

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 2016 B 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 2016 B 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 2016 B 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.



\$18,790,000
RHODE ISLAND INFRASTRUCTURE BANK
 (formerly known as Rhode Island Clean Water Finance Agency)
Water Pollution Control Revolving Fund Revenue Bonds
Series 2016 B (Green Bonds) (Pooled Loan Issue)

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

The Rhode Island Infrastructure Bank Water Pollution Control Revolving Fund Revenue Bonds, Series 2016 B (Green Bonds) (Pooled Loan Issue) (the "Series 2016 B 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 2016 B Bonds will be made so long as Cede & Co. is the registered owner of the Series 2016 B Bonds. Individual purchases of the Series 2016 B Bonds will be made only in book-entry form, in denominations of \$5,000, or any multiple in excess thereof.

The Series 2016 B Bonds bear interest from the date of delivery of the Series 2016 B Bonds, payable on April 1 and October 1 of each year, commencing October 1, 2016. The Series 2016 B Bonds are subject to redemption prior to maturity as described herein.

The Series 2016 B Bonds are being issued by the Rhode Island Infrastructure Bank, formerly known as Rhode Island Clean Water Finance Agency (the "Bank") to fund loans to certain Local Governmental Units (as defined in the Act) within the State as set forth herein (the "Borrowers") to finance or refinance portions of the cost of certain water pollution abatement projects and to pay costs of issuance. The Series 2016 B Bonds are being issued on a parity with all other outstanding Rhode Island Infrastructure Bank Pollution Control Revolving Fund Revenue Bonds (Pooled Loan Issues) listed under the subheading "Senior Agency Bonds" in "THE BANK – Outstanding Senior Agency Bonds and Subordinated Bonds" herein (collectively the "Senior Agency Bonds"). The Series 2016 B Bonds, the Senior Agency Bonds, and any additional bonds that may be issued in the future on a parity with the Series 2016 B 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 therefor pursuant to an Indenture of Trust dated as of February 15, 1992 (the "Indenture of Trust") between the Bank and U.S. Bank National Association (as successor to Rhode Island Hospital Trust National Bank and State Street Bank and Trust Company), 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"), including but not limited to (i) certain loan repayments to be made to the Trustee by the Bank as described herein, and (ii) investment earnings on certain reserves funded from federal capitalization grants and certain other funds available to the Bank. 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 2016 B Bonds are designated as "Green Bonds" by the Bank based on the intended use of the proceeds of the Series 2016 B Bonds to finance environmentally beneficial projects as described herein. See "THE SERIES 2016 B BONDS – Designation of Green Bonds" herein.

The Series 2016 B 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 2016 B 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 2016 B Bonds.

\$18,790,000 Serial 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	\$105,000	2.000%	0.660%	76221UCK0	2028	\$1,025,000	5.000%	1.980%*	76221UCW4
2018	645,000	2.000	0.760	76221UCL8	2029	1,080,000	4.000	2.300*	76221UCX2
2019	665,000	3.000	0.890	76221UCM6	2030	1,125,000	4.000	2.360*	76221UCY0
2020	690,000	3.000	1.010	76221UCN4	2031	1,175,000	4.000	2.420*	76221UCZ7
2021	720,000	4.000	1.140	76221UCP9	2032	1,230,000	4.000	2.480*	76221UDA1
2022	755,000	4.000	1.260	76221UCQ7	2033	1,285,000	4.000	2.540*	76221UDB9
2023	790,000	4.000	1.370	76221UCR5	2034	1,340,000	4.000	2.600*	76221UDC7
2024	830,000	5.000	1.500	76221UCS3	2035	1,400,000	4.000	2.660*	76221UDD5
2025	875,000	5.000	1.630	76221UCT1	2036	565,000	4.000	2.720*	76221UDE3
2026	925,000	5.000	1.780*	76221UCU8	2037	590,000	4.000	2.770*	76221UDF0
2027	975,000	5.000	1.900*	76221UCV6					

* Priced at stated yield to October 1, 2025 option redemption price of 100%

The Series 2016 B 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 is serving as Financial Advisor to the Bank in connection with the issuance of the Series 2016 B Bonds. It is expected that the Series 2016 B Bonds will be available for delivery to DTC in New York, New York on or about June 2, 2016.

Morgan Stanley**Oppenheimer & Co****BofA Merrill Lynch****Ramirez & Co., Inc.****Roosevelt & Cross, Incorporated**

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 2016 B Bonds. Neither the Underwriters nor the Bank is responsible for the selection or use of the CUSIP numbers, and no representation is made as to their correctness on the Series 2016 B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 B 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 2016 B Bonds.

No dealer, broker, salesman or other person has been authorized by the Bank or the Underwriters of the Series 2016 B 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 Underwriters or, as to information from other sources, the Bank. 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 2016 B 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 2016 B Bonds to certain dealers (including dealers depositing such Series 2016 B 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 2016 B 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

\$18,790,000

RHODE ISLAND INFRASTRUCTURE BANK WATER POLLUTION CONTROL REVOLVING FUND REVENUE BONDS SERIES 2016 B (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 Rhode Island 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 \$18,790,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2016 B (Green Bonds) (Pooled Loan Issue) (the “Series 2016 B Bonds”).

The Series 2016 B Bonds are issued pursuant to the Indenture (as hereinafter defined) on a parity with the Bank’s Senior Agency Bonds (as hereinafter defined). The Series 2016 B Bonds, together with the Senior Agency Bonds and any additional bonds that may be issued in the future on a parity with the Series 2016 B Bonds and the Senior Agency Bonds (the “Additional Senior Bonds”), are collectively referred to herein as the “Senior Bonds.” In addition to the Senior Agency Bonds, the Bank, pursuant to the Indenture, has also previously issued and has outstanding its Water Pollution Control Subordinated Refunding Revenue Bonds Series 2010 A (the “Series 2010 A Subordinated Refunding Bonds”) and its Water Pollution Control Subordinated Refunding Revenue Bonds Series 2015 C (the “Series 2015 C Subordinated Refunding Bonds”) and collectively with the Series 2010 A Subordinated Refunding Bonds, the “Subordinated Agency Bonds”). The Subordinated Agency Bonds, together with any additional bonds to be issued on a parity with or subordinate to the Subordinated Agency Bonds which are, by their terms, subordinate to the Senior Bonds (the “Additional Subordinated Bonds” and collectively with the Additional Senior Bonds, the “Additional Bonds”), are collectively referred to herein as the “Subordinated Bonds”. The Senior Bonds and Subordinated Bonds are collectively referred to herein as the “Bonds”. See “THE BANK -- Outstanding Senior Agency Bonds and Subordinated Bonds” herein.

The Series 2016 B 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 (the “Act”), and under and pursuant to resolutions adopted by the Bank on January 25, 2016 and March 21, 2016. The outstanding Senior Agency Bonds are, and the Series 2016 B Bonds will be, issued under and secured ratably by an Indenture of Trust dated as of February 15, 1992 (the “Indenture of Trust”) between the Bank and U.S. Bank National Association (as successor to Rhode Island Hospital Trust National Bank and State Street Bank and Trust Company), 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 2016 B Bonds are being issued for the purpose of providing financing to various Local Governmental Units (as defined in the Act) within the State (collectively, the “Borrowers”) for the cost of the acquisition, construction and installation of certain facilities to be used for water pollution control 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”). The Act also authorizes the Bank to issue refunding bonds for the purpose of paying any of its bonds issued pursuant to the Act, at or prior to maturity or upon acceleration or redemption or purchase and retirement. The Bank’s Water Pollution Control Subordinated Refunding Revenue Bonds Series 1999 B (the “Series 1999 B Subordinated Refunding Bonds”) and all of the outstanding amount of the Series 2010 A Subordinated Refunding Bonds, the Bank’s Water Pollution Control Refunding Revenue Bonds Series 2012 B and the Series 2015 C Subordinated Refunding Bonds were issued to refund all or a portion of the outstanding amount of certain series of Senior Agency Bonds. See “THE BANK -- Outstanding Senior Agency Bonds and Subordinated Bonds” herein. A portion of the proceeds of the Series 2010 A Subordinated Refunding Bonds were issued to defease in full the outstanding Series 1999 B Subordinated Refunding Bonds.

INTRODUCTION

Under Title VI of the Federal Clean Water Act of 1972, as amended by the Federal Water Quality Act of 1987 (together with any regulations promulgated thereunder, the “Federal Act”), the federal construction grants program for wastewater treatment projects was phased out and replaced by state wastewater treatment revolving fund programs. 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 Capitalization Grants (“State Matching Funds”). The revolving loan funds are used to provide financial assistance to municipal entities in connection with the construction, rehabilitation, expansion or improvement of publicly owned systems for the storage, treatment, recycling and reclamation of municipal wastewater and for implementation of non-point source pollution control management programs or for development and implementation of estuary conservation and management plans. Under the Federal Act, the State has been authorized to receive up to \$239,780,140 in Federal Act Capitalization Grants through federal fiscal year 2016 for purposes of the State’s revolving loan fund. See “THE WATER POLLUTION CONTROL REVOLVING FUND PROGRAM -- Funding” herein.

In addition to Federal Act Capitalization Grants, for fiscal year 2009 the State was awarded \$26,314,600 in capitalization grants pursuant to the American Recovery and Reinvestment Act of 2009 (“ARRA”) to fund water pollution abatement projects (“ARRA Capitalization Grants”, and together with the Federal Act Capitalization Grants, the “Capitalization Grants”) in connection with the Rhode Island Water Pollution Control Revolving Fund. The ARRA Capitalization Grants do not require State Matching Funds 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 WATER POLLUTION CONTROL REVOLVING FUND PROGRAM – Federal Stimulus Funds” herein.

For Fiscal Year 2015, the Bank was awarded a Federal Act Capitalization Grant for the Clean Water State Revolving Fund (“CWSRF”) in the amount of \$9,361,000 to fund water pollution abatement projects (the “FY15Capitalization Grant”). See “THE BANK – Fiscal Year 2015 Capitalization Grant”, “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Green Federal Direct Loans” and “THE WATER POLLUTION CONTROL REVOLVING FUND PROGRAM – Fiscal Year 2015 Capitalization Grant”.

As required by the Federal Act, the General Assembly of the State enacted the Act, which established the Water Pollution Control Revolving Fund (the “Revolving Fund”) to be administered and maintained by the Bank. Under the Act, the Department of Environmental Management of the State (“DEM”) is directed to promulgate rules and regulations pertaining to applications by Borrowers for financial assistance for water pollution abatement projects. No project is eligible for financing by the Bank until the DEM 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 DEM and the Bank entered into a Memorandum of Understanding dated August 16, 2013, as amended from time to time (the “Memorandum of Understanding”), pursuant to which the DEM agreed to assume programmatic responsibilities for the Revolving Fund and the Bank agreed to assume the financial and operational responsibilities of the Revolving Fund including the determination of the type of financial assistance to be provided to applicants. See “THE DEPARTMENT OF ENVIRONMENTAL MANAGEMENT” herein.

The Act authorizes the Bank to provide financial assistance to, or purchase bonds from, Local Governmental Units for the purpose of financing or refinancing all or a portion of the cost of construction or rehabilitation of water pollution abatement projects as defined in the Act. The Act authorizes the Bank to adopt such regulations and establish such fees as may be required to administer the Revolving Fund. The Act also authorizes the Bank to pledge the Revolving Fund as security for its revenue bonds issued for the purpose of providing moneys for deposit to the Revolving Fund to enable the Bank to make loans at below market interest rates to, or purchase bonds from, Local Governmental Units.

The proceeds of the Series 2016 B Bonds are expected to be used: (i) to make loans (“Loans”) to Borrowers to finance or refinance the costs of construction or rehabilitation of water pollution abatement projects and (ii) to pay for the Borrowers’ allocable issuer expenses associated with entering into the Loans and issuing the Series 2016 B Bonds, which Loans are evidenced by local government obligations (“Borrower Bonds”).

The Bank expects that the Borrower Bonds delivered to the Bank in connection with the issuance of the Series 2016 B Bonds will represent loans to the Borrowers of proceeds of the Revolving Fund comprised of proceeds of the Series 2016 B Bonds, Federal Act Capitalization Grants and the State Matching Funds, and will, in the aggregate, exceed the aggregate principal amount of the Series 2016 B 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, i.e., the true interest rate that obligations of each individual Borrower would bear, as determined jointly by the Bank and the 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 Bank has also set the subsidized interest rate (the "Subsidized Interest Rate") for all loans to the Borrowers, which is approximately two-thirds (2/3) of the applicable Interest Rate. The Subsidized Interest Rate has ranged from 0.37% to 4.444% for all prior loans to Borrowers.

The Bank established a "0%" interest program for water pollution abatement projects using \$57 million in State bond proceeds authorized by the voters at the November 7, 2000 General Election. Borrowers in the "0%" interest program whose rating was investment grade or better may receive 50% of their project costs at "0%" interest and 50% of their project costs at the Bank's regular subsidy of one-third off the Borrower's market rate. These two rates were blended thereby significantly reducing the Borrower's interest payments to the Bank. Those Borrowers whose rating was non-investment grade, including those Borrowers which were non-investment grade within the twelve months prior to filing a loan application with the Bank, are eligible to receive 100% of their project funds, up to \$25 million, at an interest rate of "0%". See "THE BANK -- Certain Other Bank Programs and Indebtedness" herein.

Loans may be made under the Revolving Fund with the proceeds of Bonds, State Matching Funds, Capitalization Grants or funds on deposit in the Revolving Fund, or a combination of any of them. Loans made with proceeds from the Bonds are referred to as "Agency Loans." Loans made with the proceeds of State Matching Funds, the 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 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. Federal Direct Loans made with proceeds from Capitalization Grants for the purpose of financing Green Project Reserve Projects, as determined by the DEM, are referred to as "Green Federal Direct Loans". See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS - Green Federal Direct Loans. To date, the Bank has made Loans in the aggregate amount of \$1,201,822,268 of which \$748,252,098 remained outstanding as of December 31, 2015.

The Senior Bonds are secured equally and ratably under the Indenture by the payments by all Borrowers on Loans made with proceeds of Bonds and the payments by all Borrowers on Direct Loans, certain Federal Direct Loans (including the Green Federal Direct Loans), and ARRA Federal Direct Loans. See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS -- Loans Made with Proceeds of Senior Bonds, - Direct Loans, - Federal Direct Loans, - ARRA Federal Direct Loans, Green Federal Direct Loans, and Administrative Loans" herein.

Loans are expected to be made to the Borrowers listed herein under "THE WATER POLLUTION CONTROL REVOLVING FUND PROGRAM - The Borrowers" in connection with the issuance of the Series 2016 B 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 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 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" 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 2016 B Bonds, the security and sources of payment therefor, the Bank and the Water Pollution Control Revolving Fund 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 Narragansett Bay Commission (“NBC”). The proposed form of approving opinion of Bond Counsel is included as Appendix D. The proposed forms of Bank Continuing Disclosure Agreement and Borrower Continuing Disclosure Agreement are included as Appendix E. Certain information regarding the book-entry-only system used in connection with the Series 2016 B Bonds is included as Appendix F. Appendix G contains highlights of the green bond projects to be financed with the proceeds of the Series 2016 B Bonds.

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. 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 2016 B 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 SENIOR 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 Rhode Island Clean Water Finance 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 brownsfield 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 Directors of Brookline Bancorp, Inc. and its subsidiary, Brookline Bank. She also 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 Board of Trustees member 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 with The Washington Trust Company and Vice President in Commercial Lending of First Bank & Trust Company. Mr. Lajoie serves on the board of directors of Junior Achievement of Rhode Island and is a board member of the City of Warwick Retirement Board.

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 Saunterstown, 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 nine full-time employees.

The Executive Director of the Bank is Jeffrey R. Diehl, who was unanimously appointed by the Board of Directors on March 21, 2016. Mr. Diehl brings over three decades of experience in multinational banking, capital market strategy and public sector finance to his new role at the Bank. Most recently, Mr. Diehl served as the Managing Partner of Strategic Sovereign Advisors, a financial consulting firm. Prior to his role at Strategic Sovereign Advisors, Mr. Diehl held leadership positions at London-based HSBC, a global bank. During his tenure at HSBC, he served as Vice Chairman of the US Public Sector, Global Head of Public Sector Banking and Global Head of Public Sector Capital Markets. Prior to HSBC, Mr. Diehl held progressively senior positions in capital markets, public finance and asset and liability management with a number of top tier, international financial institutions. Mr. Diehl holds both a Bachelor of Arts and a Masters of Business Administration from the University of Michigan. Mr. Diehl and his family are in the process of relocating to 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. The Bank anticipates launching a Commercial PACE program in the spring of 2016. A Residential PACE program is currently under development.
- 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. The Bank anticipates an initial round of Efficient Building Fund loans to Rhode Island municipalities in the spring of 2016.
- 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.

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Outstanding Senior Agency Bonds and Subordinated Bonds

As of December 31, 2015, the Bank had: (i) \$434,055,000 aggregate principal amount of outstanding Water Pollution Control Revolving Fund Revenue Bonds issued under the Indenture (the “Senior Agency Bonds”) payable from a pledge of revenues thereunder that is expressly senior to the pledge under the Indenture securing the payment of the Subordinated Bonds and \$75,080,000 of outstanding Subordinated Bonds, as shown in the following table:

<u>Senior Agency Bonds</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (December 31, 2015)</u>
Series 1995 A Bonds	October 1, 2016	\$6,400,000	\$240,000
Series 1999 A Bonds	October 1, 2020	25,825,000	5,800,000
Series 1999 C Bonds	October 1, 2019	24,010,000	3,365,000
Series 2000 A Bonds	October 1, 2020	26,550,000	3,820,000
Series 2002 A Bonds	October 1, 2022	29,305,000	6,185,000
Series 2002 B Bonds	October 1, 2022	76,035,000	10,630,000
Series 2006 A Bonds	October 1, 2027	57,795,000	11,040,000
Series 2007 A Bonds	October 1, 2028	39,740,000	28,820,000
Series 2009 A Bonds	October 1, 2030	41,555,000	36,305,000
Series 2010 B Bonds	October 1, 2030	30,145,000	27,955,000
Series 2011 A Bonds	October 1, 2032	40,200,000	34,820,000
Series 2012 A Bonds	October 1, 2033	25,620,000	23,400,000
Series 2012 B Refunding Bonds	October 1, 2025	65,860,000	55,665,000
Series 2013 A Bonds	October 1, 2034	52,070,000	51,310,000
Series 2014 A Bonds	October 1, 2034	55,925,000	54,080,000
Series 2015 A Bonds	October 1, 2044	56,275,000	56,275,000
Series 2015 B Refunding Bonds	October 1, 2026	<u>24,345,000</u>	<u>24,345,000</u>
TOTAL		\$677,655,000	\$434,055,000

<u>Subordinated Agency Bonds</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (December 31, 2015)</u>
Series 2010 A Refunding Bonds	October 1, 2023	\$77,140,000	\$51,725,000
Series 2015 C Refunding Bonds	October 1, 2027	<u>23,355,000</u>	<u>23,355,000</u>
TOTAL		\$100,495,000	\$75,080,000

On or about the date of issuance of the Series 2016 B Bonds, the Bank also expects to issue its \$49,060,000 Water Pollution Control Refunding Revenue Bonds, Series 2016 A (the “Series 2016 A Refunding Bonds”) as a series of Additional Senior Bonds pursuant to the Indenture. The proceeds of the Series 2016 A Refunding Bonds will be used to finance the advance refunding of a portion of the Bank’s outstanding Water Pollution Control Revolving Fund Revenue Bonds, Series 2007 A (Pooled Loan Issue) (the “Series 2007 A Bonds”) and a portion of the Bank’s Outstanding Water Pollution Control Revolving Fund Revenue Bonds, Series 2009 A (the “Series 2009 A Bonds”) and pay the costs of issuance of the Series 2016 A Refunding Bonds. On the date of issuance of the Series 2016 A Refunding Bonds, it is anticipated that the Series 2007 A Bonds maturing October 1, 2016, October 1, 2017 with a 4.00% interest rate and October 1, 2017 with a 5.00% interest rate and the Series 2009 A Bonds maturing October 1, 2016, October 1, 2017, October 1, 2018, October 1, 2019 with a 3.00% interest rate and October 1, 2019 with a 5.00% interest rate will remain outstanding. The portions of the Series 2007 A Bonds and the portion of the Series 2009 A Bonds that will otherwise be refunded with the proceeds of the Series 2016 A Refunding Bonds are collectively referred to herein as the “Refunded Bonds.”

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.

Subordinated Bonds

Subordinated Bonds are special obligations of the Bank payable solely from, and secured by, a pledge of revenues or receipts, funds or monies pledged therefor under the Indenture, consisting of certain excess revenues derived from loan repayments by Borrowers transferred from the Revenue Fund to the Subordinated Debt Service Fund under the Indenture; provided, however, that the pledge of such amounts in favor of the Subordinated Bonds is expressly junior and subordinate to the prior pledge of such revenues to the payment of Senior Bonds. The Subordinated Bonds do not constitute 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.

Future Water Pollution Control Revolving Fund Program Financings of the Bank

The Bank expects to issue Additional Senior Bonds in the future to finance water pollution abatement 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 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 Revolving Fund. 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 Revolving Fund and used to make Direct Loans or may be used to fund the LIST of the Revolving Fund at the discretion of the Bank. The financial subsidy offered to the borrowers from the State Program is similar to the Revolving Fund. 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 under the Facility Loan Program totaling \$375,000. Although the loans made under the State Program, including the Facility Loan Program, are to finance water pollution abatement projects, they are not made through the Revolving Fund or pursuant to the Indenture and are not pledged as security for payment of Bonds.

The Bank administers a leveraged revenue bond program under the Drinking Water State Revolving Fund (“DWSRF”) established pursuant to Chapter 12.8 of Title 46 of the Rhode Island General Laws (1956) and the federal Safe Drinking Water Act, each as amended. The DWSRF provides financial assistance to public and private drinking water suppliers for approved safe drinking water projects. As of December 31, 2015, the Bank had \$186,475,000 outstanding of senior bonds under the DWSRF. To date, no subordinate bonds are outstanding under the DWSRF. The Bank has made DWSRF loans totaling \$423,943,043 through December 31, 2015. All of the bonds issued under the DWSRF 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 Revolving Fund may be utilized. See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – The Cross Investment Fund” herein.

As of December 31, 2015, the Bank had 78,437,000 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 (\$24,265,000), (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) loans to the Town of Coventry to finance and refinance the indebtedness related to certain sewer projects (\$7,400,000).

The Bank has established a Community Septic System Loan Program (“CSSLP”) under the Federal 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. Projects to close cesspools and install septic systems are also eligible for CSSLP financing. De-allocated “LIST” funds provide the money for this direct loan program. The Bank has made forty-two CSSLP direct loans totaling \$11,800,000 through December 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 State 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 December 31, 2015. Repayments under the STILF are not pledged as security for the Bonds.

As a result of the Bank receiving \$60 million in State bond proceeds authorized by the voters at the November 7, 2000 Rhode Island General Election, a “0%” interest Clean Water Loan Program was established where \$57 million has been used to finance water pollution abatement projects and \$3 million has been used to fund safe drinking water State Matching Funds. Borrowers whose rating is investment grade or better may receive 50% of their project costs at “0%” interest and 50% of their project costs at the Bank’s regular subsidy of 1/3 below the borrower’s market rate. These two rates are blended thereby significantly reducing the borrower’s interest payments to the Bank. Subject to the following eligibility for zero interest financing, zero percent loans are not currently available from the Bank. Those borrowers whose rating is non-investment grade, including those borrowers which were non-investment grade within the twelve months prior to filing a loan application with the Bank, are eligible to receive 100% of their project funds, up to \$25 million, at “0%” interest.

Federal Stimulus Act

In February 2009 the United States Congress passed the ARRA, a \$789 billion stimulus package consisting of various spending and tax cut 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 WATER POLLUTION CONTROL REVOLVING FUND PROGRAM – Federal Stimulus Funds” herein.

Fiscal Year 2015 Capitalization Grant

The Bank was awarded the FY15 Capitalization Grant in the amount of \$9,361,000. The FY15 Capitalization Grant requires the Bank to fund a certain amount of projects which are designated as Green Project Reserve Projects by the DEM to the extent such projects are available. Although the Bank and DEM conducted a good faith solicitation in accordance with the FY15 Capitalization Grant requirements, there are no projects being funded with the proceeds of the FY15 Capitalization Grant which are designated as Green Project Reserve Projects by the DEM. See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS - Green Federal Direct Loans” and “THE WATER POLLUTION CONTROL REVOLVING FUND PROGRAM – FY15 Capitalization Grant”.

THE DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

The DEM was created as a department within the Executive Branch of the State by Chapter 137 of the Rhode Island Public Laws of 1965 and codified as Chapter 17.1 of Title 42 of the Rhode Island General Laws (1956), as amended (the “DEM Act”). The Director of Environmental Management is the head of the DEM and is appointed by the Governor of the State with the advice and consent of the State Senate.

Under the DEM Act, the DEM is given broad powers to supervise and control the protection, development, planning and utilization of the natural resources of the State.

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

If the DEM 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 terms and conditions for the construction of the projects.

THE SERIES 2016 B BONDS

General

The Series 2016 B 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 October 1, 2016

(each April 1 and October 1, commencing October 1, 2016, being hereinafter referred to as an “Interest Payment Date”). Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

Book-Entry-Only System

The Series 2016 B 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 2016 B Bonds will be made so long as DTC or its nominee is the registered owner of the Series 2016 B Bonds. The Series 2016 B Bonds will be issued in denominations of \$5,000 or any multiple thereof. Individual purchasers of the Series 2016 B Bonds will not receive physical delivery of certificates representing their ownership interests in the Series 2016 B Bonds, except in the event that use of the book-entry system for the Series 2016 B Bonds is discontinued. Transfers of the Series 2016 B Bonds and principal and interest payments on the Series 2016 B Bonds will be made as described in Appendix F. Beneficial owners of the Series 2016 B Bonds should make appropriate arrangements with their broker or dealer to receive notices (including notices of redemption) and other information regarding the Series 2016 B Bonds that may be conveyed by DTC to its participants. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2016 B BONDS, ALL REFERENCES HEREIN TO THE BONDHOLDERS OR THE REGISTERED OWNERS OF THE SERIES 2016 B BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 B BONDS EXCEPT AS PROVIDED IN APPENDIX F HERETO. See “APPENDIX F – Book-Entry-Only System” herein.

Redemption Prior to Maturity

Optional Redemption: The Series 2016 B Bonds maturing on and before October 1, 2025 are not subject to optional redemption prior to their stated dates of maturity. The Series 2016 B Bonds maturing on or after October 1, 2026 are subject to redemption prior to maturity, in whole or in part at any time, and if in part, by lot within a maturity at the option of the Bank, from any moneys available therefor, on and after October 1, 2025 in such order of maturity as shall be determined by the Bank, at the following prices, expressed as a percentage of the principal amount of the Series 2016 B Bonds redeemed, plus accrued interest to the date set for redemption:

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

Partial Redemption: If fewer than all of the Series 2016 B Bonds shall be called for redemption, the particular maturities of the Series 2016 B Bonds to be redeemed shall be selected by the Bank in its discretion. If fewer than all of the Series 2016 B Bonds of any one maturity shall be called for redemption, the particular Series 2016 B Bonds or portions thereof to be redeemed from such maturity shall be selected by the Trustee in such manner as the Trustee may reasonably determine; except that, so long as DTC or its nominee is the sole registered owner of such Series 2016 B Bonds, the particular Series 2016 B 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 “APPENDIX F – Book-Entry-Only System” herein.

Notice of Redemption

As long as the Series 2016 B 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 2016 B Bond or portion of a Series 2016 B Bond to be redeemed at the address appearing on the registration books maintained by the Trustee as Registrar. At such time as the Series 2016 B 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 2016 B 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 2016 B 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 2016 B Bonds, shall send any notice of redemption to DTC, or its nominee, as registered owner of the Series 2016 B Bonds (see “APPENDIX F – 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 2016 B Bonds. Any failure of DTC to mail such notice to any Participant will not affect the validity of the redemption of the Series 2016 B Bonds. The Trustee can make no assurances that DTC, the Participants or other nominees of the Beneficial Owners of the Series 2016 B Bonds will distribute such redemption notices to the Beneficial Owners of the Series 2016 B Bonds, or that they will do so on a timely basis, or that DTC will act as described in its Official Statement.

