

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**IN RE: THE PAWTUCKET WATER SUPPLY BOARD
APPLICATION FOR BORROWING AUTHORITY**

DOCKET NO. D-15-

MAY 22, 2015



**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

IN RE: THE PAWTUCKET WATER SUPPLY BOARD

:

Docket No. D-15-

APPLICATION FOR BORROWING AUTHORITY

TABLE OF CONTENTS

1. Application For Borrowing Authority
2. Proposed Notice of Filing And Public Hearing.
3. Pre-Filed Testimony of James L. DeCelles.
4. Pre-Filed Testimony of Maureen Gurghigian.
5. Pre-Filed Testimony of Christopher P.N. Woodcock.
6. Appendix.
 - A. Capitalization Schedule
 - B. Pawtucket Water Supply Board Revenue Bond Trust Indenture:
 - C. Draft of the Eighth Supplemental Indenture; and
 - D. Draft of the Loan Agreement with RICWFA.

EXHIBIT 1

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

IN RE: THE PAWTUCKET WATER SUPPLY BOARD

Docket No. D-15-

APPLICATION FOR BORROWING AUTHORITY

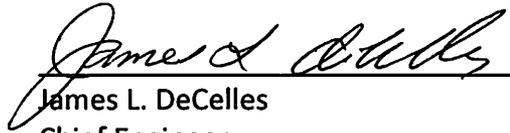
The Pawtucket Water Supply Board, hereby applies to the Division of Public Utilities and Carriers for authority pursuant to R.I.G.L. § 39-3-15, et. seq., to obtain financing for improvements to the Pawtucket Water Supply Board's distribution system. In support of this application, the Pawtucket Water Supply Board, by its authorized agent, represents that:

1. The Pawtucket Water Supply Board, a regulated utility in the State of Rhode Island, seeks to issue evidences of indebtedness, payable more than twelve (12) months from the date of issue for improvements to the Pawtucket Water Supply Board's distribution system.
2. The Pawtucket Water Supply Board seeks to obtain financing not to exceed five million nine hundred and seven thousand dollars (\$5,907,000) through revenue bonds to be sold by the Rhode Island Clean Water Finance Agency for the Rhode Island Safe Drinking Water State Revolving Fund. The proceeds will be used for improvements to the Pawtucket Water Supply Board's distribution system.
3. The borrowing and bonds issued in connection therewith will be secured by a pledge of the Pawtucket Water Supply Board's revenues.
5. In accordance with Section 14 of the Division of Public Utilities and Carriers' Rules of Practice and Procedure, written testimony and supporting exhibits are attached hereto, including the written testimony of James L. DeCelles, Maureen E. Gurghigian and Christopher P.N. Woodcock.
6. In accordance with Section 14 of the Division of Public Utilities and Carriers' Rules of Practice and Procedure, a copy of this application has been filed with the Rhode Island Office of Attorney General.

Wherefore, the Pawtucket Water Supply Board respectfully requests that the Division of Public Utilities and Carriers authorize and consent to the borrowing of an amount not to exceed five million nine hundred and seven thousand dollars (\$5,907,000) through revenue bonds. The Pawtucket Water Supply Board further requests that the Division of Public Utilities and Carriers grant all other relief it deem meet and just.

THE PAWTUCKET WATER
SUPPLY BOARD,

By:

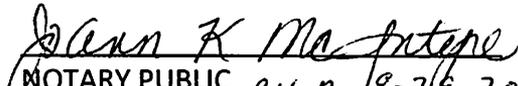


James L. DeCelles
Chief Engineer
85 Branch Street
Pawtucket, RI 02860

STATE OF RHODE ISLAND

COUNTY OF PROVIDENCE

In Pawtucket, RI on the 21st day of May, 2015, before me personally appeared James L. DeCelles to me known and known by me to be the party executing the foregoing instrument, and he acknowledged said instrument, by him executed, to be his free act and deed and the free act and deed of the Pawtucket Water Supply Board.



NOTARY PUBLIC exp 9-26-2016

CERTIFICATION

I, the undersigned, hereby certify that I mailed a true copy of the within to The Office of Rhode Island Attorney General on the 22nd day of May, 2015.



EXHIBIT 2

EXHIBIT 3



PREFILED TESTIMONY

Of

**JAMES L. DECELLES
CHIEF ENGINEER
PAWTUCKET WATER SUPPLY BOARD**

For

THE PAWTUCKET WATER SUPPLY BOARD

APPLICATION FOR BORROWING AUTHORITY

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

Docket NO. D-15-

1 **Q. Please provide your full name, title and business address for the record.**

2 A. James L. DeCelles, P.E., Chief Engineer, Pawtucket Water Supply Board, 85 Branch
3 Street, Pawtucket, RI 02860

4

5 **Q. How long have you been employed the Pawtucket Water Supply Board?**

6 A. I was hired as Assistant Chief Engineer on March 14, 2005, I assumed the duties of
7 Acting Chief Engineer in February 2006, and I became Chief Engineer as of June 20,
8 2007.

9

10 **Q. What are your responsibilities at the Pawtucket Water Supply Board?**

11 A. I serve as the general manager of the Pawtucket Water Supply Board (PWSB), which
12 includes water supply, treatment, and distribution systems. The Pawtucket Water
13 Supply Board serves a population of approximately 99,167 in the City of Pawtucket, the
14 City of Central Falls, and the Valley Falls section of the Town of Cumberland.

15

16 **Q. Can you provide a brief description of your previous work experience?**

17 A. From May 1988 to February 1990, I worked for the Rhode Island Department of
18 Environmental Management Division of Water Resources as a Junior Sanitary Engineer
19 responsible for design review and construction management. From 1990 to 2000 I held
20 the position of Water and Sewer Superintendant for the Town of North Smithfield. As
21 the Superintendant, I was responsible for the complete operation and maintenance of
22 the water and wastewater systems for the Town of North Smithfield. From 2000 to
23 2005, I was the Utilities Manager for the Town of North Attleboro, Massachusetts, and
24 was responsible for the management of the water and wastewater systems for the
25 Town.

26

27 **Q. What is your educational background?**

28 A. I hold a Masters Degree in Civil Engineering from Worcester Polytechnic Institute and
29 a BS in Environmental Engineering Technology from Norwich University.

1 **Q. Do you have any professional affiliations?**

2 A. I am a member of the Rhode Island Water Works Association, American Water Works
3 Association, and the New England Water Works Association. For the New England
4 Water Works Association, I am the Chairman of the Water Works Safety Practices
5 Committee and a member of the Board of Directors and Executive Committee. . I am
6 currently the president of the Rhode Island Water Works Association. I am also a
7 member of the American Society of Civil Engineers.

8

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

10 A. To support the Pawtucket Water Supply Board's Application For Borrowing Authority
11 for an amount not to exceed five million nine hundred and seven thousand dollars
12 (\$5,907,000) from the Rhode Island Clean Water Finance Agency ("RICWFA") to finance
13 improvements to the PWSB's distribution system.

14

15 **Q. Please describe these improvements.**

16 A. The PWSB will use the funds for its ongoing water main replacement program,
17 specifically Main Replacement Project 10 ("MR-10") that will replace approximately
18 33,000 linear feet of existing water pipes. The project consists mainly of replacing aging
19 6" and 8" unlined cast iron piping installed in the early 1900's. This piping has become
20 very tuberculated over the years and has resulted in decreased carrying capacity as well
21 as water quality problems. The new pipes will be cement lined ductile iron and will
22 significantly increase the flow capacity as well as eliminate water quality issues
23 associated with unlined cast iron. The replacement will also increase the fire-fighting
24 capabilities in these areas. This project has an estimated cost of approximately
25 \$5,389,413.

26

27 The PWSB identified this main replacement project in its capital program, and it is listed
28 on the Rhode Island Department of Health's Project Priority List. Therefore, the project
29 qualifies for a subsidized Drinking Water State Revolving Fund loan through the RICWFA.

1 **Q. Do these borrowings have any unusual features that may have a significant impact**
2 **on the Division's ability to regulate the PWSB?**

3 A. No, to my knowledge there are not.

4

5 **Q. Does this complete your testimony?**

6 A. Yes, it does

7

EXHIBIT 4

PREFILED TESTIMONY

Of

**Maureen E. Gurghigian
Managing Director
First Southwest Company**

For

**The Pawtucket Water Supply Board
Application For Borrowing Authority**

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

Docket NO. D-15-

1 **PRE-FILED TESTIMONY OF**
2 **MAUREEN E. GURGHIGIAN**

3
4 **Q: Please state your name and business address.**

5 A: My name is Maureen E. Gurghigian, and I am a Managing Director at First
6 Southwest Company's Lincoln, Rhode Island office.

7
8 **Q: Please describe your education and experience.**

9 A: I hold a Masters Degree in business administration from the University of Rhode
10 Island. I am a registered Municipal Principal with the Municipal Securities
11 Rulemaking Board, holding the following licenses: Series 52, Series 53 and Series
12 63. Prior to joining First Southwest in 2001, I worked in public finance for Fleet
13 Bank and/or Fleet Securities for sixteen years. From 1993 through 2000, I served
14 as Manager of New England Investment Banking at Fleet Securities, Inc. Before
15 joining Fleet, I spent eight years in Rhode Island State Government, including four
16 years as Director of the Governor's Policy Office under then Governor J. Joseph
17 Garrahy.

18
19 **Q. Can you describe First Southwest Company and the types of services that it
20 provides?**

21 A. Since 1946, First Southwest Company has served as financial advisor to many
22 municipal issuers such as schools, cities, airports, hospitals, sports complexes,
23 water and wastewater authorities and districts and toll roads. Currently the firm
24 serves more than 2,000 municipalities and agencies, including more than 400 in
25 New England.

26
27 **Q: Can you please describe your duties at First Southwest Company.**

28 A: I provide financial advisory services to issuers of municipal debt, primarily in the
29 State of Rhode Island. Annually, I am involved in more than 20 publicly offered

1 bond issues. In addition, I have supervisory responsibility for First Southwest’s
2 involvement with borrowings by the State of Rhode Island, numerous public
3 agencies and approximately 30 Rhode Island municipalities. Our office assists
4 clients with the origination of more than \$800 million in public financing issues on
5 average each year.

6

7 **Q: Have you previously testified before the Public Utilities Commission and Division**
8 **of Public utilities on rate related matters?**

9 A: Yes, I have provided testimony before the Public Utilities Commission and the
10 Division of Public Utilities and Carriers (“Division”) on behalf of the Narragansett
11 Bay Commission, Woonsocket Water Division, Pawtucket Water Supply Board and
12 the City of Newport, Water Division.

13

14 **Q: Please describe your role in this proceeding.**

15 A: I am providing assistance to the Pawtucket Water Supply Board (“PWSB”) and its
16 financing team for the proposed debt issuance through the Rhode Island Clean
17 Water Finance Agency (“RICWFA”). The PWSB asked me to provide information on
18 the debt service requirements for its proposed borrowing, and to respond to
19 questions related to its Application for Borrowing Authority.

20

21 **Q: Please discuss the PWSB’s financing plans.**

22 A. The PWSB seeks to obtain a loan of up to five million nine hundred and seven
23 thousand dollars (\$5,907,000) from the RICWFA Safe Drinking Water State
24 Revolving Fund (DWSRF) or as a direct loan for distribution main improvements.
25 Mr. DeCelles described these projects in his testimony, and I will provide the
26 details of the financing for these projects.

27

28

1 **Q. Can you explain how the financing will work for the (\$5,907,000) borrowing for**
2 **the distribution and miscellaneous system improvements?**

3 A. Yes. In accordance with the Safe Drinking Water Act Amendments of 1996, the
4 State of Rhode Island has created a Drinking Water State Revolving Fund
5 administered by the RICWFA to provide financial assistance to water suppliers.
6 This fund uses federal capitalization grants and state matching funds to provide
7 subsidized (25% below market-rate) loans to water suppliers for qualifying projects
8 listed on the Project Priority List maintained by the Department of Health. The
9 DWSRF has provided a significant portion of the funding for the PWSB's new Water
10 Treatment Plant and ongoing capital program. The RICWFA receives capitalization
11 grants from the federal government, State matching funds and sells bonds in the
12 public market and loans the proceeds to its drinking water borrowers pursuant to
13 loan agreements. The PWSB identified these projects in its capital program, and
14 they are listed on the Rhode Island Department of Health's Project Priority List.
15 Therefore, the projects qualify for a subsidized DWSRF loan through RICWFA.

16

17 **Q: What is the term of this borrowing and the applicable interest rate?**

18 A. The term is approximately 20 years. Once the PWSB fully draws down the
19 construction funds, it has 20 years to repay the loan. The full term including the
20 construction period is not expected to exceed 23 years. Based on current market
21 conditions, I anticipate that the loan will not exceed a market rate of 4.0%, which
22 would result in a projected subsidized rate of approximately 3.0%.

23

24 **Q: How will the funds from this borrowing be disbursed?**

25 A: Approximately \$5,389,413 million will be available for project funds,
26 approximately \$408,403 will be set aside in the debt service reserve fund and
27 approximately \$109,184 is allocated for costs of issuance on the local level,
28 including rating agency fees, bond counsel, financial advisor and trustee fees, and
29 the RICWFA origination fee.

1 **Q: What are the applicable schedules and deadlines for this financing?**

2 A: This borrowing is expected to close in June 2015. RICWFA requires that all
3 borrower approvals be in place prior to pricing loans. The expected pricing date is
4 on or about June 15, 2015. Thus, Division approval before this date would put the
5 PWSB in position to meet the RICWFA schedule.

6

7 **Q: What is the projected debt service for the contemplated new borrowings?**

8 A. The projected debt service for the new borrowings is displayed in the attached
9 Schedule MG-1. The PWSB's annual debt service is expected to increase by
10 approximately \$410,000 per year with the addition of the \$5,907,000 loan.

11

12 While Schedule MG-1 projects the impact of the new borrowing, it is subject to
13 change based on the actual construction costs, draw schedule and prevailing
14 interest rates at the time of borrowing. For purposes of this analysis, a market
15 rate of 3.887% and a subsidized rate of 2.499% have been used. As noted on page
16 3, we recommend a not to exceed rate of 4%, which would result in a subsidized
17 rate of approximately 3%.

18

19 It should also be noted that the draft Supplemental Indenture and Loan
20 Agreement contain principal forgiveness provisions. At this time, we do not know
21 if this loan will qualify for principal forgiveness, but if it does, it will lower the
22 PWSB's debt service costs.

23

24 **Q. Have any other documents been enclosed in this filing?**

25 A. Yes. Enclosed in the appendix to this filing are the following documents:

- 26 1. The Revenue Bond Master Trust Indenture;
27
28 2. A draft of the Eighth Supplemental Indenture; and
29
30 3. A draft of the Loan Agreement with RICWFA.

31

1 **Q: Are there any unusual features of the borrowing that may have a significant**
2 **impact upon the Division's ability to regulate the utility?**

3 A: No, to the best of my knowledge, there are not.

4

5 **Q: Does this complete your testimony?**

6 A: Yes it does.

Rhode Island Clean Water Finance Agency
2015 Drinking Water SRF Loan
Rates as of 4/1/2015 Plus 50 BP

Calculation of Borrower Rate
Pawtucket WSB- \$5.907M Admin Funds

Borrower:	Pawtucket WSB	Highest Rating:	A
Rate Lock Date:	04/01/15	MMD Scale:	Revenue-A
Closing Date:	06/17/15	Zero% Subsidy:	-
Pledge:	Revenue	DSR Required:	Yes

Maturity	Market Rate	Less 33% Subsidy	Subsidized Rate	Loan Rate	Plus Admin. Fee	Total Borrower Billing Rate
2015	1.240%	-0.410%	0.830%	0.830%	0.500%	1.330%
2016	1.100%	-0.370%	0.730%	0.730%	0.500%	1.230%
2017	1.620%	-0.540%	1.080%	1.080%	0.500%	1.580%
2018	2.150%	-0.720%	1.430%	1.430%	0.500%	1.930%
2019	2.480%	-0.830%	1.650%	1.650%	0.500%	2.150%
2020	2.570%	-0.860%	1.710%	1.710%	0.500%	2.210%
2021	2.710%	-0.900%	1.810%	1.810%	0.500%	2.310%
2022	2.960%	-0.990%	1.970%	1.970%	0.500%	2.470%
2023	3.140%	-1.050%	2.090%	2.090%	0.500%	2.590%
2024	3.250%	-1.080%	2.170%	2.170%	0.500%	2.670%
2025	3.230%	-1.080%	2.150%	2.150%	0.500%	2.650%
2026	3.530%	-1.180%	2.350%	2.350%	0.500%	2.850%
2027	3.750%	-1.250%	2.500%	2.500%	0.500%	3.000%
2028	3.920%	-1.310%	2.610%	2.610%	0.500%	3.110%
2029	4.050%	-1.350%	2.700%	2.700%	0.500%	3.200%
2030	4.150%	-1.380%	2.770%	2.770%	0.500%	3.270%
2031	4.240%	-1.410%	2.830%	2.830%	0.500%	3.330%
2032	4.290%	-1.430%	2.860%	2.860%	0.500%	3.360%
2033	4.090%	-1.360%	2.730%	2.730%	0.500%	3.230%
2034	4.100%	-1.370%	2.730%	2.730%	0.500%	3.230%

Rhode Island Clean Water Finance Agency
2015 Drinking Water SRF Loan
Rates as of 4/1/2015 Plus 50 BP

Sources & Uses

Pawtucket WSB- \$5.907M Admin Funds

Sources:

Admin Funds	5,907,000.00
Fed Direct - Prin Forgiveness Funds	-
Total Sources	<u>5,907,000.00</u>

Uses:

Admin Loan - Deposit to Construction Fund	5,389,413.20
Principal Forgiveness Funds	-
Deposit to DSRF	408,403.20
Capitalized Interest	-
Loan Origination Fee (1.0%)	59,070.00
Costs of Issuance - Local Level	50,113.60
Total Uses	<u>5,907,000.00</u>

Pawtucket WSB - Admin Loan Statistics (Exclusive of Fees):	
--	--

Weighted Average Maturity (Years)	10.9973
Market Yield on the Loan:	3.887%
Effective Yield* on Total Admin Loan	2.499%
Net Effective Subsidy:	35.697%

***Effective Yield incorporates:**

* 33% R&B Fund Interest Rate Subsidy

Rhode Island Clean Water Finance Agency
2015 Drinking Water SRF Loan
Rates as of 4/1/2015 Plus 50 BP

Construction Fund Cash Flow
Pawtucket WSB- \$5.907M Admin Funds

Date	Beginning Balance	Loan Proceeds Deposit	Cost of Issuance	Admin Loan Draws	DSRF & Cap-I	Total Draws	Ending Fund Balance	6-Month Const. Draws	% Spent
06/17/15	-	5,907,000.00	109,183.60	400,000.00	408,403.20	917,586.80	4,989,413.20		
07/01/15	4,989,413.20	-	-	550,000.00	-	550,000.00	4,439,413.20		
08/01/15	4,439,413.20	-	-	550,000.00	-	550,000.00	3,889,413.20		
09/01/15	3,889,413.20	-	-	550,000.00	-	550,000.00	3,339,413.20		
10/01/15	3,339,413.20	-	-	550,000.00	-	550,000.00	2,789,413.20		
11/01/15	2,789,413.20	-	-	550,000.00	-	550,000.00	2,239,413.20		
12/01/15	2,239,413.20	-	-	500,000.00	-	500,000.00	1,739,413.20	3,650,000.00	68%
01/01/16	1,739,413.20	-	-	450,000.00	-	450,000.00	1,289,413.20		
02/01/16	1,289,413.20	-	-	-	-	-	1,289,413.20		
03/01/16	1,289,413.20	-	-	-	-	-	1,289,413.20		
04/01/16	1,289,413.20	-	-	450,000.00	-	450,000.00	839,413.20		
05/01/16	839,413.20	-	-	200,000.00	-	200,000.00	639,413.20		
06/01/16	639,413.20	-	-	200,000.00	-	200,000.00	439,413.20	1,300,000.00	92%
07/01/16	439,413.20	-	-	200,000.00	-	200,000.00	239,413.20		
08/01/16	239,413.20	-	-	239,413.20	-	239,413.20	-		
09/01/16	-	-	-	-	-	-	-		
10/01/16	-	-	-	-	-	-	-		
11/01/16	-	-	-	-	-	-	-		
12/01/16	-	-	-	-	-	-	-	439,413.20	100%
01/01/17	-	-	-	-	-	-	-		
02/01/17	-	-	-	-	-	-	-		
03/01/17	-	-	-	-	-	-	-		
04/01/17	-	-	-	-	-	-	-		
05/01/17	-	-	-	-	-	-	-		
06/01/17	-	-	-	-	-	-	-	-	100%
07/01/17	-	-	-	-	-	-	-		
08/01/17	-	-	-	-	-	-	-		
09/01/17	-	-	-	-	-	-	-		
10/01/17	-	-	-	-	-	-	-		
11/01/17	-	-	-	-	-	-	-		
12/01/17	-	-	-	-	-	-	-	-	100%
01/01/18	-	-	-	-	-	-	-		
02/01/18	-	-	-	-	-	-	-		
03/01/18	-	-	-	-	-	-	-		
04/01/18	-	-	-	-	-	-	-		
05/01/18	-	-	-	-	-	-	-		
06/01/18	-	-	-	-	-	-	-	-	100%
07/01/18	-	-	-	-	-	-	-		
08/01/18	-	-	-	-	-	-	-		
09/01/18	-	-	-	-	-	-	-		
		<u>5,907,000.00</u>	<u>109,183.60</u>	<u>5,389,413.20</u>	<u>408,403.20</u>	<u>5,907,000.00</u>		<u>5,389,413.20</u>	

Rhode Island Clean Water Finance Agency
2015 Drinking Water SRF Loan
Rates as of 4/1/2015 Plus 50 BP

Loan Balance
Pawtucket WSB- \$5.907M Admin Funds

Date	Admin Loan Draws	Admin Loan Principal Paid	Admin Loan Balance	Interest (1) Accrued @ 2.230%	Semiannual Interest Requirements	Loan Fees @ 0.500%	Semiannual Loan Fees Payable
06/17/15	917,586.80	-	917,586.80	-	-	-	-
07/01/15	550,000.00	-	1,467,586.80	795.75	-	178.42	-
08/01/15	550,000.00	-	2,017,586.80	2,727.27	-	611.49	-
09/01/15	550,000.00	(1,000.00)	2,566,586.80	3,749.35	7,272.37	840.66	1,630.58
10/01/15	550,000.00	-	3,116,586.80	4,769.57	-	1,069.41	-
11/01/15	550,000.00	-	3,666,586.80	5,791.66	-	1,298.58	-
12/01/15	500,000.00	-	4,166,586.80	6,813.74	-	1,527.74	-
01/01/16	450,000.00	-	4,616,586.80	7,742.91	-	1,736.08	-
02/01/16	-	-	4,616,586.80	8,579.16	-	1,923.58	-
03/01/16	-	-	4,616,586.80	8,579.16	42,276.20	1,923.58	9,478.97
04/01/16	450,000.00	-	5,066,586.80	8,579.16	-	1,923.58	-
05/01/16	200,000.00	-	5,266,586.80	9,415.41	-	2,111.08	-
06/01/16	200,000.00	-	5,466,586.80	9,787.07	-	2,194.41	-
07/01/16	200,000.00	-	5,666,586.80	10,158.74	-	2,277.74	-
08/01/16	239,413.20	-	5,906,000.00	10,530.41	-	2,361.08	-
09/01/16	-	(251,000.00)	5,655,000.00	10,975.32	59,446.11	2,460.83	13,328.72
10/01/16	-	-	-	-	-	-	-
11/01/16	-	-	-	-	-	-	-
12/01/16	-	-	-	-	-	-	-
01/01/17	-	-	-	-	-	-	-
02/01/17	-	-	-	-	-	-	-
03/01/17	-	-	-	-	-	-	-
04/01/17	-	-	-	-	-	-	-
05/01/17	-	-	-	-	-	-	-
06/01/17	-	-	-	-	-	-	-
07/01/17	-	-	-	-	-	-	-
08/01/17	-	-	-	-	-	-	-
09/01/17	-	-	-	-	-	-	-
10/01/17	-	-	-	-	-	-	-
11/01/17	-	-	-	-	-	-	-
12/01/17	-	-	-	-	-	-	-
01/01/18	-	-	-	-	-	-	-
02/01/18	-	-	-	-	-	-	-
03/01/18	-	-	-	-	-	-	-
04/01/18	-	-	-	-	-	-	-
05/01/18	-	-	-	-	-	-	-
06/01/18	-	-	-	-	-	-	-
07/01/18	-	-	-	-	-	-	-
08/01/18	-	-	-	-	-	-	-
09/01/18	-	-	-	-	-	-	-
	<u>5,907,000.00</u>	<u>(252,000.00)</u>		<u>108,994.68</u>	<u>108,994.68</u>	<u>24,438.26</u>	<u>24,438.26</u>

(1) Interest rate represents the weighted average loan rate for the entire loan amortization.

