



NARRAGANSETT BAY COMMISSION

ONE SERVICE ROAD. PROVIDENCE, RI 02905

**Approval to Enter Into Long-Term Debt and Issuance of
Revenue Bonds Not to Exceed \$30,000,000
State Revolving Fund (SRF) Loan**

October 6, 2006

Vincent Mesoletta, Jr.
Chairman

Paul Pinault
Executive Director

CERTIFICATE OF SERVICE

I, Karen L. Giebink, hereby certify that I have, this 6th day of October, 2006 caused a copy of the within application filed under Section 39-3-15 for the Narragansett Bay Commission to be served on all parties designed on the official service list in this proceeding.



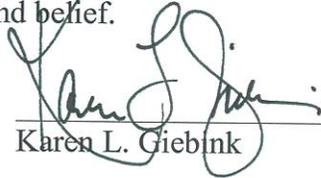
Karen L. Giebink,
Director of Administration and Finance

**IN RE:
NARRAGANSETT BAY COMMISSION
SRF Loan Approval**

NARRAGANSETT BAY COMMISSION

ATTESTATION

I, Karen L. Giebink, Director of Administration & Finance, hereby make affidavit that the testimony I presented on behalf of the Narragansett Bay Commission is true and correct to the best of my knowledge, information and belief.



Karen L. Giebink

STATE OF RHODE ISLAND
PROVIDENCE, SC.

Subscribed and sworn to before me on this 5th day of October 2006.



Notary Public 8/12/09

1 NARRAGANSETT BAY COMMISSION

2
3 **PRE-FILED DIRECT TESTIMONY**

4 **OF KAREN L. GIEBINK**

5
6
7 **Q. Please state your name and address.**

8 A. Karen L. Giebink. My business address is the Narragansett Bay Commission,
9 One Service Road, Providence, Rhode Island 02905.

10
11 **Q. For whom are you employed and what is your position?**

12 A. I am employed by the Narragansett Bay Commission (NBC) as its Director of
13 Administration and Finance.

14
15 **Q. For how long have you been so employed?**

16 A. I have been employed in this position since April 1997. I began my employment
17 with the NBC in 1989 and have held the positions of Policy Associate and Senior
18 Environmental Planner. The three years prior to my employment with the NBC I
19 worked as an analyst for the City of San Diego Water Utilities Department.

20
21 **Q. Have you previously testified before the Division of Public Utilities and
22 Carriers (Division)?**

23 A. Yes. I provided testimony in certain previous NBC requests for approval to enter
24 into long-term debt. I have also provided testimony in dockets 1968, 2216 and
25 3651 before the Public Utilities Commission (PUC).

26
27 **Q. What is the purpose of your testimony?**

28 A. To provide supplemental information regarding NBC's request.

29
30 **Q. What is the NBC requesting from the Division?**

31 A. The NBC is requesting Division approval to enter into long-term debt and issue
32 revenue bonds for an amount not exceed \$30 million at an interest rate not to

1 exceed a market rate of 4.7%, which would result in a projected blended
2 subsidized rate of 2.5%.

3

4 **Q. Can you describe this loan?**

5 A. This loan is from the Rhode Island Clean Water Finance Agency (RICWFA) and
6 will be used to fund capital projects. RICWFA is a state agency that administers
7 the State Revolving Loan Fund program that provides low interest loans to
8 qualified borrowers.

9

10 **Q. Has the Division approved other loans to NBC from RICWFA?**

11 A. Yes. The Division has approved twelve loans from RICWFA totaling
12 \$296,169,709 (Pool Loans I, II, III, IV, V, VI, VII, VIII, IX and contracts 201,401
13 and 601).

14

15 **Q. What will the loan proceeds be used for?**

16 The proceeds of this loan will be used to fund eligible projects in the NBC's
17 Capital Improvement Program including contracts 30206C, 30213C and 30214C
18 of the CSO Phase I Facilities Project. Additional projects that may be funded
19 with the loan proceeds in accordance with the authorizing resolution are the
20 financing the acquisition, design, evaluation, inspection, construction,
21 improvement, cleaning, installation, rehabilitation, furnishing and equipping of :
22 (i) the Phase I Combined Sewer Overflow (CSO) Facilities, (ii) the Phase II CSO
23 Facilities (iii) the Demolition of Field's Point Incinerating Facility, (iv) the Field's
24 Point Wastewater Treatment Facility Nitrogen Removal Facilities, (v) Bucklin
25 Point Biogas Microturbines (vi) Field's Point Wind Turbines (vii) a Site Specific
26 Study for the Metals Compliance Plan, (viii) Water Quality Monitoring, (ix) the
27 River Model Development, (x) the Asset Management System, (xi) the
28 Improvements to Air Piping and Splitter Box D, (xii) the Upgrade of the Field's
29 Point Operations Building and other miscellaneous improvements at various
30 locations, (xiii) the Bucklin Point Wastewater Treatment Facility Nitrogen
31 Removal (xiv) the Bucklin Point Wastewater Treatment Facilities Improvements

1 (xv) the Capital Management Operations and Management (CMOM) Plan
2 Development, (xvi) a System-Wide Facilities Plan, (xvii) the Washington
3 Highway, Omega and Central Ave. Pump Stations, (xviii) the Geographic
4 Information System (GIS) Implementation, (xix) the Lab Building Heating,
5 Ventilating and Air Conditioning Repairs, (xx) the Floatables Control Facilities,
6 and (xxi) Commission Interceptors (hereinafter referred to as the "Projects"); In
7 addition, proceeds will be used to pay RICWFA fees and bond issuance costs.
8

9 **Q. Other than approval from the Division, has the NBC met all of the**
10 **requirements needed to close on this loan?**

11 A. Yes, on June 29, 2006, the NBC applied for the loan. On September 27, 2006 the
12 NBC's Board of Commissioners passed a resolution authorizing the NBC to
13 borrow an amount not to exceed \$30 million under the SRF program administered
14 by the RICWFA (see Exhibit KG-1). On September 14, 2006 NBC received
15 notification from the RICWFA that the NBC's financing application was
16 approved subject to a number of terms (see Exhibit KG-2)
17

18 **Q. What is NBC's credit rating?**

19 A. NBC current long-term credit rating with Standard and Poor's is A+. A credit
20 rating review related to this loan will take place in the next few weeks.
21

22 **Q. How will this loan be structured?**

23 A. This loan will be structured as a blended rate loan, similar to NBC's last loan
24 from the RICWFA. This means that 50% of the loan will be made at the
25 subsidized interest rate of 1/3 off current market rates and 50% of the loan at zero
26 percent interest.
27

28 **Q. Why does the application reflect "not-to-exceed" figures for the interest rate?**

29 A. The pricing on the loan has not yet taken place. Given current market conditions
30 the RICWFA is confident that the stated interest rate for this loan will not exceed
31 4.7%. The RICWFA has provided the NBC with debt service schedules reflecting
32 a \$30 million loan at a blended rate of approximately 2.5% (see Exhibit KG - 3).

1 Final debt service schedules should be available shortly after the pricing on or
2 about November 28, 2006 and will be forwarded to the Division as soon as they
3 are available.

4

5 **Q. Do NBC's current rates generate sufficient revenue to fund the debt service**
6 **associated with this loan?**

7 A. NBC's current rates generate sufficient revenue to meet the debt service principal
8 and interest payments associated with this loan. NBC's current rates also
9 generate sufficient debt service coverage for the fiscal year ending June 30 2007,
10 however, they are insufficient to meet coverage requirements in subsequent years.
11 In accordance with the Report and Order from Docket 3483, the NBC filed for
12 rate relief related to debt service and debt service coverage with the Public
13 Utilities Commission ("Commission") on October 4, 2004. The new rates would
14 take effect on July 1, 2007 and generate the additional revenue required. It is
15 anticipated that the Commission's handling of the compliance rate filing will be
16 consistent with that of Docket 3639. Accordingly, it is further anticipated that the
17 Commission will schedule an evidentiary hearing on the matter in early
18 November 2006 and that a decision will be rendered shortly thereafter. The debt
19 service coverage schedule provided as Exhibit KG-4 shows that there is sufficient
20 capacity to finance the additional debt service and maintain the coverage
21 requirements assuming the rate increase is granted by the Commission.

