

**APPLICATION TO  
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS  
FOR ISSUANCE OF BONDS  
TO FUND THE INFRASTRUCTURE  
RENEWAL AND REPLACEMENT PROGRAM  
OF THE KENT COUNTY WATER AUTHORITY**

**January 31, 2017**

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**PREFILED DIRECT TESTIMONY**

**TIMOTHY J. BROWN**

1 TESTIMONY

2 TIMOTHY J. BROWN, PE

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

5 A. My name is Timothy J. Brown, P.E. My current business address is 1072 Main Street,  
6 West Warwick, Rhode Island 02893.  
7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am the General Manager/Chief Engineer of the Kent County Water Authority.  
10

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

12 A. I'm a Registered Professional Engineer in the State of Rhode Island and two other New  
13 England States. I have been certified by the R. I. Department of Health as a Class 4  
14 Drinking Water Distribution Operator and a Class 3 Water Treatment Operator and am the  
15 licensed operator of KCWA. I have been a Civil and Sanitary Engineer for 40 years. My  
16 career has encompassed professional engineering services in various New England States  
17 including the State of Rhode Island and overseas in North Africa in both sanitary waste  
18 water and water engineering project facilities. I have a Bachelor of Science Degree from  
19 the University of Rhode Island.  
20

21 **Q. Have you previously testified before this State Regulatory body concerning the**  
22 **matters of Kent County Water Authority?**

23 A. Yes in dockets before the Division and Commission.  
24

25 **Q. What is the reason for the filing with the Division of Public Utilities & Carriers**  
26 **(Division)?**

27 A. To request approval to borrow sufficient funds for a short-term period of seven years to  
28 assist in the completion of current contracted infrastructure renewal and replacement (IFR)  
29 programs. The ability to leverage a portion of the monthly IFR restricted deposit for  
30 principal and interest over a short-term period will allow completion of these projects and



1 still provide a cash flow for future IFR programming and construction. Alternative funding  
2 is actually considered an option in the Rules and Regulations for Clean Water  
3 Infrastructure Plans. As such, we think the mix of short-term borrowing cash flow from the  
4 monthly deposit will provide for the current needs for our program.

5  
6 **Q. Why have you applied to the Division for Authorization?**

7 A. All indebtedness of the term requires approval of the Division of Public Utilities &  
8 Carriers. As such, this filing does that.

9  
10 **Q. Does the Commission need to approve this filing as well?**

11 A. No, the funds have been provided as restricted funding solely for the IFR programming  
12 and can be utilized for that, but we have provided notice to Commission staff of our need  
13 and filing.

14  
15 **Q. You stated that the funds are needed to complete the current contracted IFR  
16 programs. Please explain in general, why?**

17 A. Quite simply we are in great need of IFR replacements of our distribution infrastructure  
18 and a deteriorated wellfield. The East Greenwich well collapsed over two (2) years ago  
19 and we have struggled to replace it without the need to relocate or re-drill in the field. It  
20 also became apparent that the flooding of this area (2010) must also be addressed to  
21 protect the public as well as the facilities. This was deemed an emergency IFR repair or  
22 replacement by KCWA. This well is the second source of water to a major portion of our  
23 southern customers and would provide the emergency redundancy if our main source was  
24 interrupted. This is our highest priority IFR program.

25  
26 There are four other contracts in various stages of completion that are addressing very  
27 poor current distribution systems, substandard sizing, age, and dead end water quality  
28 concerns. Added to that a rupture occurred on the Rt. 2 overpass main over Rt. 4 that  
29 required emergency bypass and repair of this bridge crossing. Compounding the repair  
30 was that the bridge was being rehabilitated by a RIDOT contract and was facing a

1 deadline to be completed before the winter of 2016/2017 as well as traffic lane shifts.  
2 Emergency work by one of our IFR contractors under our IFR program was provided as a  
3 change order to rapidly bypass and repair. This prevented a major outage to our most  
4 southern customers on Rt. 2 south into North Kingstown.  
5

6 **Q. Could you expand on the four contracts referenced above?**

7 **A.** Yes. All estimated completion costs are attached to my testimony.

8 IFR2014A: This contract is essentially complete expect for some final paving and  
9 retainage release. This final work will be completed in the 2017  
10 construction season.

11 IFR2014B: This also is close to completion with only 300ft of main to replace in the  
12 upcoming construction season. Final paving of the 2016 construction  
13 season installation will occur in the 2017 construction season. Paving of  
14 2017 installation may occur this construction season, but anticipated in  
15 2018 construction season with remaining retainage to be released. This  
16 area was one of our more poorly serviced and comprised unreliable areas  
17 in our district. Multiple ruptures have occurred over the years due  
18 deteriorated infrastructure. Size and material type of mains is antiquated  
19 and substandard including 1", 1 ½" and 2" galvanized and copper, 4"  
20 unlined cast iron and 6" various manufacture AC pipe.

21 IFR2015A: This IFR project is approximately 50% complete encompassing larger  
22 main replacement and a long overdue system interconnection from the  
23 west to the east side of Rt. 2. Most all mains replaced are unlined cast iron  
24 varying in size from 4" to 10". The replaced transmission main portion of  
25 this project will now allow flow of source water from the west side of Rt.  
26 2 across Rt. 2 to the east tying through replaced transmission main to  
27 Tollgate Road, replaced infrastructure under 2014A. As part of this  
28 replacement 16" DI main be installed and dead end segment on Wakefield  
29 Street will be connected. Supply will now be greatly improved bringing

1 source supply from Clinton Booster Station (Main PWSB Aqueduct  
2 Source Water) to the center of our Warwick customer distribution.

3 The other portion of the distribution mains being replaced are all  
4 undersized unlined cast iron that are in desperate need of replacement  
5 improving flow, quality and reliability. Dead ends removed where  
6 possible and fire flow improved.

7 Removal of tuberculate iron unlined pipe is a priority not just for flow  
8 improvement but quality. Improper flushing or a major demand such as a  
9 fire can rip open tubercles causing constant bleeding, discoloring and  
10 causing potential water quality problems, which can be serious. KCWA  
11 position is to replace unlined pipe and size appropriately the replacement  
12 for water quality.

13 IFR2015B: This project entails some transmission main replacement and distribution  
14 main replacement of substandard size aged materials and deteriorated  
15 conditions. Sizes to be replaced vary from 1" copper, 4" unlined cast iron  
16 and various manufactured AC pipe. In a similar situation as our targeted  
17 infrastructure replacement, dead ends will be eliminated where possible,  
18 main size will be upgraded and services and hydrants replaced. The New  
19 London Ave main now 1", 4" and 6" in size will be replaced and upgrade  
20 to be continuous, 12" in size and connected to the replaced Legris Ave  
21 main (IFR2014B) and to the existing 8" main on New London Ave at  
22 Factory Street. This will now become a transmission main vs a distribution  
23 main and have future additions in later IFR contracts.

24  
25 **Q. If you did these programs one at a time with cash acquired, would you need to**  
26 **borrow funds?**

27 **A.** No, but the projects would be spread over a number of years prior to completion. With  
28 careful examination of the programs some are interconnected with each other requiring  
29 completion for the complete benefit of use.

1   **Q.     Please explain interconnection with “each” you have stated.**

2   A.     In contract 2014A a new larger size main was installed in Tollgate Road to increase flow  
3           and remove the unlined cast iron pipe in the area of Kent Hospital as well as our  
4           customers in that area of Warwick. In contract 2015A the transmission main to be  
5           installed on Commonwealth Ave, Warwick to Wakefield Street, West Warwick was to  
6           complete the new transmission main and connect to the new Tollgate Road transmission  
7           main. This completed the new transmission main off Wakefield Hill in West Warwick  
8           across Rt. 2 and into the Warwick Kent Hospital area. Once 2015A is complete this will  
9           be activated and accomplish a major re-service goal.

10  
11          Contract 2014B, besides replacing deteriorated distribution of a major block in the Town  
12          of West Warwick will also replace and increase the size of the transmission main on  
13          Legris Ave feeding this area. Contract 2015B will be replacing a contiguous residential  
14          block directly across from Legris Ave with the same deteriorated infrastructure as well as  
15          a increasing the size and replacing the transmission main on New London Ave. The New  
16          London Ave transmission not contiguous and substandard will connect to the newly  
17          installed Legris Ave transmission main, allowing additional needed flow to and from  
18          both areas as well as the contiguous distribution areas in West Warwick. A future project  
19          IFR2016 will complete the transmission loop on the easterly side of New London Ave  
20          completing the re-service of this major area in West Warwick.

21  
22   **Q.     Why have you chosen short-term borrowing?**

23   A.     It is felt that the short-term borrowing will keep the IFR program functioning and  
24           complete one emergency program, the East Greenwich Well, and 2014A, 2014B, 2015A,  
25           2015B current IFR projects contracted. The cash that will accumulate within the  
26           restricted account, not used for borrowing “debt” service, will allow KCWA to develop a  
27           continuing program of the essential infrastructure improvements. These would be  
28           targeted as before as the most needed “serious” system areas for priority.

1 **Q. Why have you chosen a term of seven years for the borrowing?**

2 A. The seven year term would allow payment of debt service with sufficient cash left to  
3 continue programs on a cash basis. We are also seeking a flexible payback period with  
4 earlier payment terms to provide more options as to programming and interest savings  
5 during the term of the borrowing.  
6

7 **Q. Doesn't interest cost add to the cost of programs and decrease the cash available?**

8 A. Yes and no, the cost of inflation on construction costs may have more of an effect than  
9 the interest cost when projects are done in later years than earlier years. Without an  
10 analysis and knowledge of future construction inflation costs we cannot give a definitive  
11 answer. We do know that interest rates are low and will no doubt increase in the near  
12 future, capitalizing now will secure those low rates with the resultant savings as a  
13 betterment to the system. The ability of flexible pre-payments (early payback) may also  
14 reduce the interest cost if it is determined to be a sound strategy.  
15

16 **Q. What else could affect the cost of IFR replacements?**

17 A. With design we have seen larger programming is more economical due to certain "fixed  
18 costs" contract documents specifications and mappings. That is one reason we propose  
19 large programs broken into multiple project contracts. We have offered many of our  
20 projects in late fall and winter to bid. We have seen contractors that desire work for the  
21 upcoming construction season are offering better pricing on the bid items. It seems to  
22 have been successful based on bidders and results.  
23

24 **Q. Do you have any additional programs ready to be bid for construction?**

25 A. Yes, actually one project was bid and rejected due to price and resultant inability to fund.  
26 That project was a demolition removal contract to remove buildings (pump station) and  
27 tanks that are obsolete. A second contract known as IFR 2016 is 95% designed and will  
28 be completed and held for bidding until funding is sufficient. Pending design is a  
29 program resultant from a recent hydraulic study and identification of improvements  
30 needed for fire flow enhancement. This IFR project will not be designed at this time.

1 **Q. If the source of funding is not approved what options do you have?**

2 A. We would need to seek another funding source or delay and cancel some or all of the  
3 projects.

4  
5 **Q. Have you sought another source of funds?**

6 A. No, we believe the short-term borrowing will be the best source of funds and in the time  
7 needed and provide us with flexibility in payback.

8  
9 **Q. If the projects were delayed or cancelled what would the ramifications be?**

10 A. Any type of delay would lengthen the completion of the projects and add additional costs  
11 to the projects. Those being contractor delay costs and material cost increases, possible  
12 contract penalties.

13 Cancellation of contracts would of course require legal assistance and additional costs not  
14 calculable. The restoration work of what has been constructed will still need to be  
15 accomplished.

16  
17 In all cases delayed or cancelled projects mean the areas for replacement and system  
18 improvement will be delayed or remain in the current state.

19  
20 **Q. Does this complete your testimony?**

21 A. Yes.

**PREFILED DIRECT TESTIMONY**

**MAUREEN E. GURGHIGIAN**

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

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**Q: Please state your name and business affiliation.**

A: My name is Maureen E. Gurghigian. I am a Managing Director at FirstSouthwest, a division of Hilltop Securities ("FirstSouthwest") in Lincoln, Rhode Island.