Rhode Island Clean Water Finance Agency
2015 Drinking Water SRF Loan
Rates as of 4/1/2015 Plus 50 BP

Loan Debt Service
Pawtucket WSB- \$5.907M Admin Funds

Date	Principal	Loan Rate	(1) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
06/17/15							-
09/01/15	1,000.00	0.830%	(1) 7,272.37	1,630.58	8,902.95	9,902.95	9,902.95
03/01/16	-	-	42,276.20	9,478.97	51,755.17	51,755.17	-
09/01/16	251,000.00	0.730%	59,446.11	13,328.72	72,774.83	323,774.83	375,530.00
03/01/17	-	-	64,963.75	14,137.50	79,101.25	79,101.25	-
09/01/17	254,000.00	1.080%	64,963.75	14,137.50	79,101.25	333,101.25	412,202.50
03/01/18	-	-	63,592.15	13,502.50	77,094.65	77,094.65	-
09/01/18	258,000.00	1.430%	63,592.15	13,502.50	77,094.65	335,094.65	412,189.30
03/01/19	-	-	61,747.45	12,857.50	74,604.95	74,604.95	-
09/01/19	263,000.00	1.650%	61,747.45	12,857.50	74,604.95	337,604.95	412,209.90
03/01/20	-	-	59,577.70	12,200.00	71,777.70	71,777.70	-
09/01/20	268,000.00	1.710%	59,577.70	12,200.00	71,777.70	339,777.70	411,555.40
03/01/21	-	-	57,286.30	11,530.00	68,816.30	68,816.30	-
09/01/21	274,000.00	1.810%	57,286.30	11,530.00	68,816.30	342,816.30	411,632.60
03/01/22	-	-	54,806.60	10,845.00	65,651.60	65,651.60	-
09/01/22	281,000.00	1.970%	54,806.60	10,845.00	65,651.60	346,651.60	412,303.20
03/01/23	-	-	52,038.75	10,142.50	62,181.25	62,181.25	-
09/01/23	288,000.00	2.090%	52,038.75	10,142.50	62,181.25	350,181.25	412,362.50
03/01/24	-	-	49,029.15	9,422.50	58,451.65	58,451.65	-
09/01/24	295,000.00	2.170%	49,029.15	9,422.50	58,451.65	353,451.65	411,903.30
03/01/25	-	-	45,828.40	8,685.00	54,513.40	54,513.40	-
09/01/25	303,000.00	2.150%	45,828.40	8,685.00	54,513.40	357,513.40	412,026.80
03/01/26	-	-	42,571.15	7,927.50	50,498.65	50,498.65	-
09/01/26	311,000.00	2.350%	42,571.15	7,927.50	50,498.65	361,498.65	411,997.30
03/01/27	-	-	38,916.90	7,150.00	46,066.90	46,066.90	-
09/01/27	320,000.00	2.500%	38,916.90	7,150.00	46,066.90	366,066.90	412,133.80
03/01/28	-	-	34,916.90	6,350.00	41,266.90	41,266.90	-
09/01/28	329,000.00	2.610%	34,916.90	6,350.00	41,266.90	370,266.90	411,533.80
03/01/29	-	-	30,623.45	5,527.50	36,150.95	36,150.95	-
09/01/29	340,000.00	2.700%	30,623.45	5,527.50	36,150.95	376,150.95	412,301.90
03/01/30	-	-	26,033.45	4,677.50	30,710.95	30,710.95	-
09/01/30	351,000.00	2.770%	26,033.45	4,677.50	30,710.95	381,710.95	412,421.90
03/01/31	-	-	21,172.10	3,800.00	24,972.10	24,972.10	-
09/01/31	362,000.00	2.830%	21,172.10	3,800.00	24,972.10	386,972.10	411,944.20
03/01/32	-	-	16,049.80	2,895.00	18,944.80	18,944.80	-
09/01/32	374,000.00	2.860%	16,049.80	2,895.00	18,944.80	392,944.80	411,889.60
03/01/33	-	-	10,701.60	1,960.00	12,661.60	12,661.60	-
09/01/33	387,000.00	2.730%	10,701.60	1,960.00	12,661.60	399,661.60	412,323.20
03/01/34	-	-	5,419.05	992.50	6,411.55	6,411.55	-
09/01/34	397,000.00	2.730%	5,419.05	992.50	6,411.55	403,411.55	409,823.10
	<u>5,907,000.00</u>		<u>1,579,543.98</u>	<u>313,643.26</u>	<u>1,893,187.24</u>	<u>7,800,187.24</u>	<u>7,800,187.24</u>

(1) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.230%.

EXHIBIT 5



PREFILED TESTIMONY

Of

CHRISTOPHER P.N. WOODCOCK

For

THE PAWTUCKET WATER SUPPLY BOARD

APPLICATION FOR BORROWING AUTHORITY

**RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND
CARRIERS**

Docket NO. D-15-

1 **Introduction**

2 **Q: Please state your name and business address?**

3 A: My name is Christopher P.N. Woodcock and my business address is 18 Increase
4 Ward Drive, Northborough, Massachusetts 01532.

5

6 **Q: By whom are you employed and in what capacity?**

7 A: I am the President of Woodcock & Associates, Inc. a consulting firm specializing in
8 water and wastewater rate and financial studies.

9

10 **Prior Experience**

11 **Q: Please describe your qualifications and experience.**

12 A: I have undergraduate degrees in Economics and in Civil Engineering from Tufts
13 University in Medford, Massachusetts. After graduating in 1974, I was employed by
14 the environmental consulting firm of Camp, Dresser, and McKee Inc. (now CDM-
15 Smith). For approximately 18 months I worked in the firm's environmental
16 engineering group performing such tasks as designing water mains, sewer
17 collection and interception systems, pumping facilities and portions of a wastewater
18 treatment facility. From approximately January 1976, I worked in the firm's
19 management and financial consulting services group, gaining increasing
20 responsibility. At the time of my resignation, I was a corporate Vice President and
21 appointed the leader of the group overseeing all rate and financial studies. In my
22 career, I have worked on approximately 500 water and wastewater rate and
23 financial studies, primarily in the United States, but also for government agencies
24 overseas. I also have worked on a number of engineering and financial feasibility
25 studies in support of revenue bond issues, I have drafted and reviewed revenue
26 bond indentures, and I worked on several valuation studies, capital improvement
27 financing analyses, and management audits of public works agencies. In addition to
28 my professional experience I have held elected and appointed positions on
29 municipal boards overseeing public works functions.

30

31 **Q: Have you previously testified before state regulatory commissions or courts
32 on rate related matters?**

33 A: Yes, in addition to testimony in support of water rates submitted to the Rhode Island
34 Public Utilities Commission, I have provided testimony on rate related matters

1 before utility commissions in Massachusetts, Maine, Connecticut, New York, New
2 Hampshire, Maryland, Texas, and Alberta, Canada. I have also been retained as an
3 expert witness on utility rate related matters in proceedings in state courts in
4 Massachusetts, Michigan, California, Arkansas, Florida, New Jersey, Maryland,
5 Ohio, Virginia, and Pennsylvania, as well as the Federal Court in Michigan. I have
6 been selected to several arbitration panels related to disputes over water rates and
7 charges, I have provided testimony on rate related matters to the Michigan and
8 Massachusetts legislatures, and I have provided testimony at administrative
9 hearings on a number of occasions.

10
11 **Q: Do you belong to any professional organizations or committees?**

12 A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water
13 Works Association, the Massachusetts Water Works Association, the New England
14 Water Works Association, and the American Water Works Association. For the
15 Water Environment Federation, I was a member of the committee that prepared the
16 manual on Wastewater Rates and Financing. I am past chairman and a current
17 member of the New England Water Works Association's Financial Management
18 Committee. In my capacity as Past President of the New England Water Works
19 Association I also sat on the Board of Directors as well as chairing and sitting on a
20 number of other administrative committees. For the American Water Works
21 Association, I am past chairman of the Financial Management Committee and the
22 Rates and Charges Committee that has prepared the manuals on Revenue
23 Requirements, Water Rates, Alternative Rate Structures, and Water Rates and
24 Related Charges. I have been reappointed to and am currently the longest standing
25 member of the AWWA Rates & Charges Committee. I am currently leading the
26 preparation of the 7th Edition of AWWA's M1 Manual on Water Rates.

27
28 **Q: Are you the same Christopher Woodcock that has prefiled testimony on**
29 **behalf of the Pawtucket Water Supply Board in other rate filings?**

30 A: Yes I am.

31
32 **Purpose of Filing**

33 **Q: Please describe your role in this proceeding.**

1 A: I am testifying in support of the Application For Borrowing Authority filed with the
2 Division of Public Utilities and Carriers by the Pawtucket Water Supply Board
3 (“PWSB”).
4

5 **Q. The Pawtucket Water Supply Board seeks to borrow five million nine hundred
6 seven thousand dollars (\$5,907,000) in its Application For Borrowing
7 Authority. Will this borrowing have any adverse ratepayer impact?**

8 A. No, the PWSB is seeking to fund Main Replacement Project 10 (“MR-10”) through
9 the issuance of debt, and the borrowing will not adversely impact ratepayers.
10

11 **Q. Does the PWSB currently have sufficient rates to service this debt?**

12 A. Yes. Based on the debt service schedule attached to Ms. Gurghigian’s testimony,
13 and assuming the interest rates provided in her testimony, the current rates in
14 combination of the PWSB’s authorized debt service funding, and its debt service
15 stabilization fund balances provide sufficient revenues into FY 2016 to cover their
16 expected expenses.
17

18 **Q: Will the PWSB need an increase thereafter?**

19 A: Yes. The PWSB filed for a rate increase on February 4, 2015 (Docket # 4550).
20 That filing did not include any increase in the debt funding for FY 2016 over that
21 which was authorized in Docket #4171. However, the filing does include step
22 increases in FY 2017 and FY 2018 to fund this proposed bond issue and a
23 subsequent bond issue expected in FY 2016.
24

25 **Q: Does the PWSB just have to cover its expenses with rates?**

26 A: No it does not. Section 603 of the PWSB’s Trust Indenture requires it to “take all
27 actions within its power” to cover its costs (Subsection (1)) AND to provide at least
28 125% debt service coverage (Subsection (2)). In addition, for the PWSB to issue
29 new bonds, it must demonstrate that it has sufficient rates in place to show
30 coverage in future years (Section 205 (2) (iv) of the Trust Indenture).
31

32 The PWSB’s plan is to issue the \$5,907,000 2015 Series A bonds this June. It will
33 then need to borrow approximately \$4.9 million to fund Cleaning and Lining Project
34 6 (“CL-6”) in June 2016. In order to show the coverage required in Section 205 (2)

1 (iv) to issue the next bonds in June 2016, the PWSB must have a rate increase
2 approved by the Commission prior to the end of FY 2016. Without the increase that
3 is requested in Docket #4550, PWSB will not be able to demonstrate sufficient debt
4 service coverage to complete the financings for MR-10 and CL-6.

5

6 **Q: Pleased describe the impact that the proposed new rates will have on a typical**
7 **rate payer.**

8 A: As set forth above, the PWSB does not need to increase rates in FY16, so it will
9 have no impact on rates in FY16. However, under the proposed rates in Docket
10 4550, a typical residential customer would see an increase of about 8.4% or about
11 \$3.77 per month in FY 2017, and in FY 2018 , a typical residential customer would
12 see an increase of about 3% or about \$1.46 per month.

13

14 **Q. Does this conclude your testimony?**

15 A. Yes it does.

16

EXHIBIT 6

EXHIBIT A

PAWTUCKET WATER SUPPLY BOARD
CAPITALIZATION AS OF 4/30/2015

Long Term Debt:	Due:	Interest Rate:	Actual Outstanding 6/30/2014 (1)	Principal Paid thru 04/30/15	Actual Outstanding as of 04/30/15	Pro-forma Amount
General Obligation Bonds	7/1/2018	4.25% - 5%	149,800	40,000	109,800	109,800
General Obligation Bonds	7/1/2021	4% - 5%	203,089	19,600	183,489	183,489
RICWFA Series 2003A	9/1/2035	5%	19,340,000	0	19,340,000	19,340,000
RICWFA Series 2003B	9/1/2035	6%	7,655,000	0	7,655,000	7,655,000
RICWFA Series 2004A	9/1/2024	0.72% - 3.17%	28,235,000	2,185,000	26,050,000	26,050,000
RICWFA Series 2005A	9/1/2027	1.99% - 3.30%	24,384,000	1,386,000	22,998,000	22,998,000
RICWFA Series 2009A	9/1/2030	0.65% - 3.54%	5,264,000	233,000	5,031,000	5,031,000
RICWFA 2012 Direct Loan	9/1/2031	1.12% - 3.71%	6,904,000	297,000	6,607,000	6,607,000
RICWFA Series 2012A	9/1/2032	0.53% - 3.33%	1,877,000	78,000	1,799,000	1,799,000
RICWFA Series 2013A	9/1/2034	0.37% - 2.83%	8,644,000	1,000	8,643,000	8,643,000
Proposed RICWFA Loan						5,907,000
TOTAL CAPITALIZATION			102,655,889	4,239,600	98,416,289	104,323,289
Total Assets (1)			182,662,262		180,757,948	188,569,262
Debt/Total Assets			56.20%		54.45%	55.32%
Net Utility Plant (1)			152,485,020		143,677,816	152,485,020
Debt/Net Utility Plant			67.32%		68.50%	68.42%

(1) From Audited Balance Sheet amounts from the year ended 6/30/2014.

EXHIBIT B

TRUST INDENTURE

Between

CITY OF PAWTUCKET, RHODE ISLAND

and

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

securing

WATER SYSTEM REVENUE BONDS

Dated: December 30, 2003

TABLE OF CONTENTS

	<u>Page</u>
RECITALS AND GRANTING CLAUSES	1
ARTICLE I DEFINITIONS	3
Section 101. <u>Definitions</u>	3
ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS	14
Section 201. <u>Authority for the Indenture</u>	14
Section 202. <u>Indenture to Constitute Contract</u>	14
Section 203. <u>Authorization of Bonds</u>	15
Section 204. <u>[RESERVED]</u>	15
Section 205. <u>General Provisions for Issuance of Bonds</u>	15
Section 206. <u>Special Conditions Precedent to the Delivery of Refunding Bonds</u>	17
Section 207. <u>Bond Anticipation Notes</u>	18
Section 208. <u>Additional Security</u>	18
Section 209. <u>Subordinated Bonds</u>	19
ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS	20
Section 301. <u>Place and Medium of Payment, Form and Date</u>	20
Section 302. <u>Legends</u>	20
Section 303. <u>Execution and Authentication</u>	20
Section 304. <u>Interchangeability of Bonds</u>	21
Section 305. <u>Negotiability, Transfer, and Registry</u>	21
Section 306. <u>Bonds Mutilated, Destroyed, Stolen or Lost</u>	22
Section 307. <u>Preparation of Definitive Bonds, Interim Receipts and Temporary Bonds</u>	22
Section 308. <u>Cancellation of Bonds</u>	23
ARTICLE IV REDEMPTION OF BONDS	23
Section 401. <u>Privilege of Redemption and Redemption Price</u>	23
Section 402. <u>Redemption at the Election of the City</u>	23
Section 403. <u>Redemption Otherwise Than at City's Election</u>	24
Section 404. <u>Selection of Bonds to be Redeemed by Lot</u>	24
Section 405. <u>Notice of Redemption</u>	24
Section 406. <u>Payment of Redeemed Bonds</u>	24
ARTICLE V ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF	25
Section 501. <u>The Pledge Effected by the Indenture</u>	25
Section 502. <u>Establishment of Funds and Accounts</u>	25
Section 503. <u>Project Fund</u>	26
Section 504. <u>Revenue Fund</u>	28
Section 505. <u>Operating Fund</u>	31
Section 506. <u>Debt Service Fund</u>	31
Section 507. <u>Redemption Fund</u>	33
Section 508. <u>Debt Service Reserve Fund</u>	34
Section 509. <u>Rebate Fund</u>	36

Section 510. <u>Operation and Maintenance Reserve Fund</u>	36
Section 511. <u>Unrestricted Fund</u>	36
Section 512. <u>Investments</u>	37
Section 513. <u>Holding of Special Deposits</u>	38
ARTICLE VI PARTICULAR COVENANTS OF THE CITY	38
Section 601. <u>Powers as to Bonds and Pledge</u>	38
Section 602. <u>[RESERVED]</u>	39
Section 603. <u>Covenant as to Rates and Charges</u>	39
Section 604. <u>Sale, Lease or Encumbrance of System</u>	40
Section 605. <u>Operation, Maintenance and Reconstruction</u>	43
Section 606. <u>Insurance and Condemnation</u>	44
Section 607. <u>Creation of Liens, Other Indebtedness</u>	46
Section 608. <u>Annual Operating Budget</u>	47
Section 609. <u>Accounts and Reports</u>	48
ARTICLE VII DEFAULTS AND REMEDIES.....	49
Section 701. <u>Events of Default</u>	49
Section 702. <u>Application of Revenues and Other Moneys after Default</u>	51
Section 703. <u>Proceedings Brought by Trustee</u>	52
Section 704. <u>Restriction on Bondholders' Action</u>	53
Section 705. <u>Remedies not Exclusive</u>	53
Section 706. <u>Effect of Waiver and Other Circumstances</u>	54
ARTICLE VIII THE FIDUCIARIES	54
Section 801. <u>Trustee</u>	54
Section 802. <u>Paying Agents</u>	54
Section 803. <u>Depositories</u>	55
Section 804. <u>Responsibility of Fiduciaries</u>	55
Section 805. <u>Evidence on Which Fiduciary May Act</u>	55
Section 806. <u>Compensation</u>	56
Section 807. <u>Permitted Acts</u>	56
Section 808. <u>Resignation of Trustee</u>	56
Section 809. <u>Removal of Trustee</u>	56
Section 810. <u>Appointment of Successor Trustee</u>	57
Section 811. <u>Transfer of Rights and Property to Successor Trustee</u>	57
Section 812. <u>Merger or Consolidation</u>	58
ARTICLE IX SUPPLEMENTAL INDENTURES.....	58
Section 901. <u>Supplemental Indentures Effective upon Execution and Delivery</u>	58
Section 902. <u>Supplemental Indenture Regarding Ambiguities</u>	59
Section 903. <u>Supplemental Indentures Amending Indenture or Bonds</u>	59
Section 904. <u>Execution and Delivery of Supplemental Indentures</u>	59
ARTICLE X AMENDMENTS	59
Section 1001. <u>Mailing</u>	59
Section 1002. <u>Powers of Amendment</u>	59
Section 1003. <u>Consent of Bondholders</u>	60
Section 1004. <u>Modification by Unanimous Action</u>	61

Section 1005. <u>Exclusion of Bonds</u>	61
Section 1006. <u>Notation on Bonds</u>	61
ARTICLE XI DEFEASANCE.....	61
Section 1101. <u>Defeasance</u>	61
ARTICLE XII MISCELLANEOUS	63
Section 1201. <u>Evidence of Signatures of Bondholders and Ownership of Bonds</u>	63
Section 1202. <u>Preservation and Inspection of Documents</u>	63
Section 1203. <u>No Recourse on the Bonds</u>	63
Section 1204. <u>Partial Invalidity</u>	64
Section 1205. <u>Law and Place of Enforcement of the Indenture</u>	64
Section 1206. <u>Business Days</u>	64
Section 1207. <u>Effective Date</u>	64

TRUST INDENTURE

THIS TRUST INDENTURE (the "Indenture") dated as of December 30, 2003 is made by and between the CITY OF PAWTUCKET, RHODE ISLAND (the "Issuer" or the "City"), a municipal corporation organized and existing under the laws of the State of Rhode Island, the PAWTUCKET WATER SUPPLY BOARD, an instrumentality of the City, and J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION (the "Trustee"), a duly organized and validly existing under the laws of the State of Rhode Island authorized to exercise corporate trust powers:

W I T N E S S E T H:

WHEREAS, pursuant to the Act (defined below), the City is authorized to issue its revenue bonds, for the purpose of financing the Cost of Projects within the meaning of the Act and as defined below; and

WHEREAS, the City intends to issue its revenue bonds, potentially in several series (each a "Series of Bonds"), to provide funds to the City to finance, among other things, the Cost of Projects; and

WHEREAS, the City has determined that, in the issuance and sale of the Bonds, it will be acting to further the public purposes of the Act; and

WHEREAS, each Series of Bonds will be issued pursuant to a Supplemental Indenture which will provide for the terms of such Series of Bonds; and

WHEREAS, all things necessary to make the Bonds, when issued, executed and delivered by the City and authenticated by the Trustee, to the extent required pursuant to this Indenture, the valid, binding and legal special obligations of the City, and to constitute this Indenture as a valid assignment and pledge of the revenues herein pledged to the payment of the Principal Amount and Redemption Price of, if any, and interest on the Bonds and a valid assignment and pledge of certain rights of the City has been done and performed, and the creation, execution and delivery of this Indenture, and the execution, issuance and delivery of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of Principal Amount and Redemption Price of, if any, and interest on the Bonds according to their true intent and meaning, and all other amounts due from time to time under this Indenture, including those due to the Trustee, to secure the performance and observance of all of the covenants, agreements, obligations and conditions contained in the Bonds and in this Indenture, and to declare the terms and conditions upon and subject to which the Bonds are and are intended to be issued, held, secured and enforced and in consideration of the premises and the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the Bonds by the Bondholders and for other good and valuable consideration, the receipt of which is

acknowledged, the City has executed and delivered this Indenture and absolutely and irrevocably pledges and assigns to the Trustee and to its successors in trust, on the basis set forth herein, and its and their assigns, all right, title and interest of the City in and to the Trust Estate as defined in Article I;