22

23 **Q. When is this closing scheduled for this loan?**

24 A. The closing of this loan is scheduled for December 13, 2006.

25

26 **Q. Does this conclude your pre-filed testimony?**

27 A. Yes.

28

RESOLUTION NO. 2006- 26

RESOLUTION AUTHORIZING THE NARRAGANSETT BAY COMMISSION TO BORROW AN AMOUNT NOT TO EXCEED \$30,000,000 FROM THE RHODE ISLAND CLEAN WATER FINANCE AGENCY FOR THE PURPOSE OF FINANCING THE ACQUISITION, DESIGN, EVALUATION, INSPECTION, CONSTRUCTION, IMPROVEMENT, INSTALLATION, CLEANING, REHABILITATION, FURNISHING AND EQUIPPING OF THE PHASE I COMBINED SEWER OVERFLOW (CSO) FACILITIES, THE PHASE II CSO FACILITIES, THE DEMOLITION OF FIELD'S POINT INCINERATING FACILITY, THE FIELD'S POINT WASTEWATER TREATMENT FACILITY NITROGEN REMOVAL FACILITIES, BUCKLIN POINT BIOGAS MICROTURBINES, FIELD'S POINT WIND TURBINES, A SITE SPECIFIC STUDY FOR THE METALS COMPLIANCE PLAN, WATER QUALITY MONITORING, THE RIVER MODEL DEVELOPMENT, THE ASSET MANAGEMENT SYSTEM, THE IMPROVEMENTS TO AIR PIPING AND SPLITTER BOX D, THE UPGRADE OF THE FIELD'S POINT OPERATIONS BUILDING AND OTHER MISCELLANEOUS IMPROVEMENTS AT VARIOUS LOCATIONS, THE BUCKLIN POINT WASTEWATER TREATMENT FACILITY NITROGEN REMOVAL, BUCKLIN POINT WASTEWATER TREATMENT FACILITIES IMPROVEMENTS, THE CAPITAL MANAGEMENT OPERATIONS AND MANAGEMENT (CMOM) PLAN DEVELOPMENT, A SYSTEM-WIDE FACILITIES PLAN, THE WASHINGTON HIGHWAY, OMEGA AND CENTRAL AVENUE PUMP STATIONS, THE GEOGRAPHIC INFORMATION SYSTEM (GIS) IMPLEMENTATION, THE LAB BUILDING HEATING, VENTILATING AND AIR CONDITIONING REPAIRS, THE FLOATABLES CONTROL FACILITIES, AND COMMISSION INTERCEPTORS AND AUTHORIZING THE COMMISSION TO ISSUE AN AMOUNT NOT TO EXCEED \$30,000,000 REVENUE BONDS

WHEREAS, the Narragansett Bay Commission (the "Commission") desires to borrow an amount not to exceed Thirty Million Dollars (\$30,000,000) from the Rhode Island Clean Water Finance Agency (the "Agency") in accordance with Title VI of the Federal Clean Water Act and Title 46-12.2 of the Rhode Island General Laws, for the purpose of financing the acquisition, design, evaluation, inspection, construction, improvement, cleaning, installation, rehabilitation, furnishing and equipping of (i) the Phase I Combined Sewer Overflow (CSO) Facilities, (ii) the Phase II CSO Facilities (iii) the Demolition of Field's Point Incinerating Facility, (iv) the Field's Point Wastewater Treatment Facility Nitrogen Removal Facilities,

(v) Bucklin Point Biogas Microturbines (vi) Field's Point Wind Turbines (vii) a Site Specific Study for the Metals Compliance Plan, (viii) Water Quality Monitoring, (ix) the River Model Development, (x) the Asset Management System, (xi) the Improvements to Air Piping and Splitter Box D, (xii) the Upgrade of the Field's Point Operations Building and other miscellaneous improvements at various locations, (xiii) the Bucklin Point Wastewater Treatment Facility Nitrogen Removal (xiv) the Bucklin Point Wastewater Treatment Facilities Improvements, (xv) the Capital Management Operations and Management (CMOM) Plan Development, (xvi) a System-Wide Facilities Plan, (xvii) the Washington Highway, Omega and Central Avenue Pump Stations, (xviii) the Geographic Information System (GIS) Implementation, (xix) the Lab Building Heating, Ventilating and Air Conditioning Repairs, (xx) the Floatables Control Facilities, and (xxi) Commission Interceptors (hereinafter referred to as the "Projects");

WHEREAS, the Commission desires to issue an amount not to exceed Thirty Million Dollars (\$30,000,000) interest bearing revenue bonds for the purpose of evidencing the borrowing described above;

WHEREAS, prior to the issuance of the revenue bonds, the Commission will request that the Division of Public Utilities and Carriers approve the Commission's borrowing of an amount not to exceed \$30,000,000 and the Commission's issuance of an amount not to exceed \$30,000,000 in revenue bonds to evidence said borrowing; and

WHEREAS, the Commission may desire to issue temporary revenue notes in anticipation of the issuance of its revenue bonds.

NOW, THEREFORE, THE COMMISSION RESOLVES AS FOLLOWS:

1. The Chairman and the Executive Director are authorized to borrow, on behalf of the Commission, an amount not exceeding Thirty Million Dollars (\$30,000,000) from the Agency in accordance with Title VI of the Federal Clean Water Act and Title 46-12.2 of the Rhode Island General Laws, in order to finance the Projects. The Chairman and the Executive Director are also authorized, empowered and directed, on behalf of the Commission, to: (i) execute, acknowledge and deliver a loan agreement to the Agency representing such borrowing (the "Loan Agreement"), a fifth supplemental indenture (the "Fifth Supplemental Indenture") amending and supplementing the trust indenture dated as of April 15, 2004 by and between the Commission and J.P. Morgan Trust Company, National Association, as trustee, as amended and supplemented (the "Trust Indenture"), relating to the issuance of the Bonds or Notes (each defined below) and any and all other documents, certificates or instruments necessary to effectuate such borrowing and issuance; (ii) to fix the terms, conditions and details of the Loan Agreement and the Fifth Supplemental Indenture; (iii) to comply with any requirements, restrictions or covenants not contrary to applicable local, state or federal law, pursuant to the Loan Agreement, the Trust Indenture and the Fifth Supplemental Indenture, or as requested by the insurance company providing insurance, if any, for the Bonds and Notes as hereinafter defined or any bonds or notes of the Agency in connection with the Projects; (iv) to amend, modify or supplement the Loan Agreement, Trust Indenture or Fifth Supplemental Indenture and any and all other documents, certificates or instruments at any time and from time to time, in such manner and for such purpose as such officers shall deem necessary, desirable or advisable; (v) to execute, acknowledge and deliver any and all exhibits or other instruments as may be

required by the Loan Agreement, Trust Indenture or Fifth Supplemental Indenture or required for the issuance of the Bonds or Notes as hereinafter defined; and (vi) to do and perform all such other acts and things deemed by such officers to be necessary, desirable or advisable with respect to any matters contemplated by this resolution in order to effectuate said borrowing and the intent hereof.

2. Pursuant to Titles 46-12.2 and 46-25 of the Rhode Island General Laws and this Resolution, the Commission hereby authorizes the Chairman and the Executive Director, on behalf of the Commission, to issue an amount not to exceed Thirty Million Dollars (\$30,000,000) interest bearing revenue bonds for the purpose of evidencing the Loan in order to finance the Projects (the "Bonds").

3. The said officers from time to time may issue and refund not exceeding Thirty Million Dollars (\$30,000,000) interest bearing or discounted bond anticipation notes (the "Notes") in anticipation of the issuance of said Bonds.

4. The Bonds and Notes shall be issued by the Commission under its corporate name and seal or a facsimile of such seal. The Bonds and Notes shall be signed by the manual or facsimile signatures of the Chairman and the Executive Director. The manner of sale, denominations, maturities, interest rate or rates, medium of payment and other terms, conditions, and details of the Bonds and Notes authorized herein shall be fixed by the Chairman and the Executive Director as set forth in the Fifth Supplemental Indenture. The Bonds and Notes shall be privately placed with the Agency. The Chairman and Executive Director are hereby authorized to execute and deliver such other documents and take such other actions, including

the purchase of insurance for the Bonds and Notes, as may be necessary, desirable or advisable to effectuate the issuance of the Bonds and Notes.

5. The Commission hereby pledges its full faith and credit or such security as required under the Loan Agreement for the payment of the principal amount of the Bonds and Notes and the interest thereon. The Bonds and Notes shall have such security provisions as to parity or subordination and shall be in such series and designated as set forth in the Trust Indenture and the Fifth Supplemental Indenture. The Bonds and Notes shall not be deemed to constitute a debt or pledge of the faith and credit of the State or any municipality. Neither the State nor any municipality shall be obligated to pay the Bonds and Notes or the interest thereon, and neither the faith and credit nor the taxing power of the State or any municipality is pledged to such payment. The Commission may issue revenue bonds on a parity with these Bonds.

6. The Chairman and the Executive Director are authorized to execute and deliver one or more Continuing Disclosure Certificates in connection with the Bonds and Notes in such form as shall be deemed advisable by the Chairman and the Executive Director. The Commission hereby covenants and agrees that it will comply with and carry out all of the provisions of each Continuing Disclosure Certificate, as it may be amended from time to time. Notwithstanding any other provision of this Resolution or the Bonds or Notes, failure of the Commission to comply with the Continuing Disclosure Certificate shall not be considered an event of default; however, any bondholder or noteholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Commission to comply with its obligations under this Resolution and under the Continuing Disclosure Certificate.

7. This Resolution is an affirmative action of the Commission toward the issuance of the Bonds and Notes in accordance with the purposes of the laws of the State. This Resolution constitutes the Commission's declaration of official intent pursuant to the Treasury Regulation Section 1.150-2 to reimburse the Commission's Operation and Maintenance Fund for certain capital expenditures for the Projects paid on or after the date which is sixty (60) days prior to the date of this Resolution, but prior to the issuance of the Bonds or Notes. Such amounts to be reimbursed shall not exceed \$30,000,000 and shall be reimbursed not later than eighteen (18) months after the later of (a) the date on which the expenditure is paid, or (b) the date the applicable project is placed in service or abandoned but in no event later than three (3) years after the date the expenditure is paid.

8. The Commission agrees to take all lawful action necessary to ensure that the interest on the Bonds and Notes will remain exempt from federal income taxation to the extent provided in Section 103 of the Internal Revenue Code of 1986, as amended, and it agrees not to take any action which will cause interest on the Bonds and Notes to lose the benefit of the exclusion from gross income.

9. Any action to be taken by the Chairman or Executive Director pursuant to this Resolution may be taken by the Vice Chairman and Deputy Director, respectively.

