserve Fund for purposes of calculating compliance with the Debt Service Reserve Fund Requirement.

Operation and Maintenance Reserve Fund

Amounts in the Property Tax Refund Account of the Operation and Maintenance Reserve Fund shall be applied in accordance with order #19145 of the Public Utilities Commission to reimburse the Operating Fund \$375,000 per year for three (3) years commencing in June 2008. Amounts in the Property Tax Refund Account may also be applied to tax litigation expenses, including, but not limited to, legal fees, appraisal fees and engineering analysis.

If any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Debt Service Reserve Fund, and one or more Infrastructure Replacement Accounts, Capital Improvements Accounts, Meter Replacement Accounts, Equipment Replacement Accounts, and Western Cranston Accounts is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from the Operation and Maintenance Reserve Fund to the Debt Service Fund the amount necessary to meet the deficiency; provided, however, that the Board shall obtain approval of the Public Utilities Commission prior to transferring any amounts in the PUC Restricted Operating Revenue Account.

Subject to the above paragraph, if at any time the amount on deposit in the Operating Fund is insufficient to pay all Operation and Maintenance Expenses then payable, the Trustee, upon receipt of a certificate of an Authorized Officer to that effect, shall withdraw from the Operation and Maintenance Reserve Fund and pay to the City for deposit in the Operating Fund the amount specified in such certificate; provided, however, that the Board shall obtain approval of the Public Utilities Commission prior to transferring any amounts in the PUC Restricted Operating Revenue Account.

Unrestricted Fund

The Board may make transfers to the Unrestricted Fund in accordance with Section 504(3)(ii) of the City Indenture, provided that (1) all funds and accounts established under the City Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provision of the City Indenture, (2) the City is in compliance with the terms of Section 603 of the City Indenture for the Fiscal Year then ended and (3) upon certification of an Authorized Officer of the City, such deposit will not adversely affect the ability of the City to comply with the terms of Section 603 of the City Indenture in the next ensuing Fiscal Year. Amounts on deposit in the Unrestricted Fund may be used for any lawful purpose.

Water Quality Protection Fund

The Board shall deposit in the Watershed Land Acquisition Account and the Water Quality Improvement Capital Account such amounts as are required by the Public Drinking Water Supply Act of 1997.

Amounts in any Watershed Land Acquisition Account in the Water Quality Protection Charge Fund shall be disbursed to or upon the order of the Board to be applied to the Cost of acquisition of land or rights in land or physical improvements to acquired land required to protect the quality of raw water of the water supply system (including expenditures for maintenance, administration, and payment of taxes on land acquired pursuant to the Public Drinking Water Supply Act of 1997), or as otherwise permitted by the Public Drinking Water Supply Act of 1997, upon receipt by the Trustee of one or more requisitions signed by the Board Director of Finance and the Chief Engineer of the Board or Deputy Chief Engineer or such other person as the Board shall authorize.

Amounts in any Water Quality Improvement Capital Account in the Water Quality Protection Charge Fund shall be discharged to or upon the order of the Board to be applied to eligible expenditures as authorized pursuant to the Public Drinking Water Supply System Protection Act of 1997, upon receipt by the Trustee of one or more requisitions signed by the Board Director of Finance and the Chief Engineer of the Board or Deputy Chief Engineer or such other person as the Board shall authorize.

Investments

Except as otherwise provided below, money held for the credit of any fund or account held by the Trustee under the City Indenture shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other fund or account, by the Trustee at the written direction of the Board Director of

Finance in Permitted Investments which shall mature or be redeemable at the option of the holder thereof, on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof held for the credit of such fund or account. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund shall be invested solely in the investments specified in paragraphs (i), (ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) of the definition of Permitted Investments. Unless otherwise directed by any City Supplemental Indenture, Permitted Investments purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account and all income thereon shall accrue to and be deposited in such fund or account and all losses from investment shall be charged against such fund or account; provided that all income earned on investment of the Redemption Fund, the Debt Service Reserve Fund and the Insurance Reserve Fund shall be credited to and deposited in the Revenue Fund.

Covenant as to Rates and Charges.

To the extent not otherwise provided by a Supplemental Indenture, so long as any Bonds are Outstanding, the City and the Board each will take all actions within its power to establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other moneys including amounts from the Stabilization Account, at least sufficient to pay or provide for, as the same become due or are payable (i) all Operating Expenses, (ii) all payments of Principal Installments and Redemption Price of and interest on the Bonds and all other bonds, notes or other evidences of indebtedness of or assumed by the City which are payable from Revenues of the System, (iii) all amounts, if any, payable to the Operation and Maintenance Reserve Fund, the Debt Service Reserve Fund, and, if any, the Insurance Reserve Fund, (iv) all repairs, replacements, and renewals of the System deemed necessary by the City and the Board which are payable from Revenues of the System and (v) all other amounts which the City and the Board may by law order of the Public Utilities Commission or contract be obligated to pay from Revenues of the System.

Without limiting the generality of the foregoing, the City and the Board will each take all actions within its power to establish and maintain Rates and Charges at levels sufficient so that total Net Revenues in each Fiscal Year during which Bonds are Outstanding, shall equal at least (a) one hundred percent (100%) for Bonds issued on or before March 23, 2005 and (b) for all other Bonds, one hundred twenty-five percent (125%) of the Debt Service Requirement during such Fiscal Year (based on debt service net of any interest rate subsidiary) with respect to all Bonds Outstanding as of the first day of such Fiscal Year. Failure by the or the Board to comply with the requirements of this subsection (2) shall not be considered an Event of Default under the Indenture so long as the City and the Board have complied or is diligently proceeding to comply with the rate covenant; provided that the setting of Rates and Charges shall to the extent required by law, be subject to the approval of the Public Utilities Commission.

Creation of Liens; Other Indebtedness

The City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and Subordinated Bonds, secured by a pledge of or other lien on the Revenues of the System and other moneys, securities, Reserve Deposits, if any, and funds held or set aside by the City or by the Fiduciaries under the City Indenture, and shall not otherwise create or cause to be created any lien or charge on the Revenues of the System, moneys, securities, Reserve Deposits, if any, and funds, except to the extent provided in Section 607 of the City Indenture.