TO HAVE AND TO HOLD unto the Trustee and its successors in trust and its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, and subject to the provisions hereof,

(a) for the equal and proportionate benefit, security and protection of all Bonds,

(b) for the enforcement of the payment of the Principal Amount and Redemption Price of, if any, and interest on the Bonds, and all other amounts due from time to time under this Indenture, including those due to the Trustee, when payable, according to the true intent and meaning thereof and of this Indenture, and

(c) to secure the performance and observance of and compliance with the covenants, agreements, obligations, terms and conditions of this Indenture,

in each case, without preference, priority or distinction, as to lien or otherwise except as provided herein, of any one Bond over any other by reason of designation, number, date of the Bonds or of authorization, issuance, sale, execution, authentication, delivery or maturity thereof, or otherwise, so that each Bond and all Bonds shall have the same right, lien and privilege under this Indenture and shall be secured equally and proportionately by this Indenture, it being intended that the lien and security of this Indenture shall take effect from the date hereof, without regard to the date of the actual issue, sale or disposition of the Bonds, as though upon that date all of the Bonds were actually issued, sold and delivered to purchasers for value; provided, however, that, upon satisfaction of and in accordance with the provisions of Article XI, the rights assigned hereby shall cease, determine and be void to the extent described therein; otherwise, such rights shall be and remain in full force and effect;

PROVIDED, FURTHER, that the pledge of the right, title and interest of the City in and to the Trust Estate is given subject to the right of the City to issue additional bonds secured on a parity basis with the Bonds by the Trust Estate; and

IT IS DECLARED that all Bonds issued under and secured by this Indenture are to be issued, authenticated and delivered, and that all Revenues (defined herein) assigned or pledged hereby are to be dealt with and disposed of under, upon and subject to, the terms, conditions, stipulations, covenants, agreements, obligations, trusts, uses and purposes provided in this Indenture; and the City has agreed and covenanted, and agrees and covenants with the Trustee and with each and all Bondholders, as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions. In this Indenture, unless a different meaning clearly appears from the context:

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

"Additional Security" shall have the meaning given such term in Section 208 hereof;

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

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

"Agency Bonds" shall mean any Series of Bonds issued pursuant to Section 203(1)(v) of this Indenture;

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

"Annual Budget" shall have the meaning given such term in Section 608 hereof;

"Authorized Officer" shall mean the Mayor and the City Treasurer of the City, the Chief Engineer and the Deputy Chief Engineer of the Pawtucket Water Supply Board and, when used in reference to an act or document, shall also mean any other person authorized by resolution of the City Council to perform such act or sign such document;

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

"Bond" or "Bonds" shall mean any of the Water System Revenue Bonds of the City authenticated and delivered under the Indenture (and, unless expressly stated to the contrary,

shall not include Subordinated Bonds; provided that the provisions of Article III, Article IV, Article VIII, Article IX, Article XI and Article XII shall be applicable to Subordinated Bonds);

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

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

"Capital Improvements" 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 City), 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 the System to be undertaken by the City during such Fiscal Year, the nature of the work, the estimated completion date of each Capital Improvement, the estimated Costs expected to be expended therefor in such Fiscal Year, and estimated disbursements from any Project Account or Renewal or Replacement Account in the Project Fund and, to the extent provided by the City, any other fund or account under or outside the 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;

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

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

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

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

"Compound Interest Bonds" shall have the meaning given such term in Section 203(5) hereof;

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

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

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

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

"Debt Service Assistance" shall mean any money received by or on behalf of the City under or pursuant to any agreement or on account of a grant or contribution, heretofore or hereafter made, in aid of, with respect to, or on account of debt service on debt incurred with

respect to the System excluding any interest subsidies received from the Agency on account of any of its leveraged loan programs;

"Debt Service Assistance Account" shall mean the account in the Debt Service Fund so designated and created pursuant to Section 502;

"Debt Service Fund" shall mean the fund so designated created by Section 502;

"Debt Service Fund Requirement" shall mean, as of any particular date of computation, the amount of money obtained by (i) aggregating the several sums, computed with respect to the Bonds of each Series Outstanding, of (A) any unpaid interest due on such Bonds at or before said date and all interest on such Bonds accrued but not due at said date, (B) the Principal Amount of any such Bonds matured and unpaid at or before said date, and (C) with respect to any Principal Installment of any Bonds not included in (B) above, but payable on the next succeeding Principal Installment payment date other than by reason of acceleration or redemption at the option of the City or the Holder of any Bonds, that portion of such Principal Installment determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to the date of such calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to such next succeeding Principal Installment payment date and (ii) deducting amounts on deposit in the Debt Service Assistance Account available to make such payments on such Bonds; provided, that for purposes of any such computation, the Principal Installments of and interest on the Bonds in any period shall, in the case of any Series of Agency Bonds, be limited to the Required Debt Service Fund Deposits set forth for such period in the applicable Supplemental Indenture;

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

Debt Service Assistance deducted from such calculation pursuant to clause (iii) above shall include only Debt Service Assistance actually received by the City during or on account of such period and deposited in the Debt Service Assistance Account or amounts in anticipation thereof transferred from the Revenue Fund or from general funds of the City and deposited in such account;

"Debt Service Reserve Fund" shall mean the fund so designated created by Section 502;

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

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

"Discount Bonds" shall have the meaning given such term in Section 203(3) hereof;

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

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

"Fixed-Rate Bonds" shall have the meaning given such term in Section 203(2) hereof;

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

The terms "herein", and "hereunder", "hereby", "hereof ", and any similar terms, refer to the Indenture as a whole; the term "heretofore" shall mean before the effective date of the Indenture, and the term "thereafter" shall mean after the effective date of the Indenture;

"Indenture" shall mean this Trust Indenture as the same may be amended or supplemented in accordance herewith;

"Insurance Reserve Fund" shall mean the fund so designated created pursuant to Section 502;

"Insurance Reserve Fund Requirement" shall have the meaning given to such term in Section 606;

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

"Operation and Maintenance Reserve Fund" shall mean the fund so designated and created by Section 502;

"Operation and Maintenance Reserve Fund Requirement" shall have the meaning given to the term in Section 608;

"Operating Fund" shall mean the fund so designated created by Section 502;

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

"Outstanding", when used with reference to Bonds or Subordinated Bonds, shall mean as of any particular date, all Bonds or Subordinated Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond or Subordinated Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the City or by any other

Fiduciary, at or before said date, (2) any Bond or Subordinated Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest to the maturity or redemption date, shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond or Subordinated Bond) and, except in the case of a Bond or Subordinated Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article IV, (3) any Bond or Subordinated Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to Article III, Section 406 or Section 1006, and (4) any Bond or Subordinated Bond deemed to have been paid as provided in Section 1101;

"Pawtucket Water Supply Board" shall mean the Water Supply Board of the City of Pawtucket, provided that if the Pawtucket Water Supply Board shall have by resolution authorized an authorized officer to perform an act or sign a document with respect to such act or signature "Pawtucket Water Supply Board" shall also mean such Authorized Officer and provided further that with respect to any successor body, agency, political subdivision or other instrumentality which shall hereafter operate the System, "Pawtucket Water Supply Board" shall mean such successor entity;

"Paying Agent" shall mean any paying agent or co-paying agent for Bonds 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" except as provided in any Supplemental Indenture, shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the funds held pursuant to this Indenture:

- (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America, and any certificates or receipts representing direct ownership of future interest or principal payments in such bonds or other obligations;
- (ii) public housing bonds issued by public agencies or municipalities and fully guaranteed as to the payment of both principal and interest by the United States of America; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the timely payment of both principal and interest by a requisition or payment agreement with the United States of America, or obligations issued by any state or any public agencies or municipalities which at the time of purchase are rated in either of the

two highest rating categories by each Rating Agency then maintaining a rating on such obligations;

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

Banks, Export-Import Bank of the United States, Federal National Mortgage Association, Government National Mortgage Association or any agency or Instrumentality of or corporation wholly owned by the United States of America; and

(x) Advance-Refunded Municipal Bonds.

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

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

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

"Project" shall mean a Capital Improvement, all or a portion of the Cost of which is financed by Bonds and in connection with the initial Bonds issued pursuant to the Indenture, the acquisition of the System by the City from the Pawtucket Public Buildings Authority;

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

"Project Fund" shall mean the fund so designated created by Section 502;

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

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

"Rating Agency" shall mean Fitch, Moody's Investors Service or Standard & Poor's and their respective successors and assigns and shall also include any other rating agency nationally

recognized for skill and expertise in rating the credit of obligations such as the Bonds or Subordinated Bonds;

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

"Redemption Fund" shall mean the fund so designated created by Section 502;

"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 205;

"Reimbursement Obligation" shall have the meaning given such term in Section 208;

"Required Debt Service Fund Deposits" shall mean, with respect to each Series of Agency Bonds, the amounts so designated pursuant to Section 204(1)(ix) of this Indenture and the applicable Supplemental Indenture;

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

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

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

"Revenue Fund" shall mean the fund so designated created in accordance with Section 502;

"Revenues" shall mean and include (except as otherwise expressly provided herein) (i) all income, fees, revenues, rates, receipts, assessments, rents, charges and other moneys, including any unrestricted fund balance attributable to the operation of the System, (a) derived by the City

from its ownership and operation of the System (including collections by or on behalf of the City on account of services and commodities furnished or supplied by the System prior to the effective date of the Indenture) or (b) derived from any other source, to the extent such moneys are deposited or required to be deposited to the Revenue Fund by the City from time to time pursuant to a Supplemental Indenture (provided that any such moneys shall not be considered Revenues for purposes of Section 603(2) of this Indenture unless at the time of the deposit thereof to the Revenue Fund an Authorized Officer shall have submitted to the Trustee a certificate designating such moneys as Revenues for such purpose) and (ii) all accounts, receivables, general intangibles and contract or other rights to receive the Revenues described in clause (i), whether existing at the effective date of the Indenture or thereafter coming into existence and whether held by the City 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 City or remitted to the City by the Agency (other than moneys held in the Rebate Fund and the Unrestricted Fund), receipts from fees, rates, assessments and other charges to any political subdivision of the State for services or commodities furnished or supplied by the System, proceeds of any grant or appropriation for or on account of Operating Expenses received by the City from the United States or the State or from any agency, instrumentality or political subdivision of either thereof, Debt Service Assistance and except to the extent otherwise provided herein, proceeds of the sale or other disposition of all or any part of the System and of insurance and condemnation awards received with respect to the System or any part thereof, but not including any amounts not deemed "Revenues" pursuant to Section 504(1) hereof;

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

"Series Debt Service Reserve Fund Requirement" shall mean, as of any date of calculation, the aggregate amount required to be deposited to the Debt Service Reserve Fund pursuant to the 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 City on such date for the retirement of any Outstanding Bonds or Subordinated Bonds of said Series which mature after said date, but does not include any amount payable by the City by reason of the redemption of Bonds or Subordinated Bonds at the election of the City or the Holders of such Bonds;

"Stabilization Account" shall mean the account in the Debt Service Fund established pursuant to Section 502;

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

"Subordinated Bonds" shall have the meaning given such term in Section 208 hereof;

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

"System" shall mean the system of water supply, treatment and distribution facilities of the City, together with any Capital Improvements or other additions to the System and substitutions for any part thereof heretofore or hereafter acquired or made by or on behalf of the City, and all other water supply facilities (as such terms are defined in the Act) of the City used in, or necessary or desirable for, the operation of such system, including but not limited to, artesian wells, reservoirs, dams, pipelines, treatment plants and related equipment;

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

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

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

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 201. Authority for the Indenture. The Indenture is authorized pursuant to Ordinance Chapter 2702 of the City Council of Pawtucket adopted on October 23, 2003.

Section 202. Indenture to Constitute Contract. In consideration of 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 City and the Holders from time to time of the Bonds and Subordinated Bonds, and the pledge made in the Indenture and the covenants and agreements therein set forth to be performed by or on behalf of the City shall be, subject to the provisions of Section 209, for the equal benefit, protection and security of the Holders of any and all of the Bonds and Subordinated Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof or of any of the Subordinated Bonds over any other thereof, except as expressly provided in or permitted by the Indenture.

Section 203. Authorization of Bonds.

(1) There is hereby authorized one or more Series of Bonds of the City to be designated as "Water System Revenue Bonds," which Bonds may be issued as hereinafter provided from time to time, without limitation as to amount except as provided in the Indenture or as limited by law. Bonds may be issued in accordance with this Section for the purpose of (i) acquiring the System, (ii) paying all or a portion of the Cost of any Project, (including the refinancing thereof), (iii) the making of deposits in all funds and accounts, excluding the Unrestricted Fund, established hereunder, (iv) the payment of Costs of Issuance and the discount, if any, payable upon issuance of such Series of Bonds, (v) the payment of the principal of and interest and premium, if any, on notes issued in anticipation of such Bonds, (vi) the securing of the City's repayment obligations with respect to, or sale to the Agency pursuant to, one or more Agency Loan Agreements or (vii) any combination of the foregoing. The Bonds may, if and when authorized by the City pursuant to one or more Supplemental Indentures, be issued in one or more Series, and within a Series, in one or more subseries or lots, and the designation thereof, in addition to the name "Water System Revenue Bonds," may include such further appropriate designations added to or incorporated in such title for the Bonds of any particular Series, subseries or lots as the City may determine. The Bonds may be issued as Fixed-Rate Bonds, Variable Rate Bonds, Tender Bonds, Compound Interest Bonds, or Discount Bonds or any combination thereof in accordance with applicable provisions set forth below and the applicable Supplemental Indenture.

(2) The City may issue Bonds hereunder which bear a fixed rate or rates of interest during the term thereof ("Fixed-Rate Bonds"). The applicable Supplemental Indenture shall specify the rate or rates of interest borne by such Bonds and the interest payment dates thereof.

(3) The City may issue Bonds which provide for the addition of all or any part of accrued and unpaid interest thereon to the principal due thereon upon such terms with respect thereto determined by an applicable Supplemental Indenture ("Compound Interest Bonds"). The City may issue Bonds which either bear a zero stated rate of interest or bear a stated rate of interest such that such Bonds are sold to the public on original issuance at a price less than the aggregate Principal Amount thereof in order to provide such yield thereon as deemed appropriate and desirable thereon by the City ("Discount Bonds"). In the applicable Supplemental Indenture for any Compound Interest Bonds or Discount Bonds, the City shall provide for the method of determination of the Principal Amount and "interest" payable on such Bonds as of any date of calculation and for the purposes hereof such terms with respect to such Bonds shall have the meanings given in such applicable Supplemental Indenture.

(4) For purposes of this Section, Bonds shall include Subordinated Bonds.

Section 204. [RESERVED].

Section 205. General Provisions for Issuance of Bonds:

(1) Bonds of any Series shall be authorized by a Supplemental Indenture which shall specify:

- (i) the authorized Principal Amount, designation, manner of numbering and lettering and Series of such Bonds;
- (ii) the date of such Bonds and the date or dates of maturity thereof;
- (iii) the Redemption Price or Prices and the time or times and other terms of redemption, if any, of any of such Bonds;
- (iv) the amount and date of each Sinking Fund Payment, if any, required to be paid for the retirement of any of such Bonds of like maturity;
- (v) the manner in which the proceeds, if any, of such Bonds are to be applied;
- (vi) the Project or Projects, if any, to be financed by such Bonds and the designation of a Project Account, if any, for the Bonds of such Series;
- (vii) the form or forms of the Bonds of such Series;
- (viii) the Series Debt Service Reserve Fund Requirement applicable to the Bonds of such Series;
- (ix) if the Bonds are Agency Bonds, the Required Debt Service Fund Deposits to be made to the Debt Service Fund in compliance with the applicable Agency Loan Agreement, taking into account any principal or interest subsidies available to the City in connection with such Agency Loan Agreement;
- (x) the minimum denomination, if any, applicable to the Bonds of such Series; and
- (xi) any other provisions deemed advisable by the City not in conflict with the Indenture.

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

- (i) written order signed by an Authorized Officer of the City as to the authentication and delivery of such Bonds;
- (ii) a copy of the applicable Supplemental Indenture executed by an Authorized Officer;
- (iii) an amount of moneys or Reserve Deposits in a stated amount such that following the issuance of such Bonds and application of their proceeds, the amounts on deposit in and the aggregate stated and unpaid amount of all Reserve Deposits

held as part of the Debt Service Reserve Fund shall equal the Debt Service Reserve Fund Requirement; provided, however, that the applicable Supplemental Indenture may provide that the Series Debt Service Reserve Fund Requirement attributable to any Series of Agency Bonds may be funded in substantially equal monthly installments over a period of time after issuance as specified in the applicable Supplemental Indenture (which period shall not exceed 24 months);

- (iv) a certificate of a Consulting Engineer or Certified Public Accountant selected by the City and satisfactory to the Trustee (a) setting forth the estimated annual Net Revenues for each of the three full Fiscal Years following the issuance of such Bonds (including the Fiscal Year in which such Bonds are issued), after giving effect to any increases or decreases in Rates and Charges projected to be in effect for such period, and to the Series Debt Service Reserve Fund Requirement attributable to such Bonds and to any additional Revenues projected to be available during such period, and (b) showing for each of such Fiscal Years that the estimated annual Net Revenues for such Fiscal Year together with amounts in the Stabilization Account, if any, available in such Fiscal Year (as calculated by an Authorized Officer at the time of issuance of such Bonds) will be at least equal to one hundred twenty-five percent (125%) (or such higher amount as may be set forth in the Supplemental Indenture authorizing the issuance of such Series of Bonds) of the Debt Service Requirement for such Fiscal Year; provided that the Consulting Engineer's or Certified Public Accountant's certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the City and approved by the Public Utilities Commission for such Fiscal Year on or before the date of such certificate;
- (v) if on the date of issuance of such Series of Bonds the City has any outstanding obligation to replenish the Debt Service Reserve Fund under Section 508(4), evidence that the City has made at least one monthly payment with respect to such obligation on or before the date required thereunder; and
- (vi) a certificate of an Authorized Officer stating that, as of the date of delivery of such Bonds, no Event of Default, as described in Section 701, has occurred and is continuing.
- (vii) evidence that all regulatory approvals required to issue the Bonds or to collect fees and charges sufficient to pay the Bonds have been obtained.

Section 206. Special Conditions Precedent to the Delivery of Refunding Bonds.

(1) One or more Series of Refunding Bonds may be issued in accordance with this Section for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

(2) A Series of Refunding Bonds shall be executed by the City and delivered to the Authenticating Agent for such Series of Bonds and by it authenticated and delivered to or upon the written order of the City, but only upon receipt by the Trustee of the documents required for the issuance of Bonds set forth in the Indenture, provided that in lieu of the certificate satisfying the conditions of Section 205(2)(iv) the City may deliver to the Trustee a certificate of an Authorized Officer setting forth the Debt Service Fund Requirement for each Fiscal Year in which Bonds are or will be Outstanding (a) computed immediately prior to the delivery of such Refunding Bonds and (b) computed immediately after the delivery of such Refunding Bonds, and stating that the Debt Service Fund Requirement in each Fiscal Year in which Bonds will be Outstanding as computed in clause (b) of this sentence will not be greater than the Debt Service Fund Requirement in each such Fiscal Year as computed in clause (a) of this sentence.

Section 207. Bond Anticipation Notes. Whenever the City shall authorize the issuance of a Series of Bonds, the City may by ordinance or resolution, as appropriate, authorize the issuance of notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such notes and renewals thereof shall be payable from any moneys of the City pledged therefor, from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Indenture. Subject to Section 607, the City may also pledge the Revenues to the payment of such notes. A copy of the ordinance or resolution, as appropriate, of the City authorizing such notes shall be delivered to the Trustee immediately following adoption, together with such other information concerning such notes as the Trustee may reasonably request.

Section 208. Additional Security. In addition to the security provided for the Bonds hereunder, in connection with the initial issuance of any Series of Bonds hereunder, the City may obtain or cause to be obtained letters of credit, lines of credit, insurance or similar obligations, agreements or instruments ("Additional Security") securing or providing for the payment of all or a portion of the Principal Installments or Redemption Price of, or interest due or to become due on, such Bonds or providing for the purchase of such Bonds or a portion thereof by the issuer or obligor of any such Additional Security. In connection therewith the City may enter into such agreements with the issuer of or obligor on such Additional Security providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Additional Security, which fees and expenses may be Costs of Issuance or Operating Expenses as appropriate, the terms and conditions of such Additional Security and the Series of Bonds affected thereby, and the security, if any, to be provided for the issuance of such Additional Security and the payments of such fees and expenses or the obligations of the City with respect thereto.

In addition to any security permitted hereunder, the City may secure its obligations with respect to any Additional Security by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the City in the applicable Supplemental Indenture. The City may also in an agreement with the issuer of or obligor on such

Additional Security agree to directly reimburse ("Reimbursement Obligations") such issuer or obligor for amounts paid under the terms of such Additional Security, together with interest thereon. Such Reimbursement Obligations may be secured by a lien on Revenues which, upon payment of amounts payable under the terms of such Additional Security and application of such amounts as provided in the agreements providing therefor, may be on a parity with the lien created by Section 501 hereof. So long as no amounts shall be paid under such Additional Security and such Reimbursement Obligations shall remain contingent, such Reimbursement Obligations shall not be taken in account hereof under the provisions of Section 603, provided the issuer of or obligor on such Additional Security may be deemed a Holder hereunder, including the Holder of all Bonds secured thereby, for the purposes of voting, giving consents, receiving notices and otherwise as may be specified in the applicable Supplemental Indenture. Upon the payment of amounts under the Additional Security which results in a Reimbursement Obligation becoming due and payable, such Reimbursement Obligation shall be deemed a Bond Outstanding hereunder for the purposes of Section 603 and for such other purposes hereunder as may be specified in the applicable Supplemental Indenture.

Section 209. Subordinated Bonds.

(1) The City may, subject to the conditions set forth in this Section 209, 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 hereof for the benefit of Bonds. Such Subordinated Bonds shall contain an express statement to the effect that payment of the principal of and interest on such Subordinated Bonds is subordinate in all respects to the payment of the principal of and interest on Bonds and that the lien and security interest on the Trust Estate established for the benefit of such Subordinated Bonds is subordinate in all respects to the lien and security interest on the Trust Estate created for the benefit of Bonds. Funds on deposit in the Debt Service Reserve Fund shall be excluded from the Trust Estate pledged for the benefit of such Subordinated Bonds and shall not be applied to the payment of principal of or interest on such Subordinated Bonds. The Supplemental Indenture with respect to any Subordinated Bonds may establish separate reserves for the benefit of such Subordinated Bonds (which may be excluded from the Trust Estate pledged for the benefit of Bonds), shall specify the terms and conditions applicable to such Subordinated Bonds, and shall make such amendments to this Indenture as are certified by an Authorized Officer of the City to be necessary to provide for the issuance of Subordinated Bonds, the payment thereof and the default and remedies provisions applicable thereto and to effect the subordination of payments with respect to such Subordinated Bonds to payments due on the Bonds.