10. This Resolution shall take effect upon its passage.



James M. Hagerty
Chairman

Anthony B. Simeone
Executive Director

September 14, 2006

Mrs. Karen L. Giebink
Director of Administration & Finance
Narragansett Bay Commission
One Service Road
Providence, RI 02905

RE: Narragansett Bay Commission
\$30 million CWSRF State Revolving Fund Loan

Dear Mrs. Giebink,

The Board of Directors of the Rhode Island Clean Water Finance Agency (the "Agency"), pursuant to policies and procedures adopted in accordance with Title VI of the Federal Clean Water Act and Title 46-12.2 of the Rhode Island General Laws, is pleased to inform you that the application from the Narragansett Bay Commission (the "Borrower") dated as of June 29, 2006 for financing through the Agency has been accepted at the Agency's August 21, 2006 Board Meeting, and in consideration of the receipt of the Certificate of Approval referred to below, the Agency shall provide financial aid in the form of a loan on the terms stated below, in an amount up to \$30,000,000 for a term not to exceed 20 years after project completion.

This approval is subject to NBC meeting the following terms:

- 1) that all projects to be funded appear on Department of Environmental Management's (DEM') Project Priority List and have Certificates of Approval issued;
- 2) that the loan comply with all federal, state, and Agency laws, rules and regulations;
- 3) that the loan and debt service requirements be approved by any applicable regulatory Agency;
- 4) that a revenue pledge satisfactory to the Agency be accepted;
- 5) that PUC approve the borrowing;
- 6) that a satisfactory loan agreement be signed by all parties to the transaction;

- 7) that loan will be made subject to availability of funds as related to the Agency's capacity; and
- 8) that loan will be made subject to ranking on DEM's Project Priority List.

TERMS AND CONDITIONS

(1) Certificate of Approval

Prior to disbursement of funds by the Agency, the Agency must be in receipt of Certificate(s) of Approval by the Rhode Island Department of Environmental Management (DEM) of the Borrower's proposed project(s), pursuant to Title 46-12 of the Rhode Island General Laws, and rules and regulations promulgated thereunder.

(2) Loan Agreement

There will be a loan agreement (the "Agreement") with the Borrower outlining the specific terms and conditions of the Agency's loan program, as more generally set forth below and in the agreement, including the loan (the "Loan") to the Borrower. The Borrower's repayment obligation to the Agency under the agreement will be evidenced by a Bond(s) of the Borrower outlining the Loan's specific terms and conditions (the "Bonds"). The Bonds shall be in fully marketable form, accompanied by documentation, in form and substance satisfactory to the Agency, and an opinion, in form and substance satisfactory to the Agency, of nationally recognized bond counsel satisfactory to the Agency as to its valid authorization, execution, delivery and enforceability, as well as its federal and state tax consequences, including an opinion that the bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The general provisions of the agreement, which will be more fully set forth prior to the time of the pricing of the loan by the Agency, will include (without limitation) the following provisions:

(a) Borrowing Rate

The stated interest rate on the Borrower Bond, which is the Borrower's market rate (the "Market Rate"), is the prevailing market tax-exempt interest rate for issuers of comparable creditworthiness to the Borrower, as determined by the Agency on the advice of the Financial Advisor after consultation with the Borrower. The subsidized interest rate for the Loan is 66 2/3% of the Market Rate (the "Subsidized Interest Rate"). The zero subsidized interest rate for the Loan is 50% of the Subsidized Interest

Rate (the "Zero Subsidized Interest Rate"). The Borrower will be obligated by the Borrower Bond to pay the Market Rate, but will be billed only for the Zero Subsidized Interest Rate. The Agency's Rhode Island Zero Interest Loan Fund (the "RIZILF") is used to pay the difference between the Subsidized Interest Rate and the Zero Subsidized Interest Rate. In the event the RIZILF is wholly or partially depleted, the Agency may be unable to pay the difference between the Subsidized Interest Rate and the Zero Subsidized Interest Rate, and in this event, the Agency may require the Borrower to pay up to the Subsidized Interest Rate. If the Borrower or other borrowers of the Agency should default in timely payment of debt service on the Loan or on the loans made to such other borrowers of the Agency, the Agency may require the Borrower to pay up to the Market Rate on the Borrower Bond.

Interest is to be calculated on the basis of a 360-day year and twelve thirty-day months, and may be capitalized during construction. Interest payments are semi-annually on March 1 and September 1.

(b) **Amortization**

Amortization will begin at a mutually agreed upon date, but in no case later than September 1 after completion of the construction of the projects. Principal payments will be made annually on September 1 and the schedule of payments will be structured to meet the debt service and financial assistance needs of the Borrower.

(c) **Final Maturity**

Loans shall mature no later than twenty years after the completion of the funded projects.

(d) **Prepayments**

A Loan may be prepaid by the Borrower at any time but may be subject to a prepayment penalty based on the rate of reinvesting the prepayment, the rate of prepaying outstanding bonds of the Agency or any other negative financial impact to the Agency.

(e) **Security**

Security - Loans will have 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 Agency deems

appropriate to protect the interests of the other participants in the loan programs of the Agency; bondholders; other creditors of the Agency; or the finances of the Agency.

(3) **Construction Progress Payments**

Progress payments for each construction project will be made through the Construction Proceeds Fund ("CPF"). Loan proceeds will be transferred to the CPF for the benefit of the Borrower based upon approved Requisition Forms submitted to the Agency. Upon receipt of the Requisition Form, the Agency will verify: a) that a Certificate of Approval has been issued by RIDEM; b) that the vendor is identified in the contract; and c) that there is sufficient availability in the CPF to make the payment. Payments will be made directly to the vendor and/or the Borrower for reimbursements by the Agency, and a "paid" stamped copy of the Requisition Form will be sent to the Borrower and RIDEM. RIDEM will perform periodic project inspections to a) monitor construction progress; b) verify eligibility of construction rates under the program; and c) ensure that construction is in conformity with Plans and Specifications. RIDEM will provide a copy of the inspection report to the Agency. Any adverse conditions will be reported to the Agency who will suspend further payments until the adverse conditions have been rectified. RIDEM will perform a final project inspection before the final payment is made by the Agency.

(4) **Reporting Requirements**

The Borrower will be required to provide information to the Agency during the life of the Loan. These are:

- (a) A copy of its annual audited financial statements in accordance with Generally Accepted Government Accounting Standards.
- (b) An annual analysis of operating revenues and expenses, including without limitation, a description of the status of the dedicated wastewater system revenues and/or general revenues and operating expenses in excess of budget and a schedule of current and projected user rates.
- (c) A copy of the annual budget of the Borrower, within fifteen days of its adoption.
- (d) An annual schedule of current and projected short term and long term debt service.
- (e) An annual schedule of Capital Replacement Reserves.

- (f) Copies of reports submitted to DEM, the federal Environmental Protection Agency ("EPA") and any other regulatory agency relating to any project financed by the Agency or the operation thereof.
- (g) An Accounting of all bond proceeds separately because, under the Tax Reform Act of 1986, all water and sewer districts may possibly have to rebate arbitrage profits regardless of whether they borrow through the Agency or otherwise. The \$5,000,000 "small issuer" exemption will not apply to water and sewer districts. Changes to the Code in 1989 do provide that if construction projects will be completed with bond proceeds spent on a specific timetable within two years, the Borrower may not be subject to the rebate provisions contained in the Internal Revenue Code and temporary regulations promulgated thereunder. The Borrower should review this issue with bond counsel.
- (h) Other information or reports that the Agency deems appropriate.

(5) **Compliance with State and Federal Law**

The Borrower must comply with all applicable state laws and regulations. Recipients of loans must also comply with all requirements of Title VI of the Federal Clean Water Act and regulations issued thereunder in addition to any other applicable federal laws and regulations.

In addition, the Borrower must agree to take all action, or refrain from taking any action, that would cause interest on any obligations of the Agency to be included, for federal income tax purposes, in the gross income of the holders of such obligations.

(6) **Fees**

An origination fee of the greater of \$1,000 or one percent (1%) of the principal amount of the Loan will be payable to the Agency by the Borrower at the time of the Loan's closing. All other costs incidental to the Borrower's role in the transaction, *i.e.* legal fees, financial advisory fees, bond insurance premiums and the like, will be paid by the Borrower. The Agency will charge an annual service fee of one-half of one percent (0.5%) of the Loan's outstanding principal, payable semi-annually at each interest payment date. A late payment fee will be charged for every 15 days that a payment is late of five percent (5%) of the amount of the late payment.

(7) **Financial Advisory Services**

This letter shall constitute an acknowledgement and consent to the provision of financial advisory services by First Southwest Company to the Borrower and to the Rhode Island Clean Water Finance Agency regarding the Borrower loan.

(8) **Modifications**

Where deemed appropriate by the Agency, waiver or variation of any provisions herein may be made or additional requirements may be added.

(9) **Merger**

Once the Agreement, the Bonds and all other closing documents, in form and substance satisfactory to the Agency, associated with the making of the Loan (collectively, the "Closing Documents") are executed, the terms of this letter shall be merged with those of the Closing Documents. The terms of the Closing Documents will govern the extension of the Loan to the Borrower. To the extent that any provisions contained in this letter are inconsistent with the definitive provisions contained in the Closing Documents, the terms of the Closing Documents shall control.

(10) **Beneficiaries**

This letter shall constitute a binding commitment between the Agency and the Borrower but no third party shall have any rights arising hereunder and the Borrower shall indemnify and hold the Agency harmless from any and all claims arising from or in connection with this letter, the Loan or the project financed thereby. In any case, the Agency's liability under this letter shall be limited to the amount held in the Borrower's CPF from time to time.