Designation of Green Bonds

The Bank has designated the Series 2016 B Bonds as “Green Bonds” based on the intended use of the proceeds of the Series 2016 B Bonds to finance environmentally beneficial projects as described below. Such projects are designed to reduce water pollution in the State in accordance with State and Federal standards consistent with the Rhode Island Infrastructure Bank Act, Chapter 12.2 of Title 46 of the Rhode Island General Laws (1956), as amended (the “Act”) and Title VI of the Federal Clean Water Act of 1972, as amended by the Federal Water Quality Act of 1987 (together with any regulations promulgated thereunder, the “Federal Act”). The purpose of labeling the Series 2016 B Bonds as Green Bonds is to allow investors to invest directly in bonds that finance such environmentally beneficial projects. The Series 2016 B Bonds are secured equally and ratably with the other Senior Bonds issued under the Indenture. See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS -- Loans Made with Proceeds of Senior Bonds, - Direct Loans, - Federal Direct Loans, - ARRA Federal Direct Loans and Green Federal Direct Loans” herein. The term Green Bonds is used herein for identification purposes only. The holders of the Series 2016 B 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 2016 B Bonds.

Narragansett Bay Commission (“NBC”): The NBC financing includes (i) the construction of a blower building to house new blowers in order to supply a reliable source of air to the treatment processes at the Fields Point Wastewater Treatment Facility, (ii) the replacement of drives and other mechanisms plus miscellaneous improvements to the treatment plant at the Fields Point Wastewater Treatment Facility, (iii) the replacement of a portion of the Moshassuck Valley Interceptor, (iv) the continued design of the third and final phase of the CSO Abatement Facilities, and (v) other environmentally beneficial projects.

Town of Barrington: The Barrington financing involves the closing/capping of two abandoned landfills and associated engineering work.

Town of Bristol: The Bristol financing involves improvements and upgrades to the Town’s wastewater treatment facility, sewage pumping stations, sewer system and biosolids composting facility.

Town of Burrillville: The Burrillville project involves financing the design, construction, equipping, replacement, repair and rehabilitation of the Town of Burrillville’s wastewater treatment plant, including but not limited to, the installation of a new phosphorus and copper treatment system to meet new permit limits for these parameters. This project will also include replacement of and/or improvements to the facility’s preliminary, primary, secondary treatment and disinfection equipment. This loan will finance related design engineering and construction management costs.

Town of East Greenwich: The East Greenwich project involves the rehabilitation of the rotating biological contactors and bar racks along with other miscellaneous improvements at the East Greenwich wastewater treatment facility.

City of Newport: The Newport project involves the design and construction of the upgrades at the Newport Wastewater Pollution Control Facility.

Town of Warren: The Warren project involves the design of Advanced Wastewater Treatment at the Warren Wastewater Treatment Facility to meet new discharge permit limits.

City of Warwick: The Warwick project involves the design and construction of sewers in Governor Francis Farms, East Natick/O'Donnell Hill and Bayside neighborhoods by the Warwick Sewer Authority and upgrades to nitrogen and phosphorus removal facilities, preliminary treatment, sludge and aeration systems, secondary treatment facilities, solids handling, and flood protection improvements at the wastewater treatment facility. The Governor Francis Farms and Bayside projects are expected to reduce pollutant loadings into Narragansett Bay by eliminating cesspools and/or failing or inadequately operating individual wastewater treatment systems. The East Natick/O'Donnell Hill project will reduce pollutant loadings to the Pawtuxet River Bay by eliminating cesspools and/or failing or inadequately operating individual wastewater treatment systems. The wastewater treatment facility project will reduce nutrient loadings to the Pawtuxet River.

A chart identifying (a) the projects expected to be financed with the Bank Loans made from the proceeds of the Series 2016 B Bonds, (b) the amounts of such Agency Loans expected to be provided for each project and (c) the percent of Agency Loans disbursed by the Bank for each such project is attached as APPENDIX G to this official statement. The satisfactory completion of the projects, modifications of the projects and other factors may cause: (i) loan amounts to vary, (ii) other environmentally beneficial projects to be added, or (iii) the identity of Borrowers to change. Accordingly, the information included in APPENDIX G is subject to change. The Bank reserves the right to modify the projects included in APPENDIX G and to substitute one or more Borrowers provided that the substituted projects of such Borrowers are deemed by the Bank to be environmentally beneficial.

Project Evaluation, Monitoring and Selection Process. The Revolving Fund is jointly administered by the Bank and the DEM. In accordance with the Memorandum of Understanding, the DEM is responsible for programmatic responsibilities for the Revolving Fund and the Bank is responsible for the financial and operational responsibilities of the Revolving Fund including the determination of the type of financial assistance to be provided to applicants. As part of its responsibilities under the Act and Memorandum of Understanding, the DEM reviews all applications for water pollution abatement projects seeking to be financed through the Revolving Fund. DEM, through its rules and regulations, determines project eligibility for the Revolving Fund and issues an annual project priority list. Projects listed on the project priority list are eligible for financing by the Bank through the Revolving Fund. In order to be rated and ranked under the project priority system, the chief executive officer of the local government unit must submit a letter of application to DEM for a requested project to be placed on the project priority list which shall include: (a) documentation that the requested project is, at a minimum, not inconsistent with: the state guide plan, a community comprehensive plan, the non-point source management plan, the area wide waste treatment management plan or plans, the comprehensive conservation and management plan, or an approved wastewater facilities plan; (b) a total costs estimate of all costs relating to the project; and (c) a project description and schedule. The Director of DEM annually prepares and promulgates a ranked priority list of all eligible water pollution abatement projects for which assistance has been properly requested. Following issuance of the project priority list, the Bank receives and reviews applications for financing through the Revolving Fund. The DEM must issue a final Certificate of Approval for each project prior to the Bank disbursing loan proceeds. The DEM is responsible for monitoring the projects funded through the Revolving Fund, to ensure (i) compliance with applicable DEM and EPA statutes, rules and regulations, and (ii) that loan proceeds are expended on the project or projects that were approved by the DEM and the Bank. See "THE DEPARTMENT OF ENVIRONMENTAL MANAGEMENT" and "THE WATER POLLUTION CONTROL REVOLVING FUND PROGRAM – ADMINISTRATION OF THE FUND" herein.

Proceeds Management. The proceeds of the Series 2016 B Bonds will be deposited into segregated accounts in the Project Fund as provided in the Indenture. The accounts are individually tracked for each project internally by the Bank. Amounts held in such accounts are invested in Permitted Investments in accordance with the Indenture.

Post-Issuance Reporting. The Bank will report on the expenditure of the proceeds of the Series 2016 B Bonds in the form of APPENDIX G hereto which shall be included in the Bank's Annual Report that is published within 90 days after the end of the Bank's fiscal year in accordance with the Act. The Rhode Island Infrastructure Bank's Annual Reports are available at the following address: <http://www.ricwfa.com/annual-reports/>. Once all the proceeds of the Series 2016 B Bonds have been spent, no further reports will be provided.

ESTIMATED SOURCES AND USES OF FUNDS

The projected sources and uses of funds, including proceeds of the Series 2016 B Bonds, are as follows:

Sources of Funds:

Series 2016 B Bonds	\$	18,790,000.00
Original Issue Premium		2,954,115.90
Federal Cap Grant to Federal Direct Loans		8,986,560.00
De-Allocated Funds to Federal Direct Loans		15,000,000.00
Revenue Release to Federal Direct Loans		4,704,732.49
State Matching Funds to Direct Loans		1,872,200.00
State Matching Fund Repayment Account to Direct Loans		<u>4,000,000.00</u>
Total	\$	56,307,608.39

Uses of Funds:

Agency Loans	\$	21,378,507.51
Direct Loans		5,872,200.00
Federal Direct Loans (Pledged)		28,691,292.49
Costs of Issuance ⁽¹⁾		<u>365,608.39</u>
Total	\$	56,307,608.39

⁽¹⁾ This amount includes: (i) costs of issuance of the Series 2016 B Bonds, including Underwriters' discount, and (ii) the rounding amount.

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DEBT SERVICE

The payment of debt service on the Series 2016 B Bonds is dependent on Borrowers making timely payments on their Borrower Bonds. It is possible that a Borrower will be unable to make a payment or a timely payment on its Borrower Bonds. Although Bonds and the Revolving Fund 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 Revolving Fund provides debt service coverage in excess of debt service on the Bonds and asset coverage in excess of the principal amount of Bonds outstanding.

Debt Service Coverage

The following Projected Cash Flow Schedule illustrates on an annual basis the projected amounts of projected total income (from Loan repayments and investment income) and the debt service on the Senior Agency Bonds outstanding within the meaning of the Indenture, including the Series 2016 B Bonds and the Series 2016 A Refunding Bonds (after giving effect to the refunding of the Refunded Bonds), and the Subordinated Bonds outstanding within the meaning of the Indenture. The last column shows the projected debt service coverage, which is the projected program income divided by the total of the projected debt service on the Senior Agency Bonds outstanding within the meaning of the Indenture, including the Series 2016 B Bonds and the Series 2016 A Refunding Bonds (after giving effect to the refunding of the Refunded Bonds), and the Subordinated Bonds outstanding within the meaning of the Indenture. 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. The Projected Cash Flow Schedule also assumes that the Senior Agency Bonds issued to date, including the Series 2016 B Bonds and the Series 2016 A Refunding Bonds (after giving effect to the refunding of the Refunded Bonds), and the Subordinated Agency Bonds issued to date are the only series of Bonds outstanding under the Indenture.

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Rhode Island Infrastructure Bank
Projected Cash Flow Schedule ⁽¹⁾

Fiscal Year								Projected Debt Service Coverage	Projected Debt Service Coverage
Ending June 30	Loan Repayments ⁽²⁾⁽⁵⁾	Investment Income ⁽³⁾	LIST Fund Income	De-allocated Fund Revenue ⁽⁴⁾⁽⁵⁾	Total Income	Senior Bonds Debt Service ⁽⁵⁾	Subordinate Bonds Debt Service	on Senior Bonds	on the Bonds
2017	65,591,521	-	2,079,286	12,701,689	80,372,496	45,945,629	11,224,750	1.75	1.41
2018	68,353,385	-	1,794,912	12,849,960	82,998,257	44,073,081	14,135,350	1.88	1.43
2019	68,933,405	-	1,414,720	12,825,579	83,173,703	44,944,588	12,841,300	1.85	1.44
2020	68,180,972	-	1,196,338	12,818,271	82,195,581	45,204,081	11,878,988	1.82	1.44
2021	65,548,146	-	920,561	11,517,825	77,986,532	42,513,700	11,395,550	1.83	1.45
2022	62,360,733	-	682,329	9,954,553	72,997,615	43,349,984	7,067,631	1.68	1.45
2023	60,761,300	-	506,414	9,872,556	71,140,270	42,042,088	7,038,588	1.69	1.45
2024	52,375,326	-	367,085	7,626,216	60,368,627	35,724,956	5,754,588	1.69	1.46
2025	49,970,162	-	268,112	7,225,887	57,464,161	36,897,219	2,536,463	1.56	1.46
2026	43,865,416	-	197,397	6,069,311	50,132,123	31,774,719	2,474,213	1.58	1.46
2027	39,871,765	-	110,275	4,871,482	44,853,522	28,285,119	2,414,338	1.59	1.46
2028	37,500,442	-	53,650	4,383,557	41,937,649	27,632,319	1,150,606	1.52	1.46
2029	35,798,489	-	14,770	3,598,995	39,412,254	27,071,956	-	1.46	1.46
2030	33,249,612	-	-	2,762,700	36,012,312	24,958,872	-	1.44	1.44
2031	31,839,372	-	-	2,841,959	34,681,331	24,017,406	-	1.44	1.44
2032	26,274,726	-	-	2,148,344	28,423,070	19,905,288	-	1.43	1.43
2033	23,086,087	-	-	1,499,000	24,585,087	17,181,175	-	1.43	1.43
2034	18,987,199	-	-	1,536,570	20,523,769	14,302,538	-	1.43	1.43
2035	16,297,262	-	-	1,156,600	17,453,862	12,127,025	-	1.44	1.44
2036	5,316,755	-	-	385,200	5,701,955	2,994,306	-	1.90	1.90
2037	3,592,329	-	-	-	3,592,329	2,124,325	-	1.69	1.69
2038	3,605,507	-	-	-	3,605,507	2,130,400	-	1.69	1.69
2039	2,168,193	-	-	-	2,168,193	1,535,525	-	1.41	1.41
2040	2,176,991	-	-	-	2,176,991	1,545,000	-	1.41	1.41
2041	2,185,126	-	-	-	2,185,126	1,547,025	-	1.41	1.41
2042	2,194,550	-	-	-	2,194,550	1,556,475	-	1.41	1.41
2043	2,203,210	-	-	-	2,203,210	1,563,125	-	1.41	1.41
2044	2,213,060	-	-	-	2,213,060	1,566,975	-	1.41	1.41
2045	2,223,524	-	-	-	2,223,524	1,577,850	-	1.41	1.41
TOTAL (6)	896,724,562	-	9,605,850	128,646,254	1,034,976,665	626,092,748	89,912,363		

- (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 of 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 refunding savings resulting from the issuance of the Rhode Island Infrastructure Bank's \$49,060,000 Water Pollution Control Refunding Revenue Bonds, Series 2016 A (the "Series 2016 A Bonds") that will be credited to Borrowers of Loans made in connection with the Senior Agency Bonds to be refunded by the Series 2016 A Bonds and the .5% annual administrative fees retained by the Rhode Island Infrastructure Bank.
- (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) Includes projected cash flows for the Series 2016 B Bonds as well as the Series 2016 A Bonds, which priced on April 26, 2016 and are scheduled to close concurrently with the Series 2016 B Bonds on June 2, 2016
- (6) 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 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

Pursuant to the Indenture, the Bank has pledged to the Trustee for the benefit of the Bondholders of the Senior Bonds: (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 Subordinated Bonds. The portion of the ARRA Capitalization Grant funding the Principal Forgiveness Subsidy associated with 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 -- 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 may be deposited upon the direction of the Bank in the Federal Account of the LIST Fund. Proceeds of State capitalization grants may be deposited upon the direction of the Bank in the State Account of the LIST Fund. Interest earned on allocated amounts in the LIST Fund is used to subsidize interest payable on the Senior 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 State capitalization grants and other awards, and any other state assistance, are deposited upon the direction of the Bank 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 (in the case of de-allocated amounts in the Federal Account of the LIST Fund) or additional Direct Loans (in the case of de-allocated amounts in the State Account of the LIST Fund), as described below, or for any other lawful purpose of the Bank. De-allocated amounts in the Federal Account and the State Account of the LIST Fund and certain Federal Direct Loan and Direct Loan repayments, prior to being re-allocated or used to make additional Federal Direct Loans or Direct Loans, as the case may be, are available to be used to pay amounts owed by defaulting Borrowers.

In the past, the Bank used the proceeds of Federal Act Capitalization Grants, State capitalization grants and other awards, and other State assistance for the purpose of funding a deposit to the LIST Fund and making Federal Direct Loans and Direct Loans to Borrowers, both of which serve as security for the Senior Agency Bonds. Since the issuance of the Series 2009 A Bonds, however, the Bank has used such proceeds solely to make Federal Direct Loans and Direct Loans. There was approximately \$84,647,586 on deposit in the LIST Fund as of December 31, 2015.

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 23, 2004 (as amended and supplemented to date, the “Drinking Water Indenture”), have entered into a Cross-Investment Agreement dated as of February 23, 2004 (the “Cross-Investment Agreement”). The Drinking Water Indenture provides for the issuance of bonds pursuant to the Bank’s DWSRF 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 held in accordance with the Drinking Water Indenture into the Debt Service Fund to cure such a deficiency, to the extent that any funds are lawfully available for such purpose. In addition, the Cross-Investment Agreement allows the Bank to invest funds from the De-allocated Subaccount of the LIST Fund, to the extent that funds are lawfully available for such purpose after payment of debt service on the Bonds, into the Cross Investment Fund established under the Drinking Water Indenture (and then immediately to the Debt Service Fund established under the Drinking Water Indenture) to cure any payment deficiencies of bonds issued pursuant to the Drinking Water Indenture. The investment of funds held under the terms of the Indenture into the Drinking Water Indenture and vice versa to provide additional security for Senior Bonds issued pursuant to either the Indenture or the Drinking 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 Drinking Water Indenture, as applicable, and lawfully available for such purpose. See “APPENDIX A-1 – Summary of Certain Provisions of the Indenture – Debt Service Fund” herein.

Loans Made with Proceeds of Senior Bonds

The proceeds of the Series 2016 B Bonds (after 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. The State Matching Funds will be deposited in the State Matching Fund Account of the Construction Proceeds Fund and will also be used for the purpose of making Loans. Loans may be made with proceeds of Senior Bonds or State Matching Funds, or any combination thereof or may be made with a combination of proceeds from Federal Act Capitalization Grants and State Matching Funds. Loans made with proceeds from Senior Bonds are referred to as “Agency Loans.” Loans made with the proceeds of State Matching Funds, 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”. Federal Direct Loans made with proceeds from Federal Act Capitalization Grants for the purpose of financing Green Project Reserve Projects are referred to as “Green 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 2016 B Bonds. The terms of each loan commitment provide for the financing of Water Pollution Control Abatement Projects, as defined in the Act, 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 two-thirds (2/3) 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). 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 2016 B BONDS. THE LIABILITY OF THE BANK UNDER THE SERIES 2016 B BONDS SHALL BE ENFORCEABLE ONLY TO THE EXTENT PROVIDED IN THE INDENTURE, AND THE SERIES 2016 B 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 the 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 "APPENDIX A-2 -- Summary of Certain Provisions of the Loan Agreements" herein. 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 Revolving Fund with the proceeds of State Matching Funds, 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. 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. Payment 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. 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, 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 total of Direct Loans outstanding for the Bank as of March 31, 2016 is \$50,324,927. 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 Revolving Fund 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. In allocating the repayments of Federal Direct Loans as additional security for Senior Bonds, the Bank has directed the Trustee to apply all funds received on account of such Loans to the Revenue Fund. The total Federal Direct Loans and ARRA Federal Direct Loans as of March 31, 2016 is \$136,998,363. 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, \$13,157,300, was used to provide “additional subsidizations” to Borrowers receiving any proceeds of the ARRA Capitalization Grant in the form of forgiveness of principal (the “Principal Forgiveness Subsidy”). As long as a recipient is not in default on its Borrower Bond, the Principal Forgiveness Subsidy will be available to such Borrower. The portion of the ARRA Capitalization Grant used to fund the 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 have 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 \$26,314,600 in ARRA Capitalization Grant funds, which were used to make Loans in connection with the issuance of the Series 2009 A Bonds and the entire amount has been disbursed.

Green Federal Direct Loans

With respect to the proceeds of the FY15 Capitalization Grant, the EPA is requiring that the State, through the Bank, dedicate not less than \$936,100 for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, as determined by DEM (“Green Project Reserve Projects”), to the extent such projects are available. Although the Bank and DEM conducted a good faith solicitation in accordance with the FY15 Capitalization Grant requirements, there are no projects being funded with the proceeds of the FY15 Capitalization Grant which are designated as Green Project Reserve Projects by the DEM.

The Bank, in conjunction with the DEM, has previously satisfied this requirement by making Federal Direct Loans under the Revolving Fund to certain Borrowers for the purpose of financing Green Project Reserve Projects (the “Green Federal Direct Loans”) (each such Borrower receiving a Green Federal Direct Loan is hereinafter referred to as a “Green Assistance Recipient”).

The proceeds of the FY15 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. 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 Green Assistance Recipient, however, the Trustee will be holding such Green Federal Direct Loan in a separate Green Project Reserve Projects Subaccount established for such Green Assistance Recipient within such Green Assistance Recipient’s Federal Account of the Construction Proceeds Fund.

As long as a Green Assistance Recipient is not in default on its Borrower Bond, amounts transferred from the De-Allocated Subaccount of the Federal Account of the LIST Fund to the applicable Green Assistance Recipient's Green Project Reserve Projects Subaccount shall be withdrawn by the Trustee, as directed by the Bank, for the purpose of providing the Green Federal Direct Loan to such Green Assistance Recipient.

Each Green Federal Direct Loan shall be disbursed from the Green Project Reserve Projects Subaccount to each Green Assistance Recipient subject to the terms and conditions of the Loan Agreement entered into by the Green Assistance Recipient with the Bank in connection with such Green Assistance Recipient's Federal Direct Loan. Upon the occurrence of an event of default under such Loan Agreement, the Bank shall have the right to declare such Green Assistance to be immediately due and payable by the defaulting Green Assistance Recipient. Upon receipt of the repaid Green Assistance from the defaulting Green Assistance Recipient, the repaid Green Assistance shall be deposited by the Trustee in the defaulting Green Assistance Recipient's Federal Account of the LIST Fund. The Trustee shall reallocate such amounts to other eligible Green Assistance Recipients, if any, as directed by the Bank.

All of the Green Federal Direct Loans made to date have been pledged as additional security for the Senior Bonds. In allocating the Green Federal Direct Loans as additional security for the Senior Bonds, the Bank shall direct the Trustee to apply all funds received on account of such Green Federal Direct Loans to the Revenue Fund. In an effort to promote the development of environmentally sensitive infrastructure development, certain Green Federal Direct Loans made to Borrowers to date have received additional subsidization in the form of forgiveness of principal (the "Green Principal Forgiveness Subsidy"). None of the Green Principal Forgiveness Subsidy has been pledged as security for the Senior Bonds.

Administrative Loans

The Bank made loans in an aggregate amount of \$26,347,005 to eight (8) eligible recipients (each an "Administrative Loan Recipient") using available monies not otherwise pledged or allocated to other Bank programs. Such loans are hereinafter referred to as the "Administrative Loans." Each Administrative Loan is evidenced by a bond issued by the corresponding Administrative Loan Recipient, which was acquired by the Bank as evidence of the Administrative Loans. Administrative Loans, Administrative Loan Recipients, the bonds evidencing the same and the repayment of the Administrative Loans shall be deemed to be, and shall be treated in the same manner as, Agency Loans, Agency Loan Recipients, Borrower Bonds and Borrower Bond Payments, respectively, under the Indenture. None of the Administrative Loans are being pledged as security for the Senior Bonds at this time. Such Administrative Loans may be so pledged at any time in the future, however, at the direction of the Bank.

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Project Data for Series 2016 B Loan Program

<u>Borrower</u>	<u>Amount</u>	<u>Loan Source</u> ¹	<u>Loan Pledge</u> ²
Narragansett Bay Commission ³	\$ 23,000,000	BP, FDL	REV
Barrington	3,000,000	BP	GO
Bristol	2,500,000	BP	GO
Burrillville	2,600,000	BP	GO
East Greenwich	6,000,000	BP	GO
Newport	9,142,000	BP, DL	REV
Warren	1,700,000	FDL	GO
Warwick	8,000,000	FDL, DL	REV
TOTAL	\$55,942,000		

¹ BP: Bond Proceeds
FDL: Federal Direct Loan
DL: Direct Loan

² REV: Revenue
GO: General Obligation

³ The Rhode Island General Laws requires the NBC to obtain the consent and authorization of the Rhode Island Division of Public Utilities (the "Division") prior to issuing its Borrower Bonds. The NBC has received such consent and authorization from the Division by issuance of its Report and Order dated April 5, 2016 (Docket No. D-16-08). Division Orders are subject to an appeal period of 30 days from the date of issuance of the Order. The appeal period for the NBC Order expired on May 5, 2016.

Summary of Program Loans

As of March 31, 2016

Borrower	Agency	Direct	Federal Direct	ARRA Federal Direct	Loan Amount Outstanding	Loan to be Funded ⁽⁵⁾	Loan Pledge	Total Clean Water Program Loan Amount Outstanding ⁽⁶⁾	% of Clean Water Loans	% of Total Loans
Barrington	\$ 4,860,279	\$ 4,532,170	-	-	\$ 9,392,449	\$ 3,000,000	GO	\$ 12,392,449	1.58%	1.17%
Bristol	16,370,880	3,343,306	\$ 1,773,744	\$ 1,726,124	23,214,053	2,500,000	GO	25,714,053	3.28%	2.42%
Burrillville	10,274,000	-	-	-	10,274,000	2,600,000	GO	12,874,000	1.64%	1.21%
Coventry	12,035,847	-	-	-	12,035,847	-	REV	12,035,847	1.54%	1.13%
Cranston ⁽¹⁾	-	4,378,000	16,667,100	-	21,045,100	-	GO/REV	21,045,100	2.69%	1.98%
Cumberland	64,326	-	-	-	64,326	-	GO	64,326	0.01%	0.01%
East Greenwich	11,010,672	2,255,210	2,442,823	-	15,708,705	6,000,000	GO	21,708,705	2.77%	2.04%
East Providence	33,511,419	4,156,480	11,714,520	-	49,382,419	-	REV	49,382,419	6.31%	4.64%
Jamestown	849,774	1,000,000	1,487,153	-	3,336,927	-	GO	3,336,927	0.43%	0.31%
Johnston	1,010,161	359,291	-	-	1,369,452	-	GO	1,369,452	0.17%	0.13%
Lincoln	-	-	-	-	-	-	REV	-	0.00%	0.00%
Middletown ⁽²⁾	7,120,000	400,000	618,514	-	8,138,514	-	GO/REV	8,138,514	1.04%	0.77%
Narragansett	1,564,859	1,130,816	1,273,755	-	3,969,430	-	GO	3,969,430	0.51%	0.37%
NBC	273,821,799	14,748,246	46,731,532	9,859,182	345,160,759	23,000,000	REV	368,160,759	47.01%	34.63%
Newport	22,624,716	-	-	-	22,624,716	9,142,000	REV	31,766,716	4.06%	2.99%
North Smithfield	3,279,828	-	-	-	3,279,828	-	GO	3,279,828	0.42%	0.31%
Providence Water	-	-	5,903,486	-	5,903,486	-	REV	5,903,486	0.75%	0.56%
RI Airport Corporation	28,258,440	-	4,148,076	-	32,406,516	-	REV	32,406,516	4.14%	3.05%
Smithfield	3,795,092	-	3,332,334	-	7,127,425	-	REV	7,127,425	0.91%	0.67%
South Kingstown	221,000	518,000	828,184	-	1,567,184	-	GO	1,567,184	0.20%	0.15%
Warren ⁽³⁾	1,548,462	1,249,979	-	-	2,798,441	1,700,000	GO/REV	4,498,441	0.57%	0.42%
Warwick ⁽⁴⁾	74,757,978	1,463,144	2,498,868	-	78,719,990	8,000,000	GO/REV	86,719,990	11.07%	8.16%
West Warwick	11,480,000	2,507,000	8,958,000	-	22,945,000	-	REV	22,945,000	2.93%	2.16%
Westerly	2,577,717	680,684	49,407	-	3,307,808	-	GO	3,307,808	0.42%	0.31%
Woonsocket	18,857,839	7,602,600	16,985,561	-	43,446,000	-	REV	43,446,000	5.55%	4.09%
	<u>\$ 539,895,087</u>	<u>\$ 50,324,927</u>	<u>\$ 125,413,057</u>	<u>\$ 11,585,306</u>	<u>\$ 727,218,377</u>	<u>\$ 55,942,000</u>		<u>\$ 783,160,377</u>	<u>100.00%</u>	<u>73.66%</u>

Note: Chart does not include \$12,400,000 in Loans made under the Community Septic System Loan Program or \$600,000 in Loans made under the Sewer Tie In Loan Fund.

(1) Includes \$17,999,000 of revenue supported debt.

(2) Includes \$3,264,900 of revenue supported debt.

(3) Includes \$1,625,146 of revenue supported debt.

(4) Includes \$47,854,323 of revenue supported debt.

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

(6) Includes loans to be funded.