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

A: I have a Masters Degree in Business Administration from the University of Rhode Island. I am a registered Municipal Principal with the Municipal Securities Rulemaking Board, holding the following licenses: Series 50, Series 52, Series 53 and Series 63. Prior to joining FirstSouthwest in 2001, I worked in public finance for Fleet Bank and/or Fleet Securities for sixteen years. Before joining Fleet, I spent eight years in Rhode Island State Government, including four years as Director of the Governor's Policy Office under then Governor J. Joseph Garrahy.

**Q. Can you describe FirstSouthwest and the types of services that it provides?**

A. Since 1946, FirstSouthwest, headquartered in Dallas, Texas, has served as financial advisor to many municipal issuers such as schools, cities, airports, hospitals, sports complexes, water and wastewater authorities and districts and toll roads. Currently the firm serves more than 2,000 municipalities and agencies, including more than 400 in New England.

**Q: Can you please describe your duties at FirstSouthwest.**

A: I provide financial advisory services to issuers of municipal debt, primarily in the State of Rhode Island. I have supervisory responsibility for FirstSouthwest's involvement with borrowings by numerous public agencies and approximately 20 Rhode Island municipalities. Our office in Rhode Island assists clients with the origination of more than \$800 million in public financing issues on average each year.



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

3    A: Yes, I have provided testimony before the Public Utilities Commission and the  
4    Division of Public Utilities and Carriers ("Division") on behalf of Kent County Water,  
5    Pawtucket Water Supply Board, the City of Newport, Water Division and other  
6    regulated utilities.

7

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

9    A: I am providing assistance to the Kent County Water Authority ("KCWA" or "Kent  
10   County") for the proposed debt issuance. KCWA asked me to provide information  
11   on the debt service requirements for the proposed borrowing, and to respond to  
12   questions related to Kent County's Application for Borrowing Authority.

13

14   **Q: Please discuss the KCWA's financing plans.**

15   A. KCWA seeks to obtain a loan of up to \$12 million dollars for various projects in  
16   Kent County's Infrastructure Renewal and Replacement program. Mr. Brown  
17   described the projects in his testimony, and I will provide the details of the  
18   financing for these projects. As Mr. Brown notes in his testimony, Kent County  
19   plans to seek proposals to fund the loan from Banks given the short amortization.

20

21   **Q. What is the term of this borrowing and the applicable interest rate?**

22   A. The term is approximately 7 years. Based on current market conditions, we would  
23   expect an interest rate in the range of 2.75%. We recommend a maximum rate of  
24   3.25%.

25

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

27   A: Approximately \$10,730,000 will be available for project funds, approximately  
28   \$1,200,000 will be set aside in the debt service reserve fund and approximately  
29   \$70,000 is allocated for costs of issuance, including rating agency fees, bond  
30   counsel, financial advisor, and trustee fees.

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

2   A.   The projected debt service for the new borrowings is displayed in the attached  
3       Schedule MG-1. KCWA's annual debt service is expected to increase by  
4       approximately \$1,900,000 per year with the addition of the \$12,000,000  
5       borrowing.

6

7       While Schedule MG-1 projects the impact of the new borrowing, it is subject to  
8       change based on the actual construction costs, draw schedule and prevailing  
9       interest rates at the time of borrowing. For purposes of this analysis, an interest  
10      rate of 2.75% was used. As noted on page 3, we recommend a not to exceed rate  
11      of 3.25%.

12

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

14   A.   Yes. The following are included as an Exhibit to this filing:

- 15       1. The General Bond Resolution of KCWA;  
16       2. The Supplemental Resolution;  
17       3. Preliminary Debt Service Schedule; and  
18       4. Draft RFP to Banks

19

20   **Q:   Please describe the rate impact of the financing.**

21   A:   As set forth in the testimony of Mr. Brown, current rates are sufficient to provide  
22       for payment and coverage on this borrowing.

23

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

25   A:   Yes it does.

26

27

28

29

30

# **SCHEDULE MG - 1**

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**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

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**SOURCES AND USES OF FUNDS**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Dated Date           03/15/2017  
Delivery Date       03/15/2017

**Sources:**

<b>Bond Proceeds:</b>	
Par Amount	12,000,000.00
	12,000,000.00

**Uses:**

<b>Project Fund Deposits:</b>	
Project Fund	10,730,000.00
<b>Other Fund Deposits:</b>	
Debt Service Reserve Fund	1,200,000.00
<b>Delivery Date Expenses:</b>	
Cost of Issuance	70,000.00
	12,000,000.00

**BOND SUMMARY STATISTICS**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Dated Date	03/15/2017
Delivery Date	03/15/2017
First Coupon	01/15/2018
Last Maturity	01/15/2024
Arbitrage Yield	2.747195%
True Interest Cost (TIC)	2.747195%
Net Interest Cost (NIC)	2.750000%
All-In TIC	2.907475%
Average Coupon	2.750000%
Average Life (years)	3.928
Duration of Issue (years)	3.705
Par Amount	12,000,000.00
Bond Proceeds	12,000,000.00
Total Interest	1,296,350.00
Net Interest	1,296,350.00
Total Debt Service	13,296,350.00
Maximum Annual Debt Service	1,900,875.00
Average Annual Debt Service	1,945,807.32
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds	12,000,000.00	100.000	2.750%	3.928	4,335.20
	12,000,000.00			3.928	4,335.20

	TIC	All-In TIC	Arbitrage Yield
Par Value	12,000,000.00	12,000,000.00	12,000,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense			
- Other Amounts		-70,000.00	
Target Value	12,000,000.00	11,930,000.00	12,000,000.00
Target Date	03/15/2017	03/15/2017	03/15/2017
Yield	2.747195%	2.907475%	2.747195%

**BOND PRICING**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Bond Component	Maturity Date	Amount	Rate	Yield	Price
<b>Serial Bonds:</b>					
	01/15/2018	1,625,000	2.750%	2.750%	100.000
	01/15/2019	1,615,000	2.750%	2.750%	100.000
	01/15/2020	1,655,000	2.750%	2.750%	100.000
	01/15/2021	1,705,000	2.750%	2.750%	100.000
	01/15/2022	1,750,000	2.750%	2.750%	100.000
	01/15/2023	1,800,000	2.750%	2.750%	100.000
	01/15/2024	1,850,000	2.750%	2.750%	100.000
		<b>12,000,000</b>			

Dated Date	03/15/2017	
Delivery Date	03/15/2017	
First Coupon	01/15/2018	
Par Amount	12,000,000.00	
Original Issue Discount		
Production	12,000,000.00	100.000000%
Underwriter's Discount		
Purchase Price	12,000,000.00	100.000000%
Accrued Interest		
Net Proceeds	12,000,000.00	

**BOND DEBT SERVICE**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Period Ending	Principal	Interest	Debt Service
06/30/2018	1,625,000	275,000.00	1,900,000.00
06/30/2019	1,615,000	285,312.50	1,900,312.50
06/30/2020	1,655,000	240,900.00	1,895,900.00
06/30/2021	1,705,000	195,387.50	1,900,387.50
06/30/2022	1,750,000	148,500.00	1,898,500.00
06/30/2023	1,800,000	100,375.00	1,900,375.00
06/30/2024	1,850,000	50,875.00	1,900,875.00
	12,000,000	1,296,350.00	13,296,350.00



**BOND DEBT SERVICE**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
01/15/2018	1,625,000	275,000.00	1,900,000.00	
06/30/2018				1,900,000.00
07/15/2018		142,656.25	142,656.25	
01/15/2019	1,615,000	142,656.25	1,757,656.25	
06/30/2019				1,900,312.50
07/15/2019		120,450.00	120,450.00	
01/15/2020	1,655,000	120,450.00	1,775,450.00	
06/30/2020				1,895,900.00
07/15/2020		97,693.75	97,693.75	
01/15/2021	1,705,000	97,693.75	1,802,693.75	
06/30/2021				1,900,387.50
07/15/2021		74,250.00	74,250.00	
01/15/2022	1,750,000	74,250.00	1,824,250.00	
06/30/2022				1,898,500.00
07/15/2022		50,187.50	50,187.50	
01/15/2023	1,800,000	50,187.50	1,850,187.50	
06/30/2023				1,900,375.00
07/15/2023		25,437.50	25,437.50	
01/15/2024	1,850,000	25,437.50	1,875,437.50	
06/30/2024				1,900,875.00
	12,000,000	1,296,350.00	13,296,350.00	13,296,350.00

# **EXHIBIT 1**

KENT COUNTY WATER AUTHORITY

GENERAL BOND RESOLUTION

Authorizing the Issuance of  
Kent County Water Authority  
General Revenue Bonds

Adopted

July 6, 1994

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## GENERAL BOND RESOLUTION

Be It Resolved By The Kent County Water Authority, And The Members Thereof, As Follows:

### ARTICLE I

#### DEFINITIONS

SECTION 101. Definitions. The following terms shall for all purposes have the following meanings unless the context shall clearly indicate some other meaning:

"Act" shall mean the Kent County Water District Act, being Chapter 16 of Title 39 of the General Laws of Rhode Island, 1956 (1990 Reenactment) as amended.

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

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

"Authority" shall mean the Kent County Water Authority, a body corporate and politic constituting a public benefit corporation, created pursuant to and existing under the Act, and any successor to its powers and functions.

"Authorized Officer" shall mean the Chairman, the Vice Chairman or the Treasurer of the Authority and, when used in reference to an act or document, shall also mean any other person duly authorized by resolution of the Authority to perform such act or sign such document.

"Authenticating Agent" shall mean the Fiduciary appointed by the applicable Series Resolution to authenticate a Series of Bonds pursuant to Section 303 hereof.

"Bond" or "Bonds" shall mean any bond or issue of bonds of the Authority, authenticated and delivered under this Resolution and a Series Resolution.

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

"Business Day" shall mean any day of the week other than Saturday or Sunday or a day which shall be, in the State



of Rhode Island, the State of New York, or in the jurisdiction where the corporate trust office of the Trustee or the principal office of the Registrar are located, a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

"Capital Improvements" shall mean extensions, improvements, enlargements, betterments, alterations, renewals and replacements of the System (including real and personal property and any combination thereof), which (a) are used or useful in connection with the System or any part thereof, (b) are constructed, acquired, or made by or on behalf of the Authority and (c) are properly chargeable (whether or not so charged by the Authority), according to generally accepted accounting principles, as additions to utility plant accounts.

"Capital Improvements Budget" shall have the meaning given such term in Section 609 hereof.

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

"Code" shall mean 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.

"Certified Public Accountant" shall mean an independent certified public accountant or firm of accountants selected by the Authority and satisfactory to the Trustee.

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

"Consulting Engineer" shall mean an independent engineer or firm of engineers having a national reputation for expertise with respect to properties similar to those of the Authority, selected by the Authority and satisfactory to the Trustee; provided that, for purpose of Section 503(3) and Section 504(2)(viii) the Consulting Engineer may be an engineer regularly in the employ of the Authority.

"Cost", as applied to any Capital Improvement to be constructed or acquired by or on behalf of the Authority shall mean all or any part of the cost, paid by or on behalf of or reimbursable by or to the Authority of construction, acquisition, alteration, reconstruction and remodeling of such Capital Improvement, all lands, real and personal property,

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

"Cost of Issuance" shall mean all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, sale and issuance of Bonds and Notes, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Fiduciaries, legal fees and charges, fees and disbursements of consultants and professionals, fees of the Rhode Island Public Finance Management Board, if any, costs and expenses of refunding, accrued interest and other costs payable upon or with respect to the initial investment of the proceeds of Bonds or Notes, premiums for the insurance of the payment of Bonds or Notes, fees and expenses payable in connection with any Additional Security or Reserve Deposits, unless designated as an Operating Expense, fees and expenses payable in connection with any remarketing agreements or interest rate indexing agreements and any other cost, charge or fee in connection with the original issuance of Bonds or Notes.

"Cost of Issuance Account" shall mean one of the accounts, if any, in the Project Fund so designated created pursuant to Section 503.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys selected by the Authority and satisfactory to the Trustee.