Two originals of this letter are enclosed. Please sign both and return one original to this Agency at 235 Promenade Street, Suite 119, Providence, RI 02908 and keep one original for your records.

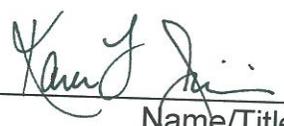
I would like to take this opportunity to thank you for your participation with the Agency. Please be assured that every effort will be made to get the lowest total cost for your long-term capital needs. If you have any questions, please do not hesitate to call this office.

Very truly yours,

RHODE ISLAND CLEAN WATER FINANCE AGENCY

By 
Anthony B. Simeone, Executive Director

Accepted this 19th day
of September, 2006

By  Director of Admin & Finance
Name/Title
Narragansett Bay Commission

Name and Address of Bond Counsel
to the Borrower

Mr. Jeffrey A. Memecek
Tillinghast Licht LLP
One Weybosset St.
Providence, RI 02903-2818

cc: Paul Pinault, NBC
Richard Bernier, NBC
Karen Grande, Tillinghast Licht Smith & Cohen
Maureen Gurghigian, First Southwest
Gerald T. Harrington, Esq., Agency Legal Counsel
Jay Manning, RI DEM

Rhode Island Clean Water Finance Agency

\$30,000,000.00

Narragansett Bay Commission Loan - Dated December 1, 2006

(Subsidized Rate + .50 Basis Points)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/30/2007	-	-	177,878.45	177,878.45
06/30/2008	1,193,000.00	2.210%	698,331.15	1,891,331.15
06/30/2009	1,220,000.00	2.220%	671,606.50	1,891,606.50
06/30/2010	1,247,000.00	2.230%	644,160.45	1,891,160.45
06/30/2011	1,275,000.00	2.250%	615,912.65	1,890,912.65
06/30/2012	1,304,000.00	2.260%	586,833.70	1,890,833.70
06/30/2013	1,335,000.00	2.290%	556,812.75	1,891,812.75
06/30/2014	1,366,000.00	2.300%	525,818.00	1,891,818.00
06/30/2015	1,397,000.00	2.320%	493,903.80	1,890,903.80
06/30/2016	1,430,000.00	2.340%	460,967.60	1,890,967.60
06/30/2017	1,464,000.00	2.360%	426,961.40	1,890,961.40
06/30/2018	1,500,000.00	2.380%	391,836.20	1,891,836.20
06/30/2019	1,536,000.00	2.400%	355,554.20	1,891,554.20
06/30/2020	1,573,000.00	2.420%	318,088.90	1,891,088.90
06/30/2021	1,612,000.00	2.430%	279,469.80	1,891,469.80
06/30/2022	1,652,000.00	2.440%	239,729.60	1,891,729.60
06/30/2023	1,693,000.00	2.460%	198,751.30	1,891,751.30
06/30/2024	1,735,000.00	2.460%	156,586.90	1,891,586.90
06/30/2025	1,778,000.00	2.470%	113,288.10	1,891,288.10
06/30/2026	1,822,000.00	2.470%	68,828.10	1,890,828.10
06/30/2027	1,868,000.00	2.480%	23,163.20	1,891,163.20
Total	\$30,000,000.00	-	\$8,004,482.75	\$38,004,482.75

Yield Statistics

Bond Year Dollars	\$331,046.00
Average Life	11.035 Years
Average Coupon	2.4179367%
Net Interest Cost (NIC)	2.4179367%
True Interest Cost (TIC)	2.4146075%
Bond Yield for Arbitrage Purposes	2.4146075%
All Inclusive Cost (AIC)	2.4503659%

IRS Form 8038

Net Interest Cost	2.4179367%
Weighted Average Maturity	11.035 Years

Exhibit KG 4

Narragansett Bay Commission
 Schedule of Debt Service Coverage including FY 2007 \$30 M SRF

Fiscal Year	Net Revenue Available for Debt Service	Current Debt Service	Coverage	Projected Debt Service Pool Loan 10	Total Debt Service	Debt Service Coverage
2007	32,529,274	23,380,987	1.39	177,878	23,558,865	1.38
2008	38,540,156	26,140,877	1.47	1,891,331	28,032,208	1.37
2009	38,540,156	26,350,128	1.46	1,891,607	28,241,735	1.36
2010	38,540,156	26,342,856	1.46	1,891,160	28,234,016	1.37
2011	38,540,156	26,236,371	1.47	1,890,913	28,127,284	1.37
2012	38,540,156	25,746,919	1.50	1,890,834	27,637,753	1.39
2013	38,540,156	25,281,718	1.52	1,891,813	27,173,531	1.42
2014	38,540,156	25,091,480	1.54	1,891,818	26,983,298	1.43
2015	38,540,156	24,637,794	1.56	1,890,904	26,528,698	1.45
2016	38,540,156	24,119,594	1.60	1,890,968	26,010,562	1.48
2017	38,540,156	23,698,727	1.63	1,890,961	25,589,688	1.51
2018	38,540,156	23,218,503	1.66	1,891,836	25,110,339	1.53
2019	38,540,156	22,737,289	1.70	1,891,554	24,628,843	1.56
2020	38,540,156	22,265,415	1.73	1,891,089	24,156,504	1.60
2021	38,540,156	21,758,575	1.77	1,891,470	23,650,045	1.63
2022	38,540,156	20,429,665	1.89	1,891,730	22,321,395	1.73
2023	38,540,156	16,352,473	2.36	1,891,751	18,244,224	2.11
2024	38,540,156	12,694,631	3.04	1,891,587	14,586,218	2.64
2025	38,540,156	11,572,541	3.33	1,891,288	13,463,829	2.86
2026	38,540,156	7,863,856	4.90	1,890,828	9,754,684	3.95
2027	38,540,156	9,534,250	4.04	1,891,163	11,425,413	3.37
2028	38,540,156	9,515,145	4.05	-	9,515,145	4.05
2029	38,540,156	9,499,168	4.06	-	9,499,168	4.06
2030	38,540,156	9,478,651	4.07	-	9,478,651	4.07
2031	38,540,156	9,467,782	4.07	-	9,467,782	4.07
2032	38,540,156	9,447,818	4.08	-	9,447,818	4.08
2033	38,540,156	9,430,681	4.09	-	9,430,681	4.09
2034	38,540,156	9,409,110	4.10	-	9,409,110	4.10
2035	38,540,156	9,390,217	4.10	-	9,390,217	4.10
2036	38,540,156	5,688,750	6.77	-	5,688,750	6.77
Total		\$ 526,781,971		38,004,483	\$ 564,786,454	

**IN RE:
NARRAGANSETT BAY COMMISSION
TARIFF FILING OF October 4, 2006**

NARRAGANSETT BAY COMMISSION

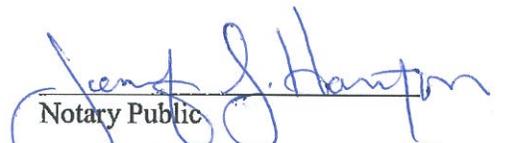
ATTESTATION

I, Maureen E. Gurghigian, Managing Director of First Southwest Company, hereby make affidavit that the testimony I presented on behalf of the Narragansett Bay Commission is true and correct to the best of my knowledge, information and belief.


Maureen E. Gurghigian

STATE OF RHODE ISLAND
PROVIDENCE, SC.

Subscribed and sworn to before me on this 4th day of October 2006.


Notary Public
My Commission Expires
On 4-18-2010

1 NARRAGANSETT BAY COMMISSION

2
3 **PRE-FILED DIRECT TESTIMONY**
4 **OF MAUREEN GURGHIGIAN**
5

6
7 **Q. Please state your name.**

8 A. My name is Maureen E. Gurghigian, Managing Director with First Southwest
9 Company.
10

11 **Q. Could you please describe your educational and employment background?**

12 A. I hold a masters degree in business administration from the University of Rhode
13 Island. Prior to joining First Southwest on June 8, 2001, I worked for 16 years at
14 Fleet Bank and/or Fleet Securities, all in municipal finance. From 1993 through
15 2000, I served as Manager of the New England Investment Banking Group of
16 Fleet Securities, Inc. Prior to joining Fleet, I spent 8 years in Rhode Island State
17 government, including four years as Director of the Governor’s Policy Office
18 under then Governor J. Joseph Garrahy.
19

20 Among other duties, I provide financial advisory services to issuers of municipal
21 debt, primarily in the State of Rhode Island. Annually, I am involved in more than
22 20 publicly offered bond issues. In addition, I have supervisory responsibility for
23 First Southwest’s involvement with borrowings by the State of Rhode Island,
24 numerous public agencies and 30 Rhode Island municipalities. Our office assists
25 clients with the origination of more than \$800 million in public financing issues
26 each year.
27

28 **Q. Can you describe the organization of First Southwest Company and the types
29 of services that it provides?**

30 A. During the past 60 years, First Southwest Company has served as financial
31 advisor to many issuers such as schools, cities, airports, hospitals, sports

1 complexes, water and wastewater authorities and districts and toll roads.
2 Currently the firm serves more than 2,000 municipalities and agencies, including
3 more than 400 in New England. Last year, the firm was involved in the issuance
4 of more than \$46 billion in securities on behalf of our clients, including nearly
5 \$18 billion as financial advisor.

6

7 **Q. Do you hold any special licenses or certifications?**

8 A. I am a registered Municipal Principal with the Municipal Securities Rulemaking
9 Board and hold the Series 52, 53 and 63 licenses.