Flow of Funds

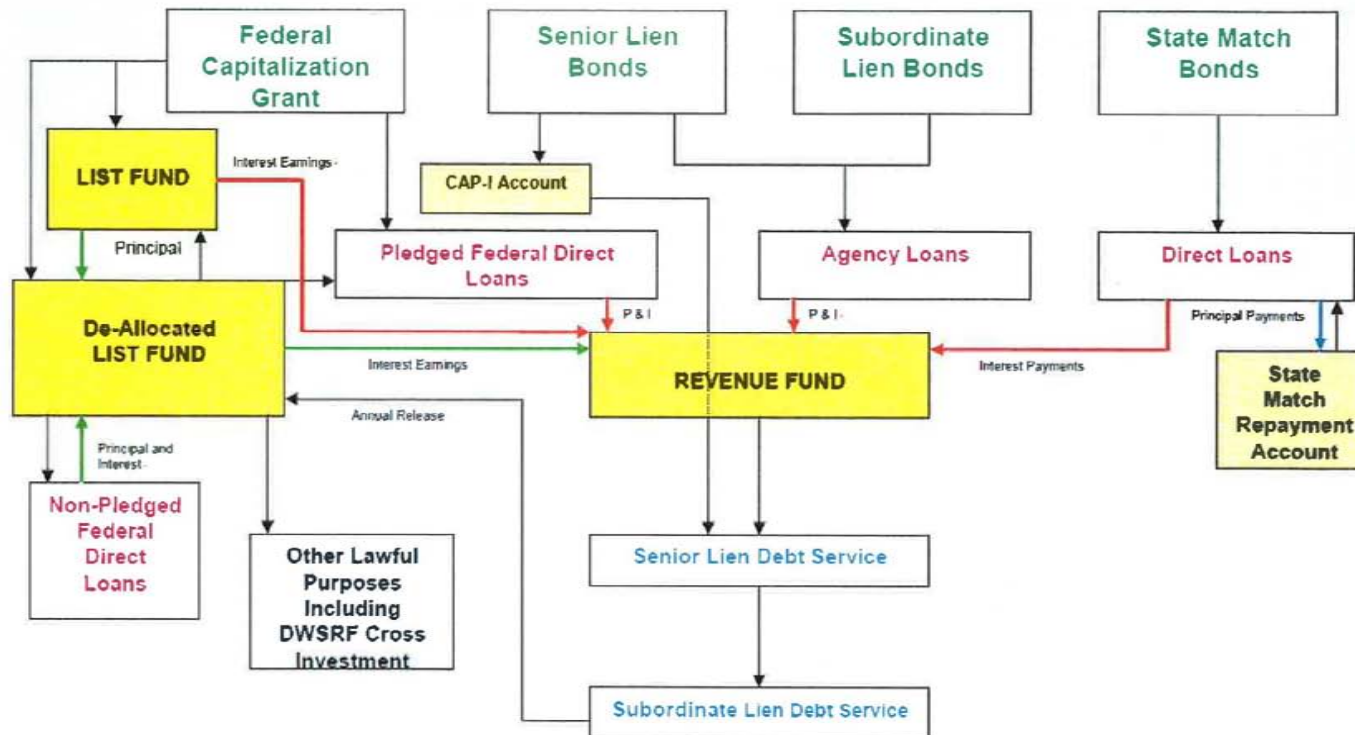
In connection with the Senior Bonds, the Indenture provides for an Administrative Fees Fund, Costs of Issuance Fund, Construction Proceeds Fund, Debt Service Fund and Local Interest Subsidy Trust (“LIST”) Fund. The Indenture also provides for a Subordinated Debt Service Fund that secures Subordinated Bonds. Subordinated Bonds are not payable from or secured by amounts on deposit in any fund, account or subaccount established under the Indenture other than the amounts expressly pledged therefor and held in the Subordinated Debt Service Fund, which pledge is expressly junior and subordinate to the prior pledge of such amounts to the payment of the Senior Bonds.

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 - Administrative Fees Fund; Cost of Issuance Fund; Construction Proceeds Fund; Revenue Fund; Debt Service Fund; LIST Fund; Subordinated Debt Service Fund” 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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RICWFA – Clean Water Flow of Funds



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 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 secured on a parity with the outstanding Senior Agency Bonds and the Series 2016 B Bonds by a lien on the revenues and funds pledged under the Indenture, including the Borrower Bonds. For additional information relating to the terms and conditions for the issuance of Additional Senior Bonds, see "APPENDIX A-1 -- Summary of Certain Provisions of the Indenture -- Authorization and Issuance of Agency Bonds; and Security for Agency Bonds; General Terms and Conditions of Agency Bonds" herein.

Subordinated Bonds

The Indenture permits the issuance of Additional Subordinated Bonds (which may be on a parity with the outstanding Subordinated 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 Additional Subordinated Bonds, is a certificate of an Independent Qualified Consultant showing that for each Fiscal Year in which Subordinated Bonds will be outstanding following the issuance of such Additional Subordinated Bonds, plus the Fiscal Year in which such Additional Subordinated Bonds are issued, 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 one hundred percent (100%) of the aggregate debt service payable in each such Fiscal Year on all outstanding Subordinated Bonds (including the Additional Subordinated Bonds then to be issued). For additional information relating to the terms and conditions for the issuance of Additional Subordinated Bonds, see "APPENDIX A-1 -- Summary of Certain Provisions of the Indenture - Issuance 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" herein. To date only the Series 2010 A Subordinated Refunding Bonds and the Series 2015 C Subordinated Refunding Bonds have been

issued and are outstanding as Subordinated Bonds. See “The BANK -- Outstanding Senior Agency Bonds and Subordinated Bonds” herein.

MODIFICATIONS OF THE INDENTURE OF TRUST

The resolution adopted by the Board of Directors of the Bank on June 7, 2010 in connection with the issuance of the Bank’s Water Pollution Control Revolving Fund Revenue Bonds, Series 2010 B (Pooled Loan Issue) (the “Series 2010 B Bonds”) provides for certain amendments to the Indenture of Trust documented in the Twentieth Supplemental Indenture. Under the Indenture of Trust, such amendments will become effective upon: (a) the consent to such amendments of the holders of not less than sixty percent (60%) in aggregate principal amount of the outstanding Senior Bonds and of the outstanding Subordinated Bonds; and (b) the delivery to the Trustee of an opinion of Bond Counsel to the effect that such provisions will not: (i) adversely affect the exclusion of interest on the Agency Bonds then outstanding from gross income for federal income tax purposes (if such Agency Bonds were issued on a tax-exempt basis), or (ii) cause the Agency Bonds then outstanding to be treated as reissued under Section 1001 of the Code (if such Agency Bonds were issued on a taxable basis).

The Bank is providing for the amendments to the Indenture of Trust in order to:

(a) Add a new defined term “Rating Agency,” meaning any of Fitch Ratings, Inc. (“Fitch”), Moody’s, Standard & Poor’s or such other nationally recognized rating agency or agencies;

(b) Modify certain sections of the Indenture that refer solely to Moody’s and S&P (or to Ratings of Moody’s and S&P) in order to include Fitch and/or other Rating Agencies;

(c) Modify the requirements for the issuance of Additional Bonds, such that: (i) deposits to the LIST Fund resulting from the proposed issuance will be in an amount sufficient so that an adverse change in at least two of the Ratings then assigned to the Senior Agency Bonds will not result (provided, however, that if only one Rating Agency has then assigned a Rating to the Senior Agency Bonds, such deposits will not result in an adverse change to such Rating); and (ii) after giving effect to the Additional Bonds being issued, the Agency Bonds will have a Rating designated as investment grade by any Rating Agency which may, as of such date, have assigned a Rating to such Agency Bonds.

(d) In connection with amending Loan Agreements or Borrower Bonds, (i) delete the condition precedent that such amendments will not result in an adverse change in the Ratings assigned to the Agency Bonds, but (ii) retain the condition precedent that such amendments will not adversely affect the outstanding Agency Bonds as determined in accordance with the Indenture; and

(e) Delete the requirement that a successor Trustee hold certificates of deposit with a specified Rating, but retain the combined capital and surplus requirements.

For the specific modifications to be made to the Indenture of Trust through the Twentieth Supplemental Indenture of Trust upon the satisfaction of the requirements noted above, see “APPENDIX A-1 --Summary of Certain Provisions of the Indenture of Trust – Twentieth Supplemental Indenture - Modification to the Indenture” herein.

To date, none of the holders of Senior Agency Bonds or Subordinated Agency Bonds issued prior to the date of such resolution have consented to the amendments contained in the Twentieth Supplemental Indenture.

By purchasing Series 2016 B Bonds, the holders thereof shall be deemed to have consented to all of the proposed amendments on behalf of themselves and all subsequent holders of the Series 2016 B Bonds upon their purchase of the Series 2016 B Bonds. Each of the proposed amendments will apply to the Series 2016 B Bonds only when and if such proposed amendment becomes effective upon the consent of the requisite number of holders as described above. The Bank expects that purchasers of future Series of Agency Bonds also will be deemed to have consented to the proposed amendments at the time of purchasing the Agency Bonds of each such Series. As new issues of Agency Bonds are sold and as existing issues are retired, the Bank eventually expects to achieve the consent of the required percentage of holders of Agency Bonds needed

to approve the proposed amendments. The Bank cannot be certain when this process will be completed, but it will likely take several years. Upon the issuance of the Series 2016 B Bonds, approximately 88%* of the owners of the Senior Bonds and approximately 31% of the owners of the Subordinated Bonds will have consented to the proposed amendments.

By their acceptance of the Series 2016 B Bonds, the owners thereof: (i) consent to all the terms of the Indenture as currently in effect and all proposed amendments approved by the Bank and contained in the Twentieth Supplemental Indenture; (ii) waive the applicability of the provisions of the Indenture amended by such amendments; and (iii) agree to any additional amendments to the Indenture that may be necessary, in the opinion of Bond Counsel, to effectuate such amendments.

PURCHASERS OF THE SERIES 2016 B BONDS SHOULD ASSUME THAT THE AMENDMENTS CONTAINED IN THE TWENTIETH SUPPLEMENTAL INDENTURE SHALL BECOME EFFECTIVE DURING THE TERM OF THE SERIES 2016 B BONDS. Accordingly, purchasers of the Series 2016 B Bonds should review the terms and provisions of both the Indenture and the amendments thereto contained in the Twentieth Supplemental Indenture in making their investment decision with respect to the Series 2016 B Bonds.

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.”

The Bank’s ability to pay debt service on the Bonds and the continued operation of the Revolving Fund 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 Revolving Fund.

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 of 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 2016 B Bonds, because, among other things, the Borrower Bonds bear interest at below market rates and the debt service payments from the Borrower Bonds may be insufficient by themselves to pay the debt service on the Bonds.

Since the Bank may make additional Loans and issue Additional Senior Bonds and Additional Subordinated 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

*Percentage takes into account the consent of the owners of the Series 2016 A Refunding Bonds, which priced on April 26, 2016, and are scheduled to close concurrently with the Series 2016 B Bonds on June 2, 2016.

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 Act, however, allows the Bank to decline to award any financial assistance to a local governmental unit that 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. 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 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 their Borrower Bonds and not the Subsidized Interest Rate.

Inasmuch as the Loans (the proceeds of the repayment of which are used to pay debt service on the Senior Bonds and, on a subordinate basis, the Subordinated Bonds) are to be made from a combination of proceeds of the Senior Bonds and the State Matching Funds, and the availability of the proceeds of the Senior Bonds and the State Matching Funds is dependent upon the funding of the LIST Fund with proceeds of the Federal Act Capitalization Grants, 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 WATER POLLUTION CONTROL REVOLVING FUND PROGRAM" herein. Funds in an amount sufficient to fund the Federal Act Capitalization Grants have been appropriated by Congress and the Federal Act Capitalization Grants have been obligated to the State by the EPA pursuant to Capitalization Grant Agreements. While the 1989 through 2012 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 for later years are subject to appropriation by Congress. Federal Act Capitalization Grants for years subsequent to 2012 may not necessarily secure the Series 2016 B 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 WATER POLLUTION CONTROL 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 WATER POLLUTION CONTROL REVOLVING FUND PROGRAM

Introduction

The federal construction grants program for wastewater treatment projects established under the Federal Act in 1972 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 construction of publicly owned wastewater treatment facilities as defined under the Federal Act, for implementation of a non-point source management program and for implementation of an estuary conservation and management plan.

The Federal Act provides that Federal Act Capitalization Grants will be made pursuant to agreements between each state and the EPA ("Capitalization Grant Agreements"). 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 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 120 percent of the amount of each Federal Act Capitalization Grant payment. A separate Capitalization Grant Agreement is required for each fiscal year in which a Federal Act Capitalization Grant is to be awarded.

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 an annual report for each year in which Federal Act Capitalization Grant funds are received.

Fiscal Year 2015 Capitalization Grant

The Bank has applied for and been awarded the FY15 Capitalization Grant from the EPA in the amount of \$9,361,000 to provide Federal Direct Loans to Borrowers for the purpose of financing water pollution abatement projects in connection with the Rhode Island Water Pollution Control Revolving Fund. See "SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS - Green Federal Direct Loans" and "Project Data for Series 2016 B 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 \$26,314,600 in ARRA grant funds to fund water pollution abatement projects under the Revolving Fund in connection with the issuance of the Series 2009 A Bonds. All of these grant funds have been disbursed. 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.

Sequestration – Budget Control Act of 2011

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 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. Sequestration resulted in across-the-board reductions to FY13 federal appropriations through the end of federal fiscal year 2013 (September 30, 2013), including cuts to the EPA's overall budget. The Bipartisan Budget Act of 2013, signed into law on December 26, 2013, and the Consolidated Appropriations Act, 2014, signed into law on January 17, 2014, made revisions to the original requirements of the Budget Control Act resulting in an increase in the amount funds being appropriated for the CWSRF program for FY14. The Bank is uncertain of EPA's ability to provide future capitalization grants to the Bank's CWSRF program.

Administration of the Fund

As contemplated by the Federal Act, the Rhode Island General Assembly at its 1989 session enacted the Act establishing the Revolving Fund to be maintained and administered by the Bank. The Act authorizes the Bank to provide financial assistance from the Revolving Fund to a "Local Governmental Unit" for approved projects, including for the construction or rehabilitation of water pollution abatement projects. The 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 provide financial assistance to Local Governmental Units. The Act further provides that moneys in the Revolving Fund may be used to pay costs incurred in connection with bonds issued by the Bank. Under the Federal

Act and the Act, Revolving Fund moneys up to four percent of the Capitalization Grants may be used to pay administrative expenses of the DEM.

Under the Act, the DEM is directed to promulgate rules and regulations pertaining to applications by Borrowers for financial assistance for water pollution abatement projects. No project is eligible for financing by the Bank until the DEM 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 DEM 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 DEM and the Bank have entered into the Memorandum of Understanding, pursuant to which the DEM 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

As permitted by the Federal Act and ARRA and as provided in the Act, up to four percent of the Capitalization Grants will be applied to the payment of the DEM's general administrative expenses. Four percent of the Federal Act Capitalization Grants for the fiscal years 1989 through 1997 and the fiscal years 2006 through 2015 totals \$6,794,634 in the aggregate and \$6,280,585 of this amount has been used as of December 31, 2015. Four percent of the Federal Act Capitalization Grants for the fiscal years 1998 through 2005 and the ARRA Capitalization Grant totals \$3,849,156 in the aggregate and all of this amount has been used or set aside to fund projects as needed and will be restored to the DEM out of future Federal Act Capitalization Grants.

The Intended Use Plan for fiscal year 2016 was approved in August 31, 2015. The net amount of FY15 Capitalization Grant funds available for Bank use is \$8,986,560. It is expected that the Series 2016 B Bonds will utilize \$8,986,560 of available FY15 Capitalization Grant funds.

The State has committed \$1,872,200 in proceeds of its general obligation bonds to fund the State Matching Funds for the fiscal 2015 Federal Act Capitalization Grant. The total State Matching Funds provided will be equal to at least twenty percent of the total Federal Act Capitalization Grants awarded. It is estimated that the Bank will use \$1,872,200 of State Matching Funds in association with the proceeds from the Series 2016 B Bonds.

The Bank is authorized to make cash draws with respect to the Federal Act Capitalization Grant pursuant to the Capitalization Grants Agreement via the EPA's Automated Clearing House Payment System. The Bank has selected from the Project Priority List and the Intended Use Plan for fiscal year 2016 a group of projects (the "Group of Projects"). 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 only 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 Revolving Fund must be 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 pollution abatement project. The DEM 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. See “SECURITY AND SOURCE OF PAYMENT FOR SENIOR BONDS – Summary of Program Loans” herein

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 2016 B 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 Revolving Fund from time to time, and the principal amount of a Borrower’s Loan are subject to change and cannot be assured by the Bank. Appendix G also contains a detailed list of the Borrowers and the green projects expected to be financed with the proceeds of the Series 2016 B Bonds.

Narragansett Bay Commission

The Narragansett Bay Commission is the Bank’s largest Borrower under the Revolving Fund. Certain information regarding the NBC and its wastewater system is contained in Appendix C-1 to this Official Statement. The audited financial statements of the NBC for the fiscal year ending June 30, 2015 are incorporated by reference in Appendix C-2 of this Official Statement. The financial statements of the NBC for the fiscal year ending June 30, 2015 have been audited by Hague, Sahady & Co., P.C., independent accountants.

The Loan being made by the Bank to the NBC in connection with the Series 2016 B Bonds will be used to finance various water pollution abatement projects.

The Rhode Island General Laws require that the NBC obtain approval from the Rhode Island Public Utilities Commission (the “PUC”) in connection with any proposed rate changes. On February 16, 2016, the NBC applied for approval to adjust its rates in order to support its debt service on the Borrower Bonds. A public hearing took place on April 4, 2016 at which the PUC voted to approve the rate adjustments. A written order of the PUC confirming the vote to approve rate adjustments was issued on April 18, 2016 and all appeal periods have expired.

The Rhode Island General Laws also require the NBC to obtain the consent and authorization of the Rhode Island Division of Public Utilities (the “Division”) prior to issuing its Borrower Bonds. The NBC applied for such consent and approval, a public hearing was held on March 31, 2016 and the Division approved such application on April 5, 2016. The appeal period from the Division’s order expired on May 5, 2016.

The Borrower Bonds of the NBC (i) issued to the Bank in connection with prior Loans made to the NBC under the Revolving Fund, and (ii) to be issued to the Bank with respect to the Loan to be made to the NBC under the Revolving Fund in connection with the issuance of the Series 2016 B Bonds, are special obligations of the NBC payable solely from the funds and accounts pledged therefore pursuant to an Indenture of Trust dated as of April 15, 2004, as amended and supplemented through the Twenty-Fourth Supplemental Indenture thereto (the “NBC Indenture”), by and between the NBC and U.S. Bank National Association, as successor trustee, including, but not limited to certain revenues derived from the wastewater system of the NBC. For a further description and discussion of the various funds, accounts and revenues securing the currently outstanding Borrower Bonds of the NBC under the NBC Indenture, and all the terms, conditions, qualifications and limitations of such security, see APPENDIX C-

3 – “SUMMARY OF CERTAIN PROVISIONS OF THE NARRAGANSETT BAY COMMISSION INDENTURE AND SUPPLEMENTAL INDENTURE.”

The NBC has agreed, in connection with the prior issuance of certain Bonds by the Bank under the Revolving Fund, and will agree in connection with the issuance of the Series 2016 B Bonds, to provide as part of its continuing disclosure obligations certain annual operating data of the NBC and the wastewater system of the NBC. See APPENDIX E-2 – “FORM OF NBC CONTINUING DISCLOSURE CERTIFICATE”.

Subordinated Bonds under the Revolving Fund Program

The Bank may issue Additional Subordinated Bonds pursuant to the Indenture. However, in all events the liability of the Bank under the Subordinated Bonds shall be subordinate to the liability of the Bank under the Senior Bonds, including the Series 2016 B Bonds.

There are no Capitalization Grants or State Matching Funds or any other reserve funds pledged as security for the payment of the Subordinated Bonds. However, the Indenture pledges to the payment of the Subordinated 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 fiscal 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 2016 B 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 2016 B Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2016 B 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 2016 B 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 2016 B 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 2016 B 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 2016 B 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 2016 B 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 2016 B Bonds nor as to the taxability of the Series 2016 B 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 excess of the principal amount of a maturity of the Series 2016 B Bonds over the price at which price a substantial amount of such maturity of the Series 2016 B Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2016 B 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

Series 2016 B Bonds sold at prices in excess of their principal amounts are “Premium Bonds”. 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 2016 B 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 2016 B 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 2016 B 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 2016 B Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2016 B 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 2016 B 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 D. 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 2016 B 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 2016 B

Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2016 B 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 2016 B 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 2016 B 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 2016 B Bonds may occur. Prospective purchasers of the Series 2016 B Bonds should consult their own tax advisors regarding the impact of any changes in law on the Series 2016 B Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2016 B Bonds may affect the tax status of interest on the Series 2016 B Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2016 B Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 B 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 2016 B Bonds, for the benefit of the beneficial owners of the Series 2016 B Bonds, substantially in the forms included in Appendix E 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 2016 B Bonds, and (iii) timely notice of the failure by the Bank or any obligated person with respect to the Series 2016 B 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 Water Pollution Control 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 2016 B Bonds, substantially in the form included in Appendix E 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 (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 2016 B Bonds, there are no Borrowers obligated by contract or otherwise to pay at least twenty (20%) percent of the outstanding debt service on all outstanding Bonds (including the Series 2016 B Bonds) of the Bank issued under the Indenture of Trust other than the NBC. 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 2016 B Bonds will be conditioned upon their receiving, at or prior the delivery of the Series 2016 B Bonds, executed copies of the Bank Continuing Disclosure Certificate from the Bank substantially in the form included in Appendix E-1 and the Borrower Continuing Disclosure Certificate from the NBC substantially in the form included in Appendix E-2.

Based on a review of its past continuing disclosure practices, the Bank notes the following. The annual financial information of certain obligated persons, although filed on a timely basis on EMMA (except as described in the next sentence), was not linked to the Bank’s CUSIP numbers with respect to the outstanding Bonds and the Bank’s outstanding Safe Drinking Water Revolving Fund Revenue Bonds (the “Safe Drinking Water Bonds”).

Under its continuing disclosure agreement for the Series 1995 A Bonds, the Bank is required to file, or cause to be filed, on EMMA the NBC's annual financial information within six months following the end of each fiscal year (December 31st). Such annual financial information for the fiscal year ended June 30, 2011, however, was filed on EMMA on March 30, 2012. In addition, the Bank is required to file, or cause to be filed, the annual financial information for the City of Pawtucket, Rhode Island (the "City"), an obligated person with respect to the Bank's outstanding Safe Drinking Water Bonds, no later than March 26th under the continuing disclosure agreements for certain of the Safe Drinking Water Bonds and March 31st under the continuing disclosure agreements for certain other of the Safe Drinking Water Bonds. The City's annual financial information for the fiscal year ended June 30, 2015, however, was filed on April 7, 2016, together with a notice of late filing. The Bank plans to regularly review the effectiveness of its procedures for the timely filing of such information and the linking of such information to the Bank's 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 NBC has previously entered into undertakings to provide continuing disclosure with respect to the Bonds and other debt. For additional information regarding NBC's continuing disclosure compliance, please see Appendix C-1 – "Certain Information Regarding Narragansett Bay Commission – Continuing Disclosure" herein.

RATINGS

Fitch and Standard & Poor's have assigned their municipal bond ratings of "AAA" and "AAA", respectively, to the Series 2016 B 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 2016 B 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 either or both 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 2016 B Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC, as representative of the Underwriters identified on the outside front cover page hereof (collectively, the "Underwriters"), has agreed, subject to certain conditions, to purchase the Series 2016 B Bonds from the Bank pursuant to a Bond Purchase Agreement at a price equal to the principal amount of the Series 2016 B Bonds plus a net original issue premium of \$2,954,115.90 and less an underwriting discount of \$112,913.95. The Underwriters are committed to take and pay for all of the Series 2016 B Bonds if any are taken. The Underwriters intend to offer the Series 2016 B 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 2016 B Bonds will develop or be maintained by the Underwriters or others.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2016 B Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2016 B Bonds.

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 2016 B Bonds, in any way questioning or affecting the validity of any provision of the Series 2016 B 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 2016 B 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, a Division of Hilltop Securities, Inc. ("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 2016 B Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and assisted the Bank with the pricing of the Series 2016 B 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 to perform professional services in the capacity of financial advisor.

CERTAIN LEGAL MATTERS

The approving opinion of Nixon Peabody LLP, Providence, Rhode Island, Bond Counsel, in substantially the form attached to this Official Statement as Appendix D will be delivered upon the issuance of the Series 2016 B 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 documents. 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 2016 B Bonds, at the principal corporate trust office of the Trustee.

The agreements of the Bank with holders of the Series 2016 B 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 2016 B 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

May 13, 2016

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 Finance Agency Act, constituting Chapter 12.2 of Title 46 of the Rhode Island General Laws (1986), 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 and the Act, which loan is made solely from the Agency Bond Account of the Construction Proceeds Fund from proceeds of Agency Bonds.

Agency Loan Recipient shall mean any Local Governmental Unit (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 or a combination of an Agency Loan and a 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 a portion of the Loan Servicing Fees and 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 the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office is located at One Federal Street, Third Floor, Boston, Massachusetts 02110.

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.

Date of Issue shall mean June 2, 2016.

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.

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

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 and not from the proceeds of Agency Bonds, which Loans may be made only to Borrowers that constitute Governmental Units in accordance with the Act.

Direct Loan Recipient shall mean any Local Governmental Unit (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 a Direct Loan.

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

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

Eighth Supplemental Indenture shall mean the Eighth Supplemental Indenture of Trust relating to the issuance of the Series 2000 A Bonds.

Eleventh Supplemental Indenture shall mean the Eleventh Supplemental Indenture of Trust relating to the issuance of the Series 2003 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 Section 212 of the Water Quality 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 Water Pollution Control Act for purposes of deposit in the Revolving Fund after payment by the Agency to DEM of expenses (not to exceed four percent of such grant or award) incurred by DEM in connection with its administration of the Revolving Fund.

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 (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.

Fifth Supplemental Indenture shall mean the Fifth Supplemental Indenture of Trust relating to the issuance of the Series 1999 A Bonds.

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

First Supplemental Indenture shall mean the First Supplemental Indenture of Trust relating to the issuance of the Series 1993 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.

Fourteenth Supplemental Indenture shall mean the Fourteenth Supplemental Indenture of Trust relating to certain modifications to the Indenture.

Fourth Supplemental Indenture shall mean the Fourth Supplemental Indenture of Trust dated as of March 1, 1997 relating to the deposit of EPA Capitalization Grants.

Indenture shall mean the Indenture of Trust dated as of February 15, 1992 between the Agency and Rhode Island Hospital Trust National Bank, as trustee, as from time to time amended or supplemented in accordance with its terms.

Initial De-allocation Date shall mean, with respect to the Series 1992 A Bonds, the date designated in the Indenture, and with respect to each Series of Agency Bonds other than the Series 1992 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 Municipal Bond Investors Assurance Corporation and its successors and assigns, with respect to the Series 1992 A Bonds, the Series 1993 A Bonds, the Series 1994 A Bonds and the Series 1995 A Bonds, or any issuer of a municipal bond insurance policy as specified in the Supplemental Indenture authorizing the issuance of a Series of Agency Bonds subsequent thereto 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 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, including guaranteed investment contracts, approved in writing by the Insurer;

(h) 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;

(i) 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;

(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 and "A-1" or "A" or better by Standard & Poor's; 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 either be approved in writing by the Insurer or 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 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 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 or 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.

Nineteenth Supplemental Indenture shall mean the Nineteenth Supplemental Indenture of Trust relating to the issuance of the Series 2010 A Subordinated Bonds.

Ninth Supplemental Indenture shall mean the Ninth Supplemental Indenture of Trust relating to the issuance of the Series 2002 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 the office of the Paying Agent at which at any particular time its corporate trust business shall be principally 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, 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 water pollution control facilities described in an Exhibit to any Loan Agreement, each of which shall constitute a Water Pollution Control Abatement 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.

Ratings shall mean, as of any date, the ratings then assigned to the Agency Bonds by Moody's and Standard & Poor's or such other nationally recognized 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 water pollution control revolving fund established by the Agency pursuant to the Act, which fund is to be used for purposes of the Water Quality Act.

Second Supplemental Indenture shall mean the Second Supplemental Indenture of Trust relating to the issuance of the Series 1994 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 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 following Outstanding Series of Senior Agency Bonds: the Series 1995 A Bonds, the Series 1999 A Bonds, the Series 1999 C Agency Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2005 A Bonds, the Series 2006 A Bonds, the Series 2007 A Bonds, the Series 2009 A Bonds, the Series 2010 B Bonds, the Series 2011 A Bonds, the Series 2012 A Bonds, the Series 2012 B Bonds, the Series 2013 A Bonds, the Series 2014 A Bonds, the Series 2015 A Bonds, the Series 2015 B Bonds, the Series 2016 A Bonds and the Series 2016 B 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; and shall include the following Outstanding Series of Subordinated Agency Bonds: the Series 2010 A Subordinated Bonds and the Series 2015 C Subordinated Bonds.

Series Federal LIST Deposit shall mean, with respect to the Series 1992 A Bonds, the amount so designated in the Indenture, and with respect to each Series of Agency Bonds other than the Series 1992 A Bonds, the amount so designated in the Supplemental Indenture authorizing such Agency Bonds.

Series 1992 A Bond Insurance Policy shall mean the municipal bond new issue insurance policy issued by the Insurer in respect of the Series 1992 A Bonds in accordance with the terms thereof.

Series 1992 A Bonds shall mean the \$20,915,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 1992 A (Pooled Loan Issue) authorized by the Indenture.

Series 1992 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 1992 A Bonds.

Series 1993 A Bond Insurance Policy shall mean the municipal bond new issue insurance policy issued by the Insurer in respect of the Series 1993 A Bonds in accordance with the terms of the Indenture.

Series 1993 A Bonds shall mean the \$33,635,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 1993 A (Pooled Loan Issue) authorized by the First Supplemental Indenture.