Annual Operating Budget

Not less than one day prior to the beginning of each Fiscal Year, the Providence Water Supply Board shall adopt and file with the Trustee an annual operating budget for the System (the "Annual Budget") for

such Fiscal Year. The Providence Water Supply Board may at any time, but not more often than once a month, adopt and file with the Trustee (or annually delegate to an Authorized Officer the authority to prepare and file with the Trustee) an amended or supplemental Annual Budget for the Fiscal Year then in progress, provided that an amendment for the purpose of making changes in one or more line items within the Annual Budget, but which does not increase the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year may be filed by an Authorized Officer without action by the Providence Water Supply Board and provided further that any amendment that increases the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year shall be accompanied by a certificate of an Authorized Officer to the effect that such increase will not preclude compliance by the City with the covenants set forth in Section 603 of the City Indenture. An Authorized Officer shall prepare and may amend from time to time, a monthly breakdown of the Annual Budget which breakdown or amendment thereto shall be filed with the Trustee and shall show for each month projected Operating Expenses to be paid from the Operating Fund and the Insurance Fund in such month, as well as the Revenues or other moneys held hereunder projected to be available to meet the same. Neither the City nor the Board shall incur aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount of Operating Expenses shown in the Annual Budget as amended and supplemented for such Fiscal Year except in case of emergency or as required by law and shall promptly file a written report of any such excess expenditure with the Trustee signed by an Authorized Officer. For the purposes of Section 608 of the City Indenture, "Authorized Officer" shall include, individually, the Mayor, the Board Director of Finance, the and the Chief Engineer of the Providence Water Supply Board.

For purposes of Section 504(2) of the City Indenture, the Operation and Maintenance Reserve Fund Requirement shall mean, unless a greater amount is required by any City Supplemental Indenture, (i) from the date of delivery of the initial Series of Bonds hereunder until the last day of the third full Fiscal Year after such Bonds are delivered, the amount provided in the City Supplemental Indenture for the initial Bonds, and (ii) as of the last business day of each calendar month thereafter an amount equal to at least the sum of (a) the balance on deposit in the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year and (b) one-twelfth (1/12) of the amount, if any, by which the balance of the Operation and Maintenance Reserve Fund on the last day of the prior Fiscal Year was less than the Operation and Maintenance Reserve Fund Requirement calculated as of such day multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year, and either plus (c) one-twelfth (1/12) of one-sixth (1/6) of the amount, if any, by which the projected aggregate Operating Expenses of the current Fiscal Year (as shown in the Annual Budget as then amended and supplemented for such Fiscal Year) exceeds the aggregate Operating Expenses for the prior Fiscal Year multiplied by the number of months of the current Fiscal Year that have passed since the beginning of such Fiscal Year or minus (d) one-sixth (1/6) of the amount, if any, by which such projected aggregate Operating Expenses are less than the aggregate Operating Expenses for the prior Fiscal Year.

For purposes of such computation, the City and the Trustee shall consider the amount of Operating Expenses paid in a prior Fiscal Year to be such amount as estimated by an Authorized Officer in a certificate filed with the Trustee on or before the last day of such Fiscal Year subject to adjustment with respect to the actual amount as set forth in a certificate of an Authorized Officer filed with the Trustee on or before one hundred twenty (120) days after the end of such Fiscal Year.

Prior to an Event of Default, the City, the Board and the Authorized Officers shall not be required to file the Annual Budget and other reports required by Section 608(1) with the Trustee and shall provide such items to the Agency to the extent required by any Loan Agreement between the City and the Agency.

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

- (i) if default shall be made by the City in the payment of the Principal Installments or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption at the option of the City or any Holder, or otherwise, or in the payment of any sinking fund payment when due,
- (ii) if default shall be made by the City in the payment of any installment of interest on any Bond when due,
- (iii) if default shall be made by the City in the payment of any installment of interest on or any Principal Installment or Redemption Price of any Subordinated Bonds when due,
- (iv) if default shall be made by the City or the Board in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the City Indenture or in the Bonds and such default shall continue for a period of 30 days after written notice thereof shall be given to the City and the Board by the Trustee or to the City and the Board and the Trustee by the Holders of a majority in Principal Amount of the Bonds Outstanding; provided that if such default cannot be remedied within such 30 day period, it shall not constitute an Event of Default hereunder if corrective action is instituted by the City or the Board within such period and diligently pursued until the default is remedied,
- (v) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the City or the whole or any substantial part of the System, (b) granting relief in involuntary proceedings with respect to the City under the federal bankruptcy act, or (c) assuming custody or control of the City or the Board or of the whole or any substantial part of the System under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of entry of the order, judgment or decree, or
- (vi) if the City (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of the System, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the City or the Board or of the whole or any substantial part of the System.

The City or the Board shall promptly give the Trustee notice of any Event of Default with respect to Agency Bonds issued to the Agency prior to the date of this Indenture. Upon the occurrence of an Event of Default described in clauses (i), (ii), (v) or (vi), so long as such Event of Default shall not have been cured, either the Trustee (by notice in writing to the City and the Board), or the Holders of twenty-five percent (25%) in Principal of the Bonds Outstanding (by notice in writing to the City, the Board and the Trustee) may, with the consent of the Agency (so long as there are Agency Bonds Outstanding hereunder), declare the Principal Amount of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the City Indenture or in any of the Bonds contained to the contrary notwithstanding.

Application of Revenues and Other Moneys After Default

The City and the Board covenant that if an Event of Default shall happen and shall not have been remedied, the City and the Board, upon demand of the Trustee, shall pay over and assign to the Trustee (i) forthwith, all moneys, securities, Reserve Deposits, Additional Security, if any, and funds then held by the City or the Board in any fund or account pledged under the City Indenture including, without limitation, funds then held by it in the Revenue Fund, and (ii) as promptly as practicable after receipt thereof the Revenues.