(2) In the event that one or more Series of Outstanding Bonds has been assigned a rating by any Rating Agency, no Subordinated Bonds shall be issued pursuant to this Section 209 unless the City has provided (i) evidence to the Trustee that either (a) each such Rating Agency has confirmed in writing that such issuance of Subordinated Bonds will not adversely affect the ratings on each such Series of Outstanding Bonds provided by such Rating Agency or (b) each such Rating Agency has issued a rating on such Subordinated Bonds which is no lower than the rating assigned by such Rating Agency to any Series of Outstanding Bonds (which rating in each case is not based on Additional Security, if any, provided for such Series of Subordinated Bonds

or Series of Outstanding Bonds, as applicable) prior to such issuance or (ii) any other evidence satisfactory to the Trustee that such adjustment will not adversely affect the then current ratings, if any, assigned to any Outstanding Bonds by any Rating Agency. In the event that Outstanding Bonds have not been assigned a rating by any Rating Agency, any issuance of Subordinated Bonds under this Section 208 shall be conditioned upon the written approval of the Agency.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 301. Place and Medium of Payment, Form and Date.

(1) The Bonds of each Series shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts at the office of such Paying Agents as is specified in the applicable Supplemental Indenture. The interest on any Bonds may be paid by check, draft, wire transfer or other means as specified in the applicable Supplemental Indenture. The City may make provisions in the applicable Supplemental Indenture with respect to record dates for purposes of determining registered Holders for purposes of paying interest on any Bond.

(2) Unless otherwise provided in the applicable Supplemental Indentures the Bonds of each Series shall be issued in the form of fully registered bonds without coupons payable to a named person or registered assigns. All Bonds shall each be in the denomination of \$5,000 or any whole multiple thereof and shall be in the form provided in the applicable Supplemental Indenture. The City may provide in the applicable Supplemental Indenture for the issuance of the Bonds so authorized in book-entry form or in denominations less or more than \$5,000 upon the terms and conditions set forth therein together with such modifications to this Indenture as are necessary to the issuance of such Series of Bonds in such form.

(3) Bonds of each Series shall be dated as of the date or dates provided in the applicable Supplemental Indenture. Unless otherwise provided in the Supplemental Indenture, all Bonds of each Series shall bear interest from their date.

Section 302. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange, commission or board or brokerage board, or otherwise, as may be determined by the City prior to the authentication and delivery thereof.

Section 303. Execution and Authentication.

(1) The Bonds shall be executed in the name of the City by the manual or facsimile signature of the Mayor of the City and countersigned by the City Treasurer of the City (or by such other officers as may be authorized or required to execute the bonds under the Act) and its seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise

reproduced, and attested by the manual or facsimile signature of such officer. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been actually authenticated and delivered by the Authenticating Agent for such Bonds, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the City by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in the City, although at the date of the execution of the Bonds of such Series such persons may not have been so authorized or have held such office.

(2) The Bonds of each Series shall bear thereon a certificate of authentication, in substantially the following form, executed manually by the Authenticating Agent for such Series as specified in the applicable Supplemental Indenture. Only such Bonds as bear such certificate of authentication shall be entitled to any right or benefit under the Indenture and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee or such Authenticating Agent. Such certificate of the Authenticating Agent upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Indenture and the registered owner thereof is entitled to the benefits of the Indenture:

Certificate of Authentication

This bond is one of the Bonds described in the within-mentioned Indentures.

(Corporate name of Authenticating Agent)

By _____
Authorized Signatory

Section 304. Interchangeability of Bonds. Bonds, upon surrender thereof at the office of the Trustee, or, when authorized by the applicable Supplemental Indenture, any Paying Agent, with a written instrument of transfer satisfactory to the Trustee or such Paying Agent, duly executed by the Holder or his duly authorized attorney, may, at the option of the Holder thereof, be exchanged for an equal aggregate Principal Amount of Bonds of the same Series and maturity of any other authorized denomination.

Section 305. Negotiability, Transfer, and Registry.

(1) All the Bonds issued under the Indenture shall be negotiable, subject to the provisions for registration and transfer contained in the Indenture and in the Bonds. So long as any of the Bonds shall remain Outstanding, the City shall maintain and keep, at the Principal Office of the Trustee, who shall be registrar for the Bonds, books for the registration and transfer of each Series of Bonds; and upon presentation thereof for such purpose at said office, or at the

Principal Office of such other Paying Agent, if any, as may be specified in the applicable Supplemental Indenture, the City shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee or Paying Agent may prescribe, any Bond entitled to registration or transfer.

(2) Each Bond shall be transferable only upon the books of the City in the manner provided in the form of such Bonds. As to any Bond, the City and each Fiduciary may deem and treat the person in whose name the Bond shall be registered upon the books of the City as the absolute owner of such Bond, whether such Bond shall be overdue or not for the purpose of receiving payment of, or on account of, the Principal Amount or Redemption Price of and interest on such Bond and for all other purposes, and neither the City nor any Fiduciary shall be affected by any notice to the contrary. The City, to the extent permitted by law, agrees to indemnify and save each Fiduciary harmless from any and all loss, expense, judgment of liability incurred by it, acting in good faith and without gross negligence hereunder, in so treating such registered owner.

(3) All Bonds surrendered in any exchange or transfer of Bonds shall forthwith be canceled by the Authenticating Agent. For every such exchange or transfer of Bonds, whether temporary or definitive, the City, the Trustee or the Authenticating Agent for the Bonds of such Series may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. The City shall not be obligated to make any such exchange or transfer of Bonds of any Series during the 10 days next preceding an interest or Principal Installment payment date of the Bonds of such Series or, in the case of any proposed redemption of Bonds of such Series, next preceding the date of the mailing of notice of such redemption, and shall not be obligated to make any exchange or transfer of Bonds called for redemption except as provided in Section 406.

Section 306. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City shall execute, and thereupon the Authenticating Agent for the Bonds of such Series shall authenticate and deliver, a new Bond of like Series, maturity and Principal Amount as the Bond so mutilated, destroyed, stolen or lost, in cancellation and substitution for such mutilated Bond, (upon surrender and cancellation of such mutilated Bond) or in lieu of and substitution for the Bond destroyed, stolen or lost, (upon filing with the Authenticating Agent evidence satisfactory to the City and the Authenticating Agent that such Bond has been destroyed, stolen or lost and proof of ownership thereof) and upon furnishing the City, the Trustee and the Authenticating Agent with indemnity satisfactory to them and complying with such other reasonable regulations as the City, the Trustee or such Authenticating Agent may prescribe and paying such fees and expenses as the City, the Trustee or such Authenticating Agent may incur including the expenses, if any, of printing and delivering such new Bond. All Bonds so surrendered shall be canceled by the Authenticating Agent. The Authenticating Agent shall advise the applicable Paying Agents of the issuance of substitute Bonds.

Section 307. Preparation of Definitive Bonds, Interim Receipts and Temporary Bonds. Subject to the applicable Supplemental Indenture, until the definitive Bonds of any Series are

prepared, the City may execute and, upon the written request of the City, the Authenticating Agent for such Series shall authenticate and deliver, in lieu of definitive Bonds, one or more interim receipts, or one or more temporary Bonds, substantially of the tenor of such definitive Bonds, (but with such registration provisions as the City may provide) and with such omissions, insertions and variations as may be appropriate for temporary Bonds. The City at its own expense shall prepare and execute and, upon the surrender at the Principal Office of the Authenticating Agent of such interim receipts and of such temporary Bonds, for exchange and cancellation, the Authenticating Agent shall authenticate and, without charge to the registered owner thereof, deliver in exchange therefor, definitive Bonds, of the same aggregate Principal Amount and Series and maturity as the interim receipt or temporary Bonds surrendered. Until so exchanged, the interim receipt and temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Indenture. All interim receipts and all temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith canceled by the Authenticating Agent.

Section 308. Cancellation of Bonds. All Bonds redeemed or paid by the City or any Fiduciary, or received by any Fiduciary on any transfer or exchange of Bonds, interim receipts or temporary Bonds, shall be canceled by it and delivered to the Trustee. Except as may be provided in the applicable Supplemental Indentures all Bonds purchased, redeemed or paid by any Fiduciary shall be canceled by it and delivered to the Trustee. No such Bonds shall be deemed Outstanding under the Indenture and no Bonds shall be issued in lieu thereof. All such canceled Bonds and all other Bonds canceled by any Fiduciary pursuant to the Indenture shall upon order of the City be destroyed by the Trustee and a certificate thereof delivered to the City.

ARTICLE IV

REDEMPTION OF BONDS

Section 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture shall be redeemable, upon mailed notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms (in addition to and consistent with the terms contained in this Article IV) as may be specified in the applicable Supplemental Indenture.

Section 402. Redemption at the Election of the City. In the case of any redemption of Bonds otherwise than as provided in Section 403, the City shall give written notice to the Trustee of its election so to redeem, of the redemption date, of the Series and of the Principal Amount of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and Principal Amount shall be determined by the City in its sole discretion, subject to any limitations with respect thereto contained herein and in any Supplemental Indenture). Such notice shall be given at least forty-five (45) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 405, the Trustee shall, on or before the redemption date, pay out of the moneys available therefor to the appropriate Paying Agent or Paying Agents an amount which, in addition to other

moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, all of the Bonds to be redeemed.

Section 403. Redemption Otherwise Than at City's Election. Whenever by the terms of the Indenture and the applicable Supplemental Indenture Bonds of a Series are required to be redeemed otherwise than at the election of the City, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of the moneys available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of this Article IV and, to the extent applicable, Section 506.

Section 404. Selection of Bonds to be Redeemed by Lot. Except as otherwise provided in a Supplemental Indenture with respect to a particular Series of Bonds, in the event of redemption of less than all the Outstanding Bonds of like Series and maturity, the Trustee shall select by lot, in such manner in its discretion as it shall deem appropriate and fair, the numbers of the Bonds to be redeemed and the portions of any thereof to be redeemed in part. Bonds of denominations of more than the applicable minimum denomination, if any, may be redeemed either as a whole or in part (which part must be in the amount of the applicable minimum denomination, if any, or an integral multiple thereof). For the purposes of this Section 404, Bonds, or portions thereof, which have theretofore been selected for redemption shall not be deemed Outstanding.

Section 405. Notice of Redemption. When the Trustee shall receive notice from the City of its election to redeem Bonds pursuant to Section 402, and when redemption of Bonds is required by the Indenture and the applicable Supplemental Indenture pursuant to Section 403, the Trustee shall give notice, in the name of the City, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, the respective portions of the Principal Amount thereof to be redeemed. The Trustee shall mail a copy of such notice, postage prepaid, not less than 25 days before the redemption date (provided that, if the City notifies the Trustee in writing in connection with the redemption of Bonds issued to secure the City's repayment obligations with respect to one or more Agency Loan Agreements that notice of redemption must be mailed at a reasonable date, the Trustee shall mail such notice no later than the date specified by the City) to the Holders of any Bonds or portions of Bonds which are to be redeemed at their last address, if any, appearing upon the registration books for such Series of Bonds. Failure to so mail any such notice to any one Holder or any defect in such notice shall not affect the validity of the proceedings for the redemption of Bonds owned by any other Holder to whom the required notice has been given, nor shall the Trustee bear any liability therefor or in connection therewith.

Section 406. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest, if any,

accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest, if any, accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, the City shall execute and the Authenticating Agent for such Bonds shall authenticate and deliver, upon the surrender of such Bond, without charge to the Holder thereof, for the unredeemed balance of the Principal Amount of the Bond so surrendered, Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, sufficient moneys for the redemption of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be available on the redemption date, such Bonds or portions thereof shall continue to accrue interest until paid at the same rate or yield, as applicable, and in the same manner as they would have borne had they not been called for redemption.

ARTICLE V

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 501. The Pledge Effected by the Indenture. There are pledged pursuant to the Indenture for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and, subject to the provisions of Section 209, 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, 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 Operating Fund, the Rebate Fund and the Unrestricted Fund. The Bonds and Subordinated Bonds shall be limited obligations of the City payable solely from the Revenues and funds and accounts pledged hereunder. The Bonds and Subordinated Bonds and the obligations evidenced thereby shall not constitute a general indebtedness or a pledge of the full faith and credit of the City within the meaning of any constitutional or statutory provision. No Bondholder shall ever have the right, directly or indirectly, to require or compel the exercise of the taxing power of the City for the payment of the Bonds, Subordinated Bonds or any obligation of the City hereunder. The Bonds and Subordinated Bonds and the obligations evidenced thereby shall not constitute a lien or encumbrance on any property of or in the City other than the Revenues and funds pledged hereunder. Neither the State nor any political subdivision thereof or city or town therein, other than the City, 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.

Section 502. Establishment of Funds and Accounts. The following funds shall be established to be held by the Trustee, except the Operating Fund, the Insurance Reserve Fund, and the Unrestricted Fund, which shall be held by the City in the custody of one or more banks selected by the City (including but not limited to the Trustee or any Depository) and the Revenue

Fund, which, prior to the occurrence of any Event of Default hereunder, shall be under the exclusive control of the City, and which shall be held by the Trustee upon the occurrence of any Event of Default hereunder:

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

There shall be established in the Project Fund an Infrastructure Replacement Account. There shall be established within the Debt Service Fund separate accounts to be known as the Debt Service Account, the Stabilization Account and the Debt Service Assistance Account. The City may establish, in connection with the issuance of one or more Series of Bonds or Subordinated Bonds, or pursuant to an order of the Public Utilities Commission, additional funds or accounts hereunder to be held for the benefit of one or more Series of Bonds or Subordinated Bonds and subaccounts within the funds and accounts established hereunder, as set forth in Supplemental Indentures. Any fund or account established pursuant to an order of the Public Utilities Commission may be closed with the approval of the Public Utilities Commission.

Section 503. Project Fund.

(1) 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.

(2) 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 or refinanced by such Series, and (ii) any other amounts (not required by the Indenture to be otherwise deposited), as determined by the City, including without limitation the proceeds of any loan made or bonds sold under any Agency Loan Agreement which the City elects to deposit in the Project Account pending disbursement thereof to the extent permitted by the Agency.

(3) Amounts in any Project Account shall be disbursed to or upon the order of the City 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 the City Treasurer and another Authorized Officer (who for

purposes of this Section 503 shall be the Chief Engineer or Deputy Chief Engineer of the Pawtucket Water Supply Board or such other person as the City Council may authorize). Upon completion of any Project the Costs of which are payable from a Project Account, the City 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 City 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 City and subject to the requirements of any Supplemental Indenture and of any ordinance of the City Council (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) unless the City shall have received the written approval of the Agency of another use permitted under this subsection. 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 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 City by certificate of an Authorized Officer shall direct) to the Debt Service Fund the amount necessary to meet the deficiency.

(4) Upon the determination by the City 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 City may, subject to the requirements of any Supplemental Indenture and of any ordinance of the City Council, 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 to an Infrastructure Replacement Account, (iii) 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) unless the City shall have received the written approval of the Agency of another use permitted under this subsection.

(5) At any time that the City determines to undertake Capital Improvements to be financed by Revenues, there shall be deposited in the Infrastructure Replacement Account (i) any amounts withdrawn from the Revenue Fund for deposit therein pursuant to Section 504, (ii) any other amounts (not required by the Indenture to be otherwise deposited) as determined by the City and certified in writing to the Trustee and (iii) any amounts required to be deposited therein by order of the Public Utilities Commission. Amounts in the Infrastructure Replacement Account shall be disbursed to or upon the order of the City to be applied to the Cost of Capital

Improvements or other expenditures authorized by order of the Public Utilities Commission 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 the City Treasurer and another Authorized Officer (who for purposes of this Section 503 shall be the Chief Engineer or Deputy Chief Engineer of the Pawtucket Water Supply Board or such other person as the City Council shall authorize). Subject to Section 510 hereof, upon completion of such Capital Improvements, or upon a determination by the City 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 Infrastructure Replacement Account, the City may direct the Trustee in writing to transfer amounts then on deposit in the applicable Infrastructure Replacement Account (i) to another and separate Infrastructure Replacement 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 Infrastructure Replacement Accounts (in such order of priority as the City by certificate of an Authorized Officer shall direct) to the Debt Service Fund, the amount necessary to meet the deficiency.

(6) The City 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 City 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 City, to (i) one or more Project Accounts established for the applicable Series of Bonds or Subordinated Bonds or (ii) the Revenue Fund.

Section 504. Revenue Fund.

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

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

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

the requirements of the Revenue Fund in the succeeding months of such Fiscal Year based on the then current Annual Budget prepared in accordance with Section 608 or (B) satisfy the requirements of Section 603 in the current or next succeeding Fiscal Year;

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

(3) On the last Business Day of each Fiscal Year, the City (or the Trustee, during such times as the Trustee shall hold the Revenue Fund) shall, after making the deposits required by Sections 504(2), apply amounts available in the Revenue Fund to the following purposes and in the following order and the Trustee, upon order of the City signed by the City Treasurer and another Authorized Officer shall apply amounts available in the Stabilization Account and the Infrastructure Replacement Account to the following purposes and in the following order:

- (i) To the City for the reimbursement or payment of principal of or interest on general obligation bonds and notes of the City issued to finance System costs paid or payable during the then ending or the next Fiscal Year, as shown on a schedule filed with the Trustee by an Authorized Officer of the City; provided that the City shall have delivered to the Trustee a certificate of an Authorized Officer stating that (A) all funds and accounts established under this Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provisions of this Indenture, (B) the City is in compliance with the terms of Section 603 hereof for the Fiscal Year then ending and (C) such deposit will not adversely affect the ability of the City to fund the funds and accounts established under this Indenture to the amounts required to be funded in the next Fiscal Year.
- (ii) Subject to Section 511 hereof, to the Unrestricted Fund, the amount, if any, directed to be deposited therein in writing by an Authorized Officer.

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

(4) Notwithstanding the foregoing, in the event that any order of the Public Utilities Commission requires that Revenues be held in a restricted account, the City shall request the Trustee to make such transfers as may be required to comply with any rate order. In the event that Revenues must be restricted in an account for debt service, such monies shall be deposited by the Trustee to the Debt Service Fund Stabilization Account.

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

Section 505. Operating Fund. Amounts in the Operating Fund shall be applied by the City from time to time to Operating Expenses. Amounts in the Operating Fund which the City 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.

Section 506. Debt Service Fund.

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

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

(2) Amounts accumulated in the Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Payment was established), if so directed in writing by the City, shall be applied by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Bonds to the first date on which such Bonds could be redeemed (or in the case of a Sinking Fund Payment due on the maturity date, the Principal Amount thereof plus interest to such date), such purchases to be made as directed in writing by the City or otherwise in such manner as the Trustee shall determine, or (ii) the redemption, pursuant to Section 402, of 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) 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.

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

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

(5) The City may establish in any Supplemental Indenture a separate account (herein called "Capitalized Interest Account") within the Debt Service Fund and may deposit in the Capitalized Interest Account any proceeds of Bonds as directed by such Supplemental Indenture and any other moneys not otherwise directed to be applied by the Indenture. Amounts in the Capitalized Interest Account shall be applied to the payment of interest on the Bonds and as otherwise provided in the applicable Supplemental Indenture.

(6) 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 Revenue Fund, on the Business Day prior to the date on which any payment of principal or interest on any Bonds is due and payable;

(ii) to any shortfall in the Debt Service Reserve Fund;

(iii) to fund capitalized interest and to fund the Debt Service Reserve Fund Requirement on any future series of Bonds, as requested by the City;

(iv) to the Redemption Fund, as requested by the City;

(v) to the City for reimbursement or payment of principal of or interest on general obligation bonds and notes of the City to finance System costs paid or payable during the then ending fiscal year; provided that the City shall have delivered to the Trustee a certificate of an Authorized Officer stating that (A) all funds and accounts established under this Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provisions of this Indenture, (B) the City in compliance with the terms of Section 603 hereof for the Fiscal Year then ending and (C) such deposit will not adversely affect the ability of the City to fund the funds and accounts established under this Indenture to the amounts required to be funded in the next Fiscal Year; and

(vi) to such other purposes as the City may direct, not inconsistent with any order of the Public Utilities Commission.

(7) The City 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 herein to the contrary, amounts received by the City on account of Debt Service Assistance shall be spent in accordance with any appropriation or agreement governing such assistance. To the extent that the City 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), 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), shall be redeposited to the Revenue Fund.

(8) The City also may, from time to time, deposit general funds of the City 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 this Section 506(8), shall be transferred back to the City.

Section 507. Redemption Fund.

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

(2) If at any time the amount on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account, is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall have already been given by the Trustee). Subject to the foregoing, if at any time the amount on deposit and available therefor in the Operating Fund is insufficient to pay Operating Expenses when due, the Trustee shall withdraw from the Redemption Fund and deposit in the Operating Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall already have been given by the Trustee). Subject to the foregoing, amounts in the Redemption Fund may be applied by the City to the redemption of Bonds in accordance with Section 402 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 City.

Section 508. Debt Service Reserve Fund.

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

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

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

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

Section 509. Rebate Fund. If any Series of Bonds or Subordinated Bonds is issued, or becomes, subject to the rebate requirement of Section 148(f) of the Internal Revenue Code of 1986, as amended, the City may, by 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.

Section 510. Operation and Maintenance Reserve Fund.

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

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

Section 511. Unrestricted Fund. The City may make transfers to the Unrestricted Fund in accordance with Section 504(3)(ii), provided that (1) all funds and accounts established under this Indenture are funded in the amounts required as of the transfer date pursuant to the applicable provision of this Indenture, (2) the City is in compliance with the terms of Section 603 herein for the Fiscal Year then ended and (3) upon certification of an Authorized Officer of the City, such deposit will not adversely affect the ability of the City to comply with the terms of Section 603 hereof in the next ensuing Fiscal Year. Upon certification of an Authorized Officer, the City may make transfers from the Unrestricted Fund to (1) any fund or account established under this Indenture or (2) the General Fund of the City (a) amounts certified by an Authorized Officer as not exceeding the difference between (i) amounts previously deposited to funds established under this Indenture from moneys described in clause (i)(b) of the definition of Revenues and not designated as Revenues thereunder and (ii) amounts previously transferred to the General Fund pursuant to this Section 511, (b) amounts needed to pay debt service on general obligation bonds of the City issued subsequent to the effective date of the Indenture to finance System costs not previously paid or reimbursed under Section 504(3)(1) and (c) amounts necessary to reimburse the City for any fees, expenses, repayments of draws or claims, interest charges or other costs associated with a Reserve Deposit.

Section 512. Investments.

(1) Except as otherwise provided in Section 1101 or subsection 2 of this Section, 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 the City Director of Finance in Permitted investments which shall mature or be redeemable at the option of the holder thereof, on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof held for the credit of such fund or account. Notwithstanding the foregoing, except as provided in any Supplemental Indenture, moneys in the Debt Service Reserve Fund shall be invested solely in the investments specified in paragraphs (i), (ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) of the definition of Permitted Investments. 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; provided that all income earned on investment of the Redemption Fund and the Insurance Reserve Fund shall be credited to and deposited in the Revenue Fund and all income earned on investment of the Debt Service Reserve Fund shall be credited to and deposited in the Debt Service Fund. Notwithstanding any provision herein or in a Supplemental Indenture to the contrary, the Trustee shall not be liable for any losses from investment in accordance with this Section 512. The City 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.

(2) In computing the amount in any fund or account hereunder for any purpose, Permitted Investments shall be valued at amortized cost. As used herein 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(1) 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.