Series 1993 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 1993 A Bonds.

Series 1994 A Bond Insurance Policy shall mean the municipal bond new issue insurance policy issued by the Insurer in respect of the Series 1994 A Bonds in accordance with the terms of the Indenture.

Series 1994 A Bonds shall mean the \$22,430,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 1994 A (Pooled Loan Issue) authorized by the Second Supplemental Indenture.

Series 1994 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 1994 A Bonds.

Series 1995 A Bond Insurance Policy shall mean the municipal bond new issue insurance policy issued by the Insurer in respect of the Series 1995 A Bonds in accordance with the terms of the Indenture.

Series 1995 A Bonds shall mean the \$6,400,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 1995 A (Pooled Loan Issue) authorized by the Third Supplemental Indenture.

Series 1995 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 1995 A Bonds.

Series 1999 A Bond Insurance Policy shall mean the municipal bond new issue insurance policy issued by the Insurer in respect of the Series 1999 A Bonds in accordance with the terms of the Indenture.

Series 1999 A Bonds shall mean the \$25,825,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 1999 A (Pooled Loan Issue) authorized by the Fifth Supplemental Indenture.

Series 1999 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 1999 A Bonds.

Series 1999 B Subordinated Bonds shall mean the \$16,830,000 Water Pollution Control Revolving Fund Subordinated Refunding Revenue Bonds, Series 1999 B authorized by the Sixth Supplemental Indenture.

Series 1999 C Bonds shall mean the \$24,010,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 1999 C (Pooled Loan Issue) authorized by the Seventh Supplemental Indenture.

Series 1999 C Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 1999 C Agency Bonds.

Series 2000 A Bonds shall mean the \$26,550,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2000 A (Pooled Loan Issue) authorized by the Eighth Supplemental Indenture.

Series 2000 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2000 A Bonds.

Series 2002 A Bonds shall mean the \$29,305,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2002 A (Pooled Loan Issue) authorized by the Ninth Supplemental Indenture.

Series 2002 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2002 A Bonds.

Series 2002 B Bonds shall mean the \$76,035,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2002 B (Pooled Loan Issue) authorized by the Tenth Supplemental Indenture.

Series 2002 B Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2002 B Bonds.

Series 2003 A Bonds shall mean the \$14,870,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2003 A (Pooled Loan Issue) authorized by the Eleventh Supplemental Indenture.

Series 2003 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2003 A Bonds.

Series 2003 B Bonds shall mean the \$67,965,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2003 B (Pooled Loan Issue) authorized by the Twelfth Supplemental Indenture.

Series 2003 B Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2003 B Bonds.

Series 2004 A Bonds shall mean the \$69,625,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2004 A (Pooled Loan Issue) authorized by the Thirteenth 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 Bonds shall mean the \$49,080,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2005 A (Pooled Loan Issue) authorized by the Fifteenth Supplemental Indenture.

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

Series 2006 A Bonds shall mean the \$57,795,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2006 A (Pooled Loan Issue) authorized by the Sixteenth Supplemental Indenture.

Series 2006 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2006 A Bonds.

Series 2007 A Bonds shall mean the \$39,740,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2007 A (Pooled Loan Issue) authorized by the Seventeenth Supplemental Indenture.

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

Series 2009 A Bonds shall mean the \$41,555,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2009 A (Pooled Loan Issue) authorized by the Eighteenth Supplemental Indenture.

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

Series 2010 A Subordinated Bonds shall mean the \$77,140,000 Water Pollution Control Subordinated Refunding Revenue Bonds, Series 2010 A authorized by the Nineteenth Supplemental Indenture.

Series 2010 B Bonds shall mean the \$30,145,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2010 B (Pooled Loan Issue) authorized by the Twentieth Supplemental Indenture.

Series 2010 B Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2010 B Bonds.

Series 2011 A Bonds shall mean the \$40,200,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2011 A (Pooled Loan Issue) authorized by the Twenty-first Supplemental Indenture.

Series 2011 A Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2011 A Bonds.

Series 2012 A Bonds shall mean the \$25,620,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2012 A (Pooled Loan Issue) authorized by the Twenty-second Supplemental Indenture.

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

Series 2012 B Bonds shall mean the \$65,860,000 Water Pollution Control Refunding Revenue Bonds, Series 2012 B authorized by the Twenty-third Supplemental Indenture.

Series 2013 A Bonds shall mean the \$52,070,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2013 A (Pooled Loan Issue) authorized by the Twenty-fourth Supplemental Indenture.

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

Series 2014 A Bonds shall mean the \$55,925,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2014 A (Pooled Loan Issue) authorized by the Twenty-fifth Supplemental Indenture.

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

Series 2015 A Bonds shall mean the \$56,275,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2015 A (Green Bonds) (Pooled Loan Issue) authorized by the Twenty-sixth Supplemental Indenture.

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

Series 2015 B Bonds shall mean the \$24,345,000 Water Pollution Control Refunding Revenue Bonds, Series 2012 B authorized by the Twenty-seventh Supplemental Indenture.

Series 2015 C Subordinated Bonds shall mean the \$23,355,000 Water Pollution Control Subordinated Refunding Revenue Bonds, Series 2015 C authorized by the Twenty-eighth Supplemental Indenture.

Series 2016 A Bonds shall mean the \$49,060,000 Water Pollution Control Refunding Revenue Bonds, Series 2016 A authorized by the Twenty-ninth Supplemental Indenture.

Series 2016 B Bonds shall mean the \$18,790,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2016 B (Green Bonds) (Pooled Loan Issue) authorized by the Thirtieth Supplemental Indenture.

Series 2016 B Projects shall mean the Projects described in each of the Loan Agreements relating to the Series 2016 B Bonds.

Series State LIST Deposit shall mean, with respect to the Series 1992 A Bonds, the amount so designated in the Indenture, and with respect to each Series of Senior Agency Bonds other than the Series 1992 A Bonds, the amount so designated in the Supplemental Indenture authorizing such Senior Agency Bonds.

Seventh Supplemental Indenture shall mean the Seventh Supplemental Indenture of Trust relating to the issuance of the Series 1999 C Agency Bonds.

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

Sixth Supplemental Indenture shall mean the Sixth Supplemental Indenture of Trust relating to the issuance of the Series 1999 B Subordinated Bonds.

Sixteenth Supplemental Indenture shall mean the Sixteenth Supplemental Indenture of Trust relating to the issuance of the Series 2006 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 Matching Funds shall mean the amounts to be provided by the State pursuant to the Water Quality Act, the regulations promulgated thereunder and the Act as matching funds.

State Revolving Fund shall mean the Rhode Island water pollution control revolving 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 under the heading "**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.

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 (i) the Tax Reform Act of 1986, as amended, (ii) the Code, (iii) the Internal Revenue Code of 1954, as amended and supplemented from time to time, and (iv) the temporary, proposed, or final 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.

Tenth Supplemental Indenture shall mean the Tenth Supplemental Indenture of Trust relating to the issuance of the Series 2002 B Bonds.

Third Supplemental Indenture shall mean the Third Supplemental Indenture of Trust relating to the issuance of the Series 1995 A Bonds.

Trustee shall mean U.S. Bank National Association (successor to Rhode Island Hospital Trust National Bank and State Street Bank and Trust Company), in its capacity as trustee under the Indenture, and its successor or successors under the Indenture.

Thirteenth Supplemental Indenture shall mean the Thirteenth Supplemental Indenture of Trust relating to the issuance of the Series 2004 A Bonds.

Thirtieth Supplemental Indenture shall mean the Thirtieth Supplemental Indenture of Trust relating to the issuance of the Series 2016 B Bonds.

Twelfth Supplemental Indenture shall mean the Twelfth Supplemental Indenture of Trust relating to the issuance of the Series 2003 B Bonds.

Twentieth Supplemental Indenture shall mean the Twentieth Supplemental Indenture of Trust relating to the issuance of the Series 2010 B Bonds.

Twenty-first Supplemental Indenture shall mean the Twenty-first Supplemental Indenture of Trust relating to the issuance of the Series 2011 A Bonds.

Twenty-second Supplemental Indenture shall mean the Twenty-second Supplemental Indenture of Trust relating to the issuance of the Series 2012 A Bonds.

Twenty-third Supplemental Indenture shall mean the Twenty-third Supplemental Indenture of Trust relating to the issuance of the Series 2012 B Bonds.

Twenty-fourth Supplemental Indenture shall mean the Twenty-fourth Supplemental Indenture of Trust relating to the issuance of the Series 2013 A Bonds.

Twenty-fifth Supplemental Indenture shall mean the Twenty-fifth Supplemental Indenture of Trust relating to the issuance of the Series 2014 A Bonds.

Twenty-sixth Supplemental Indenture shall mean the Twenty-sixth Supplemental Indenture of Trust relating to the issuance of the Series 2015 A Bonds.

Twenty-seventh Supplemental Indenture shall mean the Twenty-seventh Supplemental Indenture of Trust relating to the issuance of the Series 2015 B Bonds.

Twenty-eighth Supplemental Indenture shall mean the Twenty-eighth Supplemental Indenture of Trust relating to the issuance of the Series 2015 C Subordinated Bonds.

Twenty-ninth Supplemental Indenture shall mean the Twenty-ninth Supplemental Indenture of Trust relating to the issuance of the Series 2016 A Bonds.

Water Pollution Control Act shall mean the federal Water Pollution Control Act, also known as the Clean Water Act, Public Law 92-500, as amended from time to time, or any successor provisions.

Water Quality Act shall mean the federal Water Quality Act of 1987, as amended from time to time, or any successor provisions.

[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 1992 A Bonds, the Indenture, and, in the case of a Series of Agency Bonds other than the Series 1992 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 1992 A

Bonds, the Indenture, or in the case of a Series of Agency Bonds other than the Series 1992 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 such 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 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 the Ratings then assigned to the Senior Agency Bonds will not result, and containing instructions for investment of such deposits in accordance with the Indenture, 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 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 combination of an Agency Loan or a Direct Loan; 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 1992 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 1992 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) Except in the case of the Series 1992 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, either (i) a Certificate of an Authorized Officer of the Agency, dated as of the date of the Series of Agency Bonds being issued, stating that the Agency Bonds then have, and, after giving effect to the Series of Agency Bonds being issued, will have (x) a Rating better than “Baa” from Moody’s and a Rating better than “BBB” from Standard and Poor’s or (y) a Rating designated as investment grade by either Moody’s or Standard and Poor’s or (ii) a Certificate of an authorized officer of the Insurer, dated as of the date of the Series of Agency Bonds being issued, stating that the Insurer consents to and approves of the issuance of such Series of Agency Bonds;

(o) [Reserved];

(p) If required, a Certificate of the Insurer pursuant to the provisions set forth under the heading “Security for and Investment of Moneys - *Investment of, and payment of interest on, moneys*” herein;

(q) 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

(r) 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).

[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 (r) 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.

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, to remain liable to observe and perform all the conditions and covenants in the Loan Agreements provided 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, and will not result in an adverse change in the Ratings then assigned to the Agency Bonds.

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, and will not result in an adverse change in the Ratings then assigned to the Agency Bonds. 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 the Indenture 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.

Each such fund and account shall be held by the Trustee. There is established by the Indenture in the Construction Proceeds Funds (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 Water Quality 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 DEM, to pay for administrative costs and expenses incurred by the Agency and DEM 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, the State Matching Funds, 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 such Borrower Bonds 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 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 State Matching Fund Account of 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; and
- (3) 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" under the subheading "Revenue Fund" 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" under the subheading "Revenue Fund" 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; and

(5) 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, 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 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 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, the Water Pollution Control Act and the Water Quality Act; 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" under the subheading "Revenue Fund" 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" under the subheading "Revenue Fund" 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 5.11]

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 principal and interest on Federal Direct

Loans shall be deposited in the Federal Account of the LIST 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 – *LIST Fund*” herein. Except as the Agency may separately pledge or assign any particular Federal Direct Loan as security for the Agency Bonds, Federal Direct Loans shall not be deemed to be pledged or assigned pursuant to the provisions set forth under the heading “Security for Agency Bonds; General Terms and Conditions of Agency Bonds - *Pledge and assignment effected by Indenture; Agency Bonds equally and ratably secured; option of Agency to assign certain further rights and remedies to Trustee*” herein.

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 1992 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 October 1, 1992, 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 1992 A Bonds have been retired, an amount equal to the balance of all rebatable amounts. Such payments shall be made to the Internal Revenue Service at the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. 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 under the Indenture and not invested by the Trustee pursuant to the provisions of the Indenture, to the extent not insured by the Federal Deposit Insurance Agency 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 and at least "AA" and "A-2," respectively, by Standard & Poor's.

[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, provided, however, that if such Investment Securities require the approval of the Insurer in accordance with clause (g) or clause (k) of the definition of Investment Securities, the Trustee shall not make such investment until the Trustee shall have received a Certificate of the Insurer stating that the Insurer approves of such investment.

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, employing in the case of a sale any commercially reasonable method of effecting such 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 “**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 rights of the Insurer with respect to the Series 1992 A Bonds or 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 written request of the holders of at least twenty-five percent (25%) in aggregate 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 not less than 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 or if no Senior Agency Bonds are then Outstanding, of Subordinated Agency Bonds Outstanding 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 Outstanding.

[Section 10.05]

Limitation on actions by Bondowners. No owner of any of the 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 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 Agency Bond to enforce payment of the principal of and premium, if any, and interest on his 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.

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 (i) has a combined capital and surplus of at least \$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 and at least “AA” and “A-2,” respectively, by Standard & Poor’s if such a bank or trust company willing and able to accept the trust on customary terms can, with reasonable effort, be located.

[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; or

(9) 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, and (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.

[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.

[Twentieth Supplemental Indenture]

Amendments to the Indenture of Trust

Certain amendments to the Indenture of Trust documented in the Twentieth Supplemental Indenture and summarized below will become effective upon: (a) the consent to such amendments of the holders of not less than sixty percent (60%) in aggregate principal amount of the outstanding Senior Agency Bonds and of the outstanding Subordinated Agency Bonds; and (b) the delivery to the Trustee of an opinion of Bond Counsel to the effect that such provisions will not: (i) adversely affect the exclusion of interest on the Agency Bonds then outstanding from gross income for federal income tax purposes (if such Agency Bonds were issued on a tax-exempt basis), or (ii) cause the Agency Bonds then outstanding to be treated as reissued under Section 1001 of the Code (if such Agency Bonds were issued on a taxable basis).

The amendments documented in the Twentieth Supplemental Indenture expand the rating agency and ratings concepts in the Indenture to include not only Standard & Poor's and Moody's but also Fitch Ratings, Inc. ("Fitch"). As summarized below, these changes will affect the provisions governing: (i) permitted investments; (ii) certain certificates required for the issuance of Agency Bonds; (iii) amendments to Loan Agreements and Borrower Bonds; (iv) investment of moneys held by the Trustee under the Indenture; (v) rating agency notices; and (vi) the qualifications for a successor trustee:

- "Investment Securities," will include (i) 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; (ii) 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; (iii) 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; and (iv) repurchase agreements which either are approved in writing by the Insurer or satisfy certain criteria, including that the repurchase agreement must be between the Agency and a primary dealer on the Federal Reserve reporting dealer list which is rated A or better by any Rating Agency or a bank rated "A" or above by any Rating Agency.
- Prior to, or simultaneously with, the authentication and delivery of Agency Bonds, the Trustee will receive, among other deliverables, the following:

- (1) 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 such 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 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;
 - (2) Except in the case of the Series 1992 A Bonds and in the case of Refunding Bonds issued pursuant to Section 2.05, either (i) a Certificate of an Authorized Officer of the Agency, dated as of the date of the Series of Agency Bonds being issued, stating that the Agency Bonds then have, and, after giving effect to the Series of Agency Bonds being issued, will have a Rating designated as investment grade by any Rating Agency which may, as of such date, have assigned a rating to the Agency Bonds; or (ii) a Certificate of an authorized officer of the Insurer, dated as of the date of the Series of Agency Bonds being issued, stating that the Insurer consents to and approves of the issuance of such Series of Agency Bonds;
- The condition precedent that any proposed amendment to a Loan Agreement or Borrower Bonds will not result in an adverse change in the Ratings then assigned to the Agency Bonds will be eliminated.
 - All uninvested moneys received by the Trustee, to the extent not insured by the Federal Deposit Insurance Corporation or other federal agency, will 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.
 - Fitch will be added as a recipient of notices to rating agencies under the Indenture.
 - The ratings requirement for a successor trustee will be eliminated.

[Thirtieth Supplemental Indenture]

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 hereby 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 2016 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 2016 A Bonds, and (b) as of and within 60 days after the date on which all of the Series 2016 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 Thirtieth Supplemental Indenture.

APPENDIX A-2

Summary of Certain Provisions of the Loan Agreement

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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 2016 B 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 2016 B 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"). 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.

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 wastewater 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 wastewater system revenues; and (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 of 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 agency 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-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 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.

* 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.

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.

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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

Narragansett Bay Commission

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APPENDIX C-1

Certain Information Regarding Narragansett Bay Commission

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THE NARRAGANSETT BAY COMMISSION

INTRODUCTION

In 1979, the Governor of Rhode Island's Sewage Facilities Task Force ("Task Force") reported that the discharge of pollutants into Narragansett Bay, and particularly in the Providence metropolitan area of the Bay, posed problems of such scope and cost as to be beyond the City of Providence's capability to control them. Additionally, the prospect of continued federal funding of sewer construction programs under the Clean Water Act (Public Law 92-500) was clouded by the then scheduled expiration of the Clean Water Act at the close of the 1982 federal fiscal year.

Consequently, the Task Force recommended, and the Rhode Island General Assembly in 1980 approved, the establishment of a regional district commission to correct and minimize pollution discharges into the Upper Bay. The Narragansett Bay Water Quality Management District Commission, renamed the Narragansett Bay Commission (the "Commission" or "NBC") in 1999, was authorized to acquire, operate and upgrade the metropolitan Providence wastewater collection and treatment facility. Operating and maintenance expenses of the NBC are funded with user charges.

In November of 1980, the voters approved a bond issue of \$87,700,000 to finance capital improvements to be undertaken by the NBC, legislation enacted by the 1990 General Assembly transferred \$6,000,000 of this authorization to the Blackstone Valley District Commission and \$9,000,000 to the Pawtuxet River Valley District Commission; these authorizations were offset by a new \$15,000,000 authorization to the NBC approved by the voters of the State at the General Election of November 4, 1992.

As authorized and directed by the Rhode Island General Assembly, on January 1, 1992, the former Blackstone Valley District Commission merged with the NBC. The Blackstone Valley District Commission had served the Cities of Pawtucket and Central Falls, and parts of the Towns of Cumberland, Lincoln, East Providence and Smithfield. Prior to the merger, the NBC served the residents of the City of Providence, the Town of Johnston, the Town of North Providence and portions of the Town of Lincoln and the City of Cranston.

Membership

The Commission is governed by a board of nineteen members (the "Commissioners"). Ten public members are appointed by the Governor, two by the Mayor of the City of Providence, one each by the Mayors of the Towns of North Providence, Johnston and Cumberland, one each by the Mayors of the Cities of East Providence, Central Falls and Pawtucket and one by the Town Administrator of Lincoln.

See the chart below for a list of the Commissioners, their professions and terms of office. Pursuant to the Act, Commissioners serve until their successors are appointed and qualified.

Board of Commissioners

<u>Name</u>	<u>Occupation</u>	<u>Appointing Authority</u>	<u>Term Expires</u>
Robert P. Andrade	Retired - Executive Vice President Pawtucket Credit Union	Mayor of Pawtucket	April 1, 2017
James S. Bennett	Executive Vice President, Prospect Medical Holdings	Governor	April 1, 2016
Dr. Richard Burroughs	Professor of Marine Biology at the University of Rhode Island	Governor	April 1, 2016
Dr. Bruce Campbell	Ph.D. in Physics. Consultant on management, marketing and technical matters. Former President of Coto Wabash.	Governor	April 1, 2016
Mario G. Carlino	Manager – Transmission, Portfolio Investment Management, National Grid	Governor	April 1, 2016
Michelle R. DeRoche	Chief Operating Officer New England Medical Billing	Governor	April 1, 2018
Michael DiChiro, Esq.	Attorney*	Mayor of Johnston	April 1, 2017
Jonathan K. Farnum	Retired - President of Wardwell Braiding Machine Company	Governor	April 1, 2018
Seth H. Handy, Esq.	Attorney*+	Governor	April 1, 2018
Joseph Kimball	Certified Public Accountant	Governor	April 1, 2017
Paul E. Lemont, Esq.	Attorney-Arbitrator+	Mayor of East Providence	April 1, 2017
Ronald Leone	Owner of R. Leone & Sons	Mayor of North Providence	April 1, 2012
John MacQueen	Retired - Public Works Director Town of Lincoln	Mayor of Cumberland	April 1, 2018
Vincent J. Mesolella	Manager, CVDD II, LLC	Mayor of Central Falls	April 1, 2019
Joan P. Milas	Government Relations Analyst	Lincoln Town Administrator	April 1, 2018
Alessandro Montanari	Retired - State of Rhode Island Dept. of Administration	Mayor of Providence	Jan. 31, 2016
Alan Nathan	Chairman Teknicote	Governor	April 1, 2017
Angelo S. Rotella, Esq.	Attorney+, Region I Vice President American Health Care Association	Mayor of Providence	April 1, 2016
Richard D. Worrell	Partner – Financial Architects Partners	Governor	April 1, 2017

Appointed members stay in office after their term expires until either they are re-appointed or replaced by a new member.

* Licensed in Rhode Island

+ Licensed in Massachusetts

Commission Staff

Raymond J. Marshall, Executive Director

Mr. Marshall joined the Commission in June 1992 as Deputy Director and was appointed Executive Director in January 2007. Prior to his employment with the Commission, Mr. Marshall was Executive Vice President at BETA Engineering, Inc., in Lincoln, Rhode Island, from July 1982 until June 1992. Mr. Marshall also served as the Director of Wastewater Facilities in Burrillville, Rhode Island, from March 1980 until July 1982. From February 1973 through March 1980, he was a Project Engineer at Metcalf and Eddy, Boston, Massachusetts. Mr. Marshall holds a Bachelor of Science in Civil and Environmental Engineering from the University of Rhode Island and a Master of Science in Civil/Sanitary Engineering from Northeastern University. He is a Registered Professional Engineer in Rhode Island and three other states. Mr. Marshall has served on the State's Board of Registration for Professional Engineers for fourteen years and has served as President of the Rhode Island Society of Professional Engineers. Since 2007, Mr. Marshall is on the Board of Directors of the National Association of Clean Water Agencies ("NACWA") based in Washington D.C. and serves as NACWA's Vice President.

Karen L. Giebink, Director of Administration and Finance

Ms. Giebink joined the Commission in October 1989 as a Senior Environmental Planner. She was appointed to Policy Associate in October 1991 and to Director of Administration and Finance in April 1997. Prior to joining the Commission, she was an Administrative Analyst with the City of San Diego Water Utilities Department in the Financial Services Section (1986-1989). In this capacity she was responsible for the administration of the City's Clean Water Grant Program and the Department's revenue estimation, and assisted with rate design. Ms. Giebink has a Bachelor's Degree in Economics from the University of California, San Diego and a Master's Degree in Business from the University of California, Irvine. She is a member of the national Government Finance Officers Association and serves on the Board of the Rhode Island Government Finance Officers Association.

Paul E. Nordstrom, Director of Operations and Engineering

Mr. Nordstrom joined the Commission in January 1984 as head of the Engineering section. In December 1988 he was promoted to Assistant Director of Operations and Chief Engineer. Prior to joining the Commission Mr. Nordstrom worked for the Rhode Island Department of Environmental Management's Division of Water Quality (1978 - 1984) and the California Water Resources Control Board's Division of Water Quality (1975-1978). Mr. Nordstrom holds a Bachelor of Science in Civil Engineering from Worcester Polytechnic Institute and a Master of Science in Civil Engineering from Northeastern University. He is a Registered Professional Engineer in the State of Rhode Island. Mr. Nordstrom is a member of the North Smithfield Capital Advisory Group.

Thomas Uva, Director of Planning, Policy and Regulation

Mr. Uva joined the Commission in September 1985 as an Industrial Wastewater Control Engineer. He was promoted to Senior Sanitary Engineer in 1987, Pretreatment Program Manager in 1990 and Director of Planning, Policy and Regulation in December 2003. Mr. Uva holds an Associate of Arts from the Community College of Rhode Island and a Bachelor of Science in Chemical Engineering from the University of Rhode Island. Mr. Uva holds numerous Occupational Safety and Health Administration ("OSHA") and Department of Homeland Security Certifications. Mr. Uva was appointed by Rhode Island Governor Carcieri in 2005 to serve as Co-Chair of the Rhode Island Environmental Monitoring Collaborative and in 2013 he was reappointed by Governor Lincoln Chafee to continue to serve in that capacity.

Richard Bernier, Director of Construction Services

Mr. Bernier joined the Commission in November 1986 as a Principal Sanitary Engineer. He was promoted to Chief of Construction and Grants in December 1988 and Director of Construction Services in October 2007. From 1980 through October 1986 he was a Sanitary Engineer with the State of Rhode Island Department of Environmental Management Office of Water Resources. Mr. Bernier holds a Bachelor of Science in Civil and Environmental Engineering from the University of Rhode Island. He is a Registered Professional Engineer in Rhode Island.

Laurie Horridge Bissonette, Director of Executive Affairs

Ms. Bissonette joined the Commission in November 1992 as a staff attorney and later served as Chief of Enforcement. In 1998 she was designated as General Counsel and continues to serve in that capacity in addition to her appointment as Director of Executive Affairs in January 2007. Prior to her tenure with the Commission, Ms. Bissonette was engaged in private practice with a focus on environmental law. Ms. Bissonette has a Bachelor's Degree in Political Science from Providence College and a Juris Doctorate degree from Western New England School of Law in Springfield, Massachusetts. She is a longstanding elected member of the Rhode Island Bar Association's House of Delegates.

OPERATIONS

Budgeting Process and Expenditure Control

The Commission begins a formal review for its operating budget in November of each year. As part of this process, regulatory requirements are reviewed, as well as major program changes and capital needs. Large capital projects, requiring major changes to facilities and infrastructure, are identified in the Capital Improvement Plan ("CIP"), which is developed annually. The CIP identifies projects on a five-year basis and also identifies funding sources. This information is then translated into debt service requirements in the annual operating budget.

Revenues for the upcoming fiscal year are determined based on projected user rates and factors affecting non-operating revenue, such as grants, collection rates, and the expected rate of return on cash balances. In addition, since the Public Utilities Commission (the "PUC") regulates the Commission, revenues and expenses are analyzed on an ongoing basis and future needs are assessed to determine if rate relief is required.

Budget planning rates and short-term and long-term budget guidelines are developed and distributed to Directors and Managers of each division and section, respectively, of the Commission in November. The divisions and sections are given approximately three months to prepare their proposed budgets. After a preliminary review by the Finance section of the Commission, budget presentations are made to the Executive Director in February. A draft budget is presented to the Finance Committee of NBC's Board of Commissioners in May. The final budget document is presented to the Finance Committee and the Board of Commissioners for adoption in June.

The Commission is required to ensure total expenses do not exceed the amount approved in the current year's operating budget. The Director of Administration and Finance may make budgetary line item adjustments within and between categories and the Executive Director must notify the Finance Committee of such adjustments on a monthly basis.

The Finance Committee reviews and approves the monthly financial statements, including the status of the budget versus actual expenses. The Executive Director reports all purchase requisitions greater than \$10,000 for items included in the budget to the Finance Committee. The Executive Director also presents all purchase requisitions greater than \$50,000 not included in the budget for approval by the Finance

Committee. The Finance Committee reviews and approves the creation of new positions and the upgrading of existing positions not included in the adopted operating budget if the action will result in a net increase in operating cost. The Finance Committee also approves changes to budgeted capital outlays in excess of \$50,000.

The Commission prepares its financial reports in accordance with Generally Accepted Accounting Principles ("GAAP") as outlined by the Governmental Accounting Standards Board ("GASB"). An independent audit of the Commission's financial statements is performed annually.

Financial and Long-Term Planning

The Commission develops a five-year CIP on an annual basis. The CIP identifies major capital improvements that are in process or are programmed for the future to maintain NBC's facilities and meet regulatory requirements. Based on this project cost information, the Commission's current and anticipated operating needs and identified funding sources, the Commission regularly updates a long-term financing model. The model is used to assist the Commission with determining the least costly financing alternatives, timing for rate relief and supporting funding strategies. In addition, the Commission has developed, and updates annually, a five-year operating capital asset replacement plan.

Rates and Charges Generally

The Commission services its existing debt and will service its future debt through user rates and charges. Since July 1, 1985, user rates established by the Commission have been subject to the review and approval of the PUC.