During the continuance of an Event of Default, the Trustee shall apply the moneys, Reserve Deposits, Additional Security, if any, and funds held by the Trustee and such Revenues and the income therefrom as follows and in the following order:

- (i) to the payment of the reasonable and proper charges and expenses of the Fiduciaries and of its agents, representatives, advisors and legal counsel, and of any engineer or firm of engineers selected by the Trustee pursuant to this Article and to the payment of any fees and expenses required to keep any Reserve Deposits or Additional Security in full force and effect;
- (ii) to the payment of the amounts required for reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the System necessary to prevent loss of Revenues or to provide for the continued operation of the System, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the City or the Board for other purposes) selected by the Trustee;
- (iii) to the payment of the interest and Principal Amount or Redemption Price then due on the Bonds, as follows:
 - (a) unless the Principal Amount of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments maturing, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Amount or Redemption Price of any Bonds which shall become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Amount or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and
 - (b) if the Principal Amount of all of the Bonds shall have become or have been declared due and payable, to the payment of the Principal Amount and interest then due and unpaid upon the Bonds without preference or priority of Principal Amount over interest or of interest over Principal Amount, or

of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for Principal Amount and interest, to the persons entitled thereto without any discrimination or preference;

Proceedings Brought by Trustee

Whether or not a declaration shall be made by the Trustee or Bondholders pursuant to Section 701 of the City Indenture, if an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the City Indenture by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the City Indenture, or in aid of the execution of any power granted in the City Indenture, or for an accounting against the City and the Board as if the City and the Board were the trustees of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the City Indenture. All rights of action under the City Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings.

Restriction on Bondholders' Action

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the City Indenture or for any remedy under the City Indenture, unless such Holder shall have previously given to the Trustee written notice of the happening of any Event of Default and shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity to exercise the powers granted in this Article in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby or in connection therewith, and the Trustee shall have refused to comply with such request within a reasonable time.

Amendment

Any modification or amendment of the Bonds or of the City Indenture may be made by a City Supplemental Indenture, with the written consent given as provided in Section 1003 of the City Indenture, (i) of the Holders of at least a majority in aggregate Principal Amount of all Bonds Outstanding at the time such consent is given or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in aggregate Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the vote or consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1003 of the City Indenture; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the Principal Amount of any Outstanding Bond, or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon or the method for determining such rate without the consent of the Holder of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages of the Principal Amount of Bonds the consent of which is required to effect any such modification or amendment.

Defeasance

If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds of a Series then Outstanding, the Principal Amount and interest and Redemption Price, if any, to become due

thereon, at the times and in the manner stipulated therein and in the City Indenture then the pledge of any Revenues or other moneys, securities, Reserve Deposits and Additional Security, if any, pledged by the City Indenture and all other rights granted by the City Indenture shall be discharged and satisfied.

All Outstanding Bonds of any Series or any part of a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) of Section 1101 of the City Indenture if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide as provided in Article IV, notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Permitted Investments of the type described in clause (1) of the definition thereof or Advance Refunded Municipal Bonds not subject to redemption at the option of the issuer thereof prior to the due date thereof, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time of deposit of such Permitted Investments, shall be sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to provide, as soon as practicable, at least thirty (30) days written notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with paragraph (1) of Section 1101 of the City Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal Amount or Redemption Price, if applicable, on said Bonds. Neither Permitted Investments nor moneys deposited with the Trustee pursuant to Section 1101 of the City Indenture nor principal or interest payments on any such Permitted Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Amount or Redemption Price, if applicable, and interest on said Bonds, provided that any cash received from the principal or interest payments on such Permitted Investments deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Permitted Investments maturing at times and in principal amounts sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. After the making of the payments for which such Permitted Investments or moneys were held, any surplus shall be promptly paid over to the City, as received by the Trustee, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under the City Indenture.

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APPENDIX F

Proposed Form of Bond Counsel Opinion

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PROPOSED FORM OF BOND COUNSEL OPINION



Date of Delivery

Rhode Island Infrastructure Bank
235 Promenade Street, Suite 119
Providence, Rhode Island 02908

Re: \$22,640,000 Rhode Island Infrastructure Bank
Safe Drinking Water Revolving Fund Revenue Bonds,
Series 2015 A (Green Bonds) (Pooled Loan Issue), dated December 17, 2015

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of the \$22,640,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2015 A (Green Bonds) (Pooled Loan Issue) (the “Bonds”) of the Rhode Island Infrastructure Bank (the “Bank”).

The Bonds are dated December 17, 2015 and bear interest from such date payable on April 1 and October 1 of each year, commencing April 1, 2016. The Bonds are issued by means of a book-entry system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company and its participants and will mature on the dates and in the principal amounts, will bear interest at the respective rates per annum, and are subject to redemption as set forth in the Bonds.

The Bonds are issued under and pursuant to the Rhode Island Infrastructure Bank Act, constituting Chapter 12.2 and Chapter 12.8 of Title 46 of the Rhode Island General Laws, as amended (the “Act”), and under and in accordance with an Indenture of Trust (the “Indenture of Trust”), dated as of February 23, 2004, between the Bank, formerly known as the Rhode Island Clean Water Finance Agency, and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture of Trust dated as of March 1, 2005, the Second Supplemental Indenture of Trust dated as of March 1, 2007, the Third Supplemental Indenture of Trust dated as of June 1, 2008, the Fourth Supplemental Indenture of Trust dated as of November 1, 2009, the Fifth Supplemental Indenture of Trust dated as of June 1, 2012, the Sixth Supplemental Indenture of Trust dated as of May 1, 2013, the Seventh Supplemental Indenture of Trust dated as of June 1, 2013, the Eighth Supplemental Indenture of Trust dated as of December 1, 2014 and the Ninth Supplemental Indenture of Trust dated as of December 1, 2015 (as modified, amended or supplemented, the “Indenture”).

The Bonds are payable, in part, as to principal and interest from and are secured by a lien on and a pledge of the Loan Agreements (the “Loan Agreements”) between the Bank and certain public bodies (the “Borrowers”) and of certain bonds or notes (the “Borrower Bonds”) issued pursuant to each respective Loan Agreement. Each Borrower Bond has been delivered to the Bank accompanied by an opinion of bond counsel to each respective Borrower relative to the validity and tax exempt status of that Borrower Bond and that Borrower’s obligation under the Loan Agreement relating thereto.