10

11 **Q. Have you testified previously before the Rhode Island Public Utilities
12 Commission (RIPUC)?**

13 A. Yes. I have provided testimony before the RIPUC and/or the Division of Public
14 Utilities and Carriers on matters relating to the Pawtucket Water Supply Board,
15 the Providence Water Supply Board, the Kent County Water Authority and the
16 Narragansett Bay Commission (NBC).

17

18 **Q. What is your relationship with the NBC?**

19 A. I have served as financial advisor to the NBC for the past 17 years. I began
20 providing financial advisory services to NBC in 1989 while working for Fleet
21 Bank. In my capacity as NBC's financial advisor, I have assisted the NBC with a
22 number of long-term borrowings from the Rhode Island Clean Water Finance
23 Agency (RICWFA), several short-term borrowings, the \$70 million Variable Rate
24 Demand Bonds issued in April 2004 and the \$45 million Open Market Revenue
25 Bond Issue in August 2005. My services have included the facilitation of the
26 credit rating process, loan structuring and other functions.

27

28 **Q. What is the purpose of your testimony?**

29 The NBC requested that I provide additional information regarding their request
30 to enter into long-term debt and issue revenue bonds for an amount not exceed
31 \$30 million.

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Q. Would you please provide some background regarding NBC's proposed borrowing plan?

A. Over the past few years we have worked closely with the staff of NBC to develop a long term financing strategy that would allow NBC to meet the significant needs of its capital program while mitigating rate payer impact. As mentioned in the testimony of Karen Giebink, NBC's lowest cost form of financing its capital program is through subsidized low interest loans from the RICWFA. NBC's financing strategy maximizes the use of these loans, however, due to RICWFA lending capacity limitations, NBC has had to supplement the loans through the issuance of revenue bonds. NBC has issued \$70 million in Variable Rate Demand Obligations as well as \$45 million in revenue bonds. The request presently before the Division reflects the maximum amount of funding available to NBC from the RICWFA this year.

Q. Would you please address the structure and interest rate assumptions of this borrowing?

A. The loan is amortized over 20 years with final maturity in 2026. The amortization of this loan is also similar to prior loans from the RICWFA with slight modifications to ensure compliance with the Trust Indenture coverage requirements for the fiscal year ending June 30, 2007 and subsequent years. This loan will be structured as a blended rate loan, similar to NBC's last loan from the RICWFA. This means that 50% of the loan will be made at the subsidized interest rate of 1/3 off current market rates and 50% of the loan at zero percent interest. Based upon current market conditions, it is anticipated that the loan will not exceed a market rate of 4.7%, which would result in a projected blended subsidized rate of approximately 2.0% plus RICWFA service fees of 0.5%.

Q. Does the NBC anticipate the issuance of any other long-term debt this fiscal year?

1 A. Yes. The NBC has kept the RIPUC and the Division informed of the fact that the
2 RICWFA does not have sufficient loan capacity to finance NBC's entire Capital
3 Improvement Program (CIP). NBC's long-term finance model was recently
4 updated to reflect NBC's projected capital cash flows and balances. The model
5 assumes that NBC will borrow the maximum amount available from the
6 RICWFA in fiscal years 2007 and 2008 for a total of \$42 million. In addition,
7 NBC must borrow \$ 42.5 million in open market revenue bonds to fund the "gap"
8 between CIP funding needs and RICWFA capacity. It is my understanding that
9 NBC will seek Division approval of an open market revenue bond issue in a filing
10 later this fall.

11

12 **Q. Does this conclude your pre-filed testimony?**

13 A. Yes.

NARRAGANSETT BAY COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDING SEPTEMBER 30, 2006

OPERATING REVENUE	
User fees, residential	\$7,335,316.95
User fees, commercial and industrial	6,467,580.94
Sewer connection fees	73,033.00
Pretreatment fees	301,727.84
Environmental enforcement fees	37,524.55
Septage income	98,540.78
Miscellaneous	2,207.09
BOD/TSS Surcharge	15,187.22
Total Operating Revenues	<u>14,331,118.37</u>
OPERATING EXPENSES	
Personnel services	3,711,411.01
Operating and maintenance	1,608,374.20
Utilities	679,596.60
Supplies	244,305.50
Professional services	600,411.10
Depreciation and amortization	1,597,610.20
Miscellaneous	121,535.15
Total Operating Expenses	<u>8,563,243.76</u>
OPERATING INCOME	
	<u>5,767,874.61</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	458,491.85
Grant revenue	9,264.30
Interest expense	(2,234,991.33)
Late charge penalty	113,230.52
Miscellaneous nonoperating revenue	51,523.67
Bonds and notes issue cost	(4,030.00)
Total Nonoperating Revenue (Expenses)	<u>(1,606,510.99)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	
	4,161,363.62
Capital Contribution	<u>0.00</u>
CHANGE IN NET ASSETS	
	4,161,363.62
TOTAL NET ASSETS, BEGINNING	<u>256,627,965.32</u>
TOTAL NET ASSETS, ENDING	<u><u>\$260,789,328.94</u></u>

**NARRAGANSETT BAY COMMISSION
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

CURRENT ASSETS	
Cash and cash equivalents	\$16,015,189.57
Accounts receivable sewer use (net of allowance)	4,819,565.28
Accounts receivable sewer use unbilled	14,081,846.61
Receivables, other	22,439.38
Prepaid expense	345,920.98
Total Current Assets	<u>35,284,961.82</u>
NONCURRENT ASSETS	
Restricted assets	
Cash, environmental enforcement	119,183.81
Cash and cash equivalents, restricted	7,677,142.59
Cash and cash equivalents, restricted for the acquisition and construction of capital assets	19,595,215.10
Total Restricted Assets	<u>27,391,541.50</u>
Capital Assets	
Land	2,754,407.48
Plant and Equipment	72,144,263.73
Capital projects completed	240,498,484.33
Construction in Progress	343,654,387.19
	<u>659,051,542.73</u>
Less accumulated depreciation	<u>(96,124,459.97)</u>
Net Capital Assets	<u>562,927,082.76</u>
Other Assets	
Organization costs (net of accumulated depreciation)	75,530.92
Bond and loan issuance costs (net of accumulated amortization)	4,981,155.86
Total Other Assets	<u>5,056,686.78</u>
Total Noncurrent Assets	<u>595,375,311.04</u>
TOTAL ASSETS	<u>630,660,272.86</u>

**NARRAGANSETT BAY COMMISSION
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

CURRENT LIABILITIES	
Accounts and Contracts Payable	\$2,859,001.61
Accrued interest payable	576,786.90
Other accrued expenses	1,996,923.40
Unearned revenue	286,532.17
Total Current Liabilities	<u>5,719,244.08</u>
NONCURRENT LIABILITIES	
Long-term loans payable, net	247,669,035.17
Long-term leases payable, net	418,158.37
Long-term debt	116,064,506.30
Total Noncurrent Liabilities	<u>364,151,699.84</u>
TOTAL LIABILITIES	<u>369,870,943.92</u>
NET ASSETS	
Invested in capital assets, net of related debt	198,775,382.92
Restricted, environmental enforcement	119,183.81
Unrestricted	61,894,762.21
TOTAL NET ASSETS	<u><u>\$260,789,328.94</u></u>

RHODE ISLAND CLEAN WATER FINANCE AGENCY

CLEAN WATER STATE REVOLVING FUND

LOAN AGREEMENT

This AGREEMENT is entered into as of the ___th day of December, 2006 between the Rhode Island Clean Water Finance Agency (the "Agency") and the Narragansett Bay Commission (the "Borrower") in accordance with Title VI of the Federal Clean Water Act, Title 46-25 of the Rhode Island General Laws (the "Borrower Act"), and Title 46-12.2 of the Rhode Island General Laws (the "Act") in order to finance, to the extent of the aggregate amount of the loans made hereunder, a Water Pollution Abatement Project (the "Project") now being undertaken by the Borrower. The Project is described in Exhibit A.

ARTICLE I
THE LOAN

1.1. The Agency agrees to loan to the Borrower, and the Borrower agrees to borrow from the Agency, in accordance with the terms of this Agreement, the principal sum of Thirty Million Dollars (\$30,000,000) (the "Loan", which term shall include such lesser amount as shall equal the aggregate principal amount of all sums disbursed or deemed disbursed by the Agency to the Borrower hereunder from time to time), and the Borrower shall repay the Loan, with interest thereon, in annual installments as provided in this Agreement and in the form of the Revenue Bond, described below. The principal of the Loan shall be advanced hereunder by the Agency to the Borrower, or on its order, on a periodic basis, as requested by the Borrower, but not more frequently than bi-weekly, subject to the approval of the amount of each advance by the Agency and based on the Rhode Island Department of Environmental Management's ("DEM") periodic inspection and approval of completed construction.

1.2. The Loan shall be represented by a serial bond of the Borrower (the "Revenue Bond") issued under and in accordance with the applicable provisions of the Rhode Island General Laws, the Borrower Act and the Act and each principal advance shall be noted thereon or otherwise recorded in the records of the Agency. The Revenue Bond shall be issued in accordance with the Trust Indenture between the Narragansett Bay Commission and J.P. Morgan Trust Company, National Association, as Trustee (the "Borrower Trustee"), dated as of April 15, 2004, a First Supplemental Indenture thereto, dated April 15, 2004, a Second Supplemental Indenture thereto dated December 30, 2004, a Third Supplemental Indenture thereto dated August 4, 2005, a Fourth Supplemental Indenture dated December 15, 2005, and a Fifth Supplemental Indenture dated _____ (collectively, the "Narragansett Bay Commission Trust Indenture") which is incorporated herein and attached as Exhibit B hereto. The Revenue Bond shall be substantially in the form of Exhibit C hereto.