The Rhode Island General Laws require that the Narragansett Bay Commission obtain approval from the Rhode Island Public Utilities Commission (the "PUC") in connection with any proposed rate changes. On February 16, 2016, the NBC applied for approval to adjust its rates in order to support its debt service on the borrower bonds to evidence the Commission's loan from the Rhode Island Infrastructure Bank, formerly known as the Rhode Island Clean Water Finance Agency (the "Bank" or "RIIB"). A public hearing took place on April 4, 2016 at which the PUC voted to approve the rate adjustments.

Rates approved by the PUC for the Commission as of July 1, 2016 are as follows:

<u>Residential</u>	<u>Rate(\$)</u>
Annual Residential Bill (based on consumption of 73.2 HCF*)	\$477.27
Fixed Fee (per dwelling unit)	218.80
Consumption Fee (per HCF*)	3.531

Non-Residential

Fixed Fee (based on meter size)	
5/8"	\$523.00
3/4"	782.00
1"	1,300.00
1 1/2"	2,607.00
2"	4,164.00
3"	7,802.00
4"	13,000.00
6"	26,010.00
8"	41,615.00
10"	59,824.00
Consumption Fee (per HCF*)	
Commercial	\$5.120
Industrial	3.292

*HCF = Hundred Cubic Feet

Effective July 1, 2016, the PUC approved a 1.53% rate increase for the NBC for debt service and debt service coverage. A history of rate increases approved by the PUC is listed below.

<u>Effective Date</u>	<u>Revenue Increase</u>	<u>User Fee Increase</u>
July 1, 2007	9.50%	9.99%
July 1, 2007	3.78 ⁽¹⁾	4.01
July 1, 2008	10.67 ⁽²⁾	11.24
July 1, 2009	10.29 ⁽³⁾	10.73
July 1, 2010	2.17	2.25
July 1, 2011	3.21	3.33
July 1, 2012	2.17	2.25
January 1, 2013	7.09	7.35
July 1, 2013	9.32 ⁽⁴⁾	9.67
September 19, 2014	3.83 ⁽⁵⁾	3.97
July 1, 2015	2.29	2.37
July 1, 2016	1.48	1.53

(1) 16% for rate base adjustment for decline in consumption.

(2) 51% for rate base adjustment for decline in consumption.

(3) 73% for rate base adjustment for decline in consumption.

(4) 30% for rate base adjustment.

(5) 55% for rate base adjustment.

FACILITIES

Field's Point Service Area Facilities

The Field's Point Wastewater Treatment Facility (“FPWWTF” or “Field’s Point”) provides advanced wastewater treatment for dry weather flows of up to 65 million gallons per day (“MGD”) and sustained wet weather flows of 77 MGD. The plant provides primary treatment and disinfection for an additional 123 MGD of wet weather flows through its wet weather facility. Total treatment capacity at Field's Point is 200 MGD.

The Field's Point facility uses an Integrated Fixed Film Activated Sludge (“IFAS”) process for advanced wastewater treatment, which includes grit removal, primary sedimentation, secondary aeration, nitrogen removal, final clarification and chlorination and dechlorination after disinfection. Final effluent is discharged to the Providence River.

The Commission also owns, operates and maintains three outlying pump stations in the Field’s Point Service Area: the Washington Park and Reservoir Avenue Pump Stations, located within the City of Providence, and the Central Avenue Pump Station located in the Town of Johnston. The Ernest Street Pump Station, located at the FPWWTF, handles 98% of the flow to the FPWWTF.

The Commission also maintains nineteen (19) permanent flow metering stations to measure flow at various points in the sewer system. In addition, the NBC owns and maintains 35 Combined Sewer Overflows (“CSOs”), 32 tide gates and 80 miles of interceptors in the Field’s Point Service Area. The NBC has begun a comprehensive long-term construction program to minimize overflows from its combined sewers.

In October 2012, the Commission began operation of three wind turbines that will convert wind energy into electricity. The electricity is net metered and used onsite for wastewater treatment operations.

Bucklin Point Service Area Facilities

The Blackstone Valley District Commission (“BVDC”) was established by the Rhode Island General Assembly in 1947 to plan, design, construct and operate and maintain facilities including the Bucklin Point Wastewater Treatment Facility (“BPWWTF”) for the abatement of pollution generated in the Blackstone Valley. BVDC was merged into the Commission on January 1, 1992.

The BPWWTF provides secondary treatment and nitrogen removal for flows of up to 46 MGD per day and primary treatment and disinfection for flows of up to 116 MGD.

The Commission also owns and operates three pump stations in the Bucklin Point Service Area, the Omega Pump Station (East Providence), the Saylesville Pump Station (Lincoln) and the Washington Highway Pump Station (Lincoln).

The Commission is responsible for ensuring that the overflows from the 26 CSOs in the Bucklin Point Service Area comply with federal and State discharge requirements. NBC also owns and maintains 30 miles of interceptors.

GOVERNMENTAL REGULATION

The Commission is regulated by the Rhode Island Department of Environmental Management (“RIDEM”) and the U.S. Environmental Protection Agency (“USEPA”) to ensure compliance with State and Federal Clean Air and Clean Water Acts. The Commission has been issued Rhode Island Pollutant Discharge Elimination System (“RIPDES”) permits for each of its wastewater treatment facilities.

State and Federal Compliance Issues

The Commission is under a Consent Agreement with RIDEM to implement a federally mandated CSO Program that will address the Commission’s 61 CSOs in both service areas. The CSO Program will be completed in three phases. Approximately 98% of the annual CSO volume will receive treatment when all the phases are completed. The first phase of the CSO abatement facilities addresses 40% of the CSO volume that will be treated and has been in service since November, 2008. The Commission constructed additional CSO abatement facilities in Phase II and those facilities went into operation in December, 2014. A reevaluation of the proposed Phase III facilities was completed in FY 2015 to determine if any changes should be made to the plan. See “CAPITAL IMPROVEMENT PROGRAM – Comprehensive Combined Sewer Overflow Program.”

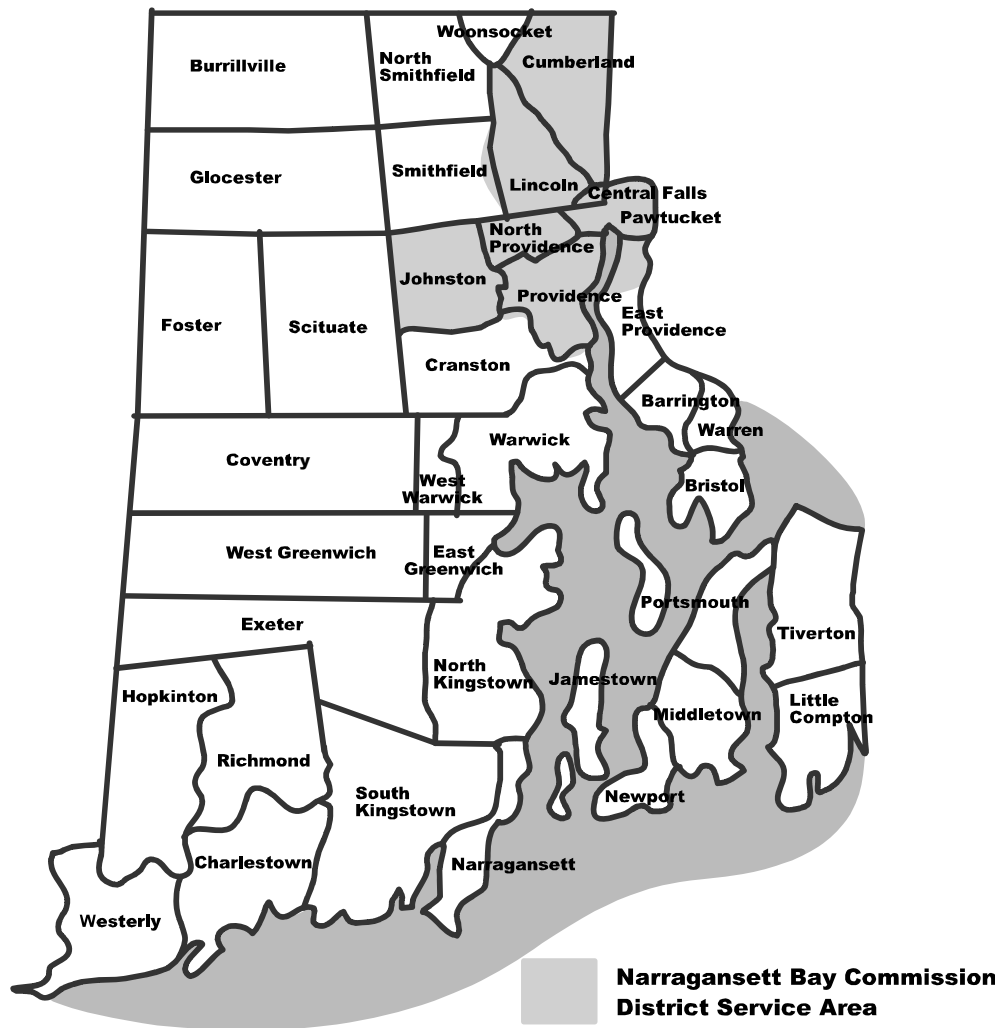
The Commission has a second Consent Agreement with RIDEM for achieving nitrogen limits at both the FPWWTF and the BPWWTF. The Consent Agreement requires that the NBC achieve a monthly average total nitrogen limit of 5 milligrams per liter (mg/l) on a seasonal basis (May to October). In order to achieve this limit, NBC constructed new facilities for the FPWWTF which were completed in May 2013 and for the BPWWTF which were completed in August 2014.

THE SERVICE AREA

General

The Commission provides reliable, cost-effective wastewater collection and treatment services to over 360,000 residents and approximately 7,800 businesses in ten Rhode Island communities in the metropolitan Providence and Blackstone Valley areas. These communities include: Providence, North Providence, Johnston, Pawtucket, Central Falls, Cumberland, Lincoln, the northern portion of East Providence and small sections of Cranston and Smithfield. The map below shows the Commission's service area.

Map of the Service Area



Population and Household Information

The Commission's customer composition is separated into three distinct account classes, Residential, Commercial and Industrial. The Residential class has approximately 75,900 accounts, while the Commercial and Industrial classes have, together, approximately 7,800 accounts.

According to the 2010 United States Census Bureau, the population of the service area was 532,878. This represents an increase of approximately 1.1% from the service area's population of 527,418 in 2000.

The following table shows actual population figures for those municipalities which are in whole or in part in the Commission's service area.

<u>Municipality</u>	<u>Population</u>
Providence	178,042
North Providence	32,078
Johnston	28,769
Pawtucket	71,148
Central Falls	19,376
Cumberland	33,506
Lincoln	21,105
East Providence	47,037
Cranston	80,387
Smithfield	21,430

Source: US Bureau of the Census, Census 2010

Income Levels

According to the American Community Survey, per capita income for the State was \$30,765 for the five-year period ending 2014. The per capita income for each of those municipalities existing in whole or in part in the service area of the Commission is as follows:

<u>Municipality</u>	<u>Per Capita Income</u>
Providence	\$21,924
North Providence	29,837
Johnston	31,118
Pawtucket	21,239
Central Falls	14,008
Cumberland	37,190
Lincoln	35,401
East Providence	28,446
Cranston	29,878
Smithfield	32,535

Source: U.S. Census Bureau 5-year American Community Survey (2010-2014)

Largest Users

The largest Commission customers are service and education providers. The ten largest customers as of fiscal year 2015 are listed below:

Customer	Total Billing FY 2015	Percentage of Billed User Charges in FY 2015
Rhode Island Hospital	\$1,560,841	1.68%
Providence Housing	1,441,250	1.55
Brown University	1,410,634	1.51
Conopco, Inc. dba Unilever*	1,157,417	1.24
City of Providence	742,915	.80
City of Pawtucket	730,393	.78
Providence School Department	508,770	.55
Providence College	453,604	.49
Johnson & Wales	431,114	.46
State of Rhode Island	359,911	.39

Source: NBC's billing records

*Customer is in dispute with the Commission regarding past billings, however non-payment does not have a material adverse effect on the Commission's finances.

Collection History

The table below reflects late charges as a percent of user fee billings for the fiscal years ended June 30, 2006 through 2015:

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
0.79%	1.13%	1.15%	1.25%	1.30%	1.30%	1.21%	1.18%	1.14%	1.09%

Retirement Plans

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

Defined Benefit Plan Description

NBC provides retirement benefits to eligible full-time union employees through its participation in a cost-sharing multiple-employer defined benefit pension plan administered by the State of Rhode Island Employees' Retirement System ("ERSRI"). ERSRI is administered as a unified statewide system by the State Retirement Board, the composition of which is set forth in the pertinent State statute. The assets are held in the custody of the State Treasurer as an undivided single fund. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. Effective July 1, 2012, ERSRI was modified to include both defined benefit and defined contribution plan components.

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. NBC employees are required to contribute 3.75% of their annual covered salary. NBC is required to contribute at an actuarially determined rate; the rate was 23.33%

of annual covered payroll for the fiscal year ended June 30, 2015. The State does not make any contributions on behalf of NBC employees. For the Defined Benefit Plan, NBC contributed \$1,329,983, \$1,312,711, and \$1,164,519 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

Hybrid Plan Description

In November 2011, the State enacted the Rhode Island Retirement Security Act of 2011 (“RIRSA”), which made broad changes to the ERSRI effective July 1, 2012. The most significant changes include: (i) changing the structure of the retirement program from a traditional defined benefit plan to a hybrid plan designed with a smaller defined benefit plan and a supplemental defined contribution plan; (ii) changing the automatic COLA from a CPI-related formula to a formula contingent on the actual investment performance over time; (iii) suspension/reduction of the COLA during times when the funded ratio is lower than targeted 80% levels; and (iv) the re-amortization of the Unfunded Actuarial Accrued Liability (UAAL) to 25 years from the 19-year schedule as of June 30, 2010. Included within these significant changes are certain rules for transitioning from the defined benefit structure to the smaller defined benefit plan going forward. These changes resulting from RIRSA are the subject of ongoing litigation which has been preliminarily settled by most parties. See also “Litigation Challenging Pension Reform” below.

RIRSA changed the ERSRI defined benefit plans to hybrid plans which include a defined contribution plan. The State selected TIAA-CREF to administer the plan. Participants have a selection of investments options chosen by the State and provided by TIAA-CREF.

For the Defined Contribution Plan, NBC contributed \$57,125 for the fiscal year ended June 30, 2014, equal to 100% of the required contribution for that year.

Litigation Challenging Pension Reform

In recent years, the Rhode Island General Assembly made certain reforms to ERSRI and the Municipal Employees Retirement System administered by the State for general and municipal employees (“MERS”). The reforms, which were included in legislation passed as part of the State budgets in 2009 and 2010 and in the RIRSA, were challenged in numerous lawsuits brought by certain unions, active State and municipal employees, retired State employees and associations of retired State employees, including employees of the Commission, who maintain they are current beneficiaries of MERS and ERSRI.

Many of the cases were settled and thereafter the General Assembly passed legislation to carry out the settlement, which was enacted into law on June 30, 2015. Accordingly, the Court entered final judgment on July 8, 2015.

Several appeals have been filed with the Rhode Island Supreme Court challenging the final judgment. The State has stated that it intends to vigorously defend these matters on appeal. The appeals in the case do not affect the implementation of the legislation enacted to carry out the settlement. The deadline for any further appeals of the final judgment was July 28, 2015.

With respect to the non-settling cases, the Court vacated the April 20, 2015 trial date and on July 29, 2015 dismissed the lawsuits as moot on the basis that the law being challenged had been amended through the settlement and June 30, 2015 legislative amendment. Only the Rhode Island State Troopers Association case is still pending.

The total savings from the 2009 and 2010 pension reforms is approximately \$75 million annually (approximately 5% of employee eligible compensation), including State savings of \$46.3 million annually and local government savings of \$28.4 million annually, shared among all local government participants.

As a result of the RIRSA 2011 legislation, the unfunded liability of \$6.8 billion for state employees and teachers in the June 30, 2011 valuation for ERSRI has been reduced to \$4.4 billion as reported in the June 30, 2011 valuation. Also, the projected employer contribution has been reduced from \$622 million as reported in the 2010 actual valuation report to \$380 million as reported in the June 30, 2011 valuation. The Commission's proportionate share of its projected employer contribution was reduced as well.

The pension settlement, effective July 1, 2015, allows the 58,901 employees impacted to receive increases in their benefits, while at the same time still retaining a significant portion of the savings expected from the pension reforms. In connection with the settlement, the General Assembly enacted legislation which makes certain changes to all plans administered by ERSRI as contemplated by the settlement.

Overall it is estimated that the combination of the changes, as well as the other provisions of the settlement, based upon the actuarial analysis performed by Gabriel Roeder Smith & Company, the State's actuarial consultants, as set forth in a letter dated June 10, 2015 to certain State officials, will result in (i) a \$290 million increase in the UAAL as of June 30, 2014 on a combined basis and (ii) a \$14.7 million increase in combined projected employer contributions (including the Commission) for the 2017 fiscal year. Despite such increases, the pension settlement of the State is estimated to preserve approximately 90% of the savings anticipated from the pension reforms.

Funding Status and Additional Information

As of June 30, 2014, the ERSRI plan for State Employees had an actuarial accrued liability of \$4,266,354,839 with an actuarial value of assets of \$2,449,125,421. The unfunded actuarial accrued liability is \$1,817,229,418. The amended benefit provisions in the newly enacted and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014. These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2013 for State employees (determined on a funding basis) decreased from 57.4% to 56.1%. Additional information on ERSRI can be found in the State's most recent information statement filed on the Municipal Securities Rulemaking Board ("MSRB") Electronic Municipal Market Access System ("EMMA") on December 29, 2015.

As of June 30, 2015, the NBC reported a liability of \$15,554,087 for its proportionate share of the net pension liability related to its participation in ERSRI. The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The NBC proportion of the net pension liability was based on its share of contributions to the ERSRI for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014 the NBC proportion was 0.87%.

NON-UNION PROFIT-SHARING PLAN

NBC's Board of Commissioners approved a resolution at the regular business meeting on May 15, 2002 adopting the Narragansett Bay Commission Non-union Defined Contribution Plan, which is a profit-sharing plan for its non-union employees pursuant to 401(a) of the Internal Revenue Code. The profit-sharing plan is a defined contribution, single employer pension plan. As of June 30, 2015, there were 120 active participants.

Contributions are discretionary and established annually and may be amended by the Board of Commissioners. NBC's contribution to the profit-sharing plan for the year ended June 30, 2015 amounted to \$422,620 representing a contribution rate of 5% of eligible employee compensation for the year ended June

30, 2015. Employees are allowed to make voluntary contributions to the profit-sharing plan on an after-tax basis. The employees' contribution to the plan for the year ended June 30, 2015 amounted to \$0.

Non-union employees are eligible to participate in the profit-sharing plan if they have performed one year of service and are at least twenty-one years of age. These provisions were adopted and may be amended by the Board of Commissioners.

NON-UNION DEFINED BENEFIT PLAN

Board of Commissioners approved a resolution at the regular business meeting on December 20, 2004 adopting a defined benefit plan for its non-union employees effective February 1, 2005, pursuant to 401(a) of the Internal Revenue Code. The plan is a single-employer, defined benefit pension plan. The plan year begins January 1 and ends December 31, with the initial plan year ending December 31, 2005.

The Pension Plan is being administered by third party administrator and Reliance Trust Company is the Plan's trustee. At June 30, 2015, there were 113 active participants, 11 retired participants and 24 vested terminations/inactive participants.

The contribution requirements of the plan participants and NBC are established and may be amended by the Board. Eligible plan participants must contribute 5% of covered earnings. NBC plans to contribute an actuarially determined amount. The contributions made to the plan for the fiscal year ended June 30, 2015 were \$1,397,053 which consists of employer contributions of \$986,656 and employee contributions of \$410,397. Additional information related to the NBC's Non-Union Defined Benefit Plan is shown in the following tables:

Non-Union Defined Benefit Plan ⁽¹⁾

Date	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as a Percentage of Covered-Employee Payroll
6/30/2015	\$ 16,104,077	\$ 11,239,783	\$ 4,864,294	69.79%	\$ 9,118,088	53.35%
6/30/2014	13,349,388	9,701,640	\$ 3,647,748	72.67%	8,813,634	41.39%

(1) Subsequent to GASB 67 and 68 Implementation - Additional schedules and information are available in NBC's CAFR for fiscal year ended June 30, 2015.

Non-Union Defined Benefit Plan ⁽¹⁾

Date	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contribution as a Percentage of Covered-Employee Payroll
6/30/2015	\$ 657,313	\$ 986,656	\$ (329,343)	\$ 9,118,088	10.82%
6/30/2014	470,780	789,435	(318,655)	8,813,634	8.96%

(1) Subsequent to GASB 67 and 68 Implementation - Additional schedules and information are available in NBC's CAFR for fiscal year ended June 30, 2015.

Non-Union Defined Benefit Plan ⁽¹⁾

Date	Annual Required Contribution ⁽²⁾	Actual Contribution ⁽²⁾	Percent Contributed	Unfunded Liability	Funded Ratio
12/31/2013	463,823	535,826	116%	\$ 4,244,731	66.98%
12/31/2012	470,174	439,942	94	4,625,281	60.16
12/31/2011	757,364	782,571	103	4,857,047	53.73
12/31/2010	759,694	803,414	106	5,008,728	49.26
12/31/2009	785,638	779,195	99	5,443,252	40.08

(1) Prior to GASB 67 and 68 Implementation

(2) Includes employer only contributions for 2012 and 2013 and both employer and employee contributions for 2009, 2010, and 2011.

Additional information regarding Pension Plans can be found in Note 12 and the Statistical Section of the Commission's Comprehensive Financial Report for the fiscal year ended June 30, 2015 attached as Appendix C-2.

Government Accounting Standards Board Statements 67 and 68

On June 25, 2012, the Government Accounting Standards Board ("GASB") voted to approve two new standards applicable to the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), revises existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB 67 and 68 replace the requirements of GASB 25 and GASB 27.

The Commission implemented GASB 67 and 68 in the fiscal year ended June 30, 2015 which changed the Statement of Net Position to include total net pension liability as a liability as opposed to the previously reported Net Pension Obligation under GASB 25 and 27. The new implementation also changed the presentation of the Notes to the June 30, 2015 Financial Statements and the Required Supplementary Information.

The Commission restated the beginning net position by (\$19,912,754) for the implementation of GASB 68, which requires Net Pension Liability to be recorded in the Statement of Net Position.

DEBT SERVICE REQUIREMENTS FOR OUTSTANDING BONDS AND LOANS

The following table sets forth as of June 30, 2015 an unaudited schedule of debt service for the then outstanding bonds secured on a parity basis under the Commission's Trust Indenture, including Rhode Island Infrastructure Bank SRF Loans (the "RIIB SRF Loans") and Revenue Bonds of the Commission for the fiscal years ending 2016 through 2045. The table includes debt service on the Series 2015 A RIIB SRF loan dated July 9, 2015.

Fiscal Year June 30,	SRF Loans⁽¹⁾		Open Market Bonds⁽²⁾		Total
	Principal	Interest	Principal	Interest	
2016	\$ 25,284,371	\$ 8,434,069	\$ -	\$ 10,174,662	\$ 43,893,102
2017	25,783,150	8,590,605	-	10,682,351	45,056,106
2018	27,529,554	8,416,432	-	10,685,975	46,631,961
2019	27,835,972	7,833,399	-	10,685,975	46,355,346
2020	27,871,394	7,228,187	-	10,689,599	45,789,180
2021	28,016,498	6,608,051	560,000	10,668,351	45,852,901
2022	27,305,899	5,987,814	1,875,000	10,611,100	45,779,813
2023	23,794,748	5,417,235	2,915,000	10,490,172	42,617,154
2024	20,649,509	4,903,283	5,285,000	10,301,805	41,139,597
2025	20,029,562	4,401,231	5,665,000	10,057,717	40,153,510
2026	16,794,900	3,923,614	9,705,000	9,727,813	40,151,328
2027	15,418,035	3,478,994	11,295,000	9,273,902	39,465,931
2028	14,056,268	3,047,093	13,245,000	8,806,111	39,154,472
2029	14,481,864	2,610,835	13,660,000	8,240,461	38,993,160
2030	13,267,698	2,170,189	14,930,000	7,614,791	37,982,678
2031	13,619,923	1,729,114	15,405,000	6,943,447	37,697,484
2032	8,982,242	1,353,792	15,920,000	6,252,318	32,508,351
2033	7,317,493	1,083,234	16,080,000	5,540,662	30,021,389
2034	5,888,453	870,563	20,025,000	4,743,510	31,527,525
2035	4,463,448	704,751	14,905,000	3,998,208	24,071,407
2036	1,631,000	606,730	10,660,000	3,481,275	16,379,005
2037	1,683,000	552,599	11,915,000	2,922,775	17,073,374
2038	1,739,000	494,854	7,330,000	2,318,150	11,882,004
2039	1,798,000	435,345	7,710,000	1,942,150	11,885,495
2040	1,859,000	374,001	8,060,000	1,588,200	11,881,201
2041	1,921,000	310,686	8,390,000	1,259,200	11,880,886
2042	1,986,000	245,343	8,735,000	916,700	11,883,043
2043	2,052,000	177,908	9,090,000	560,200	11,880,108
2044	2,121,000	108,325	9,460,000	189,200	11,878,525
2045	2,192,500	36,505	-	-	2,229,005
Totals	\$ 387,373,481	\$ 92,134,777	\$ 242,820,000	\$ 191,366,780	\$ 913,695,038

(1) Interest on the RIIB SRF Loans and SRF Revenue Bonds is shown at fully subsidized rates under the RIIB program. Under certain circumstances, such RIIB SRF Loans and SRF Revenue Bonds could require the payment of interest at unsubsidized market rates. The aggregate principal amount of \$387,373,481 of the RIIB SRF Loans is shown net of principal forgiveness for projects financed under the American Recovery and Reinvestment Act of 2009 and for certain "Green" related projects. Interest amounts include 0.50% fee paid to RIIB.

(2) Includes amended amortization schedule on the Commission's \$66,360,000 2008 Series A Variable Rate Issue at an assumed interest rate of 3.50%.

CAPITAL IMPROVEMENT PLAN

The NBC updates its Capital Improvement Plan (“CIP”) annually and integrates the CIP into the annual operating budget. The FY 2017-2021 Capital Improvement Plan reflects expenditures of approximately \$155.3 million in capital projects over that five-year period along with \$33.6 million in FY 2016. NBC’s capital needs, based upon the FY 2017-2021 CIP, for FY 2017, FY 2018 and FY 2019 are \$40.2 million, \$14.4 million and \$19.6 million, respectively. The majority of these funds are needed for the construction of the Combined Sewer Overflow (CSO) Phase II Facilities, the CSO Phase III Facilities, the Regulatory Compliance Building, renewable energy projects and improvements to interceptors. The NBC’s largest capital projects are discussed below.

Comprehensive Combined Sewer Overflow Program

The cities of Providence, Pawtucket and Central Falls have combined sewers that overflow at approximately 61 locations during significant wet weather events. NBC’s CSO Program will mitigate the impact of these overflows through the construction of wet weather control facilities. The program consists of constructing two tunnels, the Main Spine tunnel (16,000 feet long) and the Pawtucket tunnel (13,000 feet long), two tunnel pump stations, five CSO interceptors, one wetland facility and seven sewer separation projects.

This project will be implemented in three phases. The first phase was the construction of the Phase I facilities (the Main Spine tunnel, drop shafts, and pump station) at a cost of approximately \$348 million. Construction of the Phase I facilities began in June 2001 and Phase I became operational in October 2008. The Commission completed design of the CSO Phase II Facilities in 2010. Construction began in September 2011 and the facilities are in service as of December 31, 2014. The Consent Agreement requires that NBC complete preliminary design of the CSO Phase III Facilities within one year following the completion of Phase II and final design within one year of RIDEM’s approval of the preliminary design. NBC initiated the reevaluation of the Phase III Facilities in January 2014 with a focus on affordability issues, an evaluation of the significant improvements in water quality achieved through the first two phases, use of an integrated approach and an investigation of “green” technologies to determine if the third phase facilities, as originally developed, remained the most cost effective approach.

Several alternatives were developed through this process and a series of Stakeholder meetings were held to evaluate the alternatives and financial impacts. The affordability analysis based upon EPA criteria was thoroughly conducted to evaluate ratepayer impact on the various communities and census tracts in NBC’s service area. The NBC Board of Commissioners (Board) selected an alternative at their April 28, 2015 Board meeting. The pre-design cost projection for this alternative is \$815 million in 2018 dollars.