In rendering the opinions set forth herein, we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Bonds and relied upon representations of the Bank and the Borrowers contained in the Indenture and Loan Agreements, respectively, the certified proceedings and other certifications furnished to us by the Bank or the Borrowers without undertaking to verify the same by independent investigation. In rendering the opinions set forth herein, we have not been requested to examine any document or financial or other information concerning the Bank, the Borrowers, the Borrower Bonds or any Project (each as defined in the applicable Loan Agreement) other than the record of proceedings referred to above and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Bonds. Capitalized terms used herein and not otherwise defined shall have the meanings as set forth in the Indenture.

Based upon the foregoing, it is our opinion that:

1. The Bank is a body politic and corporate, constituting a public instrumentality, and is duly created and validly existing under the laws of the State of Rhode Island and Providence Plantations (the “State”), including, particularly, the Act. The Bank has the right and lawful authority to issue the Bonds for the purpose of loaning the proceeds of the Bonds to the Borrowers to finance the costs of the Projects as contemplated by the Loan Agreements and the Indenture, to receive and pledge the revenues and receipts derived from the Borrower Bonds in accordance with the terms of the Loan Agreements and as provided in the Indenture and to secure the Bonds in the manner contemplated by the Indenture.

2. The Bank has the right and power pursuant to the Act to enter into and perform its obligations under the Indenture. The Indenture has been duly authorized, executed and delivered on behalf of the Bank, is in full force and effect and constitutes the valid, binding and enforceable obligation of the Bank.

3. The Bank has the right and power pursuant to the Act to enter into and perform its obligations under the Loan Agreements. The Loan Agreements have been duly authorized, executed and delivered on behalf of the Bank, are in full force and effect and constitute valid, binding and enforceable agreements of the Bank.

Rhode Island Infrastructure Bank
Date of Delivery

4. The Bonds have been duly authorized, executed, delivered and issued by the Bank in accordance with the Indenture and the laws of the State. The Bonds are valid and binding special obligations of the Bank, secured by the Indenture (to the extent provided therein), and the Bonds are payable as to principal and interest from, and are secured by a valid lien on and pledge of, the Borrower Bonds and the payments by the Borrowers of principal and interest on the Borrower Bonds and other moneys held by the Trustee under the Indenture and available therefor under the terms of the Indenture, all in the manner provided in the Indenture. The Bonds are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Act and the Indenture.

5. We have examined executed Bond No. R-1 and, in our opinion, the form of such Bond and its execution are regular and proper.

6. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture, the Loan Agreements and a Tax Certificate of the Bank as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), the Bank and the Borrowers have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Bank and the Borrowers have made certain representations and certifications in the Indenture, the Loan Agreements and the Tax Certificate. We have not independently verified the accuracy of those representations and certifications.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of aforementioned representations and certifications, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

The Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, are exempt from taxation by and within the State; although the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, may be included in the measure of State estate taxes and certain State corporate and business taxes. We express no opinion as to other State or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State.

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We are further of the opinion that the difference between the principal amount of the Bonds maturing on October 1, 2027 with a 2.50% coupon, October 1, 2028 with a 2.625% coupon and October 1, 2030-2033, inclusive (collectively, the “Discount Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

Except as stated in the preceding four paragraphs, we express no opinion as to any other Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

Obligations of the Bank, including the Bonds, are subject to bankruptcy, insolvency, reorganization and similar laws affecting the rights and remedies of creditors and the availability of the remedy of specific enforcement or of injunctive relief is subject to the discretion of the court before which any proceedings therefor may be brought.

Very truly yours,

NIXON PEABODY LLP

APPENDIX G

Forms of Continuing Disclosure Certificates

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APPENDIX G-1

Form of Bank Continuing Disclosure Certificate

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FORM OF BANK CONTINUING DISCLOSURE CERTIFICATE

Bank Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the “Certificate”) is made as of the ____ day of December, 2015 by the Rhode Island Infrastructure Bank (the “Bank”) acting by its undersigned officer, duly authorized, in connection with the issuance by the Bank’s \$22,640,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2015 A (Green Bonds) (Pooled Loan Issue) dated the date of delivery (the “Bonds”), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Certificate, the following capitalized terms shall have the following meanings:

“**EMMA**” shall mean the Electronic Municipal Market Access System, the web-site created by the MSRB and approved by the SEC that is accessible at www.emma.msrb.org where beginning July 1, 2009 municipal issuers and obligated persons were required to file continuing disclosure information under the Rule.

“**Final Official Statement**” means the official statement of the Bank, dated December 3, 2015, prepared in connection with the Bonds.

“**Indenture**” means the Indenture of Trust dated as of February 23, 2004, between the Bank and U.S. Bank National Association, as Trustee, as amended and supplemented to the date hereof.

“**MSRB**” means the Municipal Securities Rulemaking Board established under the Securities Act of 1933, as amended, or any successor thereto.

“**Obligated Person**” means any entity who, as a result of outstanding Loans from the Agency is obligated by contract or otherwise to repay at least twenty (20%) percent of the debt service on all outstanding Bonds issued by the Bank under the Indenture.

“**Repository**” means any nationally recognized municipal securities information repository recognized by the SEC from time to time, which, as of the date of this Certificate, means only the MSRB through the operation of EMMA.

“**Rule**” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Certificate.

“**SEC**” means the Securities Exchange Commission of the United States, or any successor thereto.

Capitalized terms used herein and not otherwise defined shall have the meaning as set forth in the Indenture.

Section 2. Annual Financial Information.

(a) The Bank agrees to provide, or cause to be provided, directly or through EMMA, in accordance with the provisions of the Rule and of this Certificate, annual financial information and operating data of each fiscal year as follows:

(1) Audited financial statements of the Bank and any Obligated Person with respect to the Bonds, prepared in accordance with generally accepted accounting principles, with certain exceptions required or permitted by Rhode Island law, commencing with the fiscal year ending June 30, 2016.

(2) To the extent not included in the financial statements described in (1) above, annual financial information and operating data for the type presented in the Final Official Statement prepared in connection with the Bonds and such other financial information and operating data as may be required to comply with the Rule, commencing with the fiscal year ending June 30, 2016; provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the Bank from reorganizing such material in subsequent official statements or annual information reports.

(b) The financial statements and other financial information and operating data described above will be provided on or before nine (9) months after the close of the fiscal year for which such information is being provided. The Bank's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to the Repository through EMMA. If the document to be cross-referenced is a final official statement, it must be available from the Repository through EMMA. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement.