1.3. To fund all or a portion of the Loan, and other loans made to the Borrower or other borrowers, the Agency shall issue its Water Pollution Control Revolving Fund Revenue Bonds, Series 2006A (Pooled Loan Issue) (the "Agency Bonds") in one or more series, from time to time, under and pursuant to an Indenture of Trust (the "Indenture of Trust"), dated as of February 15, 1992, between the Agency and U.S. Bank National Association, (successor to State Street Bank and Trust Company successor to Rhode Island Hospital Trust National Bank), as Trustee (the "Trustee") as supplemented by a First Supplemental Indenture dated as of February 15, 1993, a Second Supplemental Indenture dated as of June 1, 1994, a Third Supplemental Indenture dated as of December 20, 1995, a Fourth Supplemental Indenture dated as of March 1, 1997, a Fifth Supplemental Indenture dated as of January 1, 1999, a Sixth Supplemental

Indenture dated as of January 1, 1999, a Seventh Supplemental Indenture dated as of August 1, 1999, an Eighth Supplemental Indenture dated as of October 1, 2000, a Ninth Supplemental Indenture dated as of April 1, 2002, a Tenth Supplemental Indenture dated as of October 1, 2002, an Eleventh Supplemental Indenture dated as of May 1, 2003, a Twelfth Supplemental Indenture dated as of November 1, 2003, a Thirteenth Supplemental Indenture dated as of December 1, 2004, a Fourteenth Supplemental Indenture dated as of December 1, 2004, a Fifteenth Supplemental Indenture dated as of December 15, 2005, and a Sixteenth Supplemental Indenture dated as of December ___, 2006 (the Indenture of Trust as supplemented is hereinafter referred to as the "Indenture") and the issuance of the Agency Bonds shall constitute a condition precedent to the obligations of the Agency under this Agreement. The Revenue Bond and this Agreement will be pledged and assigned to the Trustee as security for the Agency Bonds. If for any reason the Agency Bonds are not issued on or before December ___, 2006, the Borrower may by written notice delivered to the Agency cancel its obligation to borrow funds, accept the Loan or issue the Revenue Bond hereunder, except to the extent that it may have already done so.

1.4. A portion of the proceeds of the Agency Bonds and other funds of the Agency equal to the principal amount of the Loan, less, in each case, a loan closing fee (the "Loan Closing Fee") equal to (i) the Borrower's cost of issuance with respect to the issuance of the Revenue Bond plus (ii) one percent of the Loan, will be deposited in an account for the benefit of the Borrower in the Construction Proceeds Fund held by the Trustee under the Indenture (which fund may be referred to in certain other documents as the "Construction Proceeds Investment Fund"). Such deposit or deposits, together with the Loan Closing Fee, shall constitute the Loan.

The Agency, in its sole discretion, shall determine which funds available to the Agency shall be allocated to the Loan. In no event shall the Borrower's allocable share of the Agency's cost of issuance exceed that percentage of the total cost of issuance of the Agency which the Borrower's Loan is of all loans being made to all borrowers from the proceeds of the respective issue of Agency Bonds.

ARTICLE II THE REVENUE BOND

2.1. Payment of principal and interest shall be made by the Borrower as stated in Exhibit F attached hereto. The Subsidized Interest Rate is calculated based on a 33 1/3% interest subsidy from the Borrower's Market Rate. The Zero Subsidized Interest Rate is calculated based on 50% of the Loan at 0% interest and 50% of the Loan at the Subsidized Interest Rate. The Borrower will be obligated by the Revenue Bond to pay the Market Rate stated thereon but will be billed only for the Zero Subsidized Interest Rate, except in special circumstances as set forth below in Articles III and IV. The Borrower shall also pay to the Agency a loan servicing fee (the "Loan Servicing Fee") in the amount of one-half of one percent of the outstanding principal balance as stated in Exhibit F. The Agency's Loan Servicing Fee may be adjusted from time to time subject to the Agency Indenture, but no such adjustment shall have any effect on either the Subsidized Interest Rate, the Zero Subsidized Interest Rate or the Market Rate on the Revenue Bond.

2.2. Interest will be charged only on the principal amount of the Loan which has been advanced or deemed advanced to Borrower and is to be calculated on the basis of a 360-day year of twelve thirty-day months. 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 Agency 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 Agency in response to a Borrower's requisition made in accordance with Article VII hereof. The Agency shall furnish to the Borrower a monthly statement of Loan activity showing all amounts which have been advanced or deemed advanced pursuant to the terms of this Agreement. Notwithstanding the foregoing, in the event that the Borrower fails, for any reason whatsoever, to draw funds from the Construction Proceeds Fund to pay costs of its Project in accordance with the construction draw schedule provided by the Borrower to the Agency at the time of the making of the Loan, the Borrower shall pay to the Agency, as billed, all amounts reasonably incurred by the Agency on account of such failure to draw such funds in accordance with its established construction draw schedule, provided, however, in no event shall the amount billed exceed the amount the Borrower would have paid in interest at the Zero Subsidized Interest Rate as defined in Section 2.1 herein on the Loan had the Borrower drawn the funds in accordance with its established construction draw schedule; and further provided that the Borrower will not be billed in the event that the Borrower draws funds more quickly than set forth in the construction draw schedule.

2.3. Annual payments by the Borrower of the principal of the Loan will be made in accordance with the terms of the Revenue Bond. Principal payments will begin within one year after the estimated date of completion of construction of the Project as identified in the Project description in Exhibit A or in the case of a project completed prior to the issuance of the Revenue Bond, within one year after the Revenue Bond is issued. Principal payments will be

made annually on September 1 and the schedule of payments will be as shown in the form of the Revenue Bond. The initial scheduled completion date for the Project is stated in Exhibit A. 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.

2.4. 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 Revenue Bond. To the extent that the Revenue 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 Revenue Bond (which may be in the form of one or more additional bond anticipation notes) issued to refund or renew such bond anticipation notes.

2.5. The annual installments of principal and interest on the Loan shall be arranged so that the last payment of principal and interest is no later than twenty (20) years from the scheduled completion date of the Project as estimated at the time the Loan is made. If any portion of the Project which is separately identified on Exhibit A is not commenced or if, having been commenced, is abandoned or completed without the full amount of the Loan applicable thereto having been advanced, as of the scheduled completion date set forth in Exhibit A hereto, the balance of the undisbursed Loan applicable to such portion shall be deemed advanced as of such date and the Borrower shall be responsible for the payment of interest thereon. Notwithstanding that such balance is deemed advanced, it shall be retained by the Trustee and held under the Indenture in a separate account for the benefit of the Borrower and the principal amount thereof and all earnings thereon shall be applied in accordance with the terms of the Indenture. The Borrower shall be responsible for any shortfall in the earnings on the investment

of such funds as compared to the interest due on the respective Agency Bonds and the Borrower shall receive credit against principal or interest requirements on the Revenue Bond for payments of principal or interest on the Agency Bonds from the principal of or interest earnings on, respectively, such invested funds. 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, but the obligation of the Agency to make the Loan in that amount and the obligation of the Borrower to repay the Loan in that amount shall lapse and be without effect. In the case of such a lapse, the Agency 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, if less than the full principal amount of the Loan, and to make the appropriate notations on the Revenue Bond or otherwise in the records of the Agency, provided that failure to make such a notation or any error made in such a notation with respect to any Loan shall not limit the Borrower's payment obligations under this Agreement and the Revenue Bond. Such re-computation shall be as a pro-rata reduction of the debt service on the Revenue Bond. The Agency shall use its best efforts, consistent with the requirements of the Act, to identify other borrowers and to use the aforesaid undisbursed balance for the purpose of making other loans to such other borrowers.

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

2.7. The Revenue Bond, when delivered to the Agency shall be in fully marketable form accompanied by documentation in form and substance satisfactory to the Agency including an opinion of nationally recognized bond counsel acceptable to the Agency as to the valid authorization, execution, delivery and enforceability of the Revenue Bond and this Agreement. Said opinion shall include an opinion that interest on the Revenue Bond is not included in gross income for federal income taxation purposes. The Agency agrees that it will comply with Rule 15c-2-12 of the Securities and Exchange Commission and any other applicable securities laws.

ARTICLE III

LOCAL INTEREST SUBSIDY TRUST

3.1. The Agency has caused there to be created under the Indenture a fund known as the Local Interest Subsidy Trust Fund (the "LIST"), which is pledged as security for the Agency Bonds and which the Agency will use to pay the difference between the interest rate on Agency Bonds and the Subsidized Interest Rate for the Borrower and other borrowers. Pursuant to the Indenture, certain amounts in the LIST are allocated to the Borrower and other borrowers, although such allocation does not make such amount a part of the Loan or of the loans to other borrowers. If the Borrower or other borrowers should default in the timely payment of debt service on the Loan or on the loans made to such other borrowers, the LIST may be wholly or partially depleted and, in addition, the LIST may not generate sufficient income to pay the difference between the stated interest rate and the Subsidized Interest Rate. In the event of a default in payment by the Borrower or any other borrowers, the Agency may restore the LIST and cover its debt service obligations on the Agency Bonds by requiring the defaulting Borrower or defaulting other borrowers to pay up to the full stated interest rate on the Revenue Bonds or

bonds or notes representing the Loan or loans on which default has occurred until all accounts in the LIST are restored. The Indenture requires that certain LIST accounts not allocated to any borrower be exhausted first and that the LIST account allocated to the defaulting borrowers be exhausted second and that the accounts of the other borrowers then be charged on a pro-rata basis. If the payment default by any other borrowers continues beyond the point that the LIST account of the defaulting borrowers is exhausted (or will be exhausted as of the next payment of debt service on the Agency Bonds), the Borrower and other borrowers, each of whom is not in default, may be required to pay up to the full stated interest rate on the Revenue Bond or, in the case of other borrowers, on the notes representing loans to them. Such charge shall never affect the amount of the Loan which may be disbursed pursuant to Article VII, nor shall it affect the amount of principal which must be repaid on the Revenue Bond. The only effect shall be a requirement that the Borrower pay interest in excess of the Subsidized Interest Rate, but not in excess of the full interest rate stated on the Revenue Bond. Such requirement shall be prospective only and shall apply to payments of interest due after the Agency has given written notice to the Borrower of the circumstances which have caused such requirement to occur.