NBC submitted the final reevaluation report to RIDEM in July 2015 and RIDEM review and approval is expected within six months. The existing Consent Agreement between NBC and RIDEM will be renegotiated establishing new milestones for the program’s completion. Subsequent to approval, NBC will initiate preliminary design, which is projected to take eighteen months.

Water Quality Science Building

The Water Quality Science Building, which will house the Environmental Monitoring and Data Analysis and Laboratory sections of NBC, will unify NBC’s efforts for environmental sampling and related analysis by including the necessary laboratory equipment and monitoring capability required by the RIPDES permit and EPA. The estimated construction costs for the Water Quality Science Building are approximately \$19.7 million in the FY 2015-2017 time period. Construction of the facilities began in June 2014 and is expected to be complete in FY 2016.

Borrowing Plans

Annually, the Commission will seek to borrow as much of its CIP requirement as the Bank's State Revolving Fund will permit. The Commission anticipates that the SRF will have the capacity to lend the Commission between \$25,000,000 and \$45,000,000 annually. To the extent SRF financing is not available the Commission will issue revenue bonds to finance its projects.

BUDGETS

Set forth is a budget summary of the Commission for the fiscal years ended June 30, 2013 through 2016:

Revenues	FY 2013	FY 2014	FY 2015	FY 2016
Operating Revenue				
User Fees	\$ 82,980,939	\$ 91,723,324	\$ 92,966,128	\$ 94,967,944
Pretreatment Fees	1,100,000	1,100,000	1,200,000	1,100,000
Septage	300,000	300,000	300,000	320,000
Connection Permit Fees	90,000	100,000	150,000	100,000
BOD/TSDS Surcharges	110,000	-	-	-
Total Operating Revenue	\$ 84,580,939	\$ 93,223,324	\$ 94,616,128	\$ 96,487,944
Non-operating Revenue				
Investment Income	\$ 15,000	\$ 25,000	\$ 5,000	\$ 5,000
Late Charges	950,000	918,943	1,069,517	1,100,000
Operating Grants	25,000	-	-	-
Miscellaneous	250,000	550,000	550,000	650,000
Capital Carry-forward	3,734,400	3,892,300	3,678,500	4,641,060
Revenue Fund Balance/Special Master	950,000	-	200,000	660,000
Total Non-operating Revenue	\$ 5,924,400	\$ 5,386,243	\$ 5,503,017	\$ 7,056,060
Total Revenue	<u>\$ 90,505,339</u>	<u>\$ 98,609,567</u>	<u>\$ 100,119,146</u>	<u>\$ 103,544,004</u>
Expenses				
Operating and Maintenance Expenses				
Personnel Costs	\$ 20,307,309	\$ 21,764,249	\$ 22,137,153	\$ 23,632,850
Operating Supplies and Expenses	14,155,105	13,944,019	15,667,287	15,831,085
Professional Services	2,731,770	2,901,900	3,166,525	1,182,700
Total Operating and Maintenance Expenses	\$ 37,194,184	\$ 38,610,168	\$ 40,970,965	\$ 40,646,635
Debt Service:				
Debt Service	\$ 35,872,437	\$ 40,470,284	\$ 42,211,965	\$ 44,105,118
Programmed New Debt	2,394,750	3,483,294	840,196	1,006,246
Total Debt Service	\$ 38,267,187	\$ 43,953,578	\$ 43,052,161	\$ 45,111,364
Operating Capital Outlays	\$ 3,734,400	\$ 3,892,300	\$ 3,678,500	\$ 4,641,060
Debt Service Coverage	\$ 11,309,568	\$ 12,153,521	\$ 12,417,520	\$ 13,144,946
Total Expenses	<u>\$ 90,505,339</u>	<u>\$ 98,609,567</u>	<u>\$ 100,119,146</u>	<u>\$ 103,544,005</u>

SUMMARY OF REVENUE AND EXPENDITURES

Set forth is a summary of audited revenues and expenditures of the Commission for the fiscal years ended June 30, 2011 through 2015:

FOR FISCAL YEARS ENDING 2011 - 2015⁽¹⁾

OPERATING REVENUES:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
User Fees, Residential	\$41,892,869	\$43,266,302	\$45,021,105	\$51,129,479	\$53,044,437
User Fees, Commercial and Industrial	31,519,837	32,655,450	32,928,796	38,053,040	38,962,862
Permit and Connection Fees	82,914	85,487	95,609	112,773	100,906
Pretreatment Fees	1,109,709	1,087,140	1,077,887	1,095,551	1,076,481
Environmental Enforcement	8,315	1,000	-	15,229	5,972
Septage Income	293,718	304,157	300,319	310,136	336,037
Abatement Fees	3,096	2,160	2,412	3,384	-
Late Charge Penalties	951,351	918,943	918,134	1,013,240	999,867
Miscellaneous	6,062	5,089	4,470	415,183	489,280
BOD/TSS Surcharges	<u>44,704</u>	<u>93,462</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Operating Revenue</i>	<u>\$75,912,575</u>	<u>\$78,419,190</u>	<u>\$80,348,732</u>	<u>\$92,148,015</u>	<u>\$95,015,842</u>
OPERATING EXPENSES:					
Personnel Services	\$18,751,300	\$19,412,763	\$19,858,457	\$21,090,749	\$20,946,735
Contractual Services	6,614,019	6,780,533	7,104,834	8,036,730	7,469,034
Travel	41,290	38,999	36,224	43,148	48,732
Repairs and Maintenance	1,315,887	1,617,879	1,595,803	1,725,079	1,853,670
Utilities	3,940,125	4,247,867	4,008,392	3,850,260	3,742,004
Supplies	1,255,828	1,143,635	1,294,849	1,462,692	1,286,395
Depreciation and Amortization	10,437,059	10,569,625	10,974,885	11,812,153	12,983,750
Bad Debt	-	170,457	-	-	-
Insurance	915,918	821,924	882,086	961,936	979,426
Miscellaneous	<u>754,593</u>	<u>742,863</u>	<u>790,037</u>	<u>795,751</u>	<u>846,462</u>
<i>Total Operating Expenses</i>	<u>\$44,026,019</u>	<u>\$45,546,545</u>	<u>\$46,545,567</u>	<u>\$49,778,498</u>	<u>\$50,156,208</u>
Operating Income	\$31,886,556	\$32,872,645	\$33,803,165	\$42,369,517	\$44,859,634
NON-OPERATING REVENUE (EXPENSES):					
Grants	66,851	129,327	14,980	-	4,910
Interest Expense	(10,887,026)	(11,785,551)	(13,587,442)	(16,660,404)	(16,475,516)
Investment Income	11,609	10,868	22,907	5,433	5,839
Miscellaneous Non-Operating Income	263,238	247,740	190,923	182,084	163,634
Gain (Loss) on Disposal of Assets	-	-	-	-	-
Bond and Note Fees	<u>(136,664)</u>	<u>(60,883)</u>	<u>(130,980)</u>	<u>(915,288)</u>	<u>(720,428)</u>
<i>Total Non-Operating Revenue (Expenses)</i>	<u>\$(10,681,992)</u>	<u>\$(11,458,499)</u>	<u>\$(13,489,612)</u>	<u>\$(17,388,175)</u>	<u>\$(17,021,561)</u>
<i>Income Before Capital Contributions</i>	<u>\$21,204,564</u>	<u>\$21,414,146</u>	<u>\$20,313,553</u>	<u>\$24,981,342</u>	<u>\$27,838,073</u>
<i>Capital Contributions</i>	<u>4,042,838</u>	<u>1,550,547</u>	<u>354,202</u>	<u>80,965</u>	<u>-</u>
<i>Change in Net Position</i>	<u>\$25,247,402</u>	<u>\$22,964,693</u>	<u>\$20,667,755</u>	<u>\$25,062,307</u>	<u>\$27,838,073</u>

(1) Prepared from Audited Financial Statements

Possible Expansion of Responsibilities for Lateral Sewers

The Commission has engaged in discussions with certain State legislators about a potential proposal that the Commission acquire the lateral sewer lines located within the Commission's service area. There can be no assurance at this time that any such acquisitions will take place, and if such acquisitions do take place, what the effects of the revenues of the Commission would be. Should any such acquisitions take place, the result would be an expansion of the Commission's mission to maintain and operate lateral sewers lines for the first time.

CONTINUING DISCLOSURE

The Commission will agree in a Continuing Disclosure Certificate for the benefit of the Bank's Series 2016 A Bondowners, substantially in the form attached as APPENDIX E-2 hereto, upon issuance of the Series 2016 A Bonds to provide or cause to be provided in accordance with the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934 (as amended, the "Rule"): (i) certain financial information and operating data and (ii) timely notice of a failure of the Commission to provide the required financial information on or before the date specified in the Continuing Disclosure Certificate. Such notice will be filed on behalf of the Commission with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access.

Within the last five years, the Commission has materially complied with its obligations to provide continuing disclosure under existing continuing disclosure agreements to which it is a party. The Commission has been filing from time to time notices regarding changes in the financial strength ratings issued by the rating agencies for those liquidity providers and national bond insurers which have provided liquidity support or credit support on certain bonds for which the Commission has a continuing disclosure obligation under the Rule. While the Commission believes it has complied in all material respects with its obligations to file notices of material rating changes with respect to such rating changes, it cannot rule out the possibility that determinations made by the Commission might be open to interpretation as to whether certain rating changes in connection with such bond insurers were material or not material or what constituted "timely" filing. The Commission has instituted policies and procedures designed to ensure compliance with the new reporting obligations under the Rule that were effective as of December 1, 2010, that now require filing notices of rating changes in connection with new bond issues within 10 business days of such occurrence regardless of materiality. The Commission plans to regularly review the effectiveness of its policies and procedures and take prompt action to remedy any deficiencies of which it becomes aware.

LITIGATION

The Commission is a defendant in several lawsuits and administrative proceedings. In the opinion of management of the Commission there is no litigation or proceeding pending or, to the best of its knowledge, threatened, which could, if decided adversely to the Commission, have a material impact on the financial affairs of the Commission.

APPENDIX C-2

Financial Statements of Narragansett Bay Commission

The Narragansett Bay Commission has filed its audited financial statements for the fiscal year ended June 30, 2015 (the “Commission Audited Financial Statements”) with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. The Commission Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix C. Copies of the Commission Audited Financial Statements may be accessed online at emma.msrb.org. Copies of the Commission 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-3

Summary of Certain Provisions of the Narragansett Bay Commission Indenture and Supplemental Indenture

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SUMMARY OF CERTAIN PROVISIONS OF THE NARRAGANSETT BAY COMMISSION INDENTURE

The following are summaries of the Indenture. 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.

THE INDENTURE

Definitions (Section 101). In addition to terms defined elsewhere in the Indenture, the following terms shall have the following meanings, unless the context of the Indenture otherwise requires:

“Act” shall mean the applicable provisions of Chapter 25 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 Commission to issue debt to finance the System or otherwise affects the terms of such debt.

“Additional Security” shall mean letters of credit, lines of credit, insurance or similar obligations, agreements or instruments 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, a Series of Bonds or providing for the purchase of such Series of Bonds or a portion thereof by the issuer or obligor of any such Additional Security.

“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 bonds of the Commission issued to the Agency prior to the date of the Indenture and any Series of Bonds issued pursuant to Section 203(1)(v) of the Indenture.

“Agency Loan Agreement” shall mean any loan agreement between the Agency and the Commission pertaining to a loan made to the Commission pursuant to Chapter 12.2 of the General Laws of Rhode Island (1956), as amended, and any bond purchase agreement between the Agency and the Commission relating to the purchase of Bonds issued pursuant hereto by the Agency in accordance with said Chapter 12.2 of Title 46.

“Annual Budget” shall mean the System’s annual operating budget adopted by the Commission for each Fiscal Year.

“Assumed Variable Rate” means in the case of:

(a) Outstanding Bonds in the form of Variable Rate Bonds, the greater of (1) the average interest rate on such Bonds for the most recently completed sixty (60) month period or the period such Variable Rate Bonds has been outstanding if it is less than sixty (60) months, or (2) the rate to be determined pursuant to clause (b) below assuming the Outstanding Variable Rate Bonds were being issued on the date of calculation; and

(b) proposed Bonds in the form of Variable Rate Bonds either

(1) to be issued on the basis that, in the opinion of bond counsel to be delivered at the time of the issuance thereof, interest on such Variable Rate Bonds would be excluded from gross income for federal income tax purposes, the greater of the (i) the average of the Bond Market Association Swap Index (“BMA Index”) for the twelve (12) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or (ii) the average of the Bond Market Association Swap Index (“BMA Index”) for the sixty (60) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or

(2) to be issued as Variable Rate Bonds not described in clause (1), the greater of the (i) average of the London Interbank Offered Rate ("LIBOR") for the time period most closely resembling the reset period for the Variable Rate Bonds for the twelve (12) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or (ii) average of LIBOR for the time period most closely resembling the reset period for the Variable Rate Bonds for the sixty (60) month period ending seven (7) days preceding the date of calculation plus 100 basis points; and provided that if the BMA Index or LIBOR shall cease to be published, the index to be used in its place shall be that index which the Commission in consultation with the Financial Advisor determines most closely replicates such index, as set forth in a certificate of an Authorized Officer of the Commission filed with the Trustee. Notwithstanding the foregoing, in no event shall the Assumed Variable Rate be in excess of the maximum interest rate allowed by law on obligations of the Commission.

"Authorized Officer" shall mean the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Director, the Treasurer, the Secretary, the Director of Administration and Finance, or the Controller of the Commission, when used in reference to an act or document, shall also mean any other person authorized by resolution of the Commission 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 Supplemental Indenture, the Paying Agent or Paying Agents for the Bonds of such Series.

"Bond" or "Bonds" shall mean any of the Wastewater System Revenue Bonds of the Commission authenticated and delivered under the 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 Indenture shall be applicable to Subordinated Bonds). The term shall also include Agency Bonds and obligations of the Commission under any Qualified Swap Agreement (but only to the extent of Qualified Swap Payments).

"Bond Anticipation Notes" shall mean notes of the Commission issued pursuant to Section 45-25-58 of the Act and Section 207 and 607 of the Indenture with a final maturity of not longer than ten (10) years (or such longer period as may be permitted by the Act) in anticipation of the receipt of proceeds of a Series of 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 but shall not include any Counterparty under a Qualified Swap Agreement or any other party contracting with the Commission in connection with a Qualified Swap Agreement.

"Bond Insurer" shall have the meaning ascribed in each Supplemental Indenture authorizing an issue of Bonds.

"Business Day" shall mean, except as provided in any Supplemental Indenture, 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" shall mean extensions, improvements, enlargements, betterments, alterations, renewals and replacements of the System (including land, equipment and other real or personal properties), which (i) are used or useful in connection with the System or any part thereof and (ii) are properly chargeable (whether or not so charged by the Commission), under generally accepted accounting principles, as additions to capital accounts.

"Capital Improvements Budget" shall mean a capital budget for each Fiscal Year which identifies the Capital Improvements to be undertaken by the Commission 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 Operating Capital Account in the Project Fund and, to the extent provided by the Commission, any other fund or account under or outside the

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 Indenture.

“Commission” shall mean the Narragansett Bay Commission or any body, agency, political subdivision, or instrumentality of the State which shall hereafter assume ownership or control of the System.

“Commission Counsel” shall mean the General Counsel of the Commission or any other attorney so designated by an Authorized Officer.

“Compound Interest Bonds” shall have the meaning given such term in Section 203(5) of the 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 Commission; provided that for the purposes of Section 503(3) of the Indenture the Consulting Engineer may be an engineer regularly in the employ of the Commission.

“Cost”, as applied to any Capital Improvement to be constructed or acquired by or on behalf of the Commission shall mean all or any part of the cost, paid by or on behalf of or reimbursable by or to the Commission of construction, acquisition, alteration, reconstruction and remodeling of such Capital Improvement, all lands, real and personal property, rights-of-way, water rights, air rights, franchises, easements and interests necessary or convenient therefor, the cost of any demolitions or relocations necessary in connection therewith, the cost of all machinery and equipment, financing charges, including Costs of Issuance not funded from the proceeds of Bonds, interest on Bonds and Notes issued in whole or in part to finance such construction prior to, during and for such period as the Commission shall determine after the period of construction of such Capital Improvement, architectural, engineering, financial and legal services, plans, specifications, appraisals, surveys, inspections, estimates of costs and revenues, and other expenses necessary or incident to determining the feasibility or practicality of such work, organizational, administrative, Operating Expenses and other expenses prior to the commencement of and during such work, advance training of operating personnel and other expense, including initial working capital, of completing such work and placing the same in operation, and any other item of “Cost” attributable to the construction, acquisition, alteration, reconstruction and remodeling of such Capital Improvement and placing the same in operation; the word “Cost” as applied to any Capital Improvement which the Commission may be authorized to acquire shall also mean the amount of the purchase price or the amount of a condemnation award in connection with the acquisition of such Capital Improvement, and shall include the cost of acquiring all of the capital stock and of discharging any liabilities of a corporation owning such Capital Improvement, if such be the case, in order to vest title to such Capital Improvement in the Commission.

“Cost of Issuance” shall mean all items of expense directly or indirectly payable by or reimbursable to the Commission and related to the authorization, sale and issuance of Bonds, Subordinated Bonds and Notes, 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, costs and expenses of refunding, accrued interest and other costs payable upon or with respect to the initial investment of the proceeds of Bonds, Subordinated Bonds or Notes, premiums for the insurance of the payment of Bonds, Subordinated Bonds or Notes, fees and expenses payable in connection with any Additional Security or Reserve Deposits, unless designated as an Operating Expense, fees and expenses payable in connection with any remarketing agreements or interest rate indexing agreements and any other cost, charge or fee in connection with the original issuance of Bonds, Subordinated Bonds or Notes.

“Counsel’s Opinion” shall mean an opinion signed by an attorney or firm of attorneys selected by the Commission and not unsatisfactory to the Trustee.

“Counterparty” means an entity who is a counterparty to a Qualified Swap Agreement. Such entity shall be a member of the International Swap Dealers Association and meet the requirements of applicable laws of the State and

the applicable policies and procedures established by the Commission from time to time, provided that the senior unsecured debt of such counterparty shall be in one (1) of the three (3) highest rating categories without regard to gradations within such categories by each of the Rating Agencies at the time of execution of a Qualified Swap Agreement.

“Credit Facility” shall mean, with respect to a Series of Bonds, the irrevocable letter of credit, line of credit, municipal bond insurance, or other form of credit enhancement or liquidity support, if any, for such Series of Bonds, provided for in the applicable Supplemental Indenture, including any alternate Credit Facility with respect to such Series of Bonds delivered in accordance with provisions of the Supplemental Indenture providing for the issuance of such Series of Bonds and including any Credit Facility in connection with a Qualified Swap Agreement.

“Cross-over Date” means with respect to Cross-over Refunding Bonds, the date on which the principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations upon the irrevocable deposit of the proceeds of such Cross-over Refunding Bonds in escrow in satisfaction of the requirements of the Indenture or any Supplemental Indenture, as applicable to the Cross-over Refunded Bonds, to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Debt Service Assistance” shall mean any money received by or on behalf of the Commission 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 Indenture.

“Debt Service Fund” shall mean the fund so designated and created by Section 502 of the 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 State Obligations and the Bonds of each Series Outstanding, of (A) any unpaid interest due on such State Obligations or Bonds at or before said date and all interest on such Bonds accrued but not due at said date, plus interest expected to accrue during the next ensuing month, calculated, in the case of a Bond bearing interest at a variable rate, for the remainder of the current interest rate period, at the current interest rate, and for subsequent interest rate periods if any, at the maximum rate applicable to the Bonds, (B) the Principal Amount of any such State Obligations or Bonds matured and unpaid at or before said date, and (C) with respect to any Principal Installment of any State Obligations or 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 Commission 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 Fund and 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 Supplemental Indenture.

For the purpose of calculating the Debt Service Fund Requirement for any period, the Trustee, at the direction of the Commission, may direct the use of any one or more of the following special rules:

- (i) when calculating the amount of such required deposits during such Fiscal Year for any Series of Variable Rate Bonds with respect to which a Qualified Swap Agreement is in effect pursuant to which the Commission has agreed to pay a Counterparty an amount based on a fixed interest rate, the Debt Service Fund Requirement for such series of Variable Rate Bonds shall include the interest payable on such Series of Bonds, calculated assuming the Assumed Variable Rate, less amounts to be received by the Commission under such Qualified Swap Agreement plus the amount of the payments to be made by the Commission under the Qualified Swap Agreement; provided that such effective fixed rate may be utilized only if such Qualified Swap Agreement does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Qualified Swap Agreement is contracted to remain in full force and effect through the stated maturity date of the Variable Rate Bonds;
- (ii) when calculating the amount of such required deposits during such Fiscal Year for any Series of Bonds with respect to which a Qualified Swap Agreement is in effect pursuant to which the Commission has agreed to pay to a Counterparty an amount based on a variable or floating interest rate, the Debt Service Fund Requirement shall include the interest payable on such Series of Bonds, less fixed amounts to be received by the Commission under such Qualified Swap Agreement plus the amount of the floating payments (estimated applying the Assumed Variable Rate, unless another method of estimation is more appropriate, in the opinion of the Commission's financial advisor, underwriter or similar agent, for such floating payments) to be made by the Commission under the Qualified Swap Agreement; provided that the above described calculation of the Debt Service Fund Requirement may be utilized only if such Qualified Swap Agreement does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Qualified Swap Agreement is contracted to remain in full force and effect through the stated maturity date of the such Series of Bonds;
- (iii) when calculating the amount of such required deposits during such Fiscal Year with respect to any Capital Appreciation Bonds, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment in the year it becomes due;

provided further, however, that there shall be excluded from the calculation of the amount of such required deposits (x) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest and (y) principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are irrevocably deposited in escrow in satisfaction of the requirements of the Indenture, and such proceeds or the earnings thereon are required to be applied to pay such principal (subject to the possible use to pay the principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such principal.

"Debt Service Requirement" shall mean, for any period of calculation, (i) all interest payable on all State Obligations and Bonds Outstanding during such period, plus (ii) the Principal Installment or Installments payable on State Obligations and on such Bonds during such period, less (iii) amounts available to pay Principal Installments and interest becoming due in such Fiscal Year on State Obligations and 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 Commission 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 and (B) 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 Supplemental Indenture; and provided, further, for purposes of demonstrating compliance with Section 603(2) of the Indenture (as contemplated by Section 603(4) of the 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 Commission 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 Commission and deposited in such account. The Debt Service Requirement in respect of a Series of Bonds that constitute Variable Rate Bonds, shall be computed by applying the Assumed Variable Rate.

The Debt Service Requirement for any Series of Bonds with respect to which a Qualified Swap Agreement is in effect or for Capital Appreciation Bonds may, at the direction of the Commission, with the consent of the Bond Insurer, if any, insuring such Series of Bonds, be computed using any of the special rules set forth under the definition of Debt Service Fund Requirement.

“Debt Service Reserve Fund” shall mean the fund so designated and created by Section 502 of the 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 Debt Service Reserve Fund Requirement, in respect of a Series of Bonds that constitute Variable Rate Bonds, shall be computed by applying the Assumed Variable Rate. In computing the Debt Service Reserve Fund Requirement in respect of a Series of Variable Rate Bonds with respect to which a Qualified Swap Agreement is in effect pursuant to which the Commission has agreed to pay a Counterparty an amount based on a fixed interest rate, such Series of Variable Rate Bonds shall be deemed to bear interest at an effective rate equal to the fixed interest rate payable by the Commission under such Qualified Swap Agreement; provided that such effective fixed rate may be utilized only if such Qualified Swap Agreement does not result in a reduction or withdrawal of any rating then in effect (without regard to any credit enhancement) with respect to the Bonds and so long as such Qualified Swap Agreement is contracted to remain in full force and effect through the stated maturity date of the Variable Rate Bonds. The Commission 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 Indenture. There shall be no Debt Service Reserve Fund Requirement for any Series of Agency Bonds Outstanding on the date of the Indenture.

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

“Discount Bonds” shall have the meaning given such term in Section 203(5) of the Indenture.

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

“Financial Advisor” shall mean an attorney or firm or firms of national recognition experienced in matters relating to the planning and marketing of obligations similar in nature to the Bonds.

“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 Commission.

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

“Government Obligations”, except as provided in any Supplemental Indenture in connection with the issuance of a Series of Bonds, shall mean (i) direct general obligations of the United States of America and bonds, notes or other obligations which as to both principal and interest are unconditionally guaranteed by the United States of America and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or

otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the Bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate.

“Insurance Reserve Fund” shall mean the fund so designated and created pursuant to Section 502 of the Indenture.

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

“Net Revenues” shall mean, for any period of computation, 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 Commission during such period and deposited in the Revenue Fund plus (i) the amount of any Reserved Revenues directed by the Commission to be withdrawn from the Stabilization Account and transferred from the Stabilization Account in accordance with Section 506 of the Indenture, less (ii) all amounts withdrawn from the Revenue Fund during such period and (iii) deposited in the Operation and Maintenance Fund, the Rebate Fund and the Stabilization Account or (iv) required to be deposited in the Debt Service Reserve Fund during such period.

“Notes” shall mean any obligations (other than Bonds or Subordinated Bonds) issued or incurred by the Commission to finance the Costs of Capital Improvements or Operating Expenses.

“Operating Capital Account” shall mean the accounts so designated in the Project Fund and created in accordance with Section 503 of the Indenture.

“Operating Reserve for Revenue Stability Fund” shall mean the fund so designated and created by Section 502 of the Indenture.

“Operating Reserve for Revenue Stability Fund Requirement” shall the meaning given to such term in Section 608 of the Indenture.

“Operation and Maintenance Fund” shall mean the fund so designated and created by Section 502 of the Indenture.

“Operating Expenses” shall mean any expenses incurred by or for the account of the Commission or reimbursable by or to the Commission for operation, maintenance, renewal 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 Commission to the extent monies 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 Commission, if any, payments in lieu of taxes, taxes, if any, payments of rates, assessments or other charges to the Commission 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 Commission employees allocable to the System and any other similar expenses required to be paid by the Commission, 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 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) of the Indenture (to the extent not included in the Cost of any Project), and (ii) payments made with respect to any indebtedness represented by leases, mortgages, security interests and other encumbrances permitted by Section 604(3) of the Indenture.

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

“Operation and Maintenance Reserve Fund Requirement” shall have the meaning given to such term in Section 608 of the Indenture.

“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 Commission 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 Indenture, and (4) any Bond or Subordinated Bond deemed to have been paid as provided in Section 1101 of the Indenture.

“Paying Agent” shall mean any paying agent or co-paying agent for Bonds or Subordinated Bonds of any Series appointed pursuant to the 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 Indenture.

“Permitted Investments” shall mean, except as provided in any Supplemental Indenture in connection with a Series of Bonds, 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 Supplemental Indenture.

“Principal Installment” shall mean, as of any particular date of computation and with respect to State Obligations, Bonds or Subordinated Bonds of a particular Series, an amount of money equal to the aggregate of (i) the Principal Amount of State Obligations, Outstanding Bonds or Subordinated Bonds of said Series which mature on such date, reduced by the aggregate Principal Amount of such State Obligations, 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 Indenture of Sinking Fund Payments payable at or before said date for the retirement of such State Obligations, Outstanding Bonds or Subordinated Bonds, plus (ii) the amount of any Sinking Fund Payment payable on said date for the retirement of any State Obligations, 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 Indenture.

“Project Fund” shall mean the fund so created by Section 502 of the Indenture.

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

“Purchase Fund” shall mean the fund so designated by Section 502 of the Indenture and created by any Supplemental Indenture.

“Purchase Price” shall mean, except as provided in any Supplemental Indenture, the price at which a Series of Bonds is purchased.

“Qualified Swap Agreement” shall mean (a) an agreement between the Commission or the Trustee (at the written direction of the Commission) and Counterparty which is an Interest Rate Swap, forward rate agreement, commodity swap, interest rate option, forward foreign exchange agreement, rate cap agreement, rate floor agreement, rate collar agreement, currency swap agreement, embedded cap, cross-currency rate swap agreement, currency option, any other similar agreement (including any option to enter into any of the foregoing), (b) any combination of the foregoing, or (c) a master agreement for any of the foregoing together with all supplements. If at the time the Commission enters into a Qualified Swap Agreement payable from the Trust Estate a Rating Agency rates any Series of Bonds (without regard to credit enhancement) below “A-”, then the approval of the Insurer must be obtained prior to the entry into such Qualified Swap Agreement.

“Qualified Swap Payments” means as of each payment date specified in a Qualified Swap Agreement, the amount, if any, payable to the Counterparty by the Commission or the Trustee on behalf of the Commission, but excluding any payments due from the Commission or the Trustee on behalf of the Commission, as a cost, expense or fee under the Qualified Swap Agreement, including, but not limited to, any swap termination payment or indemnification of the Counterparty.