Section 3. Material Events.

The Bank agrees to provide or cause to be provided, within ten (10) business days after the occurrence thereof, to the Repository through EMMA, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax

status of the Bonds or other material events affecting the tax-exempt status of the Bonds;

- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repaying of the Bonds, if material;
- (k) rating changes;
- (l) tender offers;
- (m) bankruptcy, insolvency, receivership or similar event of the Bank or the Obligated Person*;
- (n) the consummation of a merger, consolidation, or acquisition involving the Bank or the Obligated Person or the sale of all or substantially all of the assets of the Bank or the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than pursuant to its terms, if material; and
- (o) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Bank from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Bank, such other event is material with respect to the Bonds but the Bank does not undertake or commit to provide any such notice of the occurrence of any material event except those listed above.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Bank agrees to provide or cause to be provided, in a timely manner, to the Repository through EMMA, notice of any failure by the Bank or any Obligated Person to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Objective Criteria.

(a) The objective criteria for identifying Obligated Persons with respect to the Bonds shall be based upon a determination by the Bank at the time of sale of each issue of bonds pursuant to the Indenture of the level of participation of each Borrower in all outstanding issues of bonds by the Bank under the Indenture. Any Borrower obligated to pay, from time to time, twenty percent (20%) or more of the total outstanding debt service due on all bonds issued by the Bank under the Indenture shall be an Obligated Person with respect to the Bonds as long as such

* As noticed in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Bank or the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any 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 Bank or 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 (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Bank or Obligated Person.

Borrower remains obligated to pay at least twenty (20%) percent of all debt service for bonds issued pursuant to the Indenture. The Bank's Loan Agreement with each Borrower provides that to the extent a Borrower becomes an Obligated Person with respect to the Bonds, it agrees to provide the Bank with the information necessary to enable the Bank to comply with the Rule as in effect from time to time.

(b) The Bank shall use its best efforts to (i) cause each Obligated Person, if any, to enter into a Borrower Continuing Disclosure Certificate in the form set forth in Appendix F of the Final Official Statement, or (ii) otherwise provide the continuing disclosure for such Obligated Person as contemplated hereby and by the Loan Agreement.

Section 6. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Certificate may be provided by the Bank or by any agents which may be employed by the Bank for such purpose from time to time.

Section 7. Termination.

The obligations of the Bank under this Certificate shall terminate upon the earlier of (i) payment at maturity or otherwise, of all of the Bonds, or (ii) such time as the Bank ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 8. Enforcement.

The purpose of the Bank's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owner of the Bonds, from time to time, to specifically enforce the Bank's obligations hereunder, not to create new contractual or other rights for the original purchasers of the Bonds, any registered owner or beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the Bank to comply with any covenant of this Certificate shall be an action for the specific performance of the Bank's obligations hereunder and not for money damages in any amount. Any failure by the Bank to comply with all provisions of this undertaking shall not constitute an event of default with respect to the Bonds.

Section 9. Contact Person.

The Bank's Executive Director, or such official's designee from time to time, shall be the contact person on behalf of the Bank from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is Joseph Dewhirst, 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, Telephone (401) 453-4430.

Section 10. Miscellaneous.

(a) The Bank shall have no obligation to provide any information, data or notices other than as set forth in this Certificate; provided however, nothing in this Certificate

shall be construed as prohibiting the Bank from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Bank elects to provide any such additional information, data or notices, the Bank shall have no obligation under this Certificate to update or continue to provide further additional information, data or notices of the type so provided.

(b) The intent of the Bank's undertaking in this Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Certificate may be amended by the Bank without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Bank for the benefit of the beneficial owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Bank (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, or any replacement thereof no longer requires the Bank to provide all or any portion of the information the Bank has agreed to provide pursuant to the Certificate, the obligation of the Bank to provide such information also shall cease immediately.

(c) This Certificate shall be governed by the laws of the State of Rhode Island.

(d) This Certificate may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts, shall together constitute but one and the same instrument.

RHODE ISLAND INFRASTRUCTURE BANK

By: _____
Joseph Dewhirst
Interim Executive Director

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APPENDIX G-2

Form of Newport Continuing Disclosure Certificate

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BORROWER CONTINUING DISCLOSURE CERTIFICATE
(City of Newport, Rhode Island)

This Continuing Disclosure Certificate (the “Certificate”) is made as of the ____ day of December, 2015 by the City of Newport, Rhode Island (the “Borrower”) acting by its undersigned officer, duly authorized, in connection with the issuance by the Rhode Island Infrastructure Bank (the “Bank”) of its \$22,640,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2015 A (Green Bonds) (Pooled Loan Issue) dated the date of delivery (the “Bonds”), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Certificate, the following capitalized terms shall have the following meanings:

“**EMMA**” shall mean the Electronic Municipal Market Access System, the web-site created by the MSRB and approved by the SEC that is accessible at www.emma.msrb.org where beginning July 1, 2009 municipal issuers and obligated persons were required to file continuing disclosure information under the Rule.

“**Final Official Statement**” means the official statement of the Bank, dated December 3, 2015, prepared in connection with the Bonds.

“**Indenture**” means the Indenture of Trust dated as of February 23, 2004, between the Bank and U.S. Bank National Association, as Trustee, as amended and supplemented to the date hereof.

“**MSRB**” means the Municipal Securities Rulemaking Board established under the Securities Act of 1933, as amended, or any successor thereto.

“**Newport Water**” means the Newport Water System.

“**Objective Criteria**” means any Borrower who, as a result of outstanding loans from the Bank under the Safe Drinking Water Revolving Fund, is obligated to pay twenty (20%) percent or more of the total outstanding debt service due on all bonds issued by the Bank under the Indenture.

“**Repository**” means any nationally recognized municipal securities information repository recognized by the SEC from time to time, which, as of the date of this Certificate, means only the MSRB through the operation of EMMA.

“**Rule**” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Certificate.

“**SEC**” means the Securities Exchange Commission of the United States, or any successor thereto.

Capitalized terms used herein and not otherwise defined shall have the meaning as set forth in the Indenture.

Section 2. Annual Financial Information.