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

"Debt Service Fund Requirement" shall mean, as of any particular date of computation, the amount of money obtained by aggregating the several sums, computed separately with respect to each Series of Bonds Outstanding, of (i) 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, (ii) the Principal Amount of any such Bonds matured and unpaid at or before said date, and (iii) with respect to any Principal Installment of any Bonds not included in (ii) above, but payable on the next succeeding Principal Payment Date other than by reason of acceleration or redemption at the option of the Authority 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 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 Payment Date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to such next succeeding Principal Payment Date.

"Debt Service Requirement" shall mean, for any applicable period of calculation, the aggregate of (1) all interest payable on all Bonds Outstanding during such period (other than interest, if any, included in the Principal Installments of such Bonds payable during such period) plus (2) the Principal Installment or Installments payable on such Bonds during such period. The interest and Principal Installments for each Series shall be calculated on the assumption that no Bonds of such Series Outstanding on any date during such period of calculation shall cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. Except for any historical period for which the actual interest payment is determinable, Variable Rate Bonds shall be deemed to bear interest at the rates used in connection with the Pro Forma Bond Issue with respect to such series of Variable Rate Bonds.

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

"Debt Service Reserve Fund Requirement" shall mean, as of any particular date of computation the lesser of (i) ten percent of the stated principal amount of all Bonds Outstanding, (ii) the maximum annual Debt Service Requirement in the current or any future Fiscal Year on all Bonds Outstanding, or (iii) one hundred twenty five percent (125%) of the average annual Debt Service Requirement for all Bonds Outstanding. With respect to each series of Variable Rate Bonds Outstanding the Debt Service Requirement shall be based on the Pro Forma Bond Issue for each such series.

The provisions regarding Variable Rate Bonds shall apply to any Bonds initially issued as Variable Rate Bonds for so long as such Bonds bear a variable rate of interest, or, if converted to Fixed Rate Bonds, if such Bonds may be reconverted to Variable Rate Bonds, and to any Reimbursement Obligation issued in connection with Variable Rate Bonds deemed to be Bonds hereunder pursuant to Section 208 hereof.

In no event shall the Debt Service Reserve Requirement exceed the amounts permitted by the Code for reasonably required reserve or replacement funds.

"Depository" shall mean each bank or trust company appointed pursuant to Section 502, Section 504 or Section 514 hereof to act as depository, and each successor or successors and any bank or trust company at any time substituted in its place.

"Discount Bonds" shall have the meaning given such term in Section 203(5) hereof.

"Event of Default" shall have the meaning given such term in Section 701 hereof.

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

"Fiscal Year" shall mean the period beginning on July 1 of any calendar year and ending on the last day of June of the succeeding calendar year or such other period of twelve calendar months as may be provided by the Act or authorized by the Authority pursuant to a resolution of the Authority.

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



"Funded Debt Service Reserve Fund Requirement" shall mean, as of any particular date of computation, an amount equal to the Debt Service Reserve Fund Requirement less the stated and unpaid amounts of all Reserve Deposits held for the account of the Debt Service Reserve Fund.

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

"Government Obligations" shall mean (i) direct general obligations of the United States of America and bonds, notes or other obligations which as to both principal and interest are unconditionally guaranteed by the United States of America and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate.

"Interest Payment Date" shall mean the date for any Series of Bonds Outstanding upon which a payment of interest is due, as more particularly set out in the applicable Series Resolution.

"Insurance Reserve Fund" shall mean the fund so designated which may be created pursuant to Section 606.

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

"Local Governing Body" shall mean any town or city council, commission, or other elective governing body, now or hereafter vested by State statute, charter, or other law with the jurisdiction to initiate and adopt local ordinances, whether or not such local ordinances require the approval of the elected or appointed chief executive officer or other official or body to become effective.

"Maximum Annual Debt Service" shall mean the maximum Debt Service Requirement with respect to any specified indebtedness for any Fiscal Year or other specified computation period during the term of such indebtedness.

"Net Revenues" shall mean, for any period of computation (i) all Revenues (excluding proceeds of property-loss insurance, condemnation, or the sale or other disposition of any part of the System) received by the Authority 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 deposited in the Operation and Maintenance Fund, the Rebate Fund and the Stabilization Account.

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

"Operating Expenses" shall mean any expenses incurred by or for the account of the Authority or reimbursable to the Authority for operation, maintenance, renewal and repair of the System including, without limiting the generality of the foregoing, cost to purchase water from other water supply systems, administrative expenses, financial, legal and auditing expenses, insurance premiums, payments on insurance claims to the extent moneys are unavailable therefor in the Insurance Reserve Fund or to the extent such claims shall fall within such reasonable deductible limits as may be determined by the Authority, if any, payments in lieu of taxes, taxes, if any, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization and sick leave benefits, and any other similar expenses required to be paid by the Authority, 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 Resolution or any Series Resolution, 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

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 paid or to be paid from amounts on deposit in any Project Account) and except for payments made with respect to any indebtedness represented by leases, mortgages, security interests and other encumbrances permitted by Section 604(3).

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

"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 such term in Section 608.

"Outstanding", when used with reference to Bonds, shall mean as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Authority or by any other Fiduciary, at or before said date, (2) any 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 (or any alternate applicable date established pursuant to Section 702(3)), shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, for which notice of redemption shall have been given or provided for in accordance with Article IV, (3) any 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 deemed to have been paid as provided in Section 1101.

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

"Permitted Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

- (i) Government Obligations;

- (ii) bonds, notes or other evidences of indebtedness issued or guaranteed by the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank System, 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;
- (iii) 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 are, at the time of their purchase, rated in either of the two highest rating categories by Moody's Investors Service, Inc. or Standard & Poor's ;
- (iv) 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, such obligations are rated in either of the two highest rating categories by Moody's Investors Service, Inc. or Standard & Poor's, and special obligations of any state or political subdivision of any such state or any agency or instrumentality of either to the payment of which certain revenues of the state or political division have been pledged, provided that, at the time of their purchase, such obligations are rated in the highest rate category by Moody's Investors Service, Inc. or Standard & Poor's;
- (v) commercial paper of a corporation incorporated under the laws of any state of the United States of America, provided that, at time of their purchase, such obligations are rated "A-1" by



Moody's Investors Service, Inc. or "P-1" by Standard & Poor's;

- (vi) investments in a money market fund or other fund, the investments of which consist exclusively of obligations described in categories (i), (ii) or (iii) above or category (vii) below;
- (vii) interest bearing time deposits, certificates of deposit or similar banking arrangements with banks (which may include any Fiduciary) which are members of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation; provided that to the extent any such deposits exceed available federal deposit insurance limits, either such banks are rated in either of the two highest rating categories by Moody's Investors Service Inc. or Standard & Poor's or such deposits are fully collateralized and secured by obligations described in categories (i), (ii) or (iii) 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;
- (viii) repurchase agreements relating to securities of the type specified in categories (i), (ii) or (iii) above with banks which are rated "Aa" by Moody's Investors Service, Inc. or "AA" by Standard & Poor's, 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 marked-to-market weekly and maintained at one hundred percent (100%) of the repurchase price plus accrued interest 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; and
- (ix) investment agreements with banks or bank holding companies which are rated at the time of purchase "A-1" or better by Moody's Investors Service,

Inc. and "A+" or better by Standard & Poor's , which agreements have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction and written agreements, including funding agreements, under which the Authority deposits funds with an insurance company subject to the supervision of a state agency which is rated "A+ (Excellent)" by Best's Insurance Reports-Life/Health and under which the amount deposited, at any one time, does not exceed, in the aggregate, 10% of the reserves and surplus funds of such insurance company, provided, that any such agreement with an insurance company shall be either (a) secured by obligations described in categories (i), (ii) or (iii) above, which obligations are to be held by the Trustee or a depository satisfactory to the Trustee or (b) unsecured except as a claim against the general account of the insurance company in a priority at least equal to that of policyholders; and provided, further, that any such insurance company shall be a member of the Life Insurance Guaranty Corporation established by Section 224 of the New York State Insurance Law.

"Principal Amount," with respect to any 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 Series Resolution.

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

"Principal Payment Date" shall mean the date for any Series of Bonds Outstanding upon which a Principal Installment is due, as more particularly set out in the applicable Series Resolution.

"Pro Forma Bond Issue" shall have the meaning given such term in Section 203(3) hereof.

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

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

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

"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 Authority for the services, facilities and commodities furnished or supplied by it from the operation of the System.

"Rate Order" shall mean, any applicable order of the State Public Utilities Commission or any successor State governmental entity authorized by law to determine the rates which may be charged by the Authority.

"Rebate Fund" shall mean the fund so designated, created by any Series Resolution.

"Rebate Requirement" shall mean the aggregate of the amounts, if any, designated as such for each Series of Bonds in the applicable Series Resolution therefor.

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

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

"Refunding Bonds" shall mean any of the Bonds authorized by Section 206.

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

"Remarketing Agent" shall mean any agent appointed pursuant to the applicable Series Resolution to Remarket Tender Bonds.

"Renewal and Replacement Account" shall mean the accounts so designated in the Project Fund and created in accordance with Section 503.

"Renewal and Replacement Reserve Fund" shall mean the fund so designated and created by Section 502.

"Renewal and Replacement Reserve Fund Requirement" shall have the meaning given such term by Section 609.

"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 of at least "Aa" by Moody's Investors Service, Inc. or "AA" by Standard & Poor's; 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 of "Aaa" by Moody's Investors Service, Inc. or "AAA" by Standard & Poor's;

in each case providing for the payment of sums to the Trustee for the payment of Principal Installments and interest on Bonds in the manner provided under Section 509.

"Resolution" shall mean this General Bond Resolution as the same may be amended or supplemented in accordance herewith.

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

"Revenues" shall mean and include (except as otherwise expressly provided herein) all income, fees, revenues, rates, receipts, assessments, rents, charges and other moneys derived by or on behalf of the Authority from its ownership and operation of the System (including collections by or on behalf of the Authority on account of services and commodities

furnished or supplied by the System prior to the effective date of this Resolution) and all accounts, general intangibles and contract or other rights to receive the same, whether existing at the effective date of this Resolution or thereafter coming into existence and whether held by the Authority at the effective date of this Resolution 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 this Resolution by the Trustee or the Authority, (other than from moneys held in the Rebate Fund and General Fund or otherwise specifically excluded by a Series Resolution creating such fund or account), 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 Authority from the United States or the State or from any agency, instrumentality or political subdivision of either thereof, 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 by the Authority with respect to the System or any part thereof, but not including any amounts not deemed "Revenues" pursuant to Section 515 hereof.

"Series" when used with respect to less than all of the Bonds, shall mean or refer to all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions.

"Series Resolution" shall mean a resolution of the Authority authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof.

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

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

"Standard & Poor's" means Standard & Poor's Rating Group, a division of McGraw Hill, Inc. and its successors and



assigns, except that if such Group shall cease to perform the functions of a securities rating agency, then any other similar nationally recognized securities rating agency.

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

"Supplemental Resolution" shall mean any resolution of the Authority amending or supplementing this Resolution 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 Authority, together with any Capital Improvements or other additions thereto and substitutions for any part thereof, heretofore or hereafter acquired or made by or on behalf of the Authority, and all other water supply facilities (as such terms are defined in the Act) of the Authority 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.

"Tender Bonds" shall have the meaning given such term in Section 203(4) hereof.

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

"Variable Rate Bonds" shall have the meaning given such term in Section 203(3) hereof.

"Variable Rate Ceiling" shall have the meaning given such term in Section 203(3)(i) hereof.

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

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neutral gender. Unless the context shall otherwise indicate, words importing the single number shall include the plural and vice versa.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 201. Authority for the Resolution. This Resolution is adopted pursuant to the Act.

SECTION 202. Resolution to Constitute Contract and Pledge of State. In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, this Resolution shall constitute a contract between the Authority and the Holders from time to time of the Bonds, and the pledges made in this Resolution and the covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the 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, except as expressly provided in or permitted by this Resolution.

Pursuant to the Act, the State has pledged to and agreed with the Holders of any Bonds or Notes issued pursuant to the Act, that the State will not limit or alter the rights vested in the Authority pursuant to the Act until such Bonds and Notes and the interest thereon are fully met and discharged. The Authority shall continue to have and may exercise all powers granted by the Act, so long as the same shall be necessary or desirable for carrying out the purposes of the Act.