Section 513. Holding of Special Deposits. Except as otherwise provided in any Supplemental Indenture, moneys held by or for the account of the City in connection with the System which are required to be applied under the terms of an agreement with respect to the acquisition, construction or alteration of a facility which is the subject of such agreement (including, any such moneys received by the City for such purpose under any grant or loan agreement with the United States of America or the City or any agency, political subdivision or instrumentality of either) or which are subject to refund by the City or held for the account of others or subject to refund to others, including, without limitation, any amounts which, under any agreement by the City providing for adequate separation of such amounts from Revenues, are collected by the City on behalf of others for services rendered or commodities provided to customers of the System, any amounts deducted by the City from wage and salary payments to the employees of the System, any amounts contributed by the City to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the City and any amounts held as deposits, including customer service deposits, guaranteed revenue contract deposits, unexpended developer's deposits under construction loan contracts, minimum revenue deposits and unexpended jobbing deposits, together with any investments of such moneys and interest and profits thereon to the extent such interest and profits are also held for the account of others or subject to refund to others, may be held by the City outside of the various funds and accounts established by the Indenture and, notwithstanding anything herein to the contrary, shall not be subject to the pledge created by the Indenture or be considered Revenues hereunder while so held.

ARTICLE VI

PARTICULAR COVENANTS OF THE CITY

The City covenants and agrees as follows:

Section 601. Powers as to Bonds and Pledge. The City has taken all action necessary to authorize the Indenture and is duly authorized under the Act, Ordinance Chapter 2702 approved October 23, 2003 and all applicable laws to create and issue the Bonds and to adopt the Indenture and to pledge the Revenues and other moneys, securities, Reserve Deposits and funds purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture. The Revenues and other moneys, securities, Reserve Deposits and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto prior to, or of equal rank with, the pledge created by the Indenture except to the extent expressly permitted hereby. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenue and other moneys, securities, Reserve Deposits and funds pledged

under the Indenture and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Section 602. [RESERVED]

Section 603. Covenant as to Rates and Charges. To the extent not otherwise provided by a Supplemental Indenture,

(1) So long as any Bonds are Outstanding, the City will take all actions within its power to establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other moneys, including amounts from the Stabilization Account, at least sufficient to pay or provide for, as the same become due or are payable (i) all Operating Expenses, (ii) all payments of Principal Installments and Redemption Price of and interest on the Bonds and all other bonds, notes or other evidences of indebtedness of or assumed by the City which are payable from Revenues of the System, (iii) all amounts, if any, payable to the Operation and Maintenance Reserve Fund, the Debt Service Reserve Fund, and, if any, the Insurance Reserve Fund, (iv) all repairs, replacements, and renewals of the System deemed necessary by the City which are payable from Revenues of the System and (v) all other amounts which the City may by law, order of the Public Utilities Commission, or contract be obligated to pay from Revenues of the System. Provided the City complies with Section 504(4) and has complied or is diligently proceeding to comply with the requirements of subsection (3) and (4) of this Section 603, the Trustee shall take no action pursuant to Section 701 or Section 703 on account of any failure by the City to comply with the requirements of this subsection; provided that the setting of the Rates and Charges shall, to the extent required by law, be subject to the approval of the Public Utilities Commission.

(2) Without limiting the generality of the foregoing, the City will take all actions within its power to establish and maintain Rates and Charges at levels sufficient so that total Net Revenues in each Fiscal Year during which Bonds are Outstanding, shall equal at least one hundred twenty-five percent (125%) of the Debt Service Requirement during such Fiscal Year with respect to all Bonds Outstanding as of the first day of such Fiscal Year. Failure by the City to comply with the requirements of this subsection (2) shall not be considered an Event of Default under the Indenture so long as the City has complied or is diligently proceeding to comply with the requirements of subsection (3) and (4) of this Section 603; provided that the setting of the Rates and Charges shall, to the extent required by law, be subject to the approval of the Public Utilities Commission.

(3) On or before the day which is six months prior to the last Business Day of each Fiscal Year the City shall review the adequacy of its Rates and Charges to satisfy the requirements of this Section for the next succeeding Fiscal Year. If such review indicates that the Rates and Charges are, or are likely to be, insufficient to meet the requirements of this Section for the next succeeding Fiscal Year, or if it otherwise appears at any time during such Fiscal Year that Rates and Charges are or are likely to be insufficient to meet such requirements, the City shall promptly take such steps as are permitted by law and as are necessary to cure or

avoid the deficiency, including but not limited to, making an emergency request to the Public Utilities Commission to raise its Rates and Charges.

(4) Within one hundred and eighty days of the close of each Fiscal Year while Bonds are Outstanding, the City shall deliver to the Trustee a certificate of an Authorized Officer (which may be based on unaudited financial statements) stating, if such was the case, that the City satisfied the requirements of subsections (1) and (2) of this Section 603 in such Fiscal Year or, if such was not the case, specifying in reasonable detail the corrective steps taken by the City so that it will comply with such requirements in the then current Fiscal Year. If such certificate is based on unaudited financial statements, then within 270 days of the close of each Fiscal Year while the Bonds are Outstanding, the City shall deliver to the Trustee an additional certificate based on audited financial statements. Any certificate based on audited financial statements shall be accompanied by a certificate of the independent public accountant or firm of accountants regularly auditing the books of the City in accordance with Section 609 setting forth the Net Revenues for the preceding Fiscal Year.

Section 604. Sale, Lease or Encumbrance of System.

(1) Except as provided in this Section and Section 607(3), no part of the System shall be sold, leased (with the City as lessor) or otherwise disposed of or encumbered.

(2) To the extent permitted by law, the City may sell or exchange or otherwise dispose of at any time or from time to time any property or facilities constituting part of the System which either (i) are worn out or obsolete or (ii) in the written opinion of the City are no longer useful in the operation of the System and, if the market value of such property or facilities as determined by the City is in excess of \$500,000, the City delivers to the Trustee a certificate of an Authorized Officer stating, in the opinion of the signer, that the sale, exchange or other disposition of such property or facilities will not impair the ability of the City to satisfy the requirements of Section 603 in the then current or any future Fiscal Year. To the extent permitted by law, any proceeds of such sale, exchange or other disposition not used to replace the property so sold, exchanged or disposed of shall be deposited in the Revenue Fund.

(3) To the extent permitted by law, the City may sell, mortgage, grant security interests in, or otherwise encumber any real or personal property included in the System, or may lease as lessee any real or personal property to be used in the operation of the System; provided that the City shall deliver to the Trustee a written report satisfactory to the Agency (A) stating that such action shall not impede the City's ability to comply with all the covenants set forth in Article VI of this Indenture for so long as any Bonds or Subordinated Bonds shall remain Outstanding and (B) including a certificate of a Consulting Engineer (a) setting forth the estimated annual Net Revenues for each of the five full Fiscal Years following the action (including the Fiscal Year in which such action is taken), after giving effect to any increases or decreases in Rates and Charges projected to be in effect for such period 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 will be at least equal to one hundred twenty-five percent (125%) of the Debt Service Requirement for such Fiscal Years

(provided that the Consulting Engineer's certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the City for such Fiscal Year on or before the date of such certificate). The proceeds of sale, if any, of any such property mortgaged or otherwise encumbered, after satisfying the mortgage, security interest or other encumbrance secured by the same, to the extent permitted by law, shall be deposited in the Revenue Fund.

(4) To the extent permitted by law, the City may lease as lessor or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such lease, contract, license, easement or right does not, in its written opinion, impede the operation by the City of the System. Except as provided in Section 607(3), any payments to the City under or in connection with any such lease, contract, license, easement or right (except any such payments specifically excluded from the definition of Revenues) shall constitute Revenues and be deemed Rates and Charges.

(5) Nothing in this Indenture shall prevent the City from conveying and assigning to a municipal authority created pursuant to any applicable statute or to another entity (the "Authority") all or substantially all of its right, title and interest in the System and thereupon becoming released from all of its obligations hereunder, under any Supplemental Indenture and under the Bonds (1) if the Authority (A) assumes in writing the City's obligations under the Indenture or (B) otherwise assumes in writing the City's obligations to pay the principal, redemption premium, if any, and interest on all Bonds issued pursuant to this Indenture and then outstanding according to the terms thereof and the instrument of assumption provides the Bondholders or the Trustee or entity serving in a similar capacity and acting on behalf of the Bondholders with substantially all of the rights and remedies provided in this Indenture; provided, however, that before the City may consummate such a conveyance and assignment and obtain a release of its obligations hereunder, under any Supplemental Indenture and under the Bonds, the following conditions shall have been satisfied:

(a) the City and the Trustee shall have received a Counsel's Opinion substantially to the effect that the conveyance to the Authority of all or substantially all of the City's right, title and interest in the System, the assignment to the Authority of the obligations of the City under this Indenture, any Supplemental Indenture and the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds, and the release of the City from all of its obligations hereunder, under any Supplemental Indenture and under the Bonds, have been duly authorized by the City, do not violate any applicable law, ordinance, resolution or regulation of the City or any applicable court decision and do not adversely impact the System's eligibility for federal or state grants or other financial assistance or the qualification of any Agency Loan Agreement under the Safe Drinking Water Act of 1974, 42 U.S.C. §§ 300f-300j-9.

(b) the City and the Trustee shall have received a Counsel's Opinion substantially to the effect that (i) the acquisition by the Authority of all or substantially all of the City's right, title and interest in the System and the assumption by the Authority of

the City's obligations hereunder, under any Supplemental Indenture and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds have been duly authorized by the Authority and do not violate any law, ordinance, resolution or regulation applicable to the Authority or any applicable court decision; (ii) the instrument under which the Authority assumes the obligations of the City hereunder, under any Supplemental Indenture and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights; (iii) the security interest granted by the Authority pursuant to subparagraph (d) creates a valid and effective first priority lien and security interest in the revenues to be generated by the System; and (iv) the rates and charges established by the Authority and referred to below in subparagraph (e) have been duly authorized and enacted in accordance with applicable law;

(c) the City and the Trustee shall have received a Counsel's Opinion substantially to the effect that the conveyance of all or substantially all of the City's right, title and interest in the System to the Authority; the release of the City from its obligations hereunder, under any Supplemental Indenture and under the Bonds; and the assumption by the Authority of the City's obligations hereunder, under any Supplemental Indenture and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds will not have an adverse effect on the exemption of interest on any Series of Bonds issued as federally tax-exempt Bonds;

(d) the Authority shall, concurrently with the conveyance, assignment, assumption and release described above, grant to the Trustee or entity serving in a similar capacity and acting on behalf of Bondholders a security interest in the revenues to be generated by the System following the conveyance, assignment, assumption and release equal to the security interest granted in Revenues hereby;

(e) the City and the Trustee shall have received a certificate of a Consulting Engineer indicating that the Authority could issue at least one dollar (\$1) of additional bonds in compliance with the requirements of Section 205(2)(iv) following the conveyance, assignment, assumption and release described above or, that the coverage ratio calculated under Section 205(2)(iv)(b) would not be worse immediately after such conveyance, assignment, assumption and release than it was immediately preceding such conveyance, assignment, assumption and release, in each case treating any other debt of the City to be secured by the Revenues on a parity with the Bonds as Bonds for purposes of such calculation;

(f) the City shall have provided (1) evidence to the Trustee that the details of such conveyance of all or substantially all of the City's right, title and interest in the System to the Authority; the release of the City from its obligations hereunder, under any Supplemental Indenture and under the Bonds; and the assumption by the Authority of the City's obligations hereunder, under any Supplemental Indenture and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds have been provided in writing to each Rating Agency then assigning a rating on Outstanding Bonds and that each such Rating Agency has either (a) confirmed in writing that such conveyance will not, in and of itself, adversely affect such ratings, if any, or (b) issued a rating on a Series of Bonds to be issued by the Authority which is not lower than the rating assigned by such Rating Agency to any Series of Outstanding Bonds (which rating in each case is not based on Additional Security, if any, provided for such Series of Outstanding Bonds or Authority Bonds, as applicable) or (2) any other evidence satisfactory to the Trustee that such conveyance will not, in and of itself, adversely affect the then current ratings, if any, assigned to any Outstanding Bonds by any Rating Agency; and

(g) the City and the Trustee shall have received a Counsel's Opinion substantially to the effect that the conveyance of all or substantially all of the City's right, title and interest in the System to the Authority; the release of the City from its obligations hereunder, under any Supplemental Indenture and under the Bonds; and the assumption by the Authority of the City's obligations hereunder, under any Supplemental Indenture and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds will not have an adverse effect on the exemption of interest on any bonds issued by the Agency which are secured in whole or in part by Agency Bonds and are issued as federally tax-exempt bonds.

In connection with the conveyance to the Authority of all or substantially all of the City's right, title and interest in the System, the City shall convey and assign to the Authority all amounts on deposit in the funds and accounts established hereunder.

Anything in this Indenture to the contrary notwithstanding, upon a conveyance of all or substantially all of the assets of the System to the Authority pursuant to this subsection, the provisions of this Indenture shall no longer be enforceable against the City.

Section 605. Operation, Maintenance and Reconstruction. The City 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 City 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 City 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 City to satisfy the requirements of Section 603 in the current or any future Fiscal Year.

Section 606. Insurance and Condemnation.

(1) The City shall at all times keep all property which is a part of the System and which is of an insurable nature and of the character usually insured by operating systems similar to the System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are customary or shall self-insure against such risks as provided in subsection (3). The City will also at all times maintain insurance against loss or damage from such hazards and risks to the persons and property of others as are usually insured against by those operating systems similar to the City, or shall self-insure against such risks as provided in subsection (3). In determining the amounts and types of insurance to be maintained under this Section, the City may rely upon the advice of a Consulting Engineer or an insurance consultant of recognized standing selected by the City. Any policies of insurance shall be carried with insurers of good standing authorized to do business in the State and shall provide that the proceeds of such insurance shall be payable to the City.

(2) All proceeds of insurance, if any, insuring the properties and facilities of the System against loss or damage shall be applied to the restoration, replacement or reconstruction of the property or facility lost or damaged, unless the City determines in accordance with Section 605 not to restore, replace or reconstruct such property or facilities. Any proceeds of such insurance not applied to restoration, replacement or reconstruction or remaining after such work is completed shall be deposited in the Revenue Fund, provided that any proceeds of insurance received by the City with respect to loss or damage to a Project prior to the completion of construction thereof shall be deposited in the applicable Project Account and applied in accordance with Section 503. Proceeds of insurance against loss or damage to the person or property of others shall be applied by the City in satisfaction of the applicable claim.

(3) If at any time the City determines that any of the policies of insurance required to be maintained by this Section are not reasonably obtainable or may not be obtained at a reasonable cost either with respect to coverage, amounts or deductibles, the City shall deposit in the Insurance Reserve Fund an amount equal to the Insurance Reserve Fund Requirement. For the purpose of this Section and Section 504(2)(viii), the Insurance Reserve Fund Requirement shall be that amount (or such greater amount provided in any Supplemental Indenture) for any Fiscal Year or portion thereof certified to the City by a Consulting Engineer or an insurance consultant retained by the City (who may be the insurance consultant or agent regularly furnishing insurance to the City) as adequate to reserve against the risks to be covered by the Insurance Reserve Fund. A certificate of an Authorized Officer, approved by such Consulting

Engineer or insurance consultant, setting forth the Insurance Reserve Fund Requirement shall be promptly delivered to the Trustee. The City shall annually review the requirements of the Insurance Reserve Fund and no later than one hundred and twenty (120) days after the end of each Fiscal Year shall deliver to the Trustee a certificate of an Authorized Officer setting forth the Insurance Reserve Fund Requirement for the next ensuing Fiscal Year or any portion thereof. For purposes of Section 504(2)(viii), if at any time the Insurance Reserve Fund Requirement shall be increased pursuant to this Section or if as of the last business day of a Fiscal Year the balance in the Insurance Reserve Fund shall be less than the Insurance Reserve Fund Requirement calculated as of such date, the certificate of an Authorized Officer required by the foregoing sentence shall also specify the dates and amounts of deposits to such Fund during the next succeeding Fiscal Year pursuant to Section 504(2)(viii) so that no later than the last day of such Fiscal Year the balance in such Fund shall equal the Insurance Reserve Fund Requirement calculated as of such date.

(4) If at any time the amounts on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Account, Debt Service Reserve Fund, one or more Infrastructure Replacement 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 City shall withdraw from the Insurance Reserve Fund and pay to the Trustee for deposit in the Debt Service Fund the amount necessary to meet the deficiency. Subject to the foregoing, amounts in the Insurance Reserve Fund shall be applied by the City to the payment of liability claims and the cost of defending such claims or to the restoration, replacement or reconstruction of portions of the System lost or damaged and for which neither insurance proceeds or amounts specifically designated therefor in the Operating Fund are available. Any amounts withdrawn from the Insurance Reserve Fund shall be applied in the same manner as provided in this Section for the proceeds of insurance, provided that any such amount not required for the restoration, replacement or reconstruction of property lost or damaged or remaining after such work has been completed shall be redeposited in the Insurance Reserve Fund. If at any time the amount on deposit in the Insurance Reserve Fund is in excess of the Insurance Reserve Fund Requirement or if the Commission at any time should determine that such Fund is no longer required hereunder, such excess, or the balance of such Fund as the case may be, shall be paid to the Trustee for deposit in the Revenue Fund or, if all or a portion of the amounts on deposit in such Fund were derived from proceeds of a Series of Bonds, to the Redemption Fund to the extent of such portion to be applied to the redemption of Bonds of such Series.

(5) Not later than the last day of each third full Fiscal Year following the delivery of any Bonds, the City shall cause a Consulting Engineer or an insurance consultant retained pursuant to this Section to review the adequacy of the Insurance Reserve Fund and the Insurance Reserve Fund Requirement and the policies of insurance then maintained by the City and to deliver a report thereon (which may be included in the report required by Section 609(2)) to the City and the Trustee.

(6) If any property or facilities comprising part of the System shall be taken through the exercise of the power of eminent domain, the City shall apply the proceeds of any award received on account of such taking to the replacement of the property or facilities so taken, unless the City determines in accordance with Section 605 not to replace such property or facilities. Any proceeds of such award not applied to replacement or remaining after such work has been completed shall be deposited in the Revenue Fund.

Section 607. Creation of Liens, Other Indebtedness.

(1) The City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and Subordinated Bonds, secured by a pledge of or other lien on the Revenues of the System and other moneys, securities, Reserve Deposits, if any, and funds held or set aside by the City or by the Fiduciaries under the 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 this Section 607.

(2) Notwithstanding anything herein to the contrary the City may at any time or from to time issue notes or other evidences of indebtedness (and renewals thereof);

- (i) in anticipation of Bonds to the extent and in the manner provided in Section 207, which notes, if so determined by the City, may be secured by a pledge of Revenues, provided that such pledge shall in all respects be subordinate to the provisions of the Indenture and the pledge created by the Indenture;
- (ii) in anticipation of the receipt by the City of any grant-in-aid from the United States of America or the State or any agency, instrumentality or political subdivision of either of them, for or on account of Capital Improvements and payable solely out of, or secured by a pledge of, the amounts to be received (which amounts shall not be deemed Revenues hereunder while any such notes are outstanding); provided that no such notes shall be issued unless (a) the City shall have received and accepted an agreement, whether conditional or unconditional, providing for the grant-in-aid anticipated by such notes executed by authorized officers of the grantor, (b) the aggregate principal amount of such notes (excluding renewals thereof issued by the City) shall not exceed the aggregate amount of the grant-in-aid provided for in such agreement and not yet received by the City and (c) all such notes or renewals thereof shall be issued to mature not later than six months after the expected final date of receipt of amounts provided under such grant-in-aid; or
- (iii) in anticipation of the Revenues to be received in any Fiscal Year, which notes may be payable out of, or secured by a pledge of, Revenues; provided that (a) any such pledge shall in all respects be subordinate to the provisions of the Indenture and the pledge created by the Indenture, (b) any such notes shall be payable no later than one year from date of issue (or, in the case of notes issued to renew such notes, no later than one year from the date of issue of the original issue of notes),

(c) the aggregate amount of such notes outstanding at any one time in a Fiscal Year shall not exceed fifty percent (50%) of the Revenues for the immediately preceding Fiscal Year and (d) the proceeds of such notes (other than the proceeds of renewal notes require to pay notes) shall be deposited in the Revenue Fund.

(3) Notwithstanding anything herein to the contrary, the City may issue bonds, notes or other evidences of indebtedness secured solely by the revenues, receipts or other moneys derived by the City from the lease, license, operation, sale or other disposition of any facility or equipment constituting part of the System hereafter constructed or acquired by or on behalf of the City with the proceeds of such bonds, notes or evidences of indebtedness. Such revenues, receipts and other moneys shall not be considered Revenues or Rates and Charges hereunder provided that (i) neither the debt service on such bonds, notes, or other evidences of indebtedness nor any cost of the acquisition, construction, operation, maintenance or repair of any such facility or equipment nor provision for reserves for any of the foregoing shall be paid from the proceeds of Bonds or from Revenues (other than Revenues deposited in the Unrestricted Fund pursuant to Section 504) or shall be included in Operating Expenses, and (ii) any such receipts and monies in excess of such debt service cost of acquisition, construction or operation, maintenance, repair and reserves shall be deposited in the Revenue Fund (and upon such deposit shall be deemed Revenues); and (iii) prior to the issue of any such bonds, notes or other evidences of indebtedness, the City shall deliver to the Trustee a certificate of a Consulting Engineer stating that the lease, license, operation, sale or other disposition of such facility or equipment and the application of the revenues, receipts and other moneys derived therefrom to the operation, maintenance and repair thereof and the payment of the debt service on the bonds, notes or other evidences of indebtedness issued therefor and the provision of reserves for the foregoing, will not result in any decrease in the Net Revenues projected by such Consulting Engineer or Certified Public Accountant to be received by the City during the succeeding five Fiscal Years (including the Fiscal Year in which such bonds, notes or other evidences of indebtedness are issued).

(4) The City hereby reserves the right, and nothing herein shall be construed to impair such right, to finance improvements to the System by the issuance of its general obligation bonds, provided that nothing herein shall be construed as requiring the issuance of any such bonds and that no such bonds shall be deemed to be Bonds for any purpose hereunder.

Section 608. Annual Operating Budget. (1) Not less than one day prior to the beginning of each Fiscal Year, the Pawtucket Water Supply Board shall adopt and file with the Trustee an annual operating budget for the System (herein called "Annual Budget") for such Fiscal Year. The Pawtucket Water Supply Board may at any time, but not more often than once a month, adopt and file with the Trustee (or annually delegate to an Authorized Officer the authority to prepare and file with the Trustee) an amended or supplemental Annual Budget for the Fiscal Year then in progress, provided that an amendment for the purpose of making changes in one or more line items within the Annual Budget, but which does not increase the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year may be filed by an Authorized Officer without action by the Pawtucket Water Supply Board and provided further that any amendment that increases the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year shall be accompanied by a certificate of an Authorized Officer to the effect that

such increase will not preclude compliance by the City with the covenants set forth in Section 603. An Authorized Officer shall prepare and may amend from time to time, a monthly breakdown of the Annual Budget which breakdown or amendment thereto shall be filed with the Trustee and shall show for each month projected Operating Expenses to be paid from the Operating Fund in such month, as well as the Revenues or other moneys held hereunder projected to be available to meet the same. The City shall not incur aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount of Operating Expenses shown in the Annual Budget as amended and supplemented for such Fiscal Year except in case of emergency or as required by law and shall promptly file a written report of any such excess expenditure with the Trustee signed by an Authorized Officer. For the purposes of this Section 608, "Authorized Officer" shall include, individually, the Mayor, the City Director of Finance and the Chief Engineer of the Pawtucket Water Supply Board.