(a) The Borrower agrees to provide, or cause to be provided, directly or through the Bank to the Repository through EMMA, in accordance with the provisions of the Rule and of this Certificate, annual financial information of Newport Water and operating data of Newport Water each fiscal year as follows:

(1) Audited financial statements the Borrower, prepared in accordance with generally accepted accounting principles, with certain exceptions required or permitted by Rhode Island law, commencing with the fiscal year ending June 30, 2015.

(2) To the extent not included in the financial statements described in (1) above, annual financial information and operating data for the Borrower of the type presented in the Final Official Statement prepared in connection with the Bonds in Appendix C of the Final Official Statement, and such other financial information and operating data as may be required to comply with the Rule, commencing with the fiscal year ending June 30, 2015.

(b) The financial statements and other financial information and operating data described above will be provided on or before two hundred nine (9) months after the close of the fiscal year for which such information is being provided. The Borrower's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to the Repository through EMMA. If the document to be cross-referenced is a final official statement, it must be available from the Repository through EMMA. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement.

Section 3. Notice of Failure to Provide Annual Financial Information.

The Borrower agrees to provide or cause to be provided, in a timely manner, to the Repository through EMMA, notice of any failure by the Borrower to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 4. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Certificate may be provided by the Borrower or by any agents which may be employed by the Borrower for such purpose from time to time.

Section 5. Termination.

The obligations of the Borrower under this Certificate shall terminate upon the earlier of (i) payment at maturity or otherwise, of all of the Bonds, or (ii) such time as the Borrower ceases to be an obligated person meeting the Objective Criteria with respect to the Bonds within the meaning of the Rule and the Bank's Continuing Disclosure Certificate with respect to the Bonds.

Section 6. Enforcement.

The purpose of the Borrower's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owner of the Bonds, from time to time, to specifically enforce the Borrower's obligations hereunder, not to create new contractual or other rights for the original purchasers of the Bonds, any registered owner or beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the Borrower to comply with any covenant of this Certificate shall be an action for the specific performance of the Borrower's obligations hereunder and not for money damages in any amount. Any failure by the Borrower to comply with all provisions of this undertaking shall not constitute an event of default with respect to the Bonds.

Section 7. Contact Person.

The Borrower's Director of Finance, or such official's designee from time to time, shall be the contact person on behalf of the Borrower from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is Laura Sitrin, Director of Finance, 43 Broadway, Newport, Rhode Island 02840, Telephone (401) 846-9600 Ext. 308.

Section 8. Miscellaneous.

(a) The Borrower shall have no obligation to provide any information, data or notices other than as set forth in this Certificate; provided however, nothing in this Certificate shall be construed as prohibiting the Borrower from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Borrower elects to provide any such additional information, data or notices, the Borrower shall have no obligation under this Certificate to update or continue to provide further additional information, data or notices of the type so provided.

(b) The intent of the Borrower's undertaking in this Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Certificate may be amended by the Borrower without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Borrower for the benefit of the beneficial owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of

the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Borrower (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, or any replacement thereof no longer requires the Borrower to provide all or any portion of the information the Borrower has agreed to provide pursuant to the Certificate, the obligation of the Borrower to provide such information also shall cease immediately.

(c) This Certificate shall be governed by the laws of the State of Rhode Island.

(d) This Certificate may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts, shall together constitute but one and the same instrument.

CITY OF NEWPORT, RHODE ISLAND

By: _____
Mayor

By: _____
Director of Finance

APPENDIX G-3

Form of Pawtucket Continuing Disclosure Certificate

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BORROWER CONTINUING DISCLOSURE CERTIFICATE
(City of Pawtucket, Rhode Island)

This Continuing Disclosure Certificate (the “Certificate”) is made as of the ____ day of December, 2015 by the City of Pawtucket, Rhode Island (the “Borrower”) acting by its undersigned officer, duly authorized, in connection with the issuance by the Rhode Island Infrastructure Bank (the “Bank”) of its \$22,640,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2015 A (Green Bonds) (Pooled Loan Issue) dated the date of delivery (the “Bonds”), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Certificate, the following capitalized terms shall have the following meanings:

“**EMMA**” shall mean the Electronic Municipal Market Access System, the web-site created by the MSRB and approved by the SEC that is accessible at www.emma.msrb.org where beginning July 1, 2009 municipal issuers and obligated persons were required to file continuing disclosure information under the Rule.

“**Final Official Statement**” means the official statement of the Bank, dated December 3, 2015, prepared in connection with the Bonds.

“**Indenture**” means the Indenture of Trust dated as of February 23, 2004, between the Bank and U.S. Bank National Association, as Trustee, as amended and supplemented to the date hereof.

“**MSRB**” means the Municipal Securities Rulemaking Board established under the Securities Act of 1933, as amended, or any successor thereto.

“**Objective Criteria**” means any Borrower who, as a result of outstanding loans from the Bank under the Safe Drinking Water Revolving Fund, is obligated to pay twenty (20%) percent or more of the total outstanding debt service due on all bonds issued by the Bank under the Indenture.

“**PWSB**” means Pawtucket Water Supply Board.

“**Repository**” means any nationally recognized municipal securities information repository recognized by the SEC from time to time, which, as of the date of this Certificate, means only the MSRB through the operation of EMMA.

“**Rule**” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Certificate.

“**SEC**” means the Securities Exchange Commission of the United States, or any successor thereto.

“**System**” means the Borrower’s water system which is operated by the PWSB.

Capitalized terms used herein and not otherwise defined shall have the meaning as set forth in the Indenture.

Section 2. Annual Financial Information.

(a) The Borrower agrees to provide, or cause to be provided, directly or through the Bank to the Repository through EMMA, in accordance with the provisions of the Rule and of this Certificate, annual financial information of PWSB and operating data of PWSB each fiscal year as follows:

(1) Audited financial statements of the PWSB, prepared in accordance with generally accepted accounting principles, with certain exceptions required or permitted by Rhode Island law, commencing with the fiscal year ending June 30, 2014.

(2) To the extent not included in the financial statements described in (1) above, annual financial information and operating data for the Borrower and PWSB of the type presented in the Final Official Statement prepared in connection with the Bonds in Appendix D of the Final Official Statement, and such other financial information and operating data as may be required to comply with the Rule, commencing with the fiscal year ending June 30, 2015.