### SECTION 203. Authorization of Bonds.

(1) There is hereby established and created an issue of Bonds of the Authority to be designated as "General Revenue Bonds," which Bonds may be issued as hereinafter provided from time to time, without limitation as to amount, except as provided in this Resolution or as limited by law. The Bonds may, if and when authorized by the Authority pursuant to one or more Series Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "General Revenue Bonds," may include such further appropriate designations added to or incorporated in such title for the Bonds of any particular Series as the Authority 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 or as any other type of bond in accordance with applicable provisions set forth below and the applicable Series Resolution.

(2) The Authority may issue Bonds ("Fixed Rate Bonds") hereunder which bear a fixed rate or rates of interest during the term thereof. The applicable Series Resolution shall specify the rate or rates of interest borne by such Bonds and the Interest Payment Dates thereof.

(3) The Authority may issue Bonds ("Variable Rate Bonds") hereunder which provide for a variable, adjustable, convertible or other similar rates of interest, not fixed as to percentage at the date of issue thereof. Any Variable Rate Bond issued hereunder may be issued with provisions allowing conversion of such Bond, at the option of the Authority or the Holder thereof, into a Fixed Rate Bond. If any Variable Rate Bonds are issued hereunder, the applicable Series Resolution shall specify:

- (i) if deemed desirable by the Authority, a maximum interest rate (the "Variable Rate Ceiling") payable on such Bonds during the period while such Bonds shall be Variable Rate Bonds;
- (ii) the method or methods for determining the interest rate to be borne by such Bonds and the frequency of change thereof;
- (iii) a fixed rate long term bond issue ("Pro Forma Bond Issue") with such interest rate or rates, maturities and Sinking Fund Payment provisions as the Authority shall reasonably deem the equivalent of such Series of Variable Rate Bonds if such Series had been issued as Fixed Rate Bonds; provided, however, that the Principal Installments on such Bonds shall be set in accordance with the provisions of Section 204(3) hereof, and the final date of maturity of such Pro Forma Bond Issue shall be no later than the final date of maturity of such Series of Variable Rate Bonds;
- (iv) if deemed desirable by the Authority, provisions with respect to the conversion of such Bonds to Fixed Rate Bonds and the further conversion of such Fixed Rate Bonds to Variable Rate Bonds; and
- (v) such other provisions with respect to the Bonds to be issued as the Authority shall deem desirable.



The method or methods for determining the interest rate on Variable Rate Bonds pursuant to (ii) above may include the selection of such rate by an indexing agent as provided in an agreement between the Authority and such agent, the utilization of an index or indices as described in the applicable Series Resolution, or such other standard or standards set forth by the Authority in the applicable Series Resolution or any combination of the foregoing.

(4) The Authority may provide that Bonds issued as Variable Rate Bonds or Fixed Rate Bonds may include an option exercisable by the Holders thereof to have such Bonds ("Tender Bonds") either repurchased or redeemed prior to the maturity thereof. If any Tender Bonds are issued hereunder, the applicable Series Resolution shall specify:

- (i) the period or periods during which and the circumstances under which such option may be exercised, including provisions for the variation of such periods;
- (ii) provisions as the Authority shall deem desirable, with respect to the repurchase of such Bonds and the remarketing thereof, including provisions with respect to the appointment of a Remarketing Agent therefor;
- (iii) provisions, as the Authority shall deem desirable, for the adjustment of the interest rate or maturity of such Bonds upon the exercise of any such option; and
- (iv) such other provisions with respect to the Bonds to be issued, the tender rights and obligations of the holders of such Bonds, and any other matters related thereto as the Authority shall deem desirable.

Unless otherwise provided in the applicable Series Resolution, any Tender Bonds which shall have been repurchased pursuant to any remarketing agreement and not otherwise redeemed by the Authority shall continue to be Outstanding Bonds hereunder.

Any Variable Rate Bonds which contain an option to convert such Bonds to Fixed Rate Bonds shall be deemed Variable Rate Bonds hereunder until the date of such conversion and, unless such Bonds may be subsequently reconverted to Variable Rate Bonds, on and after such date such Bonds shall be deemed Fixed Rate Bonds.

(5) The Authority may issue Bonds ("Compound Interest 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 Series Resolution, and Bonds ("Discount 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 by the Authority.

In the applicable Series Resolution for any Compound Interest Bonds or Discount Bonds, the Authority shall provide for the determination of the Principal Amount and "interest" payable on such Bonds and for the purposes hereof such terms with respect to such Bonds shall have the meaning given in such applicable Series Resolution.

(6) The Authority may issue any other type of Bonds which it deems desirable as authorized pursuant to a Series Resolution.

#### SECTION 204. General Provisions for Issuance of Bonds.

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

- (i) the authorized Principal Amount, designation, manner of numbering, denomination or denominations, and Series of such Bonds;
- (ii) the provisions of Section 203 (2), (3), (4), (5) and/or (6) applicable to such Series of Bonds;
- (iii) the purpose for which such Bonds are being issued, which shall be one or more of the purposes specified in Section 205 or Section 206;
- (iv) the date of such Bonds and the date or dates of maturity thereof;
- (v) the Redemption Price or Prices and the time or times and other terms of redemption, if any, of any of such Bonds;
- (vi) 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, expressed as an amount payable on an Interest Payment Date of

such Bonds sufficient to redeem or pay at the applicable Redemption Price thereof on said date a specified Principal Amount of the Bonds of said maturity;

- (vii) the manner in which the proceeds of such Bonds are to be applied;
- (viii) 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;
- (ix) if so determined by the Authority, provisions for sale of such Bonds;
- (x) the form or forms of the Bonds of such Series;
- (xi) the Paying Agent or Paying Agents and the place of payment of the Principal Installments and Redemption Price, if any, of and interest and Sinking Fund Payments on the Bonds of such Series;
- (xii) any provisions required or permitted by Section 203; and
- (xiii) any other provisions deemed advisable by the Authority not in conflict with this Resolution.

(2) In authorizing a particular Series of Bonds, the Authority may determine in the applicable Series Resolution to meet the additional Debt Service Reserve Requirement with respect to the Series of Bonds by providing Reserve Deposits in a stated amount at least equal to the difference between (i) the sum of amounts on deposit in the Debt Service Reserve Fund plus the stated and unpaid amount of any Reserve Deposits held in the Debt Service Reserve Fund and (ii) the Debt Service Reserve Fund Requirement after the issuance of such Series of Bonds.

(3) Each applicable Series Resolution shall provide for Principal Installments sufficient to retire all Bonds of the Series authorized not later than the last maturity date of such Series. Such Principal Installments shall be due commencing on a date not later than the last to occur of (a) twelve (12) months after the date of issue of such Bonds or (b) twelve (12) months after the latest estimated date of completion of all of the Projects for which the proceeds of such Series will be applied, and shall be in such amounts as the Authority shall specify in the Series Resolution.

Principal Installments for any Series of Variable Rate Bonds shall be computed based on the applicable Pro Forma Bond Issue.

(4) The Bonds of each Series shall be executed on behalf of the Authority and delivered to the Authenticating Agent for such Series of Bonds for authentication and delivery to or upon the order of the Authority as further provided in Section 205.

SECTION 205. Authorization and Conditions Precedent to Delivery of Bonds.

(1) One or more Series of Bonds may be issued in accordance with this Section for the purpose of (i) paying all or a portion of the Cost of any Project, (ii) the making of deposits in the Debt Service Fund, the Debt Service Reserve Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Reserve Fund, the Insurance Reserve Fund, and any other Funds established pursuant to a Series Resolution, if any, (iii) the payment of Cost of Issuance and the discount, if any, payable upon issuance of such Series of Bonds, (iv) the payment of the principal of and interest and premium, if any, on Notes issued in anticipation of such Bonds in accordance with Section 207, or (v) any combination of the foregoing.

(2) A Series of Bonds shall be executed on behalf of the Authority and delivered to the Authenticating Agent for authentication and delivery to the Bondholders upon the order of the Authority, but only upon notification by the Trustee that it has received:

- (i) A Counsel's Opinion to the effect that (a) the Authority has the right and power under the Act to adopt this Resolution and the Series Resolution and this Resolution and the Series Resolution have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms, and no other authorization for this Resolution and the Series Resolution is required, (b) this Resolution, together with the Series Resolution, creates the valid pledge which it purports to create of the proceeds of the Bonds, the Revenues and all moneys, securities and Reserve Deposits in all funds and accounts held under the Resolution in the manner and to the extent provided therein and in the applicable Series Resolution, (c) the Bonds of such Series are

valid and binding general obligations of the Authority, enforceable in accordance with their terms and the terms of this Resolution and the applicable Series Resolution and entitled to the benefits of the Act, the Resolution and the Series Resolution, (d) unless otherwise provided in the Series Resolution relating to a prior Series of Bonds, to the extent that any Bonds have been previously issued on the basis that the interest thereon is exempt from Federal income taxation, such tax-exempt status of interest on any Bonds Outstanding shall not be adversely affected by the issuance of such Series of Bonds, and (e) the Bonds have been duly and validly authorized and issued, in accordance with law, including the Act; provided that such Counsel's Opinion may take an exception on account of the laws of bankruptcy, reorganization and insolvency and of other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles;

- (ii) A written order of the Authority signed by an Authorized Officer as to the delivery of such Bonds;
- (iii) A copy of this Resolution and the applicable Series Resolution certified by an Authorized Officer;
- (iv) A certificate of a Consulting Engineer or a Certified Public Accountant selected by the Authority setting forth a description of, and the estimated Cost and completion date of, each Project, if any, financed in whole or in part by such Bonds;
- (v) An amount of proceeds of such Bonds, other 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;
- (vi) The instruments or agreements evidencing or representing any Additional Security or Reserve



Deposits required by the applicable Series Resolution;

- (vii) A certificate of an Authorized Officer of the Authority stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution;
- (viii) A certificate of an Authorized Officer showing compliance with the covenant in Section 603(2) hereof for the prior two Fiscal years in which Bonds were Outstanding;
- (ix) (1) a Certificate of a Certified Public Accountant selected by the Authority and satisfactory to the Trustee setting forth the average Net Revenues for the prior two Fiscal Years, after giving effect to any increases in Rates and Charges approved up to the date of such Certificate as if such increased Rates and Charges had been in effect throughout the prior two Fiscal Years, and showing that, for the prior Fiscal Year the Net Revenues as so averaged and adjusted were at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service with respect to Bonds Outstanding during such prior Fiscal Year and the additional series of bonds to be issued, (disregarding any Bonds that have been paid or discharged or will be paid or discharged immediately after the issuance of the additional bonds proposed to be issued); or (2) a Consulting Engineer or a Certified Public Accountant selected by the Authority and satisfactory to the Trustee (a) setting forth the estimated annual Net Revenues for each of the five 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 approved for such period, and, if the estimated Net Revenues include estimated increased costs for purchased water based on pending requests by other water suppliers for rate increases then the calculation of estimated revenues may also include estimated increases in Rates and Charges to provide for such estimated increased costs, and (b) showing for each of such Fiscal Years that such estimated annual Net Revenues for such

Fiscal Year available in such Fiscal Year (as calculated by an Authorized Officer at the time of the issuance of such Bonds), will be equal to at least one hundred twenty-five percent (125%) of (A) the Debt Service Requirement calculated as of the first day of such Fiscal Year after giving effect to any Bonds issued since the first day of such Fiscal Year and the Bonds to be issued and to any increase in the Debt Service Requirement as a result thereof, less (B) the amount, if any, of Bond proceeds available or projected to be available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding or projected to be Outstanding as of the first day of such Fiscal Year;

- (x) Evidence that all regulatory approvals required to issue the Bonds have been obtained; and
- (xi) Such further documents and moneys as are required by Section 206 or Article IX or by the Series Resolution authorizing such Bonds.