“Qualified Swap Receipts” means as of each payment date specified in a Qualified Swap Agreement, the amount, if any, payable to the Commission or the Trustee for the account of the Commission by the Counterparty.

“Rates and Charges” shall mean, except as otherwise expressly provided in the Indenture, all fees, rates, rents, assessments and other charges established by or on behalf of the Commission 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 by any Supplemental Indenture.

“Redemption Fund” shall mean the fund so designated and created by Section 502 of the 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 Supplemental Indenture, plus the premium, if any, payable upon redemption thereof.

“Refunding Bonds” shall mean any of the Bonds authorized by Section 206 of the Indenture.

“Reimbursement Obligation” shall have the meaning given such term in Section 208 of the Indenture.

“Remarketing Agent” shall mean any agent appointed pursuant to the applicable Supplemental Indenture to remarket Tender Bonds as defined in Section 203(4) of the Indenture.

“Renewal and Replacement Reserve Fund” shall mean the fund so designated and created by Section 502 of the Indenture.

“Renewal and Replacement Reserve Fund Requirement” shall have the meaning given such term by Section 609 of the 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 Indenture and the applicable Supplemental Indenture;

“Reserve Deposits,” except as set forth in any Supplemental Indenture, 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 Indenture.

“Reserved Revenues” shall mean, as of any date of calculation, the amount then on deposit in the Stabilization Account of the Debt Service Fund.

“Revenue Anticipation Notes” shall mean Notes issued in accordance with Section 607 of the Indenture in anticipation of user fees or the receipt of state or federal funds.

“Revenue Fund” shall mean the “Narragansett Bay Commission Water Quality Management District Commission Fund” so designated and created in accordance with the Act as described in Section 502 of the Indenture.

“Revenues” shall mean and include (except as otherwise expressly provided in the Indenture) (i) all income, revenues, receipts, and other moneys, including any unrestricted fund balance attributable to the operation of the System, (a) derived by the Commission from its ownership and operation of the System (including collections by or on behalf of the Commission on account of services and commodities furnished or supplied by the System prior to the effective date of the 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 Commission from time to time pursuant to a Supplemental Indenture (provided that any such moneys shall not be considered Revenues for purposes of Section 603(2) of the 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, general intangibles and contract or other rights to receive the Revenues described in clause (i), whether existing at the effective date of the Indenture or thereafter coming into existence and whether held by the Commission at the effective date of the 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 Indenture by the Trustee, a Depository or the Commission or remitted to the Commission by the Agency (other than moneys held in the Rebate Fund, the Purchase Fund, if any, 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 Commission 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 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 and Qualified Swap Receipts, but not including (i) any amounts not deemed "Revenues" pursuant to Section 515 of the Indenture, (ii) the proceeds of the \$87,700,000 Narragansett Bay Water Quality Management District Commission Loan of 1980 and any premium or premiums and accrued interest received for such loan, and (iii) proceeds received by the Commission pursuant to any Agency Loan Agreement.

"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 Commission 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 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 Supplemental Indenture to be paid by the Commission 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 Commission by reason of the redemption of Bonds or Subordinated Bonds at the election of the Commission or the Holders of such Bonds.

"Stabilization Account" shall mean the account in the Debt Service Fund so designated and created in accordance with Section 502 of the Indenture.

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

"State Obligations" shall mean obligations of the Commission to the State with respect to principal of, premium, if any, and interest on State debt required to be paid by the Commission under Rhode Island General Laws Section 46-25-5(9).

"State Obligations Reimbursement Account" shall mean the account so designated and created in the Debt Service Fund in accordance with Section 502 of the Indenture.

"Subordinated Bonds" shall have the meaning given such term in Section 209 of the Indenture.

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

"System" shall mean the wastewater system of the Commission, together with any Capital Improvements or other additions thereto and substitutions for any part thereof heretofore or hereafter acquired or made by or on behalf of the Commission, and all other properties of the Commission used in, or necessary or desirable for, the operation of such system.

"Trust Estate" means all right, title and interest of the Commission in and to (i) all Revenues, and (ii) all monies, securities and Reserve Deposits in all funds and accounts established by or pursuant to the Indenture, except the Operation and Maintenance Fund, the Rebate Fund, the Purchase Fund, if any, and the Unrestricted Fund, if established.

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

Indenture to Constitute Contract (Section 202). In consideration of the transfer by the State of the Narragansett Bay Water Quality Management District Commission Fund to the Commission, and the purchase and

acceptance of the Bonds and Subordinated Bonds by those who shall own the same from time to time, the Indenture shall constitute a contract between the Commission, the State, and the Holders from time to time of the Bonds and Subordinated Bonds, and the pledges made in the Indentures and the covenants and agreements therein set forth to be performed by or on behalf of the Commission shall be, subject to the provisions of Section 209 of the Indenture, for the equal benefit, protection and security of the Holders of any and all of the State Obligations, 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, of any of the State Obligations over any other thereof, or of any of the Subordinated Bonds over any other thereof, except as expressly provided in or permitted by the Indenture.

Authorization of Bonds (Section 203). Under the Indenture, the Commission may issue one or more Series of Bonds to be designated as “Wastewater System Revenue Bonds,” which Bonds may be issued as provided in the Indenture from time to time, without limitation as to amount except as provided in the Indenture or as limited by law. Bonds may be issued under the Indenture for the purpose of (i) paying all or a portion of the Cost of any Project, (ii) the making of deposits in all funds and accounts, excluding the Unrestricted Fund, established under the Indenture, (iii) the payment of Costs of Issuance and the discount, if any, payable upon issuance of such Series of Bonds, (iv) the payment of the principal of and interest and premium, if any, on Notes issued in anticipation of such Bonds, (v) the securing of the Commission’s repayment obligations with respect to, or sale to the Agency pursuant to, one or more Agency Loan Agreements or (vi) any combination of the foregoing. The Bonds may be issued as Fixed Rate Bonds, Variable Rate Bonds, Tender Bonds, Compound Interest Bonds, Deferred Interest Bonds, Discount Bonds, Refunding Bonds, Cross-over Refunding Bonds, or any combination thereof in accordance with applicable provisions set forth in the Indenture and the applicable Supplemental Indenture.

General Provisions for Issuance of Bonds (Section 205). The Bonds of each Series shall be executed by the Commission and delivered to the Authenticating Agent for such Series of Bonds and by it authenticated and delivered to or upon the order of the Commission, but only upon receipt by the Trustee of:

- (i) written order signed by an Authorized Officer of the Commission as to the authentication and delivery of such Bonds;
- (ii) a copy of the applicable Supplemental Indenture authorizing such Series of Bonds 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, if any; provided, however, that the applicable Supplemental Indenture may provide that the Series Debt Service Reserve Fund Requirement, if any, 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 Supplemental Indenture (which period shall not exceed 24 months);
- (iv) a certificate of a Consulting Engineer or Certified Public Accountant (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 the amounts of Reserved Revenues, if any, available in such Fiscal Year (as calculated by an Authorized Officer at the time of the issuance of such Bonds) will be, except with respect to Agency Bonds, at least equal to one hundred twenty-five percent (125%) and with respect to Agency Bonds, at least equal to one hundred thirty-five percent (135%) of the Required Debt Service Fund Deposits for Agency Bonds (based on debt service net of any interest rate subsidy) for such Fiscal Year (or such higher amount as may be set forth in the Supplemental Indenture authorizing the issuance of such Series of Bonds) of (A) the Debt Service Requirement for such Fiscal Year less (B) 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 or projected to be Outstanding as of the first day of 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 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 Commission has any outstanding obligation to replenish the Debt Service Reserve Fund under Section 508(4) of the Indenture, evidence that the Commission 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 Indenture, has occurred and is continuing; and
- (vii) to the extent required by law, an order of the Division of Public Utilities approving the issuance of the Bonds.

Issuance of Additional Bonds and Refunding Bonds (Section 206 and Preamble). The pledge of the right, title and interest of the Commission in and to the Trust Estate is given subject to the right of the Commission to issue Additional Bonds secured on a parity basis with the Bonds by the Trust Estate. One or more Series of Refunding Bonds or Cross-over Refunding Bonds may be issued in accordance with Section 206 of the Indenture for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

Additional Security (Section 208). In addition to the security provided for the Bonds under the Indenture, in connection with any Series of Bonds under the Indenture, the Commission 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 Commission 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 Commission with respect thereto.

In addition to any security permitted hereunder, the Commission 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 Commission in the applicable Supplemental Indenture. The Commission 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 of the Indenture.

Subordinated Bonds (Section 209). The Commission may, subject to the conditions set forth in Section 209 of the Indenture, from time to time issue bonds which shall be secured by a pledge of the Trust Estate that is subordinate to the pledge effected by Section 501 of the Indenture for the benefit of Bonds.

The Pledge Effected by the Indenture (Section 501). There are pledged pursuant to the Indenture for the payment of the Principal Amount and Redemption Price of and interest on the State Obligations, the Bonds and, to the extent provided in any Qualified Swap Agreement for the payment of Qualified Swap Payments pursuant to Qualified Swap Agreements and all other amounts due from time to time under the Indenture and, subject to the

provisions of Section 209 of the Indenture, Subordinated Bonds, in each case, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, (i) subject to Section 207 of the 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 Indenture except the Operation and Maintenance Fund, the Rebate Fund, the Purchase Fund, if any, and the Unrestricted Fund. The Bonds and Subordinated Bonds shall be general obligations of the Commission and the full faith and credit of the Commission are hereby pledged for the payment of the Principal Amount and Redemption Price and interest on the Bonds and Subordinated Bonds. Neither the State nor any political subdivision thereof or city or town therein, other than the Commission, shall be obligated to pay the Bonds or Subordinated Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof or city or town therein is pledged to the payment of the Bonds or Subordinated Bonds.

Establishment of Funds and Accounts (Section 502). The following funds and accounts shall be established to be held by the Trustee, except the Operation and Maintenance Fund, the Insurance Reserve Fund, and the Unrestricted Fund, which shall be held by the Commission in the custody of one or more banks selected by the Commission (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 Commission, and which shall be held by the Trustee upon the occurrence of any Event of Default hereunder:

- (i) Project Fund
 - (a) Project Accounts
 - (b) Operating Capital Accounts
 - (c) Grants and Project Reimbursements Account
 - (d) Cost of Issuance Accounts
- (ii) Revenue Fund (the “Narragansett Bay Water Quality Management District Commission Fund”)
 - (a) Narragansett Bay Environmental Enforcement Fund
- (iii) Operation and Maintenance Fund
- (iv) Debt Service Fund
 - (a) State Obligations Reimbursement Account
 - (b) Debt Service Payment Account
 - (c) Debt Service Assistance Account
 - (d) Stabilization Account
- (v) Redemption Fund
- (vi) Debt Service Reserve Fund
- (vii) Operation and Maintenance Reserve Fund
- (viii) Insurance Reserve Fund
- (ix) Renewal and Replacement Reserve Fund
- (x) Rebate Fund
- (xi) Unrestricted Fund
- (xii) Operating Reserve for Revenue Stability Fund

There shall be established within the Debt Service Fund a separate account to be known as the Debt Service Assistance Account. The Commission may establish a special account to be held by the Trustee or its agent and to be called the Purchase Fund. Such Purchase Fund and the amounts therein shall only be applied to the purposes thereof as set forth in a Supplemental Indenture. The Commission may establish, in connection with the issuance of one or more Series of Bonds or Subordinated Bonds or pursuant to an order of the PUC, 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 Supplemental Indentures. Any fund or account established pursuant to an order of the PUC may be closed with approval of the PUC.

Project Fund (Section 503). The Supplemental Indenture for any Series of Bonds or Subordinated Bonds issued in whole or in part to pay the Cost of any Project may establish within the Project Fund one or more separate accounts (herein called “Project Accounts”) for such Series of Bonds or Subordinated Bonds.

There shall be deposited in each Project Account (i) the amount, if any, provided in the applicable Supplemental Indenture to be deposited therein to pay the Costs of the Projects financed by such Series, (ii) the

proceeds of any Bond Anticipation Notes (or renewals thereof which were issued to pay the cost of any Project financed in whole or in part by such Bonds, (iii) the proceeds of insurance on any such Project received by the Commission during the period of construction pursuant to Section 606(2) of the Indenture, and (iv) any other amounts (not required by the Indenture to be otherwise deposited), as determined by the Commission, including without limitation the proceeds of any loan made or bonds sold under any Agency Loan Agreement which the Commission elects to deposit in the Project Account pending disbursement thereof to the extent permitted by the Agency.

Amounts in any Project Account shall be disbursed to or upon the order of the Commission to be applied to the Cost of the Projects financed in whole or in part by such Series upon receipt by the Trustee of one or more requisitions, in form annexed to and incorporated into the Supplemental Indenture, subject to any additional requirements imposed by the applicable Supplemental Indenture, signed by an Authorized Officer (who shall be the Executive Director of the Commission or such other person as the Commission may authorize). Upon completion of any Project the Costs of which are payable from a Project Account, the Commission shall file with the Trustee a certificate of an Authorized Officer, approved by a Consulting Engineer, setting forth the final Cost of such Project and stating (i) that such Project has been completed to the satisfaction of the Commission and (ii) that all amounts withdrawn from the applicable Project Account with respect to such Project have been applied to the Cost of such Project. Such certificate shall further set forth the balance, if any, remaining in the applicable Project Account not required for the payment of Costs of such Project. Any such balance shall be applied by the Trustee, at the written direction of an Authorized Officer of the Commission and subject to the requirements of any Supplemental Indenture (i) to the Cost of other Projects payable from such Project Account, (ii) to the Cost of other Capital Improvements, including Projects, by deposit of such amount in another and separate Project Account or (iii) to the redemption of the Bonds or Subordinated Bonds of the Series for which such Project Account was established by deposit of such amount in the Redemption Fund; provided that, in the case of proceeds of any Series of Agency Bonds, such amount shall be applied as provided in Section 503 (3)(iii) of the Indenture unless the Commission shall have received the written approval of the Agency of another use permitted under the Indenture. Notwithstanding the foregoing, if at any time the amount on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account, Redemption Fund and Debt Service Reserve Fund Accounts is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from any unencumbered moneys on deposit in the Project Accounts (in such order of priority as the Commission by certificate of an Authorized Officer shall direct) to the Debt Service Fund the amount necessary to meet the deficiency.

Upon the determination by the Commission that a Project undertaken or to be undertaken has been or should be delayed and that no further amounts or significantly reduced amounts are required therefor from the applicable Project Account, the Commission may, subject to the requirements of any Supplemental Indenture and to the delivery to the Trustee of an opinion of Bond Counsel to the effect that such transfer or application will not have an adverse effect on the excludability of interest on Bonds of the Series for purposes of computing the federal income taxes of the Holder thereof for which such Project Account was established, direct the Trustee in writing to transfer or apply amounts then on deposit in the applicable Project Account (i) to the payment of Costs of other Projects payable from such Project Account, (ii) to another and separate Project Account or Operating Capital Account, (iii) to the Renewal and Replacement Reserve Fund, or (iv) to the Redemption Fund for application to the redemption of Bonds or Subordinated Bonds of the Series for which such Project Account was established; provided that, in the case of proceeds of any Series of Agency Bonds, such amount shall be applied as provided in Section 503(4)(iv) of the Indenture unless the Commission shall have received the written approval of the Agency of another use permitted under the Indenture.

At any time that the Commission determines to undertake Capital Improvements to be financed by Revenues, the Commission may direct the Trustee in writing to establish within the Project Fund one or more separate accounts (herein called "Operating Capital Accounts") for such Capital Improvements. There shall be deposited in any such Operating Capital Account (i) any amounts withdrawn from the Revenue Fund for deposit therein pursuant to Section 504 of the Indenture and (ii) any amounts withdrawn from the Renewal and Replacement Reserve Fund for deposit therein pursuant to Section 512 of the Indenture; (iii) any amounts transferred from the Stabilization Account pursuant to Section 506(6)(v) of the Indenture and (iv) any other amounts (not required by the Indenture to be otherwise deposited) as determined by the Commission and certified in writing to the Trustee. Amounts in a Operating Capital Account shall be disbursed to or upon the order of the Commission to be applied to

the Cost of the Capital Improvements for which such account was established upon receipt by the Trustee of one or more requisitions, in form as attached or annexed to the Supplemental Indenture and incorporated therein by reference, signed by an Authorized Officer. Upon completion of such Capital Improvements, or upon a determination by the Commission that a Capital Improvement undertaken or to be undertaken has been or should be abandoned or delayed and that no further amounts or significantly reduced amounts are required therefore from the applicable Operating Capital Account, the Commission may direct the Trustee in writing to transfer amounts then on deposit in the applicable Operating Capital Account (i) to another and separate Operating Capital Account or (ii) to the Revenue Fund. Notwithstanding the foregoing, if at any time the amount on deposit and available therefore in the Debt Service Fund, including the Debt Service Assistance Account, Redemption Fund and Debt Service Reserve Fund, is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from any unencumbered moneys on deposit in the Operating Capital Accounts (in such order of priority as the Commission by certificate of an Authorized Officer shall direct) to the Debt Service Fund, the amount necessary to meet the deficiency.

There shall be deposited in the Grants and Project Reimbursements Account (i) any amounts received as grants or reimbursement from the federal or State government or any agency or department of the federal or State governments, and (ii) any amounts withdrawn from the Renewal and Replacement Reserve Fund for deposit therein pursuant to Section 512 of the Indenture and (iii) any other amounts (not required by the Indenture to be otherwise deposited) as determined by the Commission and certified in writing to the Trustee. Amounts in the Grants and Project Reimbursements Account shall be disbursed to or upon the order of the Commission to be applied to the Cost of the Capital Improvements or Operating Expenses upon receipt by the Trustee of one or more requisitions, in form as attached or annexed to the Supplemental Indenture and incorporated therein by reference, signed by an Authorized Officer. The Commission may direct the Trustee in writing to transfer amounts on deposit in the Revenue Fund. Notwithstanding the foregoing, if at any time the amount on deposit and available therefore in the Debt Service Fund, including the Debt Service Assistance Account, Redemption Fund and Debt Service Reserve Fund, is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from any unencumbered moneys on deposit in the Grants and Project Reimbursements Account to the Debt Service Fund, the amount necessary to meet the deficiency.

The Commission may establish in the Supplemental Indenture for any Series of Bonds or Subordinated Bonds a separate account (herein called "Cost of Issuance Account") within the Project Fund and shall deposit in the Cost of Issuance Account for such Series any proceeds of such Series as directed by such Supplemental Indenture and any other moneys not otherwise directed to be applied by the Indenture. Amounts in a Cost of Issuance Account shall be disbursed to or upon the written order of the Commission without requisition to be applied to Costs of Issuance of the applicable Series of Bonds or Subordinated Bonds. Any balance remaining in a Cost of Issuance Account upon payment of or provision for all Costs of Issuance to be paid therefrom shall be transferred by the Trustee, upon the written direction of an Authorized Officer of the Commission, to (i) one or more Project Accounts established for the applicable Series of Bonds or Subordinated Bonds or (ii) the Revenue Fund.

Revenue Fund (Section 504). All Revenues, except (i) proceeds of insurance and condemnation to the extent provided in Section 606 of the Indenture, (ii) proceeds of any sale or other disposition of any part of the System to the extent provided in Section 604 of the Indenture, (iii) earnings on investment of the funds and accounts hereunder to the extent provided in Section 514 of the Indenture and (iv) Debt Service Assistance deposited in the Debt Service Assistance Account as provided in Section 506 of the Indenture, shall be collected by or for the account of the Commission and deposited by or on behalf of the Commission as promptly as practicable in the Revenue Fund. There shall also be deposited in the Revenue Fund any other moneys so directed by the Indenture and any other moneys of the Commission which the Commission may in its discretion determine to so apply unless required to be otherwise applied by the Indenture.

There shall be established in the Revenue Fund, a Narragansett Bay Environmental Enforcement Fund. There shall be deposited in the Narragansett Bay Environmental Enforcement Fund such sums as the Commission may, from time to time, deposit, or sums recovered by any administrative or civil enforcement action brought under the authority of the Act. All sums shall be expended for emergency response activities, enforcement activities, additional activities and the retirement of Bonds as provided in Rhode Island General Laws Section 46-25-38.1, as amended.

On the third day prior to the last Business Day of each calendar month, the Commission (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 Commission for deposit in the Operation and Maintenance Account of the Operation and Maintenance Fund, the amount specified by an Authorized Officer in accordance with Section 608 of the 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 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 and;
- (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 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 the amount, if any, designated by the Commission as further provided in Section 504(4) of the Indenture;
- (vii) To make deposits and payments with respect to obligations secured by the Revenues junior and subordinate to the Bonds as required pursuant to the Indenture, including but not limited to, swap termination payments provided that following any swap termination payment the Commission shall have funds as necessary to make the next succeeding Debt Service Payment for each Series of Bonds, or any indenture or instrument pursuant to which such obligations are issued;
- (viii) Subject to Section 608 of the 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;
- (ix) To the Commission for deposit in the Insurance Reserve Fund, the amount, if any, determined by the Commission pursuant to Section 606(3) of the Indenture as necessary to maintain such Fund at the Insurance Reserve Fund Requirement;
- (x) Subject to Section 609 of the Indenture, to the Renewal and Replacement Reserve Fund, an amount, which together with the amounts on deposit therein, will equal the Renewal and Replacement Reserve Fund Requirement as of such day;
- (xi) To the one or more Operating Capital Accounts of the Project Fund, such amount as requested by the Commission but only upon receipt by the Trustee of (a) a copy of the resolution of the Commission 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 Commission 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 Indenture or (B) satisfy the requirements of Section 603 of the Indenture in the current or next succeeding Fiscal Year;
- (xii) To such other funds or accounts as shall be required by any Supplemental Indenture; and

- (xiii) To such other funds or accounts established by the Commission in compliance with applicable law or as required by any order of the PUC, including, but not limited to, transfers to an Operating Capital Account in accordance with Section 503(5) of the Indenture.

On the last Business Day of each Fiscal Year, the Commission shall, after making the deposits required by Section 504(2) of the Indenture, apply amounts available in the Revenue Fund to the Unrestricted Fund, the amount, if any, directed to be deposited therein in writing by an Authorized Officer.

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 Commission shall have issued Notes in accordance with Section 607(2)(i) or (iii) of the Indenture, amounts in the Revenue Fund remaining after the above payments have been made may be used by the Commission to pay the principal of such notes at maturity or upon earlier redemption.

Notwithstanding the foregoing, in the event that any order of the PUC requires that Revenues be held in a restricted account, the Commission 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 monies shall be deposited by the Trustee into the Stabilization Account of the Debt Service Fund.

If, on the last Business Day of any month, the amounts deposited pursuant to Section 504(2)(ii) of the 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.

Operation and Maintenance Fund (Section 505). Amounts in the Operation and Maintenance Fund shall be applied by the Commission from time to time to pay Operating Expenses. Amounts in the Operation and Maintenance Fund which the Commission at any time determines in writing to be in excess of the requirements of such Fund shall be withdrawn and deposited in the Revenue Fund.

Debt Service Fund (Section 506). The Trustee shall pay out of the Debt Service Fund, including the State Obligations Reimbursement Account, the Debt Service Payment Account and the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, to the respective Paying Agents (or in the case of State Obligations, the State's General Treasurer) (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 Commission may direct the Trustee in writing to make such payments to the Paying Agents on such date prior to the due date as the Commission 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 Fund, including the Debt Service Assistance Account, for either of the purposes specified above exceeds the amount required therefor, the Commission may direct the Trustee in writing to deposit such excess in the Redemption Fund or, in its discretion, 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 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 Commission, 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 Commission or otherwise in such manner as the Trustee shall determine, or (ii) the redemption, pursuant to Section 402 of the 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 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 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)(iv) of the Indenture which is attributable to a Sinking Fund Payment, there may be delivered on behalf of the Commission 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 above, 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 monies 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 monies 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 Commission;
- (iv) to the Redemption Fund, as requested by the Commission; and
- (v) to such other purposes as the Commission may direct, not inconsistent with any order of the PUC.

The Commission shall deposit Debt Service Assistance to the Debt Service Assistance Account in the Debt Service Fund to be applied by the Trustee in accordance with a certificate of an Authorized Officer, as amended from time to time. Notwithstanding anything in the Indenture to the contrary, amounts received by the Commission on account of Debt Service Assistance shall be spent in accordance with any appropriation or agreement governing such assistance. To the extent that the Commission has transferred monies to the Debt Service Assistance Account from the Revenue Fund in anticipation of the receipt of Debt Service Assistance pursuant to Section 504(2)(v) of the Indenture, once the Debt Service Assistance is received, an amount equal to such Debt Service Assistance received, but not in excess of the amount which has been so transferred to the Debt Service Assistance Account pursuant to Section 504(2)(v) of the Indenture, shall be redeposited to the Revenue Fund.

The Commission also may, from time to time, deposit general funds of the Commission to the Debt Service Assistance Account in the Debt Service Fund in anticipation of Debt Service Assistance to be received to be applied by the Trustee in accordance with a certificate of an Authorized Officer, as amended from time to time; provided

that such certificate also shall state that the amount of such deposit, together with other amounts deposited therein in anticipation of Debt Service Assistance not yet received, does not exceed the amount reasonably expected to be received as Debt Service Assistance. Once the anticipated Debt Service Assistance is received, an amount equal to such Debt Service Assistance received, but not in excess of the amount which has been transferred to the Debt Service Assistance Account pursuant to the Section 506(7) of the Indenture, shall be transferred back to the Commission.

Redemption Fund (Section 507). The Commission may deposit in the Redemption Fund any moneys, including Revenues, not otherwise required by the 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 Operation and Maintenance Fund is insufficient to pay Operating Expenses when due, the Trustee shall withdraw from the Redemption Fund and deposit in the 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 Commission to the redemption of Bonds in accordance with Section 402 of the Indenture and the applicable 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 Commission.

Debt Service Reserve Fund (Section 508). Except as provided in any 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 under the Indenture, 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 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 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 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 Supplemental Indenture providing for such Reserve Deposits.

The Commission may from time to time provide Reserve Deposits to satisfy the Debt Service Reserve Fund Requirement. 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 Commission 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 the last day of the Fiscal Year of the Commission. 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 Commission, 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 Indenture or any Supplemental Indenture, if a cash withdrawal is made from the Debt Service Reserve Fund pursuant to Section 508(1) of the Indenture or in the event that the Commission shall not be in compliance with the Debt Service Reserve Fund Requirement, monthly deposits shall be made to the Debt Service Reserve Fund pursuant to Section 504(2)(iv) of the 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 Commission shall (i) restore the Reserve Deposit within six months of such draw 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. Monthly deposits pursuant to 504(2)(iv) of the Indenture shall be used first to restore the Reserve Deposit, thereby reinstating the Reserve Deposit, and second to replenish the cash in the Debt Service Reserve Fund.

Rebate Fund (Section 509). 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 Commission may, by 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 Supplemental Indenture.

Operating Reserve for Revenue Stability Fund (Section 510). (1) After making deposits required by Subsections (i) through (xi) of Section 504(2), the Commission may direct the Trustee to deposit in the Operating Reserve for Revenue Stability Fund (i) such amounts as the Commission may designate to be transferred from the Stabilization Account of the Debt Service Fund in accordance with Sections 504(2)(vi) and 504(4) of the Indenture, and (ii) any moneys, including Revenues, not otherwise required by the Indenture to be deposited or applied elsewhere, in an amount sufficient to meet the Operating Reserve for Revenue Stability Fund Requirement, as may be determined by the Commission. The Trustee shall withdraw amounts in the Operating Reserve for Revenue Stability Fund for deposit in the Revenue Fund in the event that there are insufficient amounts available in the Revenue Fund to make the deposits required by Section 504(2) of the Indenture.

(2) If at any time the amounts on deposit and available in the Debt Service Fund, Redemption Fund and Debt Service Reserve Fund, Renewal and Replacement Reserve Fund, Operating Capital Accounts and Operation and Maintenance Reserve 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 Operating Reserve for Revenue Stability Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency.

(3) If at any time, the amount on deposit in the Operating Reserve for Revenue Stability Fund as determined on the last day of the prior Fiscal Year is in excess of the Operating Reserve for Revenue Stability Requirement, as such Operating Reserve for Revenue Stability Requirement may be determined by the Commission, the Trustee, at the direction of the Commission expressed in a certificate of an Authorized Officer, shall withdraw such excess and deposit it in the Revenue Fund for use during the subsequent Fiscal Year.

Operation and Maintenance Reserve Fund (Section 511). If at any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Debt Service Reserve Fund, Renewal and Replacement Reserve Fund and Operating Capital 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 Operation and Maintenance 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 Commission for deposit in the Operation and Maintenance Fund the amount specified in such certificate.