(b) The financial statements and other financial information and operating data described above will be provided on or before two hundred nine (9) months after the close of the fiscal year for which such information is being provided. The Borrower's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to the Repository through EMMA. If the document to be cross-referenced is a final official statement, it must be available from the Repository through EMMA. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement.

Section 3. Notice of Failure to Provide Annual Financial Information.

The Borrower agrees to provide or cause to be provided, in a timely manner, to the Repository through EMMA, notice of any failure by the Borrower to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 4. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Certificate may be provided by the Borrower or by any agents which may be employed by the Borrower for such purpose from time to time.

Section 5. Termination.

The obligations of the Borrower under this Certificate shall terminate upon the earlier of (i) payment at maturity or otherwise, of all of the Bonds, or (ii) such time as the Borrower ceases to be an obligated person meeting the Objective Criteria with respect to the Bonds within the meaning of the Rule and the Bank's Continuing Disclosure Certificate with respect to the Bonds.

Section 6. Enforcement.

The purpose of the Borrower's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owner of the Bonds, from time to time, to specifically enforce the Borrower's obligations hereunder, not to create new contractual or other rights for the original purchasers of the Bonds, any registered owner or beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the Borrower to comply with any covenant of this Certificate shall be an action for the specific performance of the Borrower's obligations hereunder and not for money damages in any amount. Any failure by the Borrower to comply with all provisions of this undertaking shall not constitute an event of default with respect to the Bonds.

Section 7. Contact Person.

The Borrower's Director of Finance, Joanna L'Heureux, or such official's designee from time to time, shall be the contact person on behalf of the Borrower from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is Joanna L'Heureux, Director of Finance, 137 Roosevelt Avenue, Pawtucket, Rhode Island 02860, Telephone 727-0501 Ext. 244.

Section 8. Miscellaneous.

(a) The Borrower shall have no obligation to provide any information, data or notices other than as set forth in this Certificate; provided however, nothing in this Certificate shall be construed as prohibiting the Borrower from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Borrower elects to provide any such additional information, data or notices, the Borrower shall have no obligation under this Certificate to update or continue to provide further additional information, data or notices of the type so provided.

(b) The intent of the Borrower's undertaking in this Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Certificate may be amended by the Borrower without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Borrower for the benefit of the beneficial owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to

otherwise modify the undertakings in a manner consistent with the provisions of state legislation responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Borrower (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, or any replacement thereof no longer requires the Borrower to provide all or any portion of the information the Borrower has agreed to provide pursuant to the Certificate, the obligation of the Borrower to provide such information also shall cease immediately.

(c) This Certificate shall be governed by the laws of the State of Rhode Island.

(d) This Certificate may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts, shall together constitute but one and the same instrument.

CITY OF PAWTUCKET, RHODE ISLAND

By: _____
Joanna L'Heureux
Director of Finance

The undersigned acknowledges the obligations of the City hereunder and shall provide such information and data to the City necessary for the City to satisfy any of its obligations hereunder.

PAWTUCKET WATER SUPPLY BOARD

By: _____
James DeCelles
Its Chief Engineer

APPENDIX G-4

Form of Providence Continuing Disclosure Certificate

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BORROWER CONTINUING DISCLOSURE CERTIFICATE
(City of Providence, Rhode Island)

This Continuing Disclosure Certificate (the “Certificate”) is made as of the ____ day of December, 2015 by the City of Providence, Rhode Island (the “Borrower”) acting by its undersigned officer, duly authorized, in connection with the issuance by the Rhode Island Infrastructure Bank (the “Bank”) of its \$22,640,000 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2015 A (Green Bonds) (Pooled Loan Issue) dated the date of delivery (the “Bonds”), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Certificate, the following capitalized terms shall have the following meanings:

“**EMMA**” shall mean the Electronic Municipal Market Access System, the web-site created by the MSRB and approved by the SEC that is accessible at www.emma.msrb.org where beginning July 1, 2009 municipal issuers and obligated persons were required to file continuing disclosure information under the Rule.

“**Final Official Statement**” means the official statement of the Bank, dated December 3, 2015, prepared in connection with the Bonds.

“**Indenture**” means the Indenture of Trust dated as of February 23, 2004, between the Bank and U.S. Bank National Association, as Trustee, as amended and supplemented to the date hereof.

“**MSRB**” means the Municipal Securities Rulemaking Board established under the Securities Act of 1933, as amended, or any successor thereto.

“**Objective Criteria**” means any Borrower who, as a result of outstanding loans from the Bank under the Safe Drinking Water Revolving Fund, is obligated to pay twenty (20%) percent or more of the total outstanding debt service due on all bonds issued by the Bank under the Indenture.

“**Prov Water**” means the Providence Water Supply Board.

“**Repository**” means any nationally recognized municipal securities information repository recognized by the SEC from time to time, which, as of the date of this Certificate, means only the MSRB through the operation of EMMA.

“**Rule**” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Certificate.

“**SEC**” means the Securities Exchange Commission of the United States, or any successor thereto.

“**System**” means the Borrower’s water system which is operated by Prov Water.

Capitalized terms used herein and not otherwise defined shall have the meaning as set forth in the Indenture.

Section 2. Annual Financial Information.

(a) The Borrower agrees to provide, or cause to be provided, directly or through the Bank to the Repository through EMMA, in accordance with the provisions of the Rule and of this Certificate, annual financial information of Prov Water and operating data of Prov Water each fiscal year as follows:

(1) Audited financial statements of Prov Water, prepared in accordance with generally accepted accounting principles, with certain exceptions required or permitted by Rhode Island law, commencing with the fiscal year ending June 30, 2015.

(2) To the extent not included in the financial statements described in (1) above, annual financial information and operating data for the Borrower and Prov Water of the type presented in the Final Official Statement prepared in connection with the Bonds in Appendix E of the Final Official Statement, and such other financial information and operating data as may be required to comply with the Rule, commencing with the fiscal year ending June 30, 2015.

(b) The financial statements and other financial information and operating data described above will be provided on or before two hundred nine (9) months after the close of the fiscal year for which such information is being provided. The Borrower's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to the Repository through EMMA. If the document to be cross-referenced is a final official statement, it must be available from the Repository through EMMA. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement.