3.2. At such time as the default in payment referred to in paragraph 3.1. is cured or, through payment of the full stated interest rate the LIST is restored, the Agency shall again bill the Borrower only at the Subsidized Interest Rate. The Agency shall not be required to reimburse or credit the Borrower for any increase paid pursuant to this Article.

The obligation of the Borrower to pay the full stated interest rate upon the occurrence of the events stated in this Article does not constitute, and shall not be deemed to constitute for any purpose, a guarantee by the Borrower of the debt of any other person, or indemnification of the

Agency or a penalty of any kind or nature. Such obligation constitutes solely a matching of funds available to the Agency for interest rate subsidies to the interest rate requirement on the Agency Bonds.

ARTICLE IV
RHODE ISLAND ZERO INTEREST LOAN FUND

4.1 The Agency has caused there to be created a fund known as the Rhode Island Zero Interest Loan Fund (the "RIZILF") which the Agency will use to pay the difference between the Subsidized Interest Rate for the Borrower, as stated in Article II, Section 2.1 herein, and the Zero Subsidized Interest Rate, as stated in Article II, Section 2.1 herein. In the event the RIZILF is wholly or partially depleted, the Agency may be unable to pay the difference between the Subsidized Interest Rate and the Zero Subsidized Interest Rate, and in this event, the Agency may require the Borrower to pay up to the Subsidized Interest Rate. Such charge shall never affect the amount of the Loan which may be disbursed pursuant to Article VII, nor shall it affect the amount of principal which must be repaid on the Revenue Bond. The only effect shall be a requirement that the Borrower pay interest in excess of the Zero Subsidized Interest Rate, but not in excess of the Subsidized Interest Rate stated on the Revenue Bond. Such requirement shall be prospective only and shall apply to payments of interest due after the Agency has given written notice to the Borrower of the circumstances which have caused such requirement to occur.

4.2 In the event the LIST is wholly or partially depleted, as described in Article III above, the Agency may be unable to pay the difference between the Market Rate and the Subsidized Interest Rate. The Agency may, however, continue to pay the difference between the Subsidized Interest Rate and the Zero Subsidized Interest Rate as long as funds are available in the RIZILF.

4.3 In the event the RIZILF is wholly or partially depleted, as described in Section 4.1 above, the Agency may be unable to pay the difference between the Subsidized Interest Rate and the Zero Subsidized Interest Rate. However, should funds become available in the RIZILF, the Agency may again bill the Borrower at the Zero Subsidized Interest Rate. The Agency shall not be required to reimburse or credit the Borrower for any increase paid pursuant to this Article.

4.4 The obligation of the Borrower to pay the Subsidized Interest Rate upon the occurrence of the events stated in this Article does not constitute, and shall not be deemed to constitute for any purpose, a guarantee by the Borrower of the debt of any other person, or indemnification of the Agency or a penalty of any kind or nature. Such obligation constitutes solely a matching of funds available to the Agency for interest rate subsidies to the interest rate requirement on the Agency Bonds.

ARTICLE V

PLEDGE AND DEFAULT

5.1. In accordance with the Narragansett Bay Commission Trust Indenture, incorporated herein as Exhibit B, the Revenue Bonds shall be general obligations of the Borrower and the full faith and credit of the Borrower are pledged for the payment of the Principal Amount and Redemption Price and interest in the Revenue Bonds, subject to the provisions of the Narragansett Bay Commission Trust Indenture.

5.2 At any time, any Agency funds payable to the Borrower may be set off against and applied in payment of any obligations that are due hereunder. In the event of a default in the prompt and full payment when due of any installment of principal of or interest on a Revenue Bond issued under this Agreement, any Agency funds payable to the Borrower for the Project

may be held and treated as collateral security for the payment of the obligations hereunder. Any such funds applied or held shall be treated as additional principal advances under the Loan. In the event of set off, the Agency shall notify the Borrower of said set off and said funds will be applied to the annual payment due.

5.3 No delay or omission on the part of the Agency in exercising any right under the Revenue Bond or hereunder shall operate as a waiver of such right or of any other right under the Revenue Bond or hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

5.4 The Borrower will pay all reasonable costs of collection, legal expenses, and attorney's fees incurred or paid by the Agency in collecting or enforcing the Revenue Bond, this Agreement or any Loan made hereunder on default, except to the extent that a court of competent jurisdiction has determined that such costs, expenses and fees were not reasonably incurred.

5.5 If any payment due from the Borrower to the Agency shall not be paid in full when and as due, and provided that the Agency shall have given the Borrower written notice of or a bill for such payment not earlier than 45 days and not later than 30 days before the same is due, additional interest charges shall be made as a late payment fee which will be charged to the Borrower and due to the Agency. The late payment fee shall be five percent of the amount of the payment or portion thereof, which is late and will be charged every fifteen days, until the payment in question is received, or such lesser amount as shall be the maximum additional interest permitted by state law. The late payment fee shall not constitute a penalty or liquidated damages but shall constitute interest due on the Revenue Bond and is intended to compensate the

Agency for the costs and expenses incurred by it on account of each late payment, including but not limited to interest costs and accounting expenses.

5.6 This Agreement shall constitute a loan agreement within the meaning of Section 46-25-59(b) of the Borrower Act. All money received pursuant to the issuance of the Revenue Bond and as revenues, receipts and income shall be trust funds within the meaning of Section 46-25-61 of the Borrower Act.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

6.1. The Borrower, as consideration for the making of the Loan by the Agency represents and warrants as follows:

(i) it is a public corporation and is a "local government unit" of the state of Rhode Island as defined in the Act;

(ii) it is authorized to enter into this Agreement, to make the Loan and to issue the Revenue Bond and to undertake the Project;

(iii) at the time of or prior to the first disbursement hereunder, the Revenue Bond has been approved by the division of public utilities, as required by Section 46-25-58(m) of the Borrower Act;

(iv) the public utilities commission has approved sewer user fees, charges, rates or assessments which will be sufficient to meet the rate covenant contained in the Borrower Trust Indenture, as projected by the Borrower for the next five fiscal years;

(v) the Loan, the Revenue Bond and this Agreement have each been duly authorized by the Borrower and, when delivered at or prior to the time the Loan is made,

will constitute valid and binding obligations, enforceable in accordance with their terms;

(vi) there is no fact that the Borrower has not disclosed to the Agency in its application for the Loan or otherwise that materially adversely affects the properties, activities, financial condition or economic outlook of the Borrower or its ability to undertake the Project or repay the Loan;

(vii) there is no 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.

6.2. The Borrower shall confirm, as of the date of each construction disbursement made hereunder, the representations and warranties contained in clauses (i) through (v) of Section 6.1 and in addition at the time of each construction disbursement shall represent and warrant as follows:

(i) it is in compliance in all material respects with all laws, ordinances, rules and regulations affecting or relating to the Project;

(ii) it has used all previously disbursed Loan proceeds and will use all Loan proceeds to be disbursed to pay a portion of the costs of the Project or to reimburse itself for costs of the Project which it has paid and which have not been the subject of any prior disbursement;

(iii) it is not in material default hereunder, or under the Revenue Bond;

(iv) the extent, if any, to which the representations and warranties made in clauses (vi) and (vii) of Section 6.1 are no longer true and correct in all material respects; and

(v) the extent, if any, to which all representations and covenants made in any certificate furnished in connection with the delivery of the Revenue Bond, including certificates relating to disclosure of material information in connection with the sale of Agency Bonds and to the tax-exempt nature of interest on the Revenue Bond, are no longer true and correct.

ARTICLE VII

DISBURSEMENT

7.1. After the Loan is made pursuant to Section 1.4 of this Agreement, 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, as identified in Exhibit A, for which the Borrower has received and filed with the Agency a Certificate of Approval from DEM.

7.2. No more frequently than bi-weekly, Borrower may submit to the Agency a requisition for payment from the Construction Proceeds Fund held under the Indenture. Such requisition shall be accompanied by vendor, contractor or supplier invoices, or such other documentation as the Agency shall require, showing that each payee, the purpose and the aggregate amount of payments is within the project definition, all applicable DEM approvals and the total amount of the Loan. In the case of a requisition for the reimbursement of project costs paid in the first instance by the Borrower, the requisition shall additionally state that such costs

have not been the subject of any prior requisition and are within all applicable guidelines for reimbursement financing.