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 on behalf of the Authority and delivered to the Authenticating Agent for such Series of Bonds for authentication and delivery to or upon the order of the Authority, but only upon notification by the Trustee that it has received:
  - (i) The documents, moneys and opinions required by Section 205(2);
  - (ii) The documents and moneys, if any, required by the Series Resolution authorizing such Refunding Bonds;
  - (iii) A certificate of an Authorized Officer stating that, as of the delivery of such Refunding Bonds and application of their proceeds, no Event of Default, as described in Section 701, will have happened and will then be continuing;

- (iv) A certificate of an Authorized Officer setting forth the Debt Service 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 showing that the Debt Service Requirement in each Fiscal Year in which Bonds will be Outstanding as computed in (b) of this paragraph will not be greater than the Debt Service Requirement in each such Fiscal Year as computed in (a) of this paragraph; provided that, in lieu of such certificate the Authority may deliver to the Trustee a certificate of a Consulting Engineer or a Certified Public Accountant selected by the Authority and satisfactory to the Trustee satisfying the conditions of Sections 205(2)(ix);
- (v) A certificate of an Authorized Officer specifying the Bonds to be refunded;
- (vi) If any Bonds are to be redeemed prior to maturity, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of the Bonds to be redeemed on a redemption date specified in the instructions;
- (vii) If the Bonds to be refunded are not by their terms subject to redemption within sixty (60) days from the date of authentication and delivery of the Refunding Bonds, irrevocable instructions to the Trustee, satisfactory to it, to give due notice as provided in Section 1101 to the registered owners of the Bonds to be refunded; and
- (viii) An amount of money or Government Obligations sufficient to effect redemption of the Bonds to be refunded pursuant to Article IV and Section 1101.

SECTION 207. Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may by resolution authorize the issuance of Notes (and renewals thereof) in anticipation of such Series. Except as otherwise provided in the resolution authorizing the same, the proceeds of such Notes shall be deposited in a Project Account established pursuant to Section 503(2) hereof. The principal of and interest on such Notes and renewals thereof



shall be payable from any moneys of the Authority available 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 this Resolution. Subject to Section 607, the Authority may also pledge the Revenues to the payment of such Notes. A copy of the resolution of the Authority authorizing such Notes shall be delivered to the Trustee 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 Authority 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 Authority may enter into such agreements with the issuer or obligor on such Additional Security providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Additional Security, which fees and expenses may be Costs of Issuance or Operating Expenses as appropriate, the terms and conditions of such Additional Security and the Series of Bonds affected thereby, and the security, if any, to be provided for the issuance of such Additional Security and the payments of such fees and expenses or the obligations of the Authority with respect thereto.

In addition to any security permitted hereunder, the Authority 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 Authority in the applicable Series Resolution. The Authority may also in an agreement with the issuer or obligor on such Additional Security, agree to 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 into account under the provisions of Section 205 or 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 giving consents, receiving notices and otherwise as may be specified in the applicable Series Resolution. 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 205 and Section 603 and for such other purposes hereunder as may be specified in the applicable Series Resolution.

### 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 Principal Office of such Paying Agent or Paying Agents as are specified in the applicable Series Resolution. The interest on any Bonds may be paid by check, draft or wire transfer as specified in the applicable Series Resolution. The Authority may make provisions in the applicable Series Resolution 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 Series Resolution, the Bonds of each Series shall be issued in the form of fully registered bonds, without coupons, payable to a named person or entity or registered assigns. All Bonds shall be in the denomination of \$5,000 or any integral multiple thereof and shall be in the form provided in the applicable Series Resolution. The Authority may provide in the applicable Series Resolution for the issuance of the Bonds so authorized in book-entry form or in denominations greater or less than \$5,000 upon the terms and conditions set forth therein together with such modifications to this Resolution 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 Series Resolution. Unless otherwise provided in the Series Resolution, 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 this Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange, authority or board or brokerage board, or otherwise, as may be determined by the Authority prior to the authentication and delivery thereof.

SECTION 303. Execution and Authentication.

(1) The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of the chairperson of the Authority or any other Authorized Officer to the extent permitted by applicable law, and shall be attested by the manual or facsimile signature of the secretary of the Authority or any other Authorized Officer to the extent permitted by applicable law. In case any one officer whose signature shall appear on any of the Bonds shall cease to be such officer before the delivery of such Bonds, the signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery, and such Bonds may 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 Authority 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 Authority, although at the date 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 Series Resolution. Only such Bonds as bear such certificate of authentication shall be entitled to any right or benefit under the Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by 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 Resolution and the registered owner thereof is entitled to the benefits of the Resolution.

### Certificate of Authentication

This bond is one of the Bonds described in the within-mentioned Resolutions of the Kent County Water Authority.

(Corporate name of Authenticating Agent)

By \_\_\_\_\_  
Officer of Authenticating Agent

SECTION 304. Interchangeability of Bonds. Upon surrender of a Bond at the Principal Office of the Trustee, or, when authorized by the applicable Series Resolution, 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, Bonds may, at the option of the Holder thereof, be exchanged for an equal aggregate Principal Amount of Bonds of the same Series and maturity in any other authorized denomination.

### SECTION 305. Negotiability. Transfer. and Registry.

(1) All the Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Authority 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, or Authenticating Agent as may be specified in the applicable Series Resolution, the Authority 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) Unless otherwise specified in the applicable Series Resolution, each Bond shall be transferable only upon the books of the Authority in the manner provided in the form of such Bonds. As to any Bond, the Authority and each Fiduciary may deem and treat the person in whose name the Bond shall be registered upon the books of the Authority 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 Authority nor any Fiduciary shall be affected by any notice to the contrary. The Authority agrees to indemnify and save each Fiduciary harmless from any and all loss, expense, judgment or 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 cancelled by the Authenticating Agent. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority, 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. Except as otherwise provided in the applicable Series Resolution, the Authority shall not be obligated to make any such exchange or transfer of Bonds of any Series during the period between the record date for payment and an Interest or Principal 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 Authority 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 exchange and substitution for such mutilated Bond, (upon surrender and cancellation of such mutilated Bond) or in lieu of and substitution for the Bonds destroyed, stolen or lost, (upon filing with the Authenticating Agent evidence satisfactory to the Authority, the Trustee and the Authenticating Agent that such Bond has been destroyed, stolen or lost and proof of ownership thereof) and upon furnishing the Authority, the Trustee and the Authenticating Agent with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority, the Trustee or such Authenticating Agent may prescribe and paying such expenses as the Authority, the Trustee or such Authenticating Agent may incur including but not limited to the expenses, if any, of printing and delivering such new Bond. All Bonds so surrendered shall be cancelled by the Authenticating Agent. The Authenticating Agent shall advise the applicable Paying Agent or Paying Agents of the issuance of substitute Bonds.

SECTION 307. Preparation of Definitive Bonds; Interim Receipts and Temporary Bonds. Subject to the applicable Series Resolution, until the definitive Bonds of any Series are prepared, the Authority may execute and, upon the request of the Authority, 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 Authority may provide) and with such omissions, insertions and variations as may be appropriate for temporary Bonds. The Authority 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 receipts or temporary Bonds surrendered. Until so exchanged the interim receipts and temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Resolution. All interim receipts and all temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Authenticating Agent.

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

#### ARTICLE IV

#### REDEMPTION OF BONDS

SECTION 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Series Resolution 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 Series Resolution.

SECTION 402. Redemption at the Election of the Authority. In the case of any redemption of Bonds otherwise than as provided in Section 403, the Authority 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 Authority in its sole discretion, subject to any limitations with respect thereto contained herein and in any Series Resolution). Except as otherwise provided in the applicable Series Resolution, 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 the Trustee, by the 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 Other Than At Authority's Election. Whenever by the terms of the Resolution and the applicable Series Resolution, Bonds of a Series are required to be redeemed other than at the election of the Authority, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and, out of the moneys available therefor, pay 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. 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 (unless a manner of selection is otherwise designated in the applicable Series Resolution), 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 \$5,000 may be redeemed either as a whole or in part (which part must be \$5,000 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 the notice from the Authority of its election to redeem Bonds pursuant to Section 402, and when redemption of

Bonds is required by this Resolution and the applicable Series Resolution pursuant to Section 403, the Trustee shall give notice, in the name of the Authority, 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 number 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 portion of the Principal Amount thereof to be redeemed. Except as provided in the applicable Series Resolution, the Trustee shall mail, by first-class mail a copy of such notice, postage prepaid, not less than twenty-five (25) days before the redemption date, 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, provided failure to mail any such notice to any 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.

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 less than all of a Bond shall be called for redemption, the Authority shall execute and the Authenticating Agent for such Bond shall authenticate and deliver a Bond or Bonds of like Series and maturity in any of the authorized denominations for the unredeemed balance of the Principal Amount of the Bond surrendered upon the surrender of such Bond and without charge to the Holder thereof. If 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 Agent on the redemption date 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 or the portion of the Principal Amount applicable to 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, or the portion of the Principal Amount thereof applicable to 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

501. The Pledge Effected by the Resolution. For the payment of the Principal Amount and Redemption Price of and interest on the Bonds, subject only to the provisions of this Resolution permitting the application thereof for other purposes and on the terms and conditions set forth in this Resolution, the Authority hereby pledges and grants a security interest in (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 Resolution, except the General Fund and the Rebate Fund. The Bonds shall be general obligations of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the Principal Amount and Redemption Price of and interest on the Bonds. Neither the State nor any city, town, county or other political subdivision, other than the Authority, shall be obligated to pay the Bonds and neither the faith and credit nor the taxing power of the State or of any city, town, county or other political subdivision, other than the Authority, is pledged to such payment.

### SECTION 502. Establishment of Funds and Accounts.

(1) On or prior to the date of delivery of the initial Series of Bonds issued hereunder, the following funds shall be established to be held by the Trustee, except the Operation and Maintenance Fund, the Insurance Reserve Fund and the General Fund, which shall be held by the Authority in the custody of one or more Depositories selected by the Authority in accordance with Section 514(2) hereof and satisfactory to the Trustee:

- (i) Project Fund
  - a. Project Accounts
  - b. Renewal and Replacement Accounts
  - c. Cost of Issuance Accounts
- (ii) Revenue Fund

- (iii) Operation and Maintenance Fund
- (iv) Debt Service Fund
  - a. Debt Service Account
  - b. Stabilization Account
- (v) Rebate Fund
- (vi) Redemption Fund
- (vii) Debt Service Reserve Fund
- (viii) Operation and Maintenance Reserve Fund
- (ix) Insurance Reserve Fund
- (x) Renewal and Replacement Reserve Fund
- (xi) General Fund

(2) In addition to the Funds and Accounts created by this Section 502, the Authority may by Supplemental Resolution or a Series Resolution (a certified copy of which must be filed with the Trustee) direct the Trustee to create one or more accounts or sub-accounts within such Funds and Accounts, to be held and maintained by the Trustee or the Authority, as applicable, consistent with Section 504 hereof and as provided in such Supplemental Resolution or Series Resolution.

#### SECTION 503. Project Fund.

(1) The Series Resolution for any Series of Bonds issued in whole or in part to pay the Cost of any Project shall establish one or more separate accounts (herein called "Project Accounts") for such Series of Bonds within the Project Fund; provided however, that if a prior Series Resolution shall have established a Project Account for a Project, a Series Resolution issuing further Bonds for such Project may make reference to such Project Account and need not create a further account.

(2) There shall be deposited in each Project Account

- (i) the amount, if any, provided in the applicable Series Resolution as necessary to pay the Cost of the Projects financed by such Series,
- (ii) the proceeds of any Notes (or renewals thereof) issued in anticipation of the Bonds of such Series which were issued to pay the Cost of any Project financed in whole or in part by such Bonds,
- (iii) the proceeds

of insurance on any such Project received by the Authority during the period of its construction pursuant to Section 606(2), and (iv) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Authority.

(3) Except as hereinafter provided in this Paragraph (3), amounts in any Project Account shall be disbursed to or upon the order of the Authority to be applied solely 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 satisfactory to the Trustee, signed by an Authorized Officer.

Each written requisition shall state in respect to each payment to be made: (i) the requisition number; (ii) the name and address of the person, firm, corporation, or other entity to whom payment is to be made; (iii) the amount to be paid; and (iv) that each obligation, cost or expense has been properly incurred, is an item of Cost of the Project, is a proper charge against the Project Account, and has not been the basis of any previous withdrawal.

Upon receipt of such requisition, the Trustee shall pay each item from the applicable Project Account directly to the person or party entitled thereto, or shall deliver a check or draft for the payment thereof to the Authority.