Section 3. Notice of Failure to Provide Annual Financial Information.

The Borrower agrees to provide or cause to be provided, in a timely manner, to the Repository through EMMA, notice of any failure by the Borrower to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 4. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Certificate may be provided by the Borrower or by any agents which may be employed by the Borrower for such purpose from time to time.

Section 5. Termination.

The obligations of the Borrower under this Certificate shall terminate upon the earlier of (i) payment at maturity or otherwise, of all of the Bonds, or (ii) such time as the Borrower ceases to be an obligated person meeting the Objective Criteria with respect to the Bonds within the meaning of the Rule and the Bank's Continuing Disclosure Certificate with respect to the Bonds.

Section 6. Enforcement.

The purpose of the Borrower's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owner of the Bonds, from time to time, to specifically enforce the Borrower's obligations hereunder, not to create new contractual or other rights for the original purchasers of the Bonds, any registered owner or beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the Borrower to comply with any covenant of this Certificate shall be an action for the specific performance of the Borrower's obligations hereunder and not for money damages in any amount. Any failure by the Borrower to comply with all provisions of this undertaking shall not constitute an event of default with respect to the Bonds.

Section 7. Contact Person.

The Borrower's Director of Finance, or such official's designee from time to time, shall be the contact person on behalf of the Borrower from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is Lawrence J. Mancini, City Hall, 25 Dorrance Street, Providence, Rhode Island 02903, Telephone 421-7740.

Section 8. Miscellaneous.

(a) The Borrower shall have no obligation to provide any information, data or notices other than as set forth in this Certificate; provided however, nothing in this Certificate shall be construed as prohibiting the Borrower from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Borrower elects to provide any such additional information, data or notices, the Borrower shall have no obligation under this Certificate to update or continue to provide further additional information, data or notices of the type so provided.

(b) The intent of the Borrower's undertaking in this Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Certificate may be amended by the Borrower without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Borrower for the benefit of the beneficial owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to

otherwise modify the undertakings in a manner consistent with the provisions of state legislation responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Borrower (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, or any replacement thereof no longer requires the Borrower to provide all or any portion of the information the Borrower has agreed to provide pursuant to the Certificate, the obligation of the Borrower to provide such information also shall cease immediately.

(c) This Certificate shall be governed by the laws of the State of Rhode Island.

(d) This Certificate may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts, shall together constitute but one and the same instrument.

CITY OF PROVIDENCE, RHODE ISLAND

By: _____
Lawrence J. Mancini
Finance Director

The undersigned acknowledges the obligations of the City hereunder and shall provide such information and data to the City necessary for the City to satisfy any of its obligations hereunder.

PROVIDENCE WATER SUPPLY BOARD

By: _____
Ricky Caruolo
Its General Manager

APPENDIX H

Book-Entry-Only System

The information under this heading has been furnished by The Depository Trust Company (“DTC”), New York, New York. Neither the Bank nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, New York, will act as securities depository for the Series 2015 A Bonds. The Series 2015 A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 A Bond will be issued for each maturity of Series 2015 A Bonds as shown on the front cover hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Series 2015 A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015 A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2015 A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security

documents. For example, Beneficial Owners of Series 2015 A Bonds may wish to ascertain that the nominee holding the Series 2015 A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 A Bonds issued are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent to vote with respect to the Series 2015 A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures DTC mails an Omnibus Proxy to the Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2015 A Bonds, and redemption proceeds, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bank or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants and not of DTC (nor its nominee), the Trustee or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bank or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2015 A Bonds at any time by giving reasonable notice to the Bank or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Series 2015 A Bonds are required to be printed and delivered.

The Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificated Series 2015 A Bonds will be printed and delivered to DTC.

THE INFORMATION IN THIS APPENDIX H CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BANK AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE BANK AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE BANK, THE UNDERWRITERS AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2015 A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE SERIES 2015 A BONDOWNERS OR REGISTERED OWNERS OF THE SERIES 2015 A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2015 A BONDS.

Neither the Bank, the Underwriters nor the Trustee shall have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC or any Participant with respect to any beneficial ownership interests of the Series 2015 A Bonds; (ii) the delivery to any Participant, Beneficial Owner of the Series 2015 A Bonds or other person, other than DTC, of any notice with respect to the Series 2015 A Bonds; (iii) the payment to any Participant, Beneficial Owner of the Series 2015 A Bonds or other person, other than DTC, of any amount with respect to the principal of, premium, if any, or interest on, the Series 2015 A Bonds; (iv) any consent given by DTC as registered owner; or (v) the selection by DTC or any Participant or any Beneficial Owners to receive payment if the Series 2015 A Bonds are redeemed in part.

APPENDIX I

Series 2015 A Green Project Highlights

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Green Bond Project Highlights
Projects to be Financed or Refinanced with Series 2015 A Bond Proceedsⁱ

Borrower	Principal Amount of Green Bond Proceedsⁱⁱ	Project Description	Percent of Loan Drawnⁱⁱⁱ
Providence Water Supply Board	\$22,035,256.50	City of Providence - Providence Water is undertaking a project to relocate and consolidate their central operations. The project includes the purchase and rehabilitation of an existing 175,000 square foot building. This facility will house the following divisions: Transmission and Distribution, Water Quality, Engineering, Support Services, Finance, Information Technology, Customer Service and Administration. In addition, the water testing laboratory will be relocated to this Central Operations Facility.	7.4%
Town of Cumberland	\$1,750,000	The Town is undertaking the replacement of a water storage tank. The project consist of replacement of the existing 0.6 million gallon water storage tank with a new 0.6 million gallon pre-stressed concrete water storage tank, inclusion of a tank mixing system, access road improvements, replacement of security fencing, demolition of the existing tank and relocation of the instrumentation, controls and electrical services to the new tank.	7.3%

ⁱ The satisfactory completion of the projects, modifications of the projects and other factors may cause loan amounts to vary and the identity of Borrowers to change. Accordingly, the information contained in APPENDIX I is subject to change.

ⁱⁱ Amount may include costs of issuance.

ⁱⁱⁱ To be updated annually

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