7.3. Except as provided below, when the Agency has reviewed any requisition and found it to be complete and proper, or has, in its sole discretion, waived any non-compliance, the Agency shall cause the Trustee under the Indenture to transfer the amount of such requisition to the Agency for the Borrower's account therewith. The Agency review of any requisition shall be completed within five (5) business days of its receipt. Upon receipt of such transfer and in any case within five (5) business days thereof, the Agency shall issue its check or checks to or on the order of the Borrower, in each case, for payment as specified in the requisition. The Agency shall establish procedures and shall use its best efforts to assure that the Trustee establishes procedures which will cause each duly submitted requisition to be paid within thirty days of its receipt by the Agency. If at the time of any requisition any of the following shall be true:

- (i) there shall then be a continuing Event of Default hereunder;
- (ii) the Agency 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) if the representations and warranties contained in clauses (vi) and (vii) of Section 6.1 and in clause (v) of Section 6.2 shall not be true and correct in all material respects as of the date of the requisition;

then the Agency shall have sole discretion as to whether to cause the Trustee to make such transfer and to issue any such check, as aforesaid. If the Agency has not previously been furnished with a copy of the DEM Certificate of Approval for the portion of the Project to which

the requisition relates and for such portion's inclusion in the Agency's loan program, no requisition shall be approved.

7.4. Notwithstanding Section 1.3 hereof, prior to the time that the proceeds of Agency Bonds are available to the Agency to make disbursements to the Borrower, the Agency may, subject to its discretion and the availability of funds, make disbursements to the Borrower as provided in this Article VII, whereupon all of this Agreement shall be in full force and effect with respect to such disbursement as if Agency Bonds had been issued. Section 1.3 shall continue to apply with respect to the undisbursed balance of the Loan and the exercise of discretion by the Agency to make any disbursement prior to the issuance of Agency Bonds shall not operate to require it to make any subsequent disbursement.

ARTICLE VIII

EVENTS OF DEFAULT

8.1. Failure of the Borrower to observe or comply with any obligation or covenant under this Agreement or in an Event of Default occurs under the terms of the Narragansett Bay Commission Trust Indenture, such failure or such occurrence shall constitute an Event of Default, without notice or demand of any kind whatsoever.

8.2. Failure of the Borrower to observe or comply with any other obligation or covenant under this Agreement shall constitute an Event of Default if the same shall continue for a period of thirty days after written notice thereof given to the Borrower by or on behalf of the Agency.

8.3. Upon the occurrence and continuation of an Event of Default, the Agency may take any and all action, at law or in equity, as it may deem appropriate to enforce this Agreement

and the Revenue Bond. In addition and not in limitation of all other rights which it may from time to time have, the Agency may, if an Event of Default under Section 8.1 has occurred and has continued for 30 days thereafter or if an Event of Default under Section 8.2 has occurred and is continuing, declare the entire principal of the Revenue Bond immediately due and payable, suspend all further construction progress payments and exercise its rights under Article IV hereof.

ARTICLE IX

COMPLIANCE AND REPORTS

9.1. The Borrower agrees to comply with all State and Federal Requirements with respect to carrying out the Project, including those requirements contained in:

- (i) Title VI of the Federal Clean Water Act;
- (ii) other Federal legislation or administrative rules applying to activities supported with Federal funds, including those listed in Exhibit D;
- (iii) the Act; and
- (iv) those sections of the Governor's Executive Order #85.4 relating to Minority Business Enterprises and Women's Business Enterprises.

The Borrower shall, for as long as is required by applicable law, submit to the Agency, on a timely basis, such reports and other information as the Agency may reasonably require to show that the Borrower is in compliance with all such requirements.

9.2. The Borrower will provide the following information to the Agency during the life of the Loan:

(i) a copy of its annual audited financial statements in accordance with Generally Accepted Government Accounting Standards, annually within 180 days of end of fiscal year.

(ii) unless included as a part of the annual budget or audited financial statement and furnished pursuant to item (iii), an analysis of operating revenues and expenses, including without limitation, a description of the status of all revenues securing the Revenue Bond and of any operating expenses in excess of budget, annually within 180 days of the end of fiscal year.

(iii) a copy of the annual budget of the Borrower, within fifteen days of its adoption

(iv) unless included as a part of the annual budget or audited financial statements and furnished pursuant to item (iii), a schedule of current and projected short-term and long-term debt service, annually with the aforesaid budget.

(v) unless included as a part of the annual budget or audited financial statements and furnished pursuant to item (iii), a schedule of capital replacement reserves, annually with the aforesaid budget.

(vi) copies of reports submitted to DEM, the federal Environmental Protection Agency ("EPA") and any other regulatory agency relating to any project financed by the Agency or the operation thereof, simultaneously with such submission.

(vii) during the construction period, an accounting of the monthly disbursements relating to the project, monthly within fifteen days.

(viii) such other information or reports as and when the Agency may reasonably

require.

9.3 At the time the Loan is made, the Borrower will be required to make certifications for federal tax purposes as to the ultimate use of Revenue Bond proceeds and the timing of expenditures. "Private activity bonds", as defined in Section 141 of the Internal Revenue Code of 1986, will not be acceptable to the Agency. Borrowers may be required to rebate certain investment profits to the federal government. The Borrower should review these issues with bond counsel in advance of any Loan.

9.4 To the extent permitted by law, so long as the Borrower shall constitute an obligated person with respect to the Agency 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 Agency (1) such financial information and operating data with respect to the Borrower at such times and in such forms as the Agency shall reasonably request in order to comply with the provisions of the Rule, and (2) when and if available, the Borrower agrees promptly to provide the Agency with its audited financial statements for each fiscal year.

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

ARTICLE X

MISCELLANEOUS

10.1. The Borrower shall, subject to local zoning ordinances, erect or cause there to be erected at the Project site, or at each principal component thereof if more than one physical site is involved, and shall maintain during the construction of the Project, a sign approved by the

Agency, as more completely described in Exhibit E having minimum dimensions of four feet by eight feet, identifying the State Revolving Loan Fund as a principal source of funding for the Project.

10.2 This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Agency.

10.3 This Agreement shall be construed in accordance with the laws of the State of Rhode Island, and is binding upon and inures to the benefit of the parties and their respective successors.

10.4 To the extent that a court of competent jurisdiction would enforce such agreement as not contrary to law or public policy, the Borrower shall indemnify the Agency against and hold the Agency harmless from any and all claims arising from or in connection with this Agreement, the Loan and the project financed thereby, except for such claims as may arise from the gross negligence or willful misconduct of the Agency or its officers and except for claims arising from the issuance and marketing of the Agency Bonds unless, and only to the extent, based on information furnished by the Borrower for use in connection therewith.

10.5 Except that this Agreement, the Loan and any Revenue Bonds may be assigned by the Agency for the benefit and security of the holders of bonds of the Agency, the parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

10.6 This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire agreement and understanding between the parties, and supersedes all prior agreements and understandings relating hereto. This Agreement shall constitute the loan agreement referred to in the Borrower's resolution adopted on September 27, 2006.

RHODE ISLAND CLEAN WATER
FINANCE AGENCY

By: _____
Executive Director

NARRAGANSETT BAY COMMISSION

By: _____
Chairman

By: _____
Executive Director

EXHIBIT A

DESCRIPTION OF THE PROJECT

I. NARRATIVE STATEMENT DESCRIBING THE PROJECT:

II. COSTS TO BE PAID FROM LOAN FOR EACH SEPARATELY IDENTIFIED PORTION OF THE PROJECT

1.	Reimbursement:	\$
2.	Construction Costs:	\$
3.	Costs of Issuance:	\$
4.	Capitalized Interest:	\$
5.	Loan Origination Fee:	\$

III. ESTIMATED COMPLETION DATE FOR THE PROJECT:

EXHIBIT B

NARRAGANSETT BAY COMMISSION TRUST INDENTURE

EXHIBIT C
THE REVENUE BOND FORM

EXHIBIT D

FEDERAL LAWS AND ADMINISTRATIVE REQUIREMENTS

I. Statutes

Age Discrimination Act, Public Law 94-135
Archeological and Historical Preservation Act of 1974, Public Law 93-291
Civil Rights Act of 1964, Public Law 88-352, as amended
Clean Air Act, 42 U.S.C. Sections 306 and 7506(c)
Clean Water Act, 33 U.S.C. 1250, et seq.
Costal Barrier Resources Act, 16 U.S.C. 3501, et seq.
Coastal Zone Management Act of 1972, Public Law 92-583, as amended
Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, as amended
Endangered Species Act, 16 U.S.C. 1531, et seq.
Farmland Protection Policy Act, 7 U.S.C. 4201, et seq.
Federal Water Pollution Control Act, Public Law 92-500, as amended
Fish and Wildlife Coordination Act, Public Law 85-624, as amended
National Historic Preservation Act of 1986, Public Law 89-665, as amended
Rehabilitation Act of 1973, Public Law 93-112, as amended
Safe Drinking Water Act, Public Law 92-523, as amended
Uniform Relocation and Real Property Acquisition Policies Act of 1970, Public Law 91-646, as amended
Wild and Scenic Rivers Act, Public Law 90-542, as amended

II. Executive Orders

E.O. #11246 (Equal Employment Opportunity)
E.O. #11250 (Rehabilitation)
E.O. #11593 (Protection and Enhancement of the Cultural Environment)
E.O. #11625 (Women's and Minority Business Enterprise)
E.O. #11738 (Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants or Loans)
E.O. #11914 (Rehabilitation)
E.O. #11988 (Floodplain Management)
E.O. #11990 (Protection of Wetlands)
E.O. #12138 (Women's and Minority Business Enterprise)
E.O. #12549 (Debarment and Suspension)

EXHIBIT E
SPECIFICATION FOR SIGNS

EXHIBIT F

BORROWER DEBT SERVICE AND FEE SCHEDULE