Except as otherwise provided in the applicable Series Resolution, if the Authority shall withdraw from any Project Account amounts to be applied to the Cost of a Project which are reimbursable to the Authority under any agreement with the United States of America or the State or any agency, political subdivision or instrumentality of either thereof, all amounts received by the Authority in reimbursement of such Cost shall be paid to the Trustee for deposit in the applicable Project Account to the extent of the amount so withdrawn. If at the time of payment of all or any part of the Cost of a Project, the amount on deposit in the applicable Project Account and available therefor is insufficient to pay such Cost, the Authority may direct the Trustee in writing to apply to such payment any amount available therefor in any other Project Account or any Renewal and Replacement Account, provided that all amounts received by the Authority in reimbursement of such Cost, including the proceeds of Bonds or Notes, if any, issued to reimburse such Cost, shall be paid to the Trustee for deposit in the account from which withdrawn and to the extent of the amount so withdrawn.

Upon completion of any Project, the Costs of which are payable from a Project Account, and receipt by the Authority of all amounts reimbursable to it and the expiration of any applicable audit periods, the Authority 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 Authority 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 certificates 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 Authority and consistent with an approving opinion of bond counsel, (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 Renewal and Replacement Account, (iii) for deposit in the Renewal and Replacement Reserve Fund, or (iv) to the redemption of the Bonds of the Series for which such Project Account was established by deposit of such amount in the Redemption Fund.

(4) Upon the determination by the Authority that a Project undertaken or to be undertaken has been or should be delayed, reduced or abandoned and that no further amounts or significantly reduced amounts are required therefor from the applicable Project Account, the Authority may, by resolution duly adopted by the Authority and upon receipt of a favorable opinion of bond counsel satisfactory to the Trustee, direct the Trustee 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 Renewal and Replacement Account, (iii) to the Renewal and Replacement Reserve Fund, or (iv) to the Redemption Fund for application to the redemption of Bonds of the Series for which such Project Account was established.

(5) At any time that the Authority determines by resolution to undertake Capital Improvements to be financed by Revenues or by the proceeds of Bonds or Notes not then issued, the Authority may direct the Trustee to establish within the Project Fund one or more separate accounts (herein called "Renewal and Replacement Accounts") for such Capital Improvements. There shall be deposited in any such Renewal and Replacement Account (i) any amounts withdrawn from the Revenue Fund for deposit therein pursuant to Section 504, (ii) any amounts withdrawn from the Renewal and Replacement Reserve Fund



for deposit therein pursuant to Section 512, and (iii) any other amounts (not required by the Resolution to be otherwise deposited) as determined by the Authority. Except as otherwise provided in paragraph (3) of this Section 503, amounts in a Renewal and Replacement Account shall be disbursed to or upon the order of the Authority to be applied solely to the Cost of the Capital Improvements for which such account was established upon receipt by the Trustee of one or more requisitions, in form satisfactory to the Trustee, signed by an Authorized Officer, which requisitions will contain the information similar to that set forth in Section 503(3) hereof.

Subject to Section 512 hereof, upon completion of a Capital Improvement, the Cost of which has been funded from a Renewal and Replacement Account or upon a determination by the Authority 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 Renewal and Replacement Account, the Authority may, by certificate of an Authorized Officer, direct the Trustee to transfer amounts then on deposit in the applicable Renewal and Replacement Account, (i) to another separate Renewal and Replacement Account, (ii) to the Renewal and Replacement Reserve Fund, or (iii) to the Revenue Fund. Notwithstanding the foregoing, if at any time, the amount on deposit and available therefore in the Debt Service Fund, Redemption Fund, Debt Service Reserve Fund and Renewal and Replacement 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 the Renewal and Replacement Accounts (in such order of priority as the Authority by certificate of an Authorized Officer shall direct or, in the absence of such direction, pro-rata from such accounts) to the Debt Service Fund the amount necessary to meet the deficiency.

(6) The Authority may establish in the Series Resolution for any Series of 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 Series Resolution and any other moneys not otherwise directed to be applied by the Resolution. Amounts in a Cost of Issuance Account shall be disbursed to or upon the order of the Authority without requisition upon presentation of proper invoices or billings, to be applied to Costs of Issuance of the applicable Series of 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 direction in writing of an Authorized Officer of the Authority and upon receipt of a favorable opinion of bond counsel satisfactory to the Trustee, to (i) one or more Project Accounts established for the applicable Series of Bonds or (ii) the Redemption Fund to be applied to the redemption of Bonds of the Series for which such Costs of Issuance Account was established.

SECTION 504. Revenue Fund.

(1) All Revenues, except (i) proceeds of property-loss 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, and (iii) earnings on investment of the funds and accounts hereunder to the extent provided in Section 514 hereof, shall be collected by the Authority and deposited daily, as far as practicable, with one or more Depositories selected by the Authority in accordance with Section 514(2) hereof and satisfactory to the Trustee. All such Revenues shall be deemed to be held for the account of the Revenue Fund and shall be transferred to the Trustee for deposit in the Revenue Fund no less than monthly (but in no event later than one (1) business day prior to the date of any monthly payment provided for in Paragraph 2 of this Section 504). There shall also be deposited in the Revenue Fund any other moneys so directed by the Resolution and any other moneys of the Authority which it may in its discretion determine to so apply unless required to be otherwise applied by this Resolution.

(2) On the last business day of each calendar month or on such earlier business day as the Authority may designate in advance to the Trustee in writing the Trustee shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

- (i) To the Authority for deposit in the Operation and Maintenance Fund, the amount requested by the Authority for Operating Expenses for the next ensuing month consistent with the Annual Budget prepared in accordance with Section 608 for the Fiscal Year in which such next ensuing month occurs;
- (ii) To the Debt Service Account of 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) Except as otherwise provided in any applicable Series Resolution, if the amount on deposit in any series account of the Debt Service Reserve Fund is less than the applicable Funded Debt Service Reserve Fund Requirement, to such series account of the Debt Service Reserve Fund an amount equal to the amount required to restore the amounts on deposit therein to the Funded Debt Service Reserve Fund Requirement in 24 equal monthly installments or in such fewer number of installments as the Authority shall direct in writing;
- (v) To the Stabilization Account of the Debt Service Fund, such amount, if any, designated by the Authority as further provided in Section 504(3);
- (vi) 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;
- (vii) To the Authority for deposit in the Insurance Reserve Fund, the amount, if any, determined by the Authority pursuant to Section 606(3) as necessary to maintain such Fund at the Insurance Reserve Fund Requirement;
- (viii) Subject to Section 609, to the Renewal and Replacement Reserve Fund, an amount, which together with the amounts on deposit therein, will equal the Renewal and Replacement Reserve Fund Requirement as of such day;
- (ix) To such other funds or accounts as shall be required by any Series Resolution;
- (x) To such other funds or accounts established by the Authority in compliance with applicable law or required by any Rate Order; and
- (xi) To the Operation and Maintenance Reserve, the Renewal and Replacement Reserve, or one or more Renewal and Replacement Accounts, such amount as requested by the Authority but only upon receipt

by the Trustee of a certificate of an Authorized Officer stating that such deposit will not impair the ability of the Authority to either (A) meet the requirements of the Revenue Fund during 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, and (C) in the case of a deposit to a Renewal and Replacement Account, (x) a copy of the resolution of the Authority approving the Capital Improvements to be funded in whole or in part from such Accounts, certified by an Authorizing Officer, and (y) a certificate of a Consulting Engineer describing the Capital Improvements in such detail as the Trustee shall reasonably request and stating the estimated Cost of such Capital Improvements and their estimated completion date or dates.

Subject to subsection (3) 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 Authority shall have issued Notes in anticipation of Revenue in accordance with Section 607(2)(iii), amounts in the Revenue Fund remaining after the above payments have been made may be used by the Authority to pay the principal of such Notes at maturity or upon earlier redemption.

(3) Notwithstanding the foregoing, in the event that any Rate Order requires that Revenues be held in a restricted account, the Authority 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.

(4) On the last business day of each Fiscal Year after the payments as of such day provided in subsection (2) of this Section 504 shall have been made, any balance or part thereof in the Revenue Fund shall, at the written request of the Authority, be withdrawn and paid to it for deposit in the General Fund held by the Authority, but only upon receipt by the Trustee of a certificate of an Authorized Officer stating that such deposit will not impair the ability of the Authority to (i) meet the requirements of the Revenue Fund during the next succeeding Fiscal Year based on the Annual Budget for such Fiscal Year prepared in accordance with Section 608, (ii)



satisfy the requirements of Section 603 in the current or the next succeeding Fiscal Year and (iii) satisfy the terms of any Rate Order then in effect.

SECTION 505. Operation and Maintenance Fund. Amounts in the Operation and Maintenance Fund held by the Authority with one or more Depositories shall be applied by the Authority from time to time to Operating Expenses. Amounts in the Operation and Maintenance Fund which the Authority at any time determines to be in excess of the requirements of such Fund shall be withdrawn and deposited in the Revenue Fund to be used in accordance with Section 504 hereof.

SECTION 506. Debt Service Fund.

(1) The Trustee shall pay out of the Debt Service Account of the Debt Service Fund 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 Authority may give the Trustee not less than one (1) business day's prior written notice to make such payments to the Paying Agents prior to the due date on such date as the Authority determines. The Paying Agents shall apply such amounts to the payment of interest and Principal Installments on the due dates thereof.

If, on any Interest Payment Date, the amount accumulated in the Debt Service Account of the Debt Service Fund for the purposes specified above exceeds the amount required therefor, the Authority may direct the Trustee in writing to deposit such excess in the Stabilization Account, the Redemption Fund or, in the Authority's discretion consistent with the Rate Order, in the Revenue Fund. The Trustee shall also pay out of the Debt Service Fund accrued interest included in the purchase price of Bonds purchased for retirement under any provision of this Resolution.

(2) Amounts accumulated in the Debt Service Fund 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) may, and if so directed by the Authority shall, be applied by the Trustee prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Payment, unless otherwise specified in the applicable Series Resolution, 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 in such manner as the Authority 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 purposes of calculating the amount of such Fund. As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Payment, unless otherwise specified in the applicable Series Resolution, 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 Series Resolution, 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 Account of the Debt Service Fund 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) Subject to Paragraph (4) of this Section 506, 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 Authority 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 forty-five (45) days prior to the due date of any Sinking Fund Payment, unless otherwise specified in the applicable Series Resolution.

(5) The Authority may establish in any Series Resolution 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 Series Resolution and any other moneys not otherwise directed to be applied by this Resolution. Amounts in the Capitalized Interest Account shall be applied to the payment of interest on the Bonds and as otherwise provided in the applicable Series Resolution.

(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 Authority;
- (iv) to the Redemption Fund, as requested by the Authority; and
- (v) to such other purposes as the Authority may direct, not inconsistent with any Rate Order.

SECTION 507. Rebate Fund. Amounts deposited into the Rebate Fund shall be applied as provided in any Series Resolution.

SECTION 508. Redemption Fund.

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

(2) If at any time the amount on deposit and available therefore in the Debt Service Fund 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 in the Redemption Fund for the redemption of Bonds for which a notice of redemption shall have been given).

Subject to the foregoing, amounts in the Redemption Fund may be applied by the Authority to the redemption of Bonds in accordance with Section 402 and the applicable Series Resolution 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 by the Authority.

#### SECTION 509. Debt Service Reserve Fund.

(1) If at any time the amounts on deposit and available in the Debt Service Fund and the Redemption Fund after application of any funds on deposit in the Stabilization Account pursuant to Section 506(6), 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 the 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 set forth in the Series Resolution providing for such Reserve Deposits.

(2) If on the last business day of any month, the amount on deposit in the Debt Service Reserve Fund is in excess of the Funded Debt Service Reserve Fund Requirement (calculated as of the first day of the next succeeding month) the Trustee, upon direction of the Authority expressed in a certificate of an Authorized Officer, shall withdraw such excess and deposit it in the Revenue Fund.

(3) 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



urpose, is equal to or in excess of the Redemption Price of all Bonds Outstanding, the Trustee, at the direction of an Authorized Officer of the Authority, 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.

SECTION 510. [Reserved]

SECTION 511. Operation and Maintenance Reserve Fund.