Renewal and Replacement Reserve Fund (Section 512). If at any time the amounts on deposit and available therefor in the Debt Service Fund, Redemption Fund and Debt Service Reserve 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 Renewal and Replacement Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency.

Subject to the first paragraph above, the Commission may apply amounts in the Renewal and Replacement Reserve Fund solely to the Cost of any Capital Improvements moneys for the payment of which are not available in any Project Account or any Operating Capital Account. The Trustee shall withdraw from such Fund and deposit in a Operating Capital Account established pursuant to Section 503(5) of the Indenture, any amount requested by the Commission but only upon receipt of a certificate of an Authorized Officer (i) specifying the Capital Improvement to which such amount will be applied, its estimated Cost and estimated completion date and (ii) certifying (a) that such Capital Improvement is reasonably required for the continued operation of the System or the maintenance of Revenues, (b) that all or a portion of the Cost of such Capital Improvements was not financed in whole or in part from a Operating Capital Account theretofore established or from any Project Account, and (c) that only the Cost of such Capital Improvement that is in excess of the amounts available therefor in any Project Account or Operating Capital Account is being or has previously been requisitioned from the Renewal and Replacement Reserve Fund. Amounts deposited in any Operating Capital Account shall be applied by the Commission to the Cost of the Capital Improvement for which received. Upon completion of such Capital Improvement, any amount so deposited and not necessary to pay the Cost of such Capital Improvement shall be redeposited in the Renewal and Replacement Reserve Fund. Notwithstanding anything in the Indenture to the contrary, if the Commission shall direct the Trustee to transfer from the Renewal and Replacement Reserve Fund to any Operating Capital Account amounts to be applied to the Cost of a Capital Improvement to be funded from the proceeds of Bonds or Notes not then issued, upon issuance of such Bonds or Notes an amount of proceeds thereof or other moneys of the Commission equal to the amount so transferred shall, unless otherwise provided in the applicable Supplemental Indenture, be redeposited in the Renewal and Replacement Reserve Fund.

If at any time, the amounts on deposit in the Renewal and Replacement Reserve Fund is in excess of the Renewal and Replacement Reserve Fund Requirement, the Trustee, at the direction of the Commission expressed in a certificate of an Authorized Officer, shall withdraw such excess and deposit it in the Revenue Fund.

Unrestricted Fund (Section 513). The Commission may make transfers to the Unrestricted Fund in accordance with Section 504(3) of the Indenture, provided that (1) all funds and accounts established under the Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provision of the Indenture, (2) the Commission is in compliance with the terms of Section 603 of the Indenture for the Fiscal Year then ended and (3) upon certification of an Authorized Officer of the Commission, such deposit will not adversely affect the ability of the Commission to comply with the terms of Section 603 of the Indenture in the next ensuing Fiscal Year. Amounts on deposit in the Unrestricted Fund may be used for any lawful purpose of the Commission.

Investments (Section 514). Except as otherwise provided in Section 1101 of the Indenture or the second paragraph below, money held for the credit of any fund or account held by the Trustee under the 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 an Authorized Officer of the Commission 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. Except with respect to Reserve Deposits in the Debt Service Reserve Fund, and except as provided in any Supplemental Indenture, at least one-half of the moneys in the Debt Service Reserve Fund shall be invested in Permitted Investments (a) maturing no later than ten (10) years from the date such Permitted Investment is acquired by the Trustee or (b) subject to liquidation at par or at the amortized cost thereof, as applicable, at any time application of the moneys so invested is required

under the terms of the Indenture. Unless otherwise directed by any 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. Notwithstanding any provision in the Indenture or in a Supplemental Indenture to the contrary, the Trustee shall not be liable for any losses from investment in accordance with the Indenture. The Commission may by Supplemental Indenture direct that all or any portion of income earned on investment of moneys allocable to any Series of Bonds in any fund or account established hereunder shall be transferred to the Rebate Account established for such Series of Bonds in the Rebate Fund created under Section 509 of the Indenture.

In computing the amount in any fund or account hereunder for any purpose, Permitted Investments shall be valued at amortized cost. As used in the Indenture the term “amortized cost”, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (i) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Unless otherwise provided in the Indenture, Permitted Investments in any fund or account hereunder shall be valued at least once in each Fiscal Year on the last day thereof. Notwithstanding the foregoing, Permitted Investments in the Debt Service Reserve Fund shall be valued at amortized cost for all purposes of the Indenture unless and until a withdrawal from such Fund shall be required in accordance with Section 508(l) of the Indenture in which event such investments shall thereafter be valued at amortized cost or market, whichever is lower, until the balance in such Fund, on the basis of such valuation, shall equal the Debt Service Reserve Fund Requirement.

Covenant as to Rates and Charges (Section 603). To the extent not otherwise provided by a Supplemental Indenture, so long as any Bonds are Outstanding, the Commission shall 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 Reserved Revenues from the Stabilization Account of the Debt Service Fund 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 Commission which are payable from Revenues of the System, (iii) all amounts, if any, payable to the Operation and Maintenance Reserve Fund, Debt Service Reserve Fund, the Renewal and Replacement Reserve Fund and, if any, the Insurance Reserve Fund, (iv) all repairs, replacements, and renewals of the System deemed necessary by the Commission which are payable from Revenues of the System and (v) all other amounts which the Commission may by law or contract be obligated to pay from Revenues of the System including amounts payable under Qualified Swap Agreements. Provided the Commission complies with Section 504(4) of the Indenture and has complied or is diligently proceeding to comply with the requirements set forth in the last 2 paragraphs under the caption “Covenant as to Rates and Charges”, the Trustee shall take no action pursuant to Section 701 or Section 703 of the Indenture on account of any failure by the Commission 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 PUC.

Without limiting the generality of the foregoing, the Commission shall 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, other than Agency Bonds, as of the first day of such Fiscal Year and one hundred thirty-five percent (135%) of the Required Debt Service Fund Deposits for Agency Bonds (based on debt service net of any interest rate subsidy) for such Fiscal Year. Failure by the Commission to comply with the requirements of this paragraph shall not be considered an Event of Default under the Indenture so long as the Commission has complied or is diligently proceeding to comply with the requirements set forth in the last 2 paragraphs under the caption “Covenant as to Rates and Charges”.

On or before the day which is six months prior to the last Business Day of each Fiscal Year the Commission 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 Commission 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.

Within one hundred and eighty days of the close of each Fiscal Year while Bonds are Outstanding, the Commission 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 Commission satisfied the requirements set forth in the first 2 paragraphs under the caption "Covenant as to Rates and Charges" in such Fiscal Year or, if such was not the case, specifying in reasonable detail the corrective steps taken by the Commission 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 Commission 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 Commission in accordance with Section 610 of the Indenture setting forth the Net Revenues for the preceding Fiscal Year.

Operation, Maintenance and Reconstruction (Section 605). The Commission shall operate, or cause to be operated, the System properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that the operation of the System may be properly and advantageously conducted, and, if any useful part of the System is damaged or destroyed or taken through the exercise of eminent domain, the Commission shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part so as to restore the same to use and the replacement of such part so taken; provided, however, that nothing in the Indenture shall require the Commission to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the System if there shall have been filed with the Trustee a certificate of an Authorized Officer; which certificate may be conclusively relied upon by the Trustee, stating that, in the opinion of the signer, (i) abandonment of operation of such part is economically justified and is not prejudicial to the interests of the Holders of the Bonds, and (ii) failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part will not impair the ability of the Commission to satisfy the requirements of Section 603 of the Indenture in the current or any future Fiscal Year.

Creation of Liens; Other Indebtedness (Section 607). The Commission 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 Commission or by the Fiduciaries under the 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 Indenture.

Annual Operating Budget (Section 608). Not less than one day prior to the beginning of each Fiscal Year, the Commission shall adopt and file with the Trustee an annual operating budget for the System (herein called "Annual Budget") for such Fiscal Year. The Commission 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 Commission 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 Commission with the covenants set forth in Section 603 of the 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 Operation and Maintenance Fund in such month, as well as the Revenues or other moneys held hereunder projected to be available to meet the same. The Commission 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 described in this section, "Authorized Officer" shall include, individually, the Chairperson and the Executive Director of the Commission.

For purposes of Section 504(2) of the Indenture, the Operation and Maintenance Reserve Fund Requirement shall mean, unless a greater amount is required by any Supplemental Indenture, (i) from the date of delivery of the initial Series of Bonds under the Indenture until the last day of the second full Fiscal Year after such Bonds are delivered, the amount provided in the 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 Commission 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.

For purposes of Section 504(2) of the Indenture, the Operating Reserve for Revenue Stability Requirement shall mean, commencing with the Fiscal Year beginning July 1, 2008, an amount equal to one million five hundred thousand dollars (\$1,500,000) per year until the balance in the Operating Reserve for Revenue Stability Fund, including interest earnings thereon, reaches four million five hundred thousand dollars (\$4,500,000), and thereafter, the Operating Reserve for Revenue Stability Requirement shall equal four million five hundred thousand dollars (\$4,500,000) or such other amount as required by order of the PUC. In addition to withdrawals pursuant to Section 510(2) of the Indenture, if amounts available in the Revenue Fund are insufficient to make the deposits required by Section 504(2) of the Indenture, the Trustee shall withdraw from the Operating Reserve for Revenue Stability Fund and transfer to the Revenue Fund the amount necessary to meet the deficiency.

Capital Improvements Budget (Section 609). On or prior to the date of delivery of the initial Series of Bonds hereunder and not less than one (1) day prior to the beginning of each Fiscal Year thereafter, the Commission shall prepare and file with the Trustee a proposed program of Capital Improvements to be undertaken by the Commission during such Fiscal Year and the next two ensuing Fiscal Years, identifying the Capital Improvements to be carried out, the estimated Cost thereof and the period of construction thereof, together with a budget (herein called "Capital Improvements Budget") for the Capital Improvements or parts thereof to be undertaken by the Commission in such Fiscal Year. The Capital Improvements Budget shall include a schedule showing all projected disbursements from any Project Account or Operating Capital Account in the Project Fund and, to the extent provided by the Commission, any other fund or account under the Indenture, as well as the sources of moneys projected to be available to meet the same. The Capital Improvements Budget shall further identify the Capital Improvements to be undertaken, the nature of the work, the estimated Cost thereof and the estimated completion date of each Capital Improvement.

The Commission may from time to time amend or supplement the Capital Improvements Budget for the Fiscal Year then in progress by filing with the Trustee a certificate of an Authorized Officer setting forth the amendment or supplement.

Not later than the last day of each third full Fiscal Year following the Fiscal Year ending June 30, 2003, the Commission shall cause an examination of and report on the properties and operations of the System to be made by

a Consulting Engineer and shall cause a copy of such examination and report, certified by an Authorized Officer, to be filed with the Trustee. Such examination and report shall include a review of the Commission's then current three year Capital Improvement program prepared in accordance with the first paragraph above, the current and any proposed Capital Improvements Budget and Annual Budget, the adequacy of the Renewal and Replacement Reserve Fund Requirement and such other reports, surveys and examinations as the Commission or the Consulting Engineer shall deem necessary. Any report prepared by the Consulting Engineer in connection with the issuance of Bonds within the last Fiscal Year in such three year period shall satisfy the requirements of this paragraph for such three year period.

For purposes of Section 504(2) of the Indenture and subject to the approval of the PUC, the Renewal and Replacement Reserve Fund Requirement shall mean, unless a greater amount is required by any Supplemental Indenture, (i) from the date of delivery of the initial Series of Bonds hereunder until the last day of the second full Fiscal Year following the Fiscal Year in which such Bonds are delivered, the amount provided in the Supplemental Indenture for the initial Bonds, and (ii) as of the last day of each calendar month thereafter an amount at least equal to the sum of (a) one-twelfth (1/12) of the amount, if any, by which the balance in the Renewal and Replacement Reserve Fund on the last day of the prior Fiscal Year was less than the Renewal and Replacement 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 the amount, if any, by which a Consulting Engineer shall have certified to the Commission in accordance with the third paragraph above that the Renewal and Replacement Reserve Fund Requirement should be increased for the current 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) the amount, if any, by which such Consulting Engineer shall have certified that the Renewal and Replacement Reserve Fund Requirement can be decreased for the current Fiscal Year.

Events of Default (Section 701). The occurrence of one or more of the following events shall constitute an "Event of Default":

- (i) if default shall be made by the Commission 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 Commission or any Holder, or otherwise, or in the payment of any sinking fund payment when due,
- (ii) if default shall be made by the Commission in the payment of any installment of interest on any Bond when due,
- (iii) if default shall be made by the Commission 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 Commission in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the 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 Commission by the Trustee or to the Commission 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 Commission 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 Commission or the whole or any substantial part of the System, (b) granting relief in involuntary proceedings with respect to the Commission under the federal bankruptcy act, or (c) assuming custody or control of the Commission 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 Commission (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 Commission or of the whole or any substantial part of the System.

The Commission shall 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 Commission), or the Holders of twenty-five percent (25%) in Principal of the Bonds Outstanding (by notice in writing to the Commission 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 Indenture or in any of the Bonds contained to the contrary notwithstanding.

Application of Revenues and Other Moneys after Default (Section 702). The Commission covenants that if an Event of Default shall happen and shall not have been remedied, the Commission, 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 Commission in any fund or account pledged under the 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 the Indenture 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 Commission for other purposes) selected by the Trustee;
- (iii) to the payment of the interest and Principal Amount or Redemption Price then due on the State Obligations and 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 or Qualified Swap Payments then due in the order of the maturity of such installments maturing (or payments due), and, if the amount available shall not be sufficient to pay in full all installments maturing (or payments due) 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 State Obligations and 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 State Obligations and 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 or Qualified Swap Payments then due and unpaid upon the State Obligations and Bonds without preference or priority of Principal Amount over interest or Qualified Swap Payments or of interest over Principal Amount or Qualified Swap Payments, or of any installment of interest (or payment due) over any other installment of interest (or payment due), or of any Bond over any other Bond, ratably, according to the amounts due respectively for Principal Amount and interest and Qualified Swap Payments, to the persons entitled thereto without any discrimination or preference;

Proceedings Brought by Trustee (Section 703). Whether or not a declaration shall be made by the Trustee or Bondholders pursuant to Section 701 of the 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 Indenture by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for an accounting against the Commission as if the Commission 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 Indenture. All rights of action under the 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 (Section 704). 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 Indenture or for any remedy under the 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 the Indenture 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.

Powers of Amendment (Section 1002). Any modification or amendment of the Bonds or of the Indenture may be made by a Supplemental Indenture, with the written consent given as provided in Section 1003 of the 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 the 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 (Section 1101). If the Commission shall (i) pay or cause to be paid, or there shall otherwise be paid to the Holders of the Bonds 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 Indenture and (ii) discharge and satisfy its obligations under any Qualified Swap Agreement, then the pledge of any Revenues or other moneys,

securities, Reserve Deposits and Additional Security, if any, pledged by the Indenture and all other rights granted by the Indenture shall be discharged and satisfied. In such event, the Trustee shall, upon request of the Commission, execute and deliver to the Commission all such instruments as may be desirable to evidence such release and discharge and the Fiduciaries shall pay over or deliver to the Commission all moneys or securities held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment for redemption.

Bonds or interest installments for the payment or redemption of which moneys shall be held by the Fiduciaries (through deposit by the Commission of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph above. 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 the first paragraph above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Commission shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide as provided in Article IV of the Indenture, 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 Commission 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 the first paragraph above 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 the 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 Commission, as received by the Trustee, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under the Indenture.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with subsection (ii) of the paragraph directly above, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Variable Rate Ceiling; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such Variable Rate Ceiling for any period, the total amount of moneys and Government Obligations on deposit with the Trustee for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Bonds in order to satisfy the provisions of subsection (ii) of the paragraph directly above, the Trustee shall, if requested by the Commission, pay promptly the amount of such excess to the Commission free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Indenture.

Tender Bonds shall be deemed to have been paid in accordance with subsection (ii) of the second paragraph above only if, in addition to satisfying the requirements thereof, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum Principal Amount and Redemption Price of and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the

Trustee pursuant to the provisions of subsection (ii) of the second paragraph above, the options originally exercisable by the Holders of Tender Bonds are no longer exercisable, such Bonds shall not be considered Tender Bonds for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the Principal Amount or Redemption Price of and interest on Tender Bonds is not required for such purpose the Trustee shall, if requested by the Commission, pay promptly the amount of such excess to the Commission free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture.

Bond Insurer to Control Remedies With Respect to the 2005 Series A Bonds and the 2007 Series A Bonds.

While the Bond Insurance Policies with respect to the 2007 Series A Bonds are in effect, notwithstanding anything else to the contrary in the Indenture, no right, power or remedy under the Indenture with respect to the 2005 Series A Bonds or the 2007 Series A Bonds may be pursued without the prior written consent of the Bond Insurer for the 2005 Series A Bonds and the 2007 Series A Bonds. So long as the Bond Insurer continues to insure the 2005 Series A Bonds and the 2007 Series A Bonds, the Bond Insurer shall be recognized as the sole Bondholder with respect to the 2005 Series A Bonds and the 2007 Series A Bonds for the purpose of exercising all rights, consents and privileges available to such Bondholders. The Bond Insurer shall have the right to direct the Trustee to pursue any right, power or remedy available under the Indenture with respect to any assets available under the Indenture which secure the 2005 Series A Bonds and the 2007 Series A Bonds secured by such 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 2005 Series A Bonds and the 2007 Series A Bonds shall not be accelerated without notice to S&P and notice and the consent of the Bond Insurer.

Removal of Trustee and Appointment of Successor. While the Bond Insurance Policy with respect to the 2005 Series A Bonds and the 2007 Series A Bonds is 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.

Letter of Credit Bank to Control Remedies With Respect to the 2008 Series A Bonds. So long as the Letter of Credit with respect to the 2008 Series A Bonds is in effect, upon the occurrence of an Event of Default under the Reimbursement Agreement relating to the 2008 Series A Bonds, the Letter of Credit Bank may, among other things: (i) direct the Bond Trustee to accelerate the 2008 Series A Bonds in accordance with the Indenture; (ii) enforce its rights under the related documents; (iii) enforce its rights against the Commission through legal action; (iv) exercise other remedies under applicable law or other agreement, and/or (v) give notice of non-reinstatement of the interest component of the Letter of Credit. The Letter of Credit Bank may also require the Commission to obtain a replacement letter of credit(s), subject to the terms of the Reimbursement Agreement relating to the 2008 Series A Bonds.

The Reimbursement Agreement relating to the 2008 Series A Bonds also contains provisions as to the Letter of Credit Bank's rights (but not obligation) to cure certain defaults of the Commission; indemnification of the Bank by the Commission; amendments and waivers; notices and other miscellaneous provisions.

The terms of the 2008 Series A Reimbursement Agreement and certain related documents may be modified, amended or supplemented by the Letter of Credit Bank and the Commission from time to time without giving notice to or obtaining the consent of the Bondowners. Any amendment, modification or supplement to the 2008 Series A Reimbursement Agreement relating to the 2008 Series A Bonds may contain amendments or modifications to the covenants of the Commission or additional covenants of the Commission and these amended or modified covenants may be more or less restrictive than those in effect at the date of issuance of the 2008 Series A Bonds.

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APPENDIX D

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: \$18,790,000 Rhode Island Infrastructure Bank
Water Pollution Control Revolving Fund Revenue Bonds,
Series 2016 B (Green Bonds) (Pooled Loan Issue), dated June 2, 2016

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of the \$18,790,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2016 B (Green Bonds) (Pooled Loan Issue) (the "Bonds") of the Rhode Island Infrastructure Bank (the "Bank").

The Bonds are dated June 2, 2016 and bear interest from such date payable on April 1 and October 1 of each year, commencing October 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 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 15, 1992, between the Bank and U.S. Bank National Association (successor to Rhode Island Hospital Trust National Bank and State Street Bank and Trust Company), as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture of Trust dated as of February 15, 1993, the Second Supplemental Indenture of Trust dated as of June 1, 1994, the Third Supplemental Indenture of Trust dated as of December 20, 1995, the Fourth Supplemental Indenture of Trust dated as of March 1, 1997, the Fifth Supplemental Indenture of Trust dated as of January 1, 1999, the Sixth Supplemental Indenture of Trust dated as of January 1, 1999, the Seventh Supplemental Indenture of Trust dated as of August 1, 1999, the Eighth Supplemental Indenture of Trust dated December 1, 2000, the Ninth Supplemental Indenture of Trust dated April 1, 2002, the Tenth Supplemental Indenture of Trust dated October 1, 2002, the Supplemental Indenture of Trust dated as of December 31, 2002, the Eleventh Supplemental Indenture of Trust dated as of May 1, 2003, the Twelfth Supplemental Indenture of Trust dated as of November 1, 2003, the Thirteenth Supplemental Indenture of Trust dated as of December 1, 2004, the Fourteenth Supplemental Indenture of Trust dated as of December 1, 2004, the Fifteenth Supplemental Indenture of Trust dated as of December 15, 2005, the Sixteenth Supplemental Indenture of Trust dated as of December 1, 2006, the Seventeenth Supplemental Indenture of

Trust dated as of December 1, 2007, the Eighteenth Supplemental Indenture of Trust dated as of October 1, 2009, the Nineteenth Supplemental Indenture of Trust dated as of May 1, 2010, the Twentieth Supplemental Indenture of Trust dated as of June 1, 2010, the Twenty-first Supplemental Indenture of Trust dated as of March 1, 2011, the Twenty-second Supplemental Indenture of Trust dated as of June 1, 2012, the Twenty-third Supplemental Indenture of Trust dated as of November 1, 2012, the Twenty-fourth Supplemental Indenture of Trust dated as of June 1, 2013, the Twenty-fifth Supplemental Indenture of Trust dated as of March 1, 2014, the Twenty-sixth Supplemental Indenture of Trust dated as of July 1, 2015, the Twenty-seventh Supplemental Indenture of Trust dated as of October 1, 2015, the Twenty-eighth Supplemental Indenture of Trust dated as of October 1, 2015, the Twenty-ninth Supplemental Indenture of Trust dated as of June 1, 2016 and the Thirtieth Supplemental Indenture of Trust dated as of June 1, 2016 (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.

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.

Rhode Island Infrastructure Bank
Date of Delivery

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.

Except as stated in the preceding three 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 E

Form of Continuing Disclosure Certificates

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APPENDIX E-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 2nd day of June, 2016 by the Rhode Island Infrastructure (the “Bank”) acting by its undersigned officer, duly authorized, in connection with the issuance by the Bank of the \$18,790,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2016 B (Green Bonds) (Pooled Loan Issue) dated as of 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 are required to file continuing disclosure information under the Rule.

“**Final Official Statement**” means the official statement of the Bank, dated May 13, 2016, prepared in connection with the Bonds.

“**Indenture**” means the Indenture of Trust dated as of February 15, 1992, between the Bank and U.S. Bank National Association (successor to Rhode Island Hospital Trust and State Street Bank and Trust Company), 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 Bank is obligated by contract or otherwise to repay at least twenty percent (20%) of the debt service on all outstanding Bonds of the Bank issued 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, to the Repository through EMMA, in accordance with the provisions of the Rule and of this Certificate, annual financial information and operating data 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 of 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 the 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 repayment 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 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.

^{*} 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 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.

(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 E of the Final Official Statement, or (ii) otherwise provide the continuing disclosure for such Obligated Person as contemplated hereby and by the Loan Certificate.

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 owners 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 Jeffrey R. Diehl, 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: _____
Executive Director

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APPENDIX E-2

Form of NBC Continuing Disclosure Certificate

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FORM OF NBC CONTINUING DISCLOSURE CERTIFICATE**Borrower Continuing Disclosure Certificate**

This Continuing Disclosure Certificate (the “Certificate”) is made as of the 2nd day of June, 2016 by the Narragansett Bay Commission (the “Borrower”) acting by its undersigned officer, duly authorized, in connection with the issuance by the Rhode Island Infrastructure Bank (the “Bank”) of the \$18,790,000 Water Pollution Control Revolving Fund Revenue Bonds, Series 2016 B (Green Bonds) (Pooled Loan Issue) dated as of 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 May 13, 2016, prepared in connection with the Bonds.

“**Indenture**” means the Indenture of Trust dated as of February 15, 1992, between the Bank and U.S. Bank National Association (successor to Rhode Island Hospital Trust and State Street Bank and Trust Company), 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 Water Pollution Control 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 and operating data each fiscal year as follows:

(1) Audited financial statements of 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, 2016.

(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, 2016.

(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 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 for Administration and 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 Karen Giebink, Narragansett Bay Commission, Corporate Office Building, One Service Road, Providence, Rhode Island 02905, Telephone (401) 461-8848.

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.

NARRAGANSETT BAY COMMISSION

By: _____
Chairperson

By: _____
Executive Director

APPENDIX F

Book-Entry-Only System

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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 2016 B Bonds. The Series 2016 B 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 2016 B Bond will be issued for each maturity of Series 2016 B 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 2016 B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016 B 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 2016 B 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 2016 B Bonds, except in the event that use of the book-entry system for the Series 2016 B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 B 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 2016 B 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 2016 B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2016 B 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 2016 B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2016 B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2016 B Bonds may wish to ascertain that the nominee holding the Series 2016 B 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 2016 B 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 2016 B 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 2016 B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016 B 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 2016 B 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 2016 B 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 2016 B Bonds will be printed and delivered to DTC.

THE INFORMATION IN THIS APPENDIX F 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 2016 B BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE SERIES 2016 B BONDOWNERS OR REGISTERED OWNERS OF THE SERIES 2016 B BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 B 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 2016 B Bonds; (ii) the delivery to any Participant, Beneficial Owner of the Series 2016 B Bonds or other

person, other than DTC, of any notice with respect to the Series 2016 B Bonds; (iii) the payment to any Participant, Beneficial Owner of the Series 2016 B Bonds or other person, other than DTC, of any amount with respect to the principal of, premium, if any, or interest on, the Series 2016 B 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 2016 B Bonds are redeemed in part.

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APPENDIX G

Series 2016 B Green Project Highlights

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Green Bond Project Highlights
Projects to be Financed or Refinanced with Series 2016 B Bond Proceeds¹

Borrower	Principal Amount of Green Bond Proceeds²	Project Description	Percent of Loan Drawn³
Narragansett Bay Commission	\$23,000,000	The NBC financing includes (i) the construction of a blower building to house new blowers in order to supply a reliable source of air to the treatment processes at the Fields Point Wastewater Treatment Facility, (ii) the replacement of drives and other mechanisms plus miscellaneous improvements to the treatment plant at the Fields Point Wastewater Treatment Facility, (iii) the replacement of a portion of the Moshassuck Valley Interceptor, (iv) the continued design of the third and final phase of the CSO Abatement Facilities, and (v) other environmentally beneficial projects.	
Town of Barrington	\$3,000,000	The Barrington financing involves the closing/capping of two abandoned landfills and associated engineering work.	
Town of Bristol	\$2,500,000	The Bristol financing involves improvements and upgrades to the Town's wastewater treatment facility, sewage pumping stations, sewer system and biosolids composting facility.	
Town of Burrillville	\$2,600,000	The Burrillville project involves financing the design, construction, equipping, replacement, repair and rehabilitation of the Town of Burrillville's wastewater treatment plant, including but not limited to, the installation of a new phosphorus and copper treatment system to meet new permit limits for these parameters. This project will also include replacement of and/or improvements to the facility's preliminary, primary, secondary treatment and disinfection equipment. This loan will finance related design engineering and construction management costs.	
Town of East Greenwich	\$6,000,000	The East Greenwich project involves the rehabilitation of the rotating biological contactors and bar racks along with other miscellaneous improvements at the East Greenwich wastewater treatment facility.	
City of Newport	\$9,142,000	The Newport project involves the design and construction of the upgrades at the Newport Wastewater Pollution Control Facility.	

Town of Warren	\$1,700,000	The Warren project involves the design of Advanced Wastewater Treatment at the Warren Wastewater Treatment Facility to meet new discharge permit limits.
City of Warwick	\$8,000,000	The Warwick project involves the design and construction of sewers in Governor Francis Farms, East Natick/O'Donnell Hill and Bayside neighborhoods by the Warwick Sewer Authority and upgrades to nitrogen and phosphorus removal facilities, preliminary treatment, sludge and aeration systems, secondary treatment facilities, solids handling, and flood protection improvements at the wastewater treatment facility. The Governor Francis Farms and Bayside projects are expected to reduce pollutant loadings into Narragansett Bay by eliminating cesspools and/or failing or inadequately operating individual wastewater treatment systems. The East Natick/O'Donnell Hill project will reduce pollutant loadings to the Pawtuxet River Bay by eliminating cesspools and/or failing or inadequately operating individual wastewater treatment systems. The wastewater treatment facility project will reduce nutrient loadings to the Pawtuxet River.

¹ 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 G is subject to change.

² Amount may include costs of issuance

³ To be updated annually



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