(2) For purposes of Section 504(2), 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 hereunder until the last day of the third 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 City and the Trustee shall consider the amount of Operating Expenses paid in a prior Fiscal Year to be such amount as estimated by an Authorized Officer in a certificate filed with the Trustee on or before the last day of such Fiscal Year subject to adjustment with respect to the actual amount as set forth in a certificate of an Authorized Officer filed with the Trustee on or before one hundred twenty (120) days after the end of such Fiscal Year.

Section 609. Accounts and Reports.

(1) The City shall annually, within 270 days after the close of each Fiscal Year or as soon thereafter as is practicable, file with the Trustee a copy of financial statements, audited by and containing the report of an independent public accountant or firm of accountants acceptable to the Trustee, relating to or including schedules relating to the operations and properties of the

System for such Fiscal Year and setting forth in reasonable detail its financial condition as of the end of such year and income and expenses for such year, and including a summary of the receipt in and disbursements from the funds and accounts maintained under the Indenture during such Fiscal Year and the amounts held therein at the end of such Fiscal Year. In the event that such financial statements are not available within 270 days after the close of each Fiscal Year, the City shall so notify the Trustee in writing within 270 days. Each annual report shall be accompanied by a certificate of the accountant or firm of accountants auditing the same to the effect that in the course of and within the scope of their examination of such financial statements nothing came to their attention that would lead them to believe that an Event of Default had occurred under the Indenture or, if such is not the case, specifying the nature of the Event of Default.

(2) Not later than June 30, 2009 and the last day of each fifth Fiscal Year thereafter, the City 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 and evaluation of the Pawtucket Water Supply Board's current and any proposed Capital Improvements Budget and of the Pawtucket Water Supply Board's Annual Budgets for the current year and, if available, for the next year, including a statement as to whether such budgets are appropriate, adequate and reasonably required to allow the City to operate the System, and such other reports, surveys and examinations as the City 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 five year period shall satisfy the requirements of this subsection for such five year period.

ARTICLE VII

DEFAULTS AND REMEDIES

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

- (i) if default shall be made by the City in the payment of the Principal Installments or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption at the option of the City or any Holder, or otherwise, or in the payment of any sinking fund payment when due,
- (ii) if default shall be made by the City in the payment of any installment of interest on any Bond when due,
- (iii) if default shall be made by the City in the payment of any installment of interest on or any Principal Installment or Redemption Price of any Subordinated Bonds when due,
- (iv) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the Indenture or

in the Bonds and such default shall continue for a period of 30 days after written notice thereof shall be given to the City by the Trustee or to the City and the Trustee by the Holders of a majority in Principal Amount of the Bonds Outstanding; provided that if such default cannot be remedied within such 30 day period, it shall not constitute an Event of Default hereunder if corrective action is instituted by the City within such period and diligently pursued until the default is remedied,

- (v) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the City or the whole or any substantial part of the System, (b) granting relief in involuntary proceedings with respect to the City under the federal bankruptcy act, or (c) assuming custody or control of the City or of the whole or any substantial part of the System under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of entry of the order, judgment or decree, or
- (vi) if the City (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of the System, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the City or of the whole or any substantial part of the System.

Upon the occurrence of an Event of Default described in clauses (i), (ii), (v) or (vi), so long as such Event of Default shall not have been cured, either the Trustee (by notice in writing to the City), or the Holders of twenty-five percent (25%) in Principal of the Bonds Outstanding (by notice in writing to the City 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. The right to make such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, all outstanding Events of Default (other than the payment of the Principal Amount and interest due and payable solely by reason of such declaration) shall have been cured or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case, unless a final judgment has been obtained for any Principal Amount or interest coming due and payable solely by reason of such declaration, the Holders of a majority in Principal Amount of the Bonds Outstanding, by written notice to the City and to the Trustee, may annul such declaration, or, if the Trustee shall have acted without a direction from Bondholders and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of a majority in Principal Amount of the Bonds then Outstanding, then any such declaration shall be deemed to be annulled.

Section 702. Application of Revenues and Other Moneys after Default.

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

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid Principal Amount or Redemption Price of any Bonds which shall become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according

to the amounts of Principal Amount or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

- (b) if the Principal Amount of all of the Bonds shall have become or have been declared due and payable, to the payment of the Principal Amount and interest then due and unpaid upon the Bonds without preference or priority of Principal Amount over interest or of interest over Principal Amount, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for Principal Amount and interest, to the persons entitled thereto without any discrimination or preference;

(3) If and whenever all overdue installments of interest on all Bonds together with the reasonable and proper charges and expenses of the Fiduciaries including without limitation the fees and disbursements of its legal counsel, and all other sums payable by the City under the Indenture, including the Principal Installments and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the City, or provision satisfactory to the Trustee shall be made for such payment and all defaults under the Indenture or the Bonds shall have been cured, the Trustee shall pay over to the City all moneys, securities and funds remaining unexpended in all funds and accounts provided by the Indenture to be held by the City, and thereupon the City and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture and all Revenues shall thereafter be applied as provided in Article V. No such payment over to the City by the Trustee or resumption of the application of Revenues as provided in Article V shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

(4) The proceeds of any Reserve Deposits and Additional Security shall be applied by the Trustee in the manner provided in the applicable Supplemental Indenture authorizing such Reserve Deposits and Additional Security.

Section 703. Proceedings Brought by Trustee.

(1) Whether or not a declaration shall be made by the Trustee or Bondholders pursuant to Section 701, 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 herein contained, or in aid of the execution of any power herein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(2) 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.

(3) The Holders of a majority in Principal Amount of the Bonds Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

(4) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in Principal Amount of the Bonds then Outstanding and furnished with satisfactory security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may deem necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, or necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

Section 704. Restriction on Bondholders' Action.

(1) 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 this Article in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby or in connection therewith, and the Trustee shall have refused to comply with such request within a reasonable time.

(2) Nothing in the Indenture shall affect or impair the obligation of the City to pay on the respective dates of maturity thereof the Principal Amount of and interest on the Bonds, or affect or impair the right of action of any Holder to enforce the payment of his Bond.

Section 705. Remedies not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or provided at law or in equity or by statute.

Section 706. Effect of Waiver and Other Circumstances.

(1) No delay or omission of the Trustee or of any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein.

(2) Prior to the declaration of maturity of the Bonds as provided in Section 701, the Holders of a majority in Principal Amount of the Bonds at the time Outstanding may on behalf of the Holders of all of the Bonds waive any past default under the Indenture and its consequences, except a default in the payment of interest on or Principal Installments or Redemption Price of any of the Bonds. No such waiver shall extend to any subsequent or other default.

ARTICLE VIII

THE FIDUCIARIES

Section 801. Trustee. J.P. Morgan Trust Company, National Association is hereby appointed Trustee under the Indenture. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing the Indenture and by executing such Indenture, the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the initial Bonds but with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture.

Section 802. Paying Agents.

(1) Unless otherwise provided in the applicable Supplemental Indenture, the Trustee shall act as a Paying Agent for all Series of Bonds. The City may appoint one or more additional Paying Agents for the Bonds of any Series in the applicable Supplemental Indenture. Each Paying Agent shall be a bank or trust company or national banking association having a capital and surplus aggregating at least twenty-five million dollars (\$25,000,000), if there is such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the City and to the Trustee a written acceptance thereof.

(2) If at any time a Paying Agent is unable or unwilling to act as Paying Agent, the Paying Agent may resign upon 30 days' prior written notice to the City and the Trustee. Such resignation shall become effective upon the date specified in such notice, unless a successor Paying Agent has not been appointed, in which case such resignation shall become effective upon the appointment of such successor. The Paying Agent may be removed at any time by the City by written notice signed by the City delivered to the Trustee, each Bondholder and the Paying Agent. Upon resignation or removal of the Paying Agent, the City shall appoint a successor Paying Agent which shall be a bank or trust company which meets the requirements of subsection (1) of this Section 802. The City shall notify each Bondholder of the related Series of

Bonds of the appointment of such successor. Upon the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys and Bonds held by it in trust pursuant to this Section 802 to its successor.

Section 803. Depositories. The City may appoint one or more Depositories to hold, as an agent for the Trustee, moneys to be held under the provisions of this Indenture. Each Depository shall be a bank or trust company or national banking association having capital and surplus aggregating at least twenty-five million dollars (\$25,000,000), if there is such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed on it by the Indenture. As a condition to the appointment of any Depository such Depository shall agree to provide monthly reports to the Trustee as to the balances on deposit in the fund or funds held by such Depository and shall acknowledge in writing that the moneys held by it are being held by it as agent for the Trustee and subject to the provisions of Section 501.

Section 804. Responsibility of Fiduciaries.

(1) The recitals of fact herein and in the Bonds contained shall be taken as the statements of the City and no Fiduciary assumes any responsibility for the correctness of the same. The duties and obligations of the Fiduciaries shall be determined by the express provisions of the Indenture and the Fiduciaries shall not be liable except for their performance of such duties and obligations as are specifically set forth herein. No Fiduciary makes any representations as to the validity or sufficiency of the Indenture or of any Bonds issued thereunder or in respect of the security afforded by the Indenture, and no Fiduciary shall incur any responsibility in respect thereof. The Authenticating Agent for any Bonds shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the City or any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own gross negligence or willful default nor shall any Fiduciary be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(2) All moneys held by any Fiduciary, as such, at any time pursuant to the terms of the Indenture shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of the Indenture.

Section 805. Evidence on Which Fiduciary May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of

counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate executed in the name of the City by an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Indenture upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may deem reasonable.

Section 806. Compensation. Unless otherwise provided by contract with such Fiduciary, the City shall pay to each Fiduciary from time to time reasonable compensation for all services rendered hereunder, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, consultants and employees incurred in and about the performance of their powers and duties hereunder and, unless otherwise provided in any Supplemental Indenture with respect to any Series of Bonds, each Fiduciary shall have a senior lien therefor on any and all funds at any time held by it hereunder. The City, to the extent permitted by law, shall indemnify and save each Fiduciary harmless against any liabilities, costs and expenses which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its own gross negligence or willful default.

Section 807. Permitted Acts. Any Fiduciary may become the owner of any Bonds and may otherwise deal with the City, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not any such committee shall represent the Holders of a majority in Principal Amount of the Bonds Outstanding.

Section 808. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than sixty (60) days' written notice to the City and giving not less than thirty (30) days' written notice to each Bondholder and Paying Agent specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice provided a successor shall have been appointed, unless previously a successor shall have been appointed by the City or the Bondholder as hereinafter provided, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 809. Removal of Trustee. The Trustee may be removed (i) at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of a majority in Principal Amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the City, and (ii) so long as no

Event of Default shall have occurred and be continuing, at any time by an Authorized Officer of the City by an instrument in writing filed with the Trustee.

Section 810. Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the City, so long as no Event of Default shall have occurred and be continuing hereunder, or by the Holders of a majority in Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. Pending such appointment, the City by a written instrument signed by an Authorized Officer and delivered to the predecessor Trustee shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders as herein authorized. The City shall give written notice of any such appointment made by it to each Bondholder and Paying Agent at least thirty (30) days after the date of such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the Bondholders. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the City written notice as provided in Section 808 or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee. The Trustee shall continue to serve until a successor Trustee shall be appointed under the provisions of this Section. Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company organized under the laws of the State, or a national banking association doing business in the State, having a capital and surplus aggregating at least fifty-million dollars (\$50,000,000), if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Indenture.

Section 811. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the predecessor Trustee, and also to the City, an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein, but the Trustee ceasing to act shall nevertheless, on the written request of the City, or of the Successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurances and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any

property held by it hereunder, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth.

Section 812. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business provided such company shall be a bank or trust company or national banking association which is qualified to be a successor to such Fiduciary under Section 810 or Section 802(1) and shall be authorized by law to perform all the duties imposed upon it by the Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 901. Supplemental Indentures Effective upon Execution and Delivery. The City and the Trustee may at any time and from time to time execute and deliver a Supplemental Indenture supplementing the Indenture for any one or more of the following purposes:

- (1) to close the Indenture against, or provide limitations and restrictions not contained in the Indenture on, the original issuance of Bonds;
- (2) to add to the covenants and agreements of the City contained in the Indenture other covenants and agreements thereafter to be observed for the purpose of further securing the Bonds;
- (3) to surrender any right, power or privilege reserved to or conferred upon the City by the Indenture;
- (4) to authorize Bonds of a Series and, in connection therewith, specify and determine any matters and things relative to such Bonds not contrary to or inconsistent with the Indenture;
- (5) to exercise any provision herein or to make such determinations hereunder as expressly provided herein to be exercised or determined in a Supplemental Indenture;
- (6) 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 the Revenues;
- (7) to reflect a change in the Fiscal Year of the City, and to make changes to the dates set forth in this Indenture to the extent necessary to conform such dates to the amended Fiscal Year; and

(8) to provide for the issuance of Subordinated Bonds and amendments to the Indenture in accordance with Section 208; and

(9) to make any other change which, in the conclusive determination of the Trustee, is not adverse to the Bondholders.

Section 902. Supplemental Indenture Regarding Ambiguities. At any time or from time to time but subject to the conditions or restrictions in the Indenture contained, the City and the Trustee may enter into an indenture amending or supplementing the Indenture curing any ambiguity or curing correcting or supplementing any defect or inconsistent provisions contained in the Indenture or making such provisions in regard to matters or questions arising under the Indenture as may be necessary or desirable and not contrary to or inconsistent with the Indenture.

Section 903. Supplemental Indentures Amending Indenture or Bonds. At any time or from time to time but subject to the conditions or restrictions in the Indenture contained, the City and the Trustee may enter into an indenture amending or supplementing the Indenture, modifying any of the provisions of the Indenture or Bonds or releasing the City from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, but, except as provided in Section 901 and Section 902, no such amendment shall be effective unless (a) no Bonds authorized by a Supplemental Indenture adopted prior to the adoption of such indenture remain Outstanding at the time it becomes effective, or (b) such indenture is consented to by or on behalf of Bondholders, in accordance with and subject to the provisions of Article X.

Section 904. Execution and Delivery of Supplemental Indentures. Any Supplemental Indenture referred to and permitted or authorized by this Article IX shall become effective only on the conditions, to the extent and at the time provided in this Article. Every such indenture becoming effective shall thereupon form a part of the Indenture. The Trustee in executing or accepting the additional trusts permitted by this Article or the modifications thereby of the trusts created by this Indenture shall be fully protected in relying on a Counsel's Opinion to the effect that such indenture has been duly and lawfully adopted by the City in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, and constitutes the lawful and binding obligation of the City in accordance with its terms.

ARTICLE X

AMENDMENTS

Section 1001. Mailing. Any provision in this Article X for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each Holder of Bonds then Outstanding at his address, if any, appearing upon the register and (ii) to the Trustee.

Section 1002. Powers of Amendment. 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, (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 this Section; 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.

Section 1003. Consent of Bondholders. The City may at any time adopt a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 1002, to take effect when and as provided in this Section. Upon the adoption of such Supplemental Indenture, a copy thereof, certified by an Authorized Officer, shall be filed with the Trustee for the inspection of the Bondholders. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved in writing by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to each affected Bondholder. Such Supplemental Indenture shall not become effective until there shall have been filed with the Trustee the written consents of the percentages of the Holders of Outstanding Bonds specified in Section 1002 and a notice shall have been given as hereinafter in this Section provided. Any such consent shall be binding upon the Holder of the Bonds giving such consent and on any subsequent Holder of such Bonds (whether or not such subsequent Holder has notice thereof). At any time after the Holders of the required percentages of Bonds shall have filed their consent to the Supplemental Indenture, notice, stating in substance that the Supplemental Indenture has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to the Bondholders by mailing such notice to Bondholders. The City shall file with the Trustee proof of giving such notice. Such Supplemental Indenture shall be deemed conclusively binding upon the City, the Fiduciaries and the Holders of all Bonds at the expiration of sixty (60) days after the filing with the Trustee of the proof of the mailing of such notice, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding commenced for such purpose within such sixty day period; provided, however, that any Fiduciary and the City during such sixty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Section 1004. Modification by Unanimous Action. Notwithstanding anything contained in Article IX or in the foregoing provisions of this Article, the rights and obligations of the City and of the Holders of the Bonds and the terms and provisions of the Bonds or of the Indenture may be modified or amended in any respect upon the adoption of a Supplemental Indenture by the City and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 1003 except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Section 1005. Exclusion of Bonds. Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this Article, and shall not be entitled to consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 1006. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as hereinabove in this Article X provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to such action, and in that case upon demand of the Holder of any Bond Outstanding at or after such effective date and presentation of his Bond for the purpose to the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the City or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the City to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

ARTICLE XI

DEFEASANCE

Section 1101. Defeasance.

(1) If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds of a Series then Outstanding, the Principal Amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture 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 City, execute and deliver to the City all such instruments as may be desirable to evidence such release and discharge and the Fiduciaries shall pay over or deliver to the City 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.

(2) Bonds or interest installments for the payment or redemption of which moneys shall be held by the Fiduciaries (through deposit by the City 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 paragraph (i) of this Section 1101. All Outstanding Bonds of any Series or any part of a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) of this Section 1101 if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide as provided in Article IV, notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Permitted Investments of the type described in clause (1) of the definition thereof or Advance Refunded Municipal Bonds not subject to redemption at the option of the issuer thereof prior to the due date thereof, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time of deposit of such Permitted Investments, shall be sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to provide, as soon as practicable, at least thirty (30) days written notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with paragraph (1) of this Section 1101 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 this Section nor principal or interest payments on any such Permitted Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Amount or Redemption Price, if applicable, and interest on said Bonds, provided that any cash received from the principal or interest payments on such Permitted Investments deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Permitted Investments maturing at times and in principal amounts sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. After the making of the payments for which such Permitted Investments or moneys were held, any surplus shall be promptly paid over to the City, as received by the Trustee, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under this Indenture.

(3) Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any Bonds which remain unclaimed for three (3) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three (3) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written

request of the City, be repaid promptly by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the City for the payment of such Bonds; provided, however, that before being required to make any such payment to the City, the Fiduciary shall, at the expense of the City, cause to be mailed to the Holders of all Bonds Outstanding a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned promptly to the City.

ARTICLE XII

MISCELLANEOUS

Section 1201. Evidence of Signatures of Bondholders and Ownership of Bonds.

(1) Any request, consent or other instrument which the Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing.

(2) The ownership of Bonds and the amount, numbers and other identification, and date of owning the same, shall be proved solely by the registry books.

(3) Any request, consent or vote of the Holder of any Bond shall bind all future Holders of such Bond in respect of anything done or suffered to be done by the City or any Fiduciary in accordance therewith.

Section 1202. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof at their own expense.

Section 1203. No Recourse on the Bonds. No recourse shall be had for the payment of the Principal Amount or Redemption Price of or the interest on the Bonds or for any claim based thereon or on the Indenture against any member, officer, agent, representative or employee of the City or any person executing the Bonds. No member, officer, agent, representative or employee of the City shall be held personally liable to any purchaser or Holder of any Bond under or upon such Bond, or under or upon the Indenture or any Supplemental Indenture relating to Bonds, or, to the extent permitted by law, because of the sale or issuance or attempted sale or issuance of Bonds, or because of any act or omission in connection with the construction, acquisition, operation or maintenance of the System, or because of any act or omission in connection with the investment or management of the Revenues, funds or moneys of the City, or otherwise in

connection with the management of its affairs, excepting solely for things wilfully done or omitted to be done with an intent to defraud.

Section 1204. Partial Invalidity. If any provision of the Indenture or any Supplemental Indenture is held invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 1205. Law and Place of Enforcement of the Indenture. The Indenture shall be construed and governed in accordance with the laws of the State and all suits and actions arising out of the Indenture shall be instituted in a court of competent jurisdiction in the State.

Section 1206. Business Days. Except as otherwise required herein, if this Indenture requires any parties to act on a specific day and such day is not a Business Day, such parties need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

Section 1207. Effective Date. The Indenture shall be effective upon its execution by the City and the Trustee.

IN WITNESS WHEREOF, the Issuer has caused this Indenture to be signed in its name by its Mayor and attested by its City Treasurer, and acknowledged by the Chief Engineer of the Pawtucket Water Supply Board and the Trustee, in acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunder duly authorized all as of the day and year first above written.