(1) If at any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Debt Service Reserve Fund, Renewal and Replacement Reserve Fund and Renewal and 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.

(2) Subject to subsection (1) of this Section, if at any time the amount on deposit in the Operation and Maintenance Fund is insufficient to pay all Operation and Maintenance Expenses then payable, the Trustee, upon receipt of a certificate of an Authorized Officer to that effect, shall withdraw from the Operation and Maintenance Reserve Fund and pay to the Authority for deposit in the Operation and Maintenance Fund the amount specified in such certificate.

(3) If at any time, the amounts on deposit in the Operation and Maintenance Reserve Fund is in excess of the Operation and Maintenance Reserve Fund Requirement, the Trustee, at the direction of the Authority expressed in a certificate of an Authorized Officer, shall withdraw such excess and deposit it in the Revenue Fund..

SECTION 512. Renewal and Replacement Reserve Fund.

(1) If at any time the amounts on deposit and available therefor in the Debt Service Account of the Debt Service Fund, Redemption Fund and Debt Service Reserve Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Renewal and Replacement Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency.

(2) Subject to Subsection (1) of this Section 512, the Authority may apply amounts in the Renewal and Replacement

Reserve Fund solely to the Cost of any Capital Improvements moneys for the payment of which are not available in any Project Account or any Renewal and Replacement Account. The Trustee shall withdraw from such Fund and deposit in a Renewal and Replacement Account established pursuant to Section 503(6), any amount requested by the Authority but only upon receipt of a certificate of an Authorized Officer (i) specifying the Capital Improvement to which such amount will be applied, its estimated Cost and estimated completion date and (ii) certifying (a) that such Capital Improvement is reasonably required for the continued operation of the System or the maintenance of Revenues, (b) that all or a portion of the Cost of such Capital Improvements was not financed in whole or in part from a Renewal and Replacement Account theretofore established or from any Project Account, and (c) that only the Cost of such Capital Improvement that is in excess of the amounts available therefor in any Project Account or Renewal and Replacement Account is being or has previously been requisitioned from the Renewal and Replacement Reserve Fund. Amounts deposited in any Renewal and Replacement Account pursuant to this Section shall be applied by the Authority to the Cost of the Capital Improvement for which received. Upon completion of such Capital Improvement, any amount so deposited and not necessary to pay the Cost of such Capital Improvement shall be redeposited in the Renewal and Replacement Reserve Fund. Notwithstanding anything herein or in Section 503 to the contrary, if the Authority shall direct the Trustee to transfer from the Renewal and Replacement Reserve Fund to any Renewal and Replacement Account amounts to be applied to the Cost of a Capital Improvement to be funded from the proceeds of Bonds or Notes not then issued, upon issuance of such Bonds or Notes an amount of proceeds thereof or other moneys of the Authority equal to the amount so transferred shall, unless otherwise provided in the applicable Series Resolution, be redeposited in the Renewal and Replacement Reserve Fund.

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

SECTION 513. General Fund. Amounts on deposit in the General Fund may be held and applied by the Authority to any use or purpose of the Authority, including, without limitation, the purchase or payment of Bonds and the payment of the Cost of any Capital Improvement. In addition to amounts specifically provided or permitted by this Resolution to be deposited in the



General Fund, the Authority may deposit therein any other moneys received from any source unless such moneys are required to be otherwise applied by this Resolution or any Series Resolution.

SECTION 514. 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 under this Resolution 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 direction of an Authorized Officer of the Authority, 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 thereon held for the credit of such fund or account. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund shall be invested solely in the investments specified in categories (i), (ii), (iii), (iv) and (ix) of the definition of Permitted Investments. Unless otherwise directed by any Series Resolution, 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.

Except as otherwise provided in Section 515 hereof and the applicable Series Resolution, all income from investments in any fund or account 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 Operation and Maintenance Reserve Fund, the Renewal and Replacement Reserve Fund, the Insurance Reserve Fund, and the Capitalized Interest Account, shall be credited to and deposited in the Revenue Fund.

(2) In lieu of investment in Permitted Investments, amounts held for the credit of the Revenue Fund pending transfer to the Trustee in accordance with Section 504(1) hereof and amounts on deposit in the Operation and Maintenance Fund, the Insurance Reserve Fund, and the General Fund may be deposited by the Authority in its name, for the account of such fund or account, on demand or on time deposit with such Depository or Depositories as the Authority may, from time to time, appoint for such purpose. Any Depository so appointed shall be a member of the Federal Deposit Insurance Corporation

or the Federal Savings and Loan Insurance Corporation. No moneys shall be deposited with a depository in amounts in excess of Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation insurance limits unless such depository has a combined capital and surplus of at least twenty-five million dollars (\$25,000,000) or, in the case of the Operation and Maintenance Fund and the General Fund, ten million dollars (\$10,000,000). All moneys so deposited shall be secured to the extent and in the manner required by law for the securing of deposits of a city or town in the State.

(3) 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 this Resolution, 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 this Resolution unless and until a withdrawal from such Fund shall be required in accordance with Section 509(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 Funded Debt Service Reserve Fund Requirement.

SECTION 515. Holding of Special Deposits. Except as otherwise provided in any Series Resolution, moneys (a) collected by the Authority as water quality protection charges or paid to the Authority from proceeds of bonds issued by the Water Resources Board of the State or any successor thereto, (b) collected by the Authority pursuant to applicable law which mandates that such moneys be segregated and applied to specified purposes, (c) held by or for the account of the Authority in connection with the System which are required to be applied under the terms of an agreement to the acquisition, construction or alteration of a facility which is the subject

of such agreement (including, but not limited to, subject to Section 503(3) hereof, any such moneys received by the Authority for such purpose under any grant or loan agreement with the United States of America or the State or any agency, political subdivision or instrumentality of either) or (d) which are subject to refund by the Authority or held for the account of others or subject to refund to others, including, without limitation, any amounts which, under any agreement by the Authority providing for adequate separation of such amounts from Revenues, are collected by the Authority on behalf of others for services rendered or commodities provided to customers of the System, any amounts deducted by the Authority from wage and salary payments to the employees of the Authority, any amounts contributed by the Authority to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the Authority and any amounts held as deposits, including customers' service deposits, guaranteed revenue contract deposits, unexpended developer's deposits, minimum revenue deposits and unexpended jobbing deposits, together with any investments of such money and interest and profit 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 Authority outside of the various funds and accounts established by this Resolution and, notwithstanding anything herein to the contrary, shall not be subject to the pledge created by this Resolution or be considered Revenues hereunder while so held.

## ARTICLE VI

### PARTICULAR COVENANTS OF THE AUTHORITY

The Authority covenants and agrees as follows:

SECTION 601. Powers as to Bonds and Pledge. The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds and to adopt this Resolution and to pledge the Revenues and other moneys, securities, Reserve Deposits and funds purported to be pledged by this Resolution in the manner and to the extent provided in this Resolution. 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 this Resolution except to the extent expressly permitted hereby. The Authority 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 this Resolution and all the rights of the

Bondholders under this Resolution against all claims and demands of all persons whomsoever.

SECTION 602. Extension of Payment of Bonds. Except as expressly authorized with respect to a particular Series of Bonds in the applicable Series Resolution, the Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under this Resolution, to the benefit of this Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to this Resolution) held by the Fiduciaries, except subject to the prior payment of the Principal Amount of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in this Section shall be deemed to limit the right of the Authority to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 603. Covenant as to Rates and Charges.

(1) So long as any Bonds are Outstanding, the Authority shall use its best efforts to establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other moneys, at least sufficient, with such margin of safety as the Authority shall deem reasonable, to pay or provide for, as the same become due and 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 or guaranteed by the Authority, (iii) all amounts, if any, payable to the Operation and Maintenance Reserve Fund, Debt Service Reserve Fund, Renewal and Replacement Reserve Fund and, if any, Insurance Reserve Fund, (iv) all repairs, replacements, or renewals of the System deemed necessary by the Authority and (v) all other amounts which the Authority may by law, resolution or contract be obligated to pay.

(2) Without limiting the generality of the foregoing, as long as any Bonds are Outstanding, the Authority shall use its best efforts to establish and maintain Rates and Charges at



levels sufficient so that total Net Revenues in each Fiscal Year during which Bonds are Outstanding, beginning with the first full Fiscal Year following issuance of any Bonds, shall equal at least one hundred twenty-five percent (125%) of (1) the Debt Service Requirement during such Fiscal Year with respect to all Bonds Outstanding as of the first day of such Fiscal Year less (2) the amount, if any, of Bond proceeds available to pay interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year. Failure by the Authority to comply with the requirements of this subsection (2) shall not be considered an Event of Default under this Resolution so long as the Authority has complied or is diligently proceeding to comply with the requirements of subsection (3) of this Section 603.

(3) On or before six months prior to the last day of each Fiscal Year, the Authority 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 Authority 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 twenty (120) days after the close of each Fiscal Year while Bonds are Outstanding, beginning with the first full Fiscal Year following issuance of any Bonds hereunder, the Authority shall deliver to the Trustee a certificate of an Authorized Officer stating, if such was the case, that the Authority 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 Authority so that it will comply with such requirements in the then current Fiscal Year. Such certificate shall be accompanied by a certificate of the independent public accountant or firm of accountants regularly auditing the books of the Authority in accordance with Section 610, setting forth the Net Revenues for the preceding Fiscal Year.

(5) So long as any Bonds are Outstanding, the Authority shall not in the normal course and without taking corrective steps to remedy the reasons therefor, furnish or supply any facilities, services or commodities afforded by the

System free of charge (except as required by the Act). The Authority will promptly enforce in the manner and to the extent provided by law and in the Act the payment of any and all delinquent accounts except when the Authority determines that such enforcement is no longer practicable or economically justified.

SECTION 604. Sale, Lease or Encumbrance of System.

(1) Except as provided in this Section and Section 607(3), the Authority shall not sell, mortgage, lease (with the Authority as lessor) or otherwise dispose of or encumber the System or any part thereof or any interest of the Authority therein.

(2) The Authority 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 opinion of the Authority are no longer used or useful in the operation of the System. and, if the market value of such property or facilities as determined by the Authority is in excess of \$100,000, the Authority 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 Authority to satisfy the requirements of Section 603 in the then current or any future Fiscal Year. In the event that the Authority sells or exchanges or otherwise disposes of any real property or fixtures in excess of \$100,000, the Authority shall obtain a certificate from a Consulting Engineer that the sale, exchange or disposition will not impair the ability of the Authority to satisfy the requirements of Section 603 in the then current or any future Fiscal Year. 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) The Authority may mortgage, grant security interests in, lease as lessee or otherwise encumber any real or tangible personal property to be used in the operation of the System, provided that the aggregate annual payments required to be made by the Authority under any and all loans or lines of credit secured by such mortgaged property, security interests, encumbrances, and leases required to be capitalized under generally accepted accounting principles, shall not in any Fiscal Year exceed twenty-five percent (25%) of the Operating Expenses for such Fiscal Year. The proceeds of a sale, if any, of any such property mortgaged or otherwise encumbered, after satisfying the mortgage, security interest or other encumbrance



secured by the same, shall be deposited in the Revenue Fund. Until so deposited, such proceeds shall not be deemed Revenues hereunder.

(4) The Authority 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 the opinion of the Authority impede the operation by the Authority of the System. Except as provided in Section 607(3), any payments to the Authority 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.

SECTION 605. Operation, Maintenance and Reconstruction. The Authority shall operate, or cause to be operated, the System properly and in a sound, efficient and economical manner and in compliance with applicable laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all governmental entities, departments, commissions, boards, courts, authorities and agencies the violation of which would have a material adverse effect on the System or the Revenues to be derived therefrom. The Authority 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 Authority shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part, to restore the same to use and the replacement of such part so taken; provided, however, that nothing in this Resolution shall require the Authority 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 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 Authority to satisfy the requirements of Section 603 in the current or any future Fiscal Year.

Nothing in this Resolution shall be deemed to preclude the Authority from undertaking such other projects or exercising such other powers unrelated to the operation of the System as may be permitted from time to time under the Act.

SECTION 606. Insurance and Condemnation.