CITY OF PAWTUCKET, RHODE ISLAND

By: _____
Mayor

By: _____
City Treasurer/Finance Director

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION, as Trustee

By: _____

Acknowledged:

PAWTUCKET WATER SUPPLY BOARD

By: _____
Chief Engineer

EXHIBIT C

EIGHTH SUPPLEMENTAL INDENTURE

between

CITY OF PAWTUCKET, RHODE ISLAND

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS
SUCCESSOR TRUSTEE

Governing the Issuance of

\$5,907,000 WATER SYSTEM REVENUE BONDS, 2015 SERIES A

Dated: _____, 2015

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS AND AUTHORITY	2
Section 101. Definitions.....	2
Section 102. Authority	3
ARTICLE II DETAILS AND FORM OF 2015 SERIES A BONDS	3
Section 201. 2015 Series A Bonds.....	3
Section 202. [Reserved].....	5
Section 203. Prepayment.....	5
Section 204. Form of 2015 Series A Bonds.....	5
ARTICLE III APPLICATION OF PROCEEDS AND OTHER FUNDS.....	12
Section 301. Establishment of Accounts	12
Section 302. Application of 2015 Series A Bond Proceeds.....	12
Section 303. Disbursements from 2015 Series A Project Account.....	12
Section 304. Application of 2015 Series A Rebate Account; Tax Covenants	12
ARTICLE IV [RESERVED]	13
ARTICLE V MISCELLANEOUS	13
Section 501. Authorization of Officers	13
Section 501A. Annual Operating Budget	13
Section 502. Notices	13
Section 503. Severability	14
Section 504. Captions	14

Exhibit A - Form of Requisition

EIGHTH SUPPLEMENTAL INDENTURE

THIS EIGHTH SUPPLEMENTAL INDENTURE (the “Indenture”) dated _____, 2015 is made by and between the CITY OF PAWTUCKET, RHODE ISLAND (the “Issuer” or the “City”), a municipal corporation organized and existing under the laws of the State of Rhode Island, THE PAWTUCKET WATER SUPPLY BOARD, an instrumentality of the City, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as successor trustee (the “Trustee”), a trust company duly organized and validly existing under the laws of the United States of America authorized to exercise corporate trust powers:

W I T N E S S E T H :

WHEREAS, the Issuer and the Trustee, as successor to J.P. Morgan Trust Company, National Association, have entered into a Trust Indenture dated December 30, 2003 (the “Indenture”); and

WHEREAS, the Issuer and the Trustee, as successor to J.P. Morgan Trust Company, National Association, have entered into a First Supplemental Indenture dated December 30, 2003 (the “First Supplemental Indenture”) pursuant to which the Issuer issued its \$19,340,000 Water Revenue Bonds, 2003 Series A and its \$7,655,000 Water Taxable Revenue Bonds, 2003 Series B (collectively, the “2003 Series Bonds”); and

WHEREAS, the Issuer and the Trustee, as successor to J.P. Morgan Trust Company, National Association, have entered into a Second Supplemental Indenture dated March 31, 2004 (the “Second Supplemental Indenture”) pursuant to which the Issuer issued its \$41,875,000 Water Revenue Bonds, 2004 Series A (the “2004 Series Bonds”); and

WHEREAS, the Issuer and the Trustee, as successor to J.P. Morgan Trust Company, National Association, have entered into a Third Supplemental Indenture dated March 23, 2005 (the “Third Supplemental Indenture”) pursuant to which the Issuer issued its \$31,909,000 Water Revenue Bonds, 2005 Series A (the “2005 Series Bonds”); and

WHEREAS, the Issuer and the Trustee have entered into a Fourth Supplemental Indenture dated November 19, 2009 (the “Fourth Supplemental Indenture”) pursuant to which the Issuer issued its \$5,935,000 Water Revenue Bonds, 2009 Series A (the “2009 Series Bonds”); and

WHEREAS, the Issuer and the Trustee have entered into a Fifth Supplemental Indenture dated November 4, 2011 (the “Fifth Supplemental Indenture”) pursuant to which the Issuer issued its \$7,485,000 Water Revenue Bonds, 2011 Series A (the “2011 Series A Bonds”); and

WHEREAS, the Issuer and the Trustee have entered into a Sixth Supplemental Indenture dated June 14, 2012 (the “Sixth Supplemental Indenture”) pursuant to which the Issuer issued its \$1,955,000 Water System Revenue Bonds, 2012 Series A dated June 14, 2012 (the “2012 Series A Bonds”); and

WHEREAS, the Issuer and the Trustee have entered into a Seventh Supplemental Indenture dated May 14, 2013 (the "Seventh Supplemental Indenture") pursuant to which the Issuer issued its \$8,645,000 Water System Revenue Bonds, 2013 Series A (the "2013 Series A Bonds"); and

WHEREAS, within the limitations of and in compliance with Articles II and IX of the Indenture, the Issuer is authorized to issue one or more Series of Bonds secured on a parity with the 2003 Series Bonds, the 2004 Series Bonds, the 2005 Series Bonds, the 2009 Series Bonds, the 2011 Series A Bonds, the 2012 Series A Bonds and the 2013 Series A Bonds by the pledge of the Trust Estate (as defined in Article I of the Indenture) pursuant to a Supplemental Indenture; and

WHEREAS, the Issuer has determined to issue its \$5,907,000 Water System Revenue Bonds, 2015 Series A (the "2015 Series A Bonds"), the proceeds of which shall be used to finance (i) the renovation of water treatment and disinfection facilities, pump station demolition and sedimentation facilities, and the replacement, cleaning and relining of transmission lines and water distribution facilities and all attendant expenses, including but not limited to, engineering costs, (ii) the funding of an account in the Debt Service Reserve Fund for the 2015 Series A Bonds, and (iii) payment of certain Costs of Issuance (the "2015 Series A Project"); and

WHEREAS, the Indenture provides at Section 205 that, in connection with the issuance of a Series of Bonds, the Issuer and the Trustee shall execute a Supplemental Indenture governing the issuance of the Series of Bonds and setting forth the provisions thereof; and

WHEREAS, the Issuer has taken all necessary action to make the 2015 Series A Bonds, when authenticated by the Authenticating Agent (as defined in the Indenture) and issued by the Issuer, valid and binding obligations of the Issuer and to constitute this Eighth Supplemental Indenture a valid and binding instrument for the authorization of and security for the 2015 Series A Bonds;

NOW, THEREFORE, THIS EIGHTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH: That the Issuer does hereby covenant and agree with the Trustee and with the respective Holders, from time to time, of the Outstanding 2015 Series A Bonds, as follows:

ARTICLE I DEFINITIONS AND AUTHORITY

Section 101. Definitions. (1) Except as provided in subsection (2) of this Section, all terms used herein shall have the same meanings in this Eighth Supplemental Indenture as are given such terms in Section 101 of the Indenture.

(2) In this Eighth Supplemental Indenture unless a different meaning clearly appears from the context:

"Agency" means the Rhode Island Clean Water Finance Agency established pursuant to Chapters 12.2 and 12.8 of Title 46 of the General Laws of Rhode Island (1956) as amended;

“Agency Indenture of Trust” shall mean the Indenture of Trust dated as of February 23, 2004 between the Agency and U.S. Bank National Association, as agency trustee (the “Agency Trustee”), as amended and supplemented in accordance with its terms.

“Code” means the Internal Revenue Code of 1986 as amended from time to time and the regulations thereunder and under the Internal Revenue Code of 1954 to the extent applicable.

“Interest Payment Date” shall have the meaning set forth in Section 201(5).

“Loan Agreement” shall mean the Loan Agreement between the Agency and the Issuer dated _____, 2015 pursuant to which the Issuer will issue to the Agency and the Agency will purchase from the Issuer the 2015 Series A Bonds.

“Record Date” shall have the meaning specified in Section 201(5) of this Eighth Supplemental Indenture.

“Required Debt Service Deposits” with respect to the 2015 Series A Bonds shall mean the payments on the dates and in the amounts set forth on Exhibit B hereto as such Exhibit may be revised from time to time by operation of Article III or Article IV of the Loan Agreement and which may take into account amounts held by the Agency Trustee in a capitalized interest account established for the Issuer pursuant to the Agency Indenture of Trust.

“2015 Series A Bonds” shall mean the City’s \$5,907,000 Water System Revenue Bonds, 2015 Series A, as authorized by Section 201 of this Eighth Supplemental Indenture.

“2015 Series A Project” shall mean the project described in the ninth WHEREAS clause of this Eighth Supplemental Indenture.

“2015 Series A Project Account” shall mean the account in the Project Fund so designated and created by Section 301 of this Eighth Supplemental Indenture.

“Tax Certificate” shall mean the Tax Certificate of the Issuer delivered in connection with the 2015 Series A Bonds.

Section 102. Authority. This Eighth Supplemental Indenture is authorized pursuant to the Indenture.

ARTICLE II DETAILS AND FORM OF 2015 SERIES A BONDS

Section 201. 2015 Series A Bonds. (1) A Series of Fixed Rate Bonds, designated “Water System Revenue Bonds, 2015 Series A” is hereby authorized to be issued pursuant to Section 203 of the Indenture in the aggregate Principal Amount of \$5,907,000.

(2) The purposes for which the 2015 Series A Bonds are issued are (a) to provide funds to pay all or a portion of the Cost of the 2015 Series A Project, (b) to provide funds for deposit in an account for the 2015 Series A Bonds in the Debt Service Reserve Fund, and (c) to provide for all or a portion of the Cost of Issuance of the 2015 Series A Bonds, subject in all cases to the limitations and provisions provided in Article V of the Indenture and in the amounts determined by or pursuant to Article III hereof.

(3) The 2015 Series A Bonds shall be issued in denominations of \$1,000 or any whole multiple thereof, and shall be lettered and numbered separately from one (1) consecutively upward in order of maturity preceded by the letter “R” and with such further or alternate designation as the Trustee shall determine with the approval of the Issuer. In accordance with Section 303 of the Indenture, the 2015 Series A Bonds shall be authenticated prior to delivery by the Trustee, who is hereby appointed Authenticating Agent for the 2015 Series A Bonds. The Trustee is also hereby appointed registrar for the 2015 Series A Bonds.

(4) All 2015 Series A Bonds shall be dated _____, 2015 and shall bear interest on amounts as shall have been advanced from time to time under the Loan Agreement, with interest meantime, payable from the date of the first advance to the City pursuant to the Loan Agreement on the Outstanding balance. Interest shall be payable September 1, 2015 and each September 1 and March 1 thereafter until the full Principal Amount has been repaid and is no longer Outstanding (each herein referred to as an “Interest Payment Date”). If any Interest Payment Date or Principal Payment Date is not a Business Day, interest or principal shall be paid on the next succeeding Business Day with no additional interest accruing. Principal of or sinking fund installments on the 2015 Series A Bonds shall be payable on the dates, in the amounts, at the stated rates shown below, which are the Issuer’s market interest rates (the “Market Rate”) but with subsidized interest rates which are 75% of the respective Market Rate (the “Subsidized Interest Rate”) and a principal forgiveness subsidy as provided in the Loan Agreement:

	<u>Principal</u>	Less Principal			
<u>September</u>	<u>Amount</u>	Forgiveness	<u>Market</u>	<u>Subsidized</u>	<u>Net Principal</u>
		<u>Subsidy</u>	<u>Interest Rate</u>	<u>Interest Rate</u>	<u>Amount</u>

* Represents sinking fund redemption of September 1, 2015 maturity

Interest on the 2015 Series A Bonds shall be calculated on the basis of a numerator using 30 days and a denominator using a 360-day year.

(5) The Principal Amount of, Redemption Price of and interest on the 2015 Series A Bonds shall be payable by the Paying Agent (as defined in the Indenture) for the 2015 Series A Bonds by check or draft drawn upon the Trustee and mailed to the address of the registered owner thereof as it appears on the registry books of the Issuer determined as of the close of business on the applicable record date, provided, however, that payments of interest to any registered owner of \$1,000,000 or more aggregate principal amount of 2015 Series A Bonds may be paid at the election of the registered owner by wire transfer to the account number of such registered owner on file with the Trustee or to another account number of which the registered owner shall give notice to the Trustee in writing at least five days prior to the Interest Payment Date. The record date for payment of interest on the 2015 Series A Bonds shall be the fifteenth day next preceding the date on which the interest is to be paid, or, if such fifteenth day is not a Business Day, the next preceding Business Day, provided that, with respect to overdue interest or interest payable on redemption of such 2015 Series A Bonds other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date (the record date for payment of interest and the special record date shall each be a “Record Date”). The special record date may be not more than twenty (20) days before the date set for payment. The Trustee shall give notice of a special record date by mailing a copy of such notice to the registered owners of all 2015 Series A Bonds Outstanding in the manner provided in Section 1001 of the Indenture at least ten (10) days before the special record date or in such other time and manner as the Trustee may deem appropriate. The Principal Amount and Redemption Price of, and interest on the 2015 Series A Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Indenture.

Section 202. [Reserved].

Section 203. Prepayment. 2015 Series A Bonds are subject to prepayment at any time with the consent of the Agency, subject to the terms of the Loan Agreement.

Section 204. Form of 2015 Series A Bonds. Subject to the provisions of the Indenture, the form and tenor of the 2015 Series A Bonds shall be substantially as follows, with such insertions, omissions, and variations as may be required or permitted by the Indenture.

CITY OF PAWTUCKET, RHODE ISLAND
WATER SYSTEM REVENUE BONDS, 2015 SERIES A

Original Issue Date: _____, 2015

The City of Pawtucket, Rhode Island (herein called the “Issuer”), for value received, hereby promises to pay to the Rhode Island Clean Water Finance Agency (the “Agency”), or registered assigns, the Principal Amount or such lesser amount as shall have been advanced from time to time under and pursuant to a Loan Agreement by and between the Issuer and the Agency relating to the Loan, as defined therein, which this Bond represents, in installments on September 1 of each of the years set forth below with interest meantime, payable from the date of the first advance to the Issuer pursuant to the Loan Agreement at the Interest Rate Per Annum on such Principal Amount, or such lesser amount as shall have been advanced pursuant to the Loan Agreement, from the most recent September 1 or March 1 (each an “Interest Payment Date”) to which interest has been paid or provided for or, if no interest has been paid, from the Original Issue Date, payable on September 1, 2013, and semi-annually thereafter on the first day of each subsequent September and March until payment of such Principal Amount. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Principal Amount shall exclude any amounts disbursed, subject to Section 7.3 of the Loan Agreement, as a Principal Forgiveness Subsidy (defined in the Loan Agreement).

<u>September</u>	<u>Principal Amount</u>	<u>Less Principal Forgiveness Subsidy</u>	<u>Market Interest Rate</u>	<u>Subsidized Interest Rate</u>	<u>Net Principal Amount</u>
------------------	-----------------------------	---	---------------------------------	-------------------------------------	---------------------------------

* Represents sinking fund redemption of September 1, 2015 maturity

The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal of, redemption price of and interest on this bond is payable by check or draft drawn on The Bank of New York Mellon Trust Company, N.A., in the City of Providence, Rhode Island, successor trustee under the Indenture hereinafter mentioned, or its successor (the "Trustee") and to the Registered Owner at its address appearing on the registration books of the Issuer kept for that purpose at the principal office of the Trustee, determined as of the close of business on the applicable record date, provided that payments of interest to any Registered Owner of \$1,000,000 or more aggregate principal amount of 2015 Series A Bonds may be paid at the election of the Registered Owner by wire transfer to the account number of such Registered Owner on file with the Trustee or to another account number of which the Registered Owner shall give notice to the Trustee in writing at least five days prior to the Interest Payment Date. The record date for payment of interest is the fifteenth day preceding the date on which the interest is to be paid or, if such last day is not a Business Day, the next preceding Business Day, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment.

THE PRINCIPAL OF OR REDEMPTION PRICE AND INTEREST ON THE 2015 Series A BONDS ARE PAYABLE ONLY FROM THE REVENUES OR ASSETS OF THE ISSUER PLEDGED THEREFOR AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE SHALL BE OBLIGATED TO PAY THIS BOND. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND.

This bond is one of a duly authorized issue of bonds of the Issuer (herein called the "Bonds"), issued and to be issued pursuant to Chapters 12.2 and 12.8 of Title 46 of the General Laws of the State of Rhode Island, 1956 (2007 Reenactment) as amended (the "Act") and under and pursuant to a Trust Indenture by and between the Issuer and the Trustee dated December 30, 2003, as amended and supplemented, including by a Eighth Supplemental Indenture thereto dated _____, 2015 (the "Indenture"). As provided in the Indenture, Bonds may be issued from time to time in one or more series in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Indenture. Except as provided in the Indenture, the aggregate principal amount of Bonds which may be issued thereunder is not limited and all Bonds issued and to be issued under said Indenture are and will be equally secured by the pledge and covenants provided therein.

This bond is a special obligation of the Issuer. The Issuer has pledged to the payment of the principal and redemption price of and interest on the Bonds, 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, the proceeds of the Bonds, all Revenues of the Issuer (as defined in the Indenture), and all moneys, securities and other amounts in all funds and accounts established by or pursuant to the Indenture, except the Operating Fund and the Rebate Fund and the Unrestricted Fund of the Issuer.

This bond is one of a series of Bonds designated as “Water System Revenue Bonds, 2015 Series A” (herein called the “2015 Series A Bonds”), issued under the Indenture, and limited to the aggregate principal amount of \$5,907,000. Copies of the Indenture are on file at the office of the Issuer and at the principal corporate trust office of the Trustee and reference to the Indenture and any supplements thereto and to the Act is made for a description of the pledge securing the Bonds and covenants relating thereto, the manner of enforcement of the pledge, the rights and remedies of the Registered Owners of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and may be issued thereunder, the conditions upon which the Indenture may be amended with or without the consent of the Registered Owners of the Bonds, and the terms upon which Bonds may no longer be secured by the Indenture.

The Registered Owner of this bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein to take any action with respect to an Event of Default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The 2015 Series A Bonds are subject to prepayment at any time with the consent of the Agency, subject to the terms of the Loan Agreement.

This bond is transferable, as provided in the Indenture, only upon the books of the Issuer held by the Bond Registrar by the Registered Owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his duly authorized attorney, and thereupon the Issuer shall issue in the name of the transferee a new registered 2015 Series A Bond or Bonds of the same aggregate principal amount, interest rate and maturity as the surrendered 2015 Series A Bond, as provided in the Indenture, and upon the payment of the charges therein prescribed. This Bond may also be exchanged, alone or with other 2015 Series A Bonds of the same series, interest rate and maturity, at the office of the Trustee in Providence, Rhode Island, for a new 2015 Series A Bond or Bonds of the same aggregate principal amount, interest rate and maturity, without transfer to a new registered owner, as provided in the Indenture and upon the payment of the charges therein prescribed. The 2015 Series A Bonds are issuable only in denominations of \$1,000 or any whole multiple thereof.

The Issuer shall not be obligated to make any transfer or exchange of this bond between a record date and an Interest Payment Date.

No recourse shall be had for the payment of the principal or redemption price of or the interest on the 2015 Series A Bonds or for any claim based thereon or on the Indenture against any member, officer or employee of the Issuer or any person executing the 2015 Series A Bonds.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been

performed and that the issue of this bond, together with all other indebtedness of the Issuer, is within every debt and other limit prescribed by law.

This bond shall not be entitled to any security, right or benefit under the Indenture or be valid or obligatory for any purpose, unless the certificate of authentication hereon has been duly executed by the Trustee.

IN WITNESS WHEREOF, the City of Pawtucket, Rhode Island has caused this bond to be executed in its name by the manual or facsimile signature of an authorized officer of the Issuer and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and countersigned by the manual or facsimile signature of another authorized officer of the Issuer.

(Seal)

CITY OF PAWTUCKET, RHODE ISLAND

By: _____
Authorized Officer

Attested:

By: _____
Authorized Officer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2015 Series A Bonds described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Successor
Trustee

By: _____
Authorized Signatory

CERTIFICATE OF ASSIGNMENT

The Rhode Island Clean Water Finance Agency, for value received, does assign and pledge the above Bond to U.S. Bank National Association, as Agency Trustee under the Agency Indenture of Trust, dated as of February 23, 2004, as amended and supplemented, between the Agency and such Agency Trustee, to be held as provided therein as security for the performance of the obligations of the Agency thereunder.

IN WITNESS WHEREOF, the Rhode Island Clean Water Finance Agency has caused this assignment to be signed in its name and behalf by its duly authorized officer, as of the ____ day of _____, 2015.

Rhode Island Clean Water Finance Agency

By: _____
Title: Executive Director

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers this bond to

(Name and Address of Assignee)

(Social Security or other Identifying Number of Assignee)

and irrevocably appoints _____

attorney-in-fact to transfer it on the books kept for registration of this bond with full power of substitution.

Dated: _____

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration, enlargement or other change.

Signature Guaranteed:

Participant in a Recognized Signature
Guaranty Medallion Program

By: _____
Authorized Signature

ARTICLE III
APPLICATION OF PROCEEDS AND OTHER FUNDS

Section 301. Establishment of Accounts.

(a) In accordance with Section 503 of the Indenture, a 2015 Series A Accounts are hereby established within the Project Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Rebate Fund. Such accounts shall be established and held by the Trustee in accordance with Article V of the Indenture; and

(b) In accordance with Section 508 of the Indenture, a 2015 Series A Account is hereby established within the Debt Service Reserve Fund. Such account shall be established and held by the Trustee in accordance with said Section 508.

Section 302. Application of 2015 Series A Bond Proceeds. The proceeds of the sale of the 2015 Series A Bonds, net of the loan fee of \$[59,070.00] paid to the Agency, shall be applied or caused to be applied by the Issuer simultaneously with their delivery, as follows:

(a) An amount equal to the Debt Service Reserve Fund Requirement of \$[545,879.98] shall be deposited in the 2015 Series A Account of the Debt Service Reserve Fund;

(b) An amount equal to \$_____, the estimated costs of issuance which may be paid from the proceeds of the 2015 Series A Bonds, shall be held by the Agency;

(c) An amount equal to \$_____, shall be held by the Agency trustee in an account of the construction proceeds fund established for the Issuer pursuant to the Agency Indenture of Trust for application to the Cost of the 2015 Series A Project; and

(d) An amount equal to \$_____ shall be held by the Agency trustee in the Principal Forgiveness Subsidy Account established for the Issuer pursuant to the Agency Indenture of Trust for application to the Cost of the 2015 Series A Project.

Section 303. Disbursements from 2015 Series A Project Account. Amounts, if any, in the 2015 Series A Project Account shall be disbursed to or upon the order of the City upon receipt by the Agency of one or more requisitions in the form annexed to and incorporated into this Eighth Supplemental Indenture as Exhibit A, subject to the requirements of Section 503(3) of the Indenture.

Section 304. Application of 2015 Series A Rebate Account; Tax Covenants. The City covenants to take all actions necessary to comply with the Tax Certificate.

Notwithstanding any provision of the Indenture or this Eighth Supplemental Indenture, the Issuer shall take all lawful action necessary under the Code to ensure that interest on the 2015 Series A Bonds will remain exempt from federal income taxation to the extent provided in Section 103 of said Code and will refrain from taking any action which will cause interest on the

2015 Series A Bonds to lose the benefit of the exclusion from gross income provided by Section 103(a) of the Code. The Issuer shall not use or permit the use of any moneys held by the Issuer or the Trustee under the Indenture in any manner which would result in the 2015 Series A Bonds being classified as private activity bonds within the meaning of Section 141 of the Code or as arbitrage bonds within the meaning of Section 148 of the Code.

The provisions of this Section 304 shall be complied with by the Issuer in order to meet the requirements of the Code such that interest on the 2015 Series A Bonds shall be and remain exempt from federal income taxes to the extent provided in Section 103 of the Code; provided, however, that the Issuer shall not be required to comply with any such provision with respect to the 2015 Series A Bonds in the event the Issuer receives a Counsel's Opinion that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Section 304 will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Section 304. The Issuer shall adopt a Supplemental Trust Indenture reflecting the deletion or substitution of any such provision of this Section 304 in the same manner as provided for Supplemental Trust Indentures authorized in accordance with Section 901 of the Indenture.

ARTICLE IV
[RESERVED]

ARTICLE V
MISCELLANEOUS

Section 501. Authorization of Officers. The City Treasurer, the Mayor, the Chief Engineer of the Water Supply Board and the Chief Financial Officer of the Water Supply Board of the Issuer, acting singly, are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Eighth Supplemental Indenture and the Indenture. From and after the date of this Supplemental Indenture, the Chief Financial Officer shall be an "Authorized Officer" for purposes of Section 503 and 512 of the Indenture, and also for purposes of signing requisitions to the Agency.

Section 501A. Annual Operating Budget. Prior to an Event of Default, the City Council and the Authorized Officers shall not be required to file its Annual Budget and other reports required by Section 608 of the Indenture with the Trustee, but shall nonetheless prepare its Annual Budget and other reports required by Section 608 and shall provide such items to the Agency to the extent required by Section 7.2 of the Loan Agreement.

Section 502. Notices. Unless otherwise expressly provided, all notices to the Issuer, the Trustee and the Paying Agent shall be in writing and shall be sent by registered or certified mail, postage prepaid, or delivered during business hours as follows: (i) to the Issuer at its office at City Hall, 137 Roosevelt Avenue, Pawtucket, Rhode Island 02860, attention of City Treasurer, and at the

office of the Pawtucket Water Supply Board, 85 Branch Street, Pawtucket, Rhode Island 02860, attention of the Chief Engineer, (ii) to the Trustee and Paying Agent, The Bank of New York Mellon Trust Company, N.A., One Financial Plaza, Suite 2200, Providence, Rhode Island 02903 and (iii) to the Rhode Island Clean Water Finance Agency, 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, or, as to all of the foregoing, to such other address as the addressees shall have indicated by prior written notice to the one giving notice. If mailed, any notice given under this section shall be deemed given upon mailing, and if delivered, such notice shall be deemed given upon receipt by the party for whom it was intended.

Notice hereunder may be waived prospectively or retrospectively by the person entitled to the notice, but no waiver shall affect any notice requirement as to other persons.

Section 503. Severability. In the event that any provision of this Eighth Supplemental Indenture shall be held to be invalid under any circumstances, such invalidity shall not affect any other provisions or circumstances.

Section 504. Captions. The captions and table of contents, if any, of this Eighth Supplemental Indenture are for convenience only and shall not affect the construction hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Eighth Supplemental Indenture to be executed in their respective corporate names by their duly authorized officers, and the Pawtucket Water Supply Board has caused this Eighth Supplemental Indenture to be acknowledged by its duly authorized officer all as of the date first above written.

CITY OF PAWTUCKET, RHODE ISLAND

By: _____
Mayor

By: _____
City Treasurer

PAWTUCKET WATER SUPPLY BOARD

By: _____
Authorized Officer

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Successor
Trustee

By: _____
Vice President

EXHIBIT A

Form of Requisition

REQUISITION NO.

\$5,907,000 City of Pawtucket, Rhode Island
Water System Revenue Bonds, 2015 Series A

To: Rhode Island Clean Water Finance Agency

This Requisition is made pursuant to Section 303 of the above Eighth Supplemental Indenture.

The Trustee is directed to pay sums out of the Account of the Project Fund entitled the 2015 Series A Project Account; under the Depository Agreement.

<u>Payee</u>	<u>Purpose of Payment</u>	<u>Amount</u>
--------------	---------------------------	---------------

I hereby certify that

(i) each obligation mentioned herein (a) has been properly incurred, (b) is a proper charge against the Account of the Project Fund named above, (c) is currently due and payable, (d) has not been previously paid or reimbursed, (e) has not been the basis of any previous withdrawal and (f) is an item of “Cost” or “Cost of Issuance” (as defined in the Indenture).

(ii) attached hereto are invoices (or, in the event reimbursement is being requested, cancelled checks) for each amount described herein.

PAWTUCKET WATER SUPPLY BOARD

By: _____
Authorized Officer

CITY OF PAWTUCKET, RHODE ISLAND

By: _____
Authorized Officer

EXHIBIT D

RHODE ISLAND CLEAN WATER FINANCE AGENCY

LOAN AGREEMENT

DRINKING WATER STATE REVOLVING FUND

This AGREEMENT is entered into as of the __th day of June, 2015, between the Rhode Island Clean Water Finance Agency (the "Agency") and the City of Pawtucket, Rhode Island, acting on behalf of itself and its Pawtucket Water Supply Board, (the "Borrower") in accordance with the Safe Drinking Water Act Amendments of 1996, an act or acts of the Borrower (the "Local Bond Act"), more fully described in Exhibit A hereto, and Chapters 46-12.2 and 46-12.8 of the Rhode Island General Laws (the "Act") in order to finance, to the extent of the aggregate amount of the loans made hereunder, an approved project (the "Project") now being undertaken by the Borrower. The Project is described in Exhibit B.

ARTICLE I
THE LOAN

1.1. In accordance with Chapters 46-12.2 and 46-12.8 of the Rhode Island General Laws, the Agency agrees to and does hereby loan to the Borrower, and the Borrower agrees to and does hereby borrow from the Agency, in accordance with the terms of this Agreement, the principal sum of Five Million Nine Hundred Seven Thousand Dollars (\$5,907,000), (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. Subject to Section 7.3 herein, _____ (\$ _____) of the Loan will be forgiven in accordance with the schedule set forth in Exhibit A attached hereto (the "Principal Forgiveness Subsidy"), using a portion of the proceeds of the FY 2014 Drinking Water State Revolving Fund Capitalization Grant (the "Capitalization Grant") awarded to the State of Rhode Island. The proceeds of the Loan shall be disbursed 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 monthly, subject to the approval of the amount of each disbursement by the Agency, and based on the Rhode Island Department of Health's ("DOH") periodic inspection and approval of completed construction.

1.2. The Loan shall be represented by a bond or bonds of the Borrower (in either case, referred to herein as the "Revenue Bond") issued under and in accordance with the applicable provisions of the Rhode Island General Laws, the applicable Local Bond Act, and the Act and each disbursement shall be noted thereon or otherwise recorded in the records of the Agency. The Revenue Bonds shall be issued in accordance with the Trust Indenture between the City of Pawtucket and The Bank of New York Mellon Trust Company, N.A., as Successor Trustee (the "City Trustee"), dated December 30, 2003, a First Supplemental Indenture thereto, dated December 30, 2003, a Second Supplemental Indenture thereto, dated March 31, 2004, a Third Supplemental Indenture thereto, dated March 23, 2005, a Fourth Supplemental Indenture thereto, dated November 19, 2009, a Fifth Supplemental Indenture thereto, dated November 4, 2011, a Sixth Supplemental Indenture thereto, dated June 14, 2012, a Seventh Supplemental Indenture thereto, dated May 14, 2013, and an Eighth Supplemental Indenture thereto, dated June __, 2015 (collectively, the "City of Pawtucket Trust Indenture"), which is incorporated herein and attached as Exhibit C hereto. The Revenue Bond shall be substantially in the form of Exhibit D hereto.

1.3. Funds of the Agency in the amount of _____ (\$_____) will be deposited in an account for the benefit of the Borrower in the Borrower's Construction Proceeds Account (the "Borrower Construction Proceeds Account") held by US Bank National Association, as Depository (the "Depository"), under the terms of the Depository and Administrative Payment Agreement dated July 8, 2014 between the Agency and US Bank National Association (the "Depository Agreement"). Funds of the Agency in the amount of \$_____ (\$_____) (the amount of the Principal Forgiveness Subsidy) will be deposited in an account for the benefit of the Borrower in the Borrower's Construction Proceeds Principal Forgiveness Account (the "Borrower Construction Proceeds Principal Forgiveness Account") held by the Depository under the terms of the Depository Agreement. Such deposit or deposits, 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, shall constitute the Loan. The Agency shall determine which funds available to the Agency shall be allocated to the Loan. The Revenue Bond and this Agreement may be pledged and assigned to U.S. Bank National Association, as Trustee, under the Indenture of Trust dated as of February 23, 2004 between the Agency and U.S. Bank National Association, as trustee (the "Trustee"), a First Supplemental Indenture thereto dated March 23, 2005, a Second Supplemental Indenture thereto, dated March 1, 2007, a Third Supplemental Indenture of Trust thereto dated June 1, 2008, a Fourth Supplemental Indenture of Trust thereto dated November 19, 2009, a Fifth Supplemental Indenture of Trust thereto dated as of June 1, 2012, a Sixth Supplemental Indenture of Trust thereto dated as of June 1, 2013, and a Seventh Supplemental Indenture of Trust thereto dated as of December 1, 2014 (the Indenture of Trust as supplemented, is hereinafter referred to as the "Indenture").

ARTICLE II THE REVENUE BONDS

2.1. Payment of principal and interest shall be made by the Borrower as stated in Exhibit I attached hereto. The stated interest rate on the Revenue Bond, which is the Borrower's Market Rate (the "Market Rate"), is the prevailing market interest rate for issuers of comparable creditworthiness to the Borrower. The Subsidized Interest Rate is calculated based on a 25% interest subsidy from the Borrower's Market Rate. The Borrower will be obligated by the Revenue Bond to pay the Market Rate stated thereon but will be billed only for the Subsidized Interest Rate, except in special circumstances as set forth below in Article III. 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 aggregate amounts disbursed prior to such date less aggregate prior principal payments by the Borrower (the "Outstanding Disbursements") as stated in Exhibit I.

2.2. Interest will be charged only on the amount of the Loan proceeds which has been disbursed or deemed disbursed to the Borrower, less the Principal Forgiveness Subsidy, and is to be calculated on the basis of a 360-day year of twelve thirty-day months. The Loan proceeds will be deemed disbursed to the Borrower when the Agency shall have transferred money for the Borrower's account out of the Borrower Construction Proceeds Account to the Agency in response to a Borrower's requisition made in accordance with Article VI hereof. The Agency shall furnish to the Borrower a monthly statement of Loan Activity showing all amounts which have been disbursed or deemed disbursed pursuant to the terms of this Agreement. The Agency shall forward the monthly statements to the City Treasurer/Finance Director and City Clerk of the Borrower and the Chief Engineer of the Pawtucket Water Supply Board. Notwithstanding the foregoing, in the event that the Borrower fails, for any reason whatsoever, to draw funds from the Borrower Construction Proceeds Account 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 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.

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 prior to or within one year after the estimated date of completion of construction of the Project as identified in the Project description in Exhibit B 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 B. 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 September 1, 2015.

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 B is not commenced or if, having been commenced, is abandoned or completed without the full amount of the Loan applicable thereto having been disbursed, as of the scheduled completion date set forth in Exhibit B hereto, the balance of the undisbursed proceeds applicable to such portion shall be deemed disbursed as of such date and the Borrower shall be responsible for the payment of interest thereon, other than with respect to the Principal Forgiveness Subsidy. Notwithstanding that such balance is deemed disbursed, it shall be retained by the Agency in a separate account for the benefit of the Borrower.

2.6. A Loan may be prepaid by the Borrower at any time with the consent of the Agency but as a condition to 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 Bonds, 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 acceptable in form to the Agency of nationally recognized bond counsel as to the valid authorization, execution, delivery and enforceability of the Revenue Bonds and this Agreement. Said opinion shall include an opinion that the Revenue Bonds are not a private activity bond within the meaning of Section 141 of the Internal Revenue Code of 1986 (as amended), that interest on the Revenue Bond is not included in gross income for federal income taxation purposes, and that interest on the Revenue Bond is not included in gross income for federal income taxation purposes and interest on the Revenue Bond 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. The Agency agrees that it will comply with Rule 15c2-12 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 of Trust 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 of Trust, 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 Market Rate on the Revenue Bond or Bonds 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 Market Rate on the Revenue Bond or, in the case of other borrowers, on the Revenue Bonds representing loans to them. Such charge shall never affect the amount of Loan proceeds 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 Market 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.

3.3. The obligation of the Borrower to pay the Market 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 or the Agency Bonds.

ARTICLE IV
PLEDGE AND DEFAULT

4.1. The Revenue Bonds shall constitute a limited obligation of the Borrower, payable in accordance with the City of Pawtucket Trust Indenture.

4.2. 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.

4.3. No delay or omission on the part of the Agency in exercising any right under the Revenue Bonds or hereunder shall operate as a waiver of such right or of any other right under the Revenue Bonds 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.

4.4. The Borrower will pay all costs of collection, legal expenses, and reasonable attorney's fees incurred or paid by the Agency in collecting or enforcing the Revenue Bonds, 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.

4.5. 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 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 (5%) 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 Bonds 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.

ARTICLE V REPRESENTATIONS AND WARRANTIES

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

- (i) it is a political subdivision of the State of Rhode Island;
- (ii) it is authorized to enter into this Agreement, to make the Loan, 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 Rhode Island General Laws § 39-3-15;
- (iv) the public utilities commission has approved user fees, charges, rates, or assessments which will be sufficient to meet the rate covenant contained in the City

Indenture, attached as Exhibit C herein;

(v) the Loan, the Revenue Bond, this Agreement, and the City Indenture have each been duly authorized by the appropriate bodies of 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) except as to matters detailed in Exhibit H attached hereto, 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.

(viii) the Borrower, having made reasonable investigation, represents that it has not taken any action that would: (1) cause the interest payable on the Revenue Bond to be includable in gross income for Federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"); or (2) cause the Revenue Bond to be a "private activity bond," as defined in Section 141 of the Code.

5.2. The Borrower shall confirm, as of the date of each construction disbursement made hereunder, the representations and warranties contained in Section 5.1 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 Section 5.1 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 Bonds are no longer true and correct.

ARTICLE VI DISBURSEMENT

6.1. 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 Borrower Construction Proceeds Account held under the Depository Agreement, including from the Borrower's Principal Forgiveness Subsidy Subaccount of the Federal Direct Loan Account of the Construction Proceeds Fund with respect to the Principal Forgiveness Subsidy. Payments and reimbursements will be made only on account of those portions of the Project, as identified in Exhibit B, for which the Borrower has received and filed with the Agency a Certificate of Approval from DOH.

6.2. No more frequently than monthly, the Borrower may submit to the Agency a requisition for payment, in the form set forth in Exhibit K, from the Borrower Construction Proceeds Account held under the Depository Agreement, including from the Borrower's Construction Proceeds Principal Forgiveness Account with respect to the Principal Forgiveness Subsidy. Such requisition shall be accompanied by vendor, contractor or supplier invoices, or such other documentation as the Agency shall require, showing that the payee, the purpose and the aggregate amount of payments is within the project definition, all applicable DOH 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.

6.3 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 pay such requisition. 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 to or on the order of the Borrower, in each case, for payment as specified in the requisition. If at the time of any requisition any of the follow shall be true:

- (i) there shall then be a continuing Event of Default hereunder;
- (ii) the Agency shall have been notified by DOH that disbursement of the Loan should be suspended as a result of conditions found during a DOH review or inspection of the Project, or any components thereof; or
- (iii) if the representations and warranties contained in Section 5.1 or Section 5.2 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 pay such requisition, as aforesaid. If the Agency has not previously been furnished with a copy of the DOH 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.

ARTICLE VII EVENTS OF DEFAULT

7.1 In the event that: (i) the Borrower shall fail to make any payment of the principal of, the premium, if any, and interest on all or a portion of the Loan when and as the same shall become due and payable, in accordance with the terms hereof; or (ii) an Event of Default occurs under the terms of the City of Pawtucket Trust Indenture, such failure or such occurrence shall constitute an Event of Default, without

notice or demand of any kind whatsoever.

7.2 In the event that the Borrower shall fail to observe or comply with any other obligation or covenant under this Agreement, or if any other representation or warranty of the Borrower under this Agreement shall at any time prove to have been false or misleading in any material respect when made or given, such failure or such occurrence shall constitute an Event of Default if the same shall continue for a period of thirty (30) days after written notice thereof given to the Borrower by or on behalf of the Agency; provided, however, that if (a) the failure is not one which may be cured by the payment of money, (b) the curing of such failure cannot be accomplished with due diligence within said thirty days, (c) Borrower commences to cure such failure within said thirty days and thereafter diligently and continuously prosecutes the cure of such failure, and (d) the extension of the period for effecting a cure will not result in any material adverse effect of the interests of the holders of the Agency Bonds or the undertaking of the Agency's programs, then such period of thirty days shall be extended for such period, not in excess of six months, as is reasonably necessary for Borrower so acting to cure such failure.

7.3 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 Borrower Bond. In addition and not in limitation of all other rights which it may from time to time have, including, but not limited to, the rights set forth in Section 4.5 of this Agreement, the Agency may, if an Event of Default under Section 7.1 or Section 7.2 of this Agreement has occurred, to the extent permitted by law, declare the entire principal of the Revenue Bond, or such portion thereof constituting the Principal Forgiveness Subsidy, immediately due and payable, suspend all further construction progress payments and exercise its rights under Article IV hereof. In the event that all or any portion of the Principal Forgiveness Subsidy is declared immediately due and payable, the Agency shall recalculate the Borrower's Debt Service Schedule, attached hereto as Exhibit I, to reflect such repayment among the remaining principal payments due on the Loan.

ARTICLE VIII COMPLIANCE AND REPORTS

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

- (i) Federal Safe Drinking Water Act of 1974, including the Safe Drinking Water Act Amendments of 1996, as amended and supplemented from time to time;
- (ii) 33 U.S.C. 1372, which requires, inter alia, providing in all contracts with contractors and subcontractors funded directly by or assisted in whole or in part with the funding provided under a federal capitalization grant shall pay laborers and mechanics at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of the United States Department of Labor ("DOL") in accordance with subchapter IV of Chapter 31 of Title 40, United States Code, and as further stated in Exhibit L attached hereto. The Borrower shall include such terms and conditions in any subcontract and lower-tiered transactions, requiring that contractors and subcontractors obtain wage determinations from DOL and comply with DOL guidance and regulations implementing these wage rate requirements;

- (iii) Title 40, CFR Part 34, New Restrictions on Lobbying, including the submission of certification and disclosure forms accordingly;
- (iv) To the extent applicable, the Borrower agrees to be bound by and to comply with, the provisions and requirements of the federal Single Audit Act of 1984 (Pub. L.98-502) Office of Management and Budget (OMB) Circular No. A-133, and updates or revisions, thereto. See Exhibit E for the amount of federal funds allocated to the Loan;
- (v) other Federal legislation or administrative rules applying to activities supported with Federal funds, including those listed in Exhibit F;
- (vi) the Act; and
- (vii) 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.

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

- (i) a copy of the annual audited financial statements of the Borrower's water system in accordance with Generally Accepted Government Accounting Standards, annually within 270 days of end of fiscal year.
- (ii) unless included as a part of the annual budget furnished pursuant to item (iii) or the audited financial statements furnished pursuant to item (i), 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 270 days of the end of fiscal year.
- (iii) a copy of the annual budget of the Borrower's water system, within fifteen days of its adoption.
- (iv) unless included as a part of the annual budget furnished pursuant to item (iii) or the audited financial statements furnished pursuant to item (i), a schedule of current and projected short-term and long-term debt service secured by water system revenues, annually with the aforesaid budget.
- (v) unless included as a part of the annual budget furnished pursuant to item (iii) or the audited financial statements furnished pursuant to item (i), a schedule of capital replacement reserves, annually with the aforesaid budget.
- (vi) copies of reports submitted to DOH, 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) on September 1 of each year, a certification to demonstrate compliance with Section 5.1 (viii) hereof, in the form set forth as Exhibit J or such other form as reasonably determined by the Agency.

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

8.3. (i) 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. In addition, the Borrower Bond may not be a "private activity bond", as defined in Section 141 of the Internal Revenue Code of 1986 (the "Code"). 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.

(ii) The interest on the Borrower Bond is intended to be excludable from gross income under Section 103 of the Code. The Borrower has not taken any action (or failed to take an action) and will not take any action (or fail to take any action) that would: (1) cause the interest payable on the Revenue Bond to be includable in gross income for Federal income tax purposes under the Code; or (2) cause the Borrower Bond to be a "private activity bond," as defined in Section 141 of the Code.

8.4. To the extent permitted by law, so long as the Borrower shall constitute an obligated person 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, (2) when and if available, the Borrower agrees promptly to provide the Agency with its audited financial statements for each fiscal year and (3) the Borrower agrees to provide or cause to be provided to the Agency, within ten (10) business days after the occurrence thereof, notice of the occurrence of any of the following events with respect to the Revenue Bonds:

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

- (i) Revenue Bonds defeasances;
- (j) release, substitution, or sale of property securing repayment of the Revenue Bonds, if material;
- (k) rating changes;
- (l) tender offers;
- (m) bankruptcy, insolvency, receivership or similar event of the Borrower*;
- (n) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than pursuant to its terms, if material; and
- (o) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

The Borrower will provide, in a timely manner, to the Agency, notice of a failure to satisfy the requirements of this Section.

The intent of the Borrower undertaking pursuant to this Section is to facilitate the Agency's ability to comply with the requirements of the Rule. Accordingly, the Borrower agrees to provide the Agency with any additional information the Agency may reasonably require in order to comply with the requirements of Rule, as in effect from time to time.

ARTICLE IX MISCELLANEOUS

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

9.2 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.

9.3 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.

9.4 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.

9.5 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.

9.6 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.

RHODE ISLAND CLEAN WATER
FINANCE AGENCY

By: _____
William Sequino, Jr.
Executive Director

CITY OF PAWTUCKET,
RHODE ISLAND

By: _____
Name: Donald R. Grebien
Title: Mayor

By: _____
Name: Joanna L'Heureux
Title: Director of Finance

Acknowledged by:

PAWTUCKET WATER SUPPLY BOARD

By: _____
Name: James L. DeCelles, P.E.
Its: General Manager/Chief Engineer

EXHIBIT A
List of Local Bond Acts

Title

Authorized Amount

EXHIBIT B

DESCRIPTION OF THE PROJECT

I. NARRATIVE STATEMENT DESCRIBING THE PROJECT

Project Name:

Project Number:

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

- | | | |
|----|----------------------------|----|
| 1. | Construction Costs: | \$ |
| 2. | Costs of Issuance: | \$ |
| 3. | Loan Origination Fee: | \$ |
| 4. | Debt Service Reserve Fund: | \$ |

III. ESTIMATED COMPLETION DATE FOR THE PROJECT

EXHIBIT C

CITY OF PAWTUCKET TRUST INDENTURE

EXHIBIT D
FORM OF REVENUE BOND

EXHIBIT E

SOURCE OF LOAN

1. Amount of Direct Loan: \$0
2. Amount of Bonded Loan: \$0
3. Amount of Federal Funds: \$0

SECURITY

The following shall constitute security for the prompt performance of the Borrower's obligation under the Agreement, the Borrower Bonds and an account of the Loans:

Revenue Pledge.

EXHIBIT F

FEDERAL LAWS AND ADMINISTRATIVE REQUIREMENTS

I. Statutes and Regulations

Age Discrimination Act, Public Law 94-135
American Reinvestment and Recovery Act, Public Law 104-182
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
Subpart C of 2 CFR Part 180 and 2 CFR Part 1532, entitled “Responsibilities of Participants Regarding Transactions (Doing Business with Other Persons)”
Title IX of the Education Amendments of 1972
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
Utilization of Small, Minority and Women’s Business Enterprises, including:
 General Compliance, 40 CFR, Part 33
 Six Good Faith Efforts, 40 CFR, Part 33, Subpart C
 MBE/WBE Reporting, 40 CFR, Part 33, Sections 33.502 and 33.503
 Contract Administration Provisions, 40 CFR, Section 33.302

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 G

Specification for Agency Sign

EXHIBIT H

Disclosure of Potential Liability
and Possibility of Litigation or Other Claims

EXHIBIT I

BORROWER DEBT SERVICE AND FEE SCHEDULE

EXHIBIT J

FORM OF POST-ISSUANCE COMPLIANCE CERTIFICATE

The undersigned is an authorized official of _____ (the "Borrower") is a borrower under a loan agreement dated as of _____ (the "Loan Agreement") between the Borrower and the Rhode Island Clean Water Finance Agency (the "Agency"). The loan under the Loan Agreement is represented by a serial bond of the Borrower (the "Revenue/Borrower Bond"). The Loan Agreement and the Revenue/Borrower Bond may be pledged as additional security for certain of the Agency's tax-exempt bonds (the "Agency Bonds").

In connection with the execution with the Loan Agreement, the Borrower made certain representations and covenants designed to ensure that the interest on the Revenue Bond and, in turn, the Bonds remain excludable from gross income for Federal income tax purposes. These representations and covenants relate to the requirements under Section 103 of the Internal Revenue Code of 1986 (the "Code"), including the limitations in Section 141 of the Code relating to "private activity bonds" and the limitations in Section 148 of the Code relating to "arbitrage bonds" (collectively, the "Federal Tax Requirements"). The Borrower understands that the Federal Tax Requirements must be complied with during the entire term of the Loan Agreement and the Revenue/Borrower Bond.

In order for the Agency to determine whether it is in compliance with the provisions of the Code that apply for interest on the Agency Bonds to remain excludable from gross income for Federal tax purposes, the Agency is requesting that the Borrower confirm that it is in compliance with the Federal Tax Requirements.

Accordingly, the Borrower hereby represents that it is in compliance with the Federal Tax Requirements with respect to the Loan Agreement and the Revenue/Borrower Bond.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed and delivered in the name of the Borrower as of the date listed below.

Dated:

[BORROWER]

By: _____

Name:

Title:

EXHIBIT K
FORM OF REQUISITION

EXHIBIT L
WAGE RATE REQUIREMENTS