(1) The Authority shall at all times keep or cause to be kept 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 (such insurance shall constitute "property-loss insurance"). Property-loss insurance may include business interruption insurance if available. The Authority will also at all times maintain or cause to be maintained 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 System of the Authority. In determining the amounts and types of insurance to be maintained under this Section, the Authority shall rely upon the advice of a Consulting Engineer or an insurance consultant of recognized standing, selected by the Authority and satisfactory to the Trustee. All 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 Authority. On or before the last day of each Fiscal Year, or, in the case of the current Fiscal Year on the date of delivery of any Bonds, the Authority shall deliver to the Trustee a certificate of an Authorized Officer listing the types and amounts of insurance then maintained by the Authority, in accordance with this Section and the insurers therefor.

(2) All proceeds of property-loss insurance shall be applied to the restoration, replacement or reconstruction of the property or facility lost or damaged, unless the Authority 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 Authority 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 Authority in satisfaction of the applicable claim.

(3) If at any time the Authority 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 Authority 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)(vii), the Insurance Reserve Fund Requirement shall be that amount (or such greater amount provided in any Series or Supplemental Resolution) for any Fiscal Year or portion thereof certified to the Authority by a Consulting Engineer or an insurance consultant retained by the Authority (who may be the insurance consultant or agent regularly furnishing insurance to the Authority) 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 Authority 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)(vii), 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)(vii) 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, Debt Service Reserve Fund, Renewal and Replacement Reserve Fund, Renewal and 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 Authority 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 Authority 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 portions of the System lost or damaged for which neither insurance proceeds or amounts specifically designated therefor in the Operation and Maintenance 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 Authority 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 the Insurance Reserve 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 Authority 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 Authority and the Company and to deliver a report thereon (which may be included in the report required by Section 609(3)) to the Authority 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 Authority 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 Authority 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 Authority shall not issue any bonds, notes or other evidences of indebtedness, other than Bonds, secured by a pledge of or other lien on the Revenues and other moneys, securities, Reserve Deposits, if any, and funds held or set aside by the Authority or by the Fiduciaries under this Resolution, and shall not otherwise create or cause to be



created any lien or charge on such Revenues, 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 Authority may at any time or from time to time issue Notes (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 Authority, may be secured by a pledge of Revenues, provided that such pledge shall in all respects be subordinate to the provisions of this Resolution and the pledge created by this Resolution;
- (ii) in anticipation of the receipt by the Authority of any grant-in-aid from the United States of America or the State or any agency, instrumentality or political subdivision of either 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 Authority 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 Authority shall not exceed the aggregate amount of the grant-in-aid provided for in such agreement and not yet received by the Authority 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 this Resolution and the pledge created by this Resolution, (b) any such Notes shall be payable no later than one year from their date of issue (or, in the case of Notes issued to renew any such Notes, no later

than one year from the date of issue of the original issue of Notes), (c) the aggregate principal 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 required to pay Notes) shall be deposited in the Revenue Fund.

(3) Notwithstanding anything herein to the contrary, the Authority may issue bonds, notes or other evidences of indebtedness secured solely by the receipts or other moneys derived by the Authority from the lease, license, operation, sale or other disposition of any facility or equipment (whether or not part of the System) hereafter constructed or acquired by or on behalf of the Authority with the proceeds of such bonds, notes or evidences of indebtedness. Such receipts and other moneys shall not be considered Revenue 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 General Fund pursuant to Section 504) or shall be included in Operating Expenses, (ii) any such receipts and moneys in excess of such debt service, cost of acquisition, construction, operation, maintenance and 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 Authority shall deliver to the Trustee a certificate of a Consulting Engineer or a Certified Public Accountant selected by the Authority and satisfactory to the Trustee stating that the lease, license, operation, sale or other disposition of such facility or equipment and the application of the 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 Accountants to be received by the Authority during the succeeding five Fiscal Years (including the Fiscal Year in which such bonds or notes are issued).

(4) Nothing in this Section or this Resolution shall prevent the Authority from issuing Notes or otherwise incurring contractual obligations which:



- (i) are payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues created by this Resolution has been discharged as provided in Section 1101; or
- (ii) are payable solely out of, or secured solely by a pledge of, amounts which may be deposited in the General Fund pursuant to Section 504, provided that the pledge of such amounts shall in all respects be subordinate to the provisions of this Resolution.

SECTION 608. Annual Operating Budget.

(1) On or prior to the date of delivery of the initial Series of Bonds hereunder and not less than one (1) day prior to the beginning of each Fiscal Year thereafter, the Authority shall adopt and file with the Trustee an annual operating budget (herein called "Annual Budget") for such Fiscal Year. The Authority 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.

(2) For purposes of Section 504(2), the Operation and Maintenance Reserve Fund Requirement shall mean, unless a greater amount is required by any Series Resolution, (i) from the date of delivery of the initial Series of Bonds hereunder until June 30, 1996 after such, the amount provided in the Series Resolution for the initial Bonds, and (ii) as of the last business day of each Fiscal Year thereafter an amount equal to twenty-five percent (25%) of the amount designated for operation and maintenance in the Annual Budget for the applicable Fiscal Year.

SECTION 609. Capital Improvements Budget.

(1) On or prior to the date of delivery of the initial Series of Bonds hereunder and not less than one (1) day prior to the beginning of each Fiscal Year thereafter, the Authority shall prepare and file with the Trustee a proposed program of Capital Improvements to be undertaken by the Authority during such Fiscal Year and the next ensuing Fiscal Year, identifying the Capital Improvements to be carried out, the estimated Cost thereof and the period of construction thereof, together with a budget (herein called "Capital Improvements Budget") for the Capital Improvements or parts

thereof to be undertaken by the Authority in such Fiscal Year. The Capital Improvements Budget shall include a schedule showing all projected disbursements from any Project Account or Renewal and Replacement Account in the Project Fund and, to the extent provided by the Authority, any other fund or account under this Resolution, as well as the sources of moneys projected to be available to meet the same. The Capital Improvements Budget shall further identify the Capital Improvements to be undertaken, the nature of the work, the estimated Cost thereof and the estimated completion date of each Capital Improvement.

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

(3) For purposes of Section 504(2), the Renewal and Replacement Reserve Fund Requirement shall mean, unless a greater amount is required by any Series Resolution, (i) from the date of delivery of the initial Series of Bonds hereunder until the last day of the second full Fiscal Year following the Fiscal Year in which such Bonds are delivered, the amount provided in the Series Resolution for the initial Bonds, and (ii) as of the last day of each Fiscal Year thereafter, an amount at least equal to one percent of the depreciated value of the System as shown on the annual audited financial statements of the Authority for the prior Fiscal Year.

#### SECTION 610. Accounts and Reports.

(1) The Authority shall maintain its books and accounts in accordance with generally accepted accounting principles and in accordance with such other principles of accounting as the Authority shall deem appropriate. Said books and accounts shall at all times be subject to the inspection of the Trustee. The right of the Trustee to inspect such books and records shall not be construed as an obligation to do so.

(2) The Authority shall annually, within one hundred twenty (120) days after the close of each Fiscal Year, file with the Trustee a copy of the annual report for such year, accompanied by financial statements, audited by and containing the report of an independent public accountant or firm of accountants acceptable to the Trustee, relating to the operations and properties of the System for such Fiscal Year and setting forth in reasonable detail their financial condition as of the end of such year and the income and expenses for such year, and including a summary of the receipts

in and disbursements from the funds and accounts maintained under this Resolution during such Fiscal Year and the amounts held therein at the end of such Fiscal Year. 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 made in accordance with generally accepted auditing standards nothing came to their attention that would lead them to believe that an Event of Default had occurred under this Resolution or, if such is not the case, specifying the nature of the Event of Default.

SECTION 611. Further Assurances. At any and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be reasonably necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, Revenues and other moneys, securities, Reserve Deposits and funds hereby pledged or assigned, or intended so to be, or which the Authority may hereafter become bound to pledge or assign.

## ARTICLE VII

### DEFAULTS AND REMEDIES

SECTION 701. Events of Default. Each of the following is hereby declared an Event of Default,

- (i) default 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 Authority or any Holder, or otherwise, or in the payment of any Sinking Fund Payment when due;
- (ii) default in the payment of any installment of interest on any Bond when due;
- (iii) default in the performance or observance of both
  - (a) the covenants, agreements and conditions on the Authority's part provided in subsection 2 of Section 603 and
  - (b) the covenants, agreements or conditions on its part provided in subsection 3 of Section 603;

- (iv) default in the performance or observance of any other of the covenants, agreements or conditions on the Authority's part provided in this Resolution or in the Bonds and such default shall continue for a period of thirty (30) days after written notice thereof shall be given to the Authority by the Trustee provided that if such default cannot be remedied within such thirty (30) day period, it shall not constitute an Event of Default hereunder if corrective action is instituted by the Authority within such period and diligently pursued until the default is remedied;
- (v) an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Authority or the whole or any substantial part of the System, (b) granting relief in involuntary proceedings with respect to the Authority under the federal bankruptcy act, or (c) assuming custody or control of the Authority 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 ninety (90) days from the date of entry of the order, judgment or decree; or
- (vi) the Authority (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 Authority or of the whole or any substantial part of the System.

then, and in each and every such case, so long as such Event of Default shall not have been cured, the Trustee may, and upon written direction of the Holders of 51% of the Principal Amount of Bonds Outstanding the Trustee shall (by sixty days' notice in writing to the Authority and the Governor of the State and the Local Governing Bodies of East Greenwich, Coventry, West Warwick and Warwick, Rhode Island,) 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 this Resolution 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 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 Authority 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 Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, 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 Authority in any fund or account pledged under this Resolution, 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, securities, 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 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 Authority 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, subject to the provisions of Section 602, 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 to 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, and all other sums payable by the Authority under this Resolution, including the Principal Installments and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, either shall be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under this Resolution or the Bonds shall have been cured, the Trustee shall pay over to the Authority all moneys, securities and funds remaining unexpended in all funds and accounts provided by this Resolution to be held by the Authority, and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under this Resolution and all Revenues shall thereafter be applied as provided in Article V. No such payment over to the Authority by the Trustee or resumption of the application of Revenues as provided in Article V shall extend to or affect any subsequent default under this Resolution 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 Series Resolution 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 this Resolution 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 Authority as if the Authority 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 this Resolution.

(2) Upon the occurrence of an Event of Default, by suit, action or proceedings in any court of competent jurisdiction, the Trustee shall be entitled to obtain the appointment of a receiver of the moneys, securities and funds then held by the Authority in any fund or account under this Resolution and of the Revenues and the whole or any part of the System, with all such powers as the court making such appointment shall confer. Such receiver may take possession of the System, operate and maintain it, and collect and receive the Revenues in the same manner as the Authority might do and shall apply the same in accordance with the obligations of the Authority. Notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from, any moneys, securities and funds deposited or pledged with it under this Resolution or agreed or provided to be delivered to or deposited or pledged with it under this Resolution.

(3) All rights of action under this Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings.

(4) 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.

(5) 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 reasonable 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 this Resolution by any acts which may be unlawful or in violation of this Resolution, 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 this Resolution or for any remedy under this Resolution, 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 Holder shall have offered to the Trustee adequate security and indemnity against the costs, expenses, and liabilities to be incurred thereby, and the Trustee shall have refused to comply with such request within a reasonable time.

(2) Nothing in this Resolution shall affect or impair the obligation of the Authority 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 this Resolution 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 this Resolution 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 this Resolution 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. Fleet National Bank, 111 Westminster Street, Providence, Rhode Island is hereby appointed Trustee under this Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing a certificate of acceptance upon the issuance of any Bonds and, by executing such certificate, 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 this Resolution and any Series Resolution. Such certificate of acceptance shall be acknowledged in the same manner as a deed to be recorded [and shall be filed in the office of the Secretary of State].

### SECTION 802. Paying Agents.

(1) Unless otherwise provided in the applicable Series Resolution, the Trustee shall act as a Paying Agent for all Series of Bonds. The Authority may appoint one or more additional Paying Agents for the Bonds of any Series in a Supplemental Resolution. 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 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 the duties imposed upon it by this Resolution. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Authority 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 thirty (30) days' prior written notice to the Authority 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. Any Paying Agent, other than the Trustee, may be removed at any time by the Authority by written notice signed by the Authority delivered to the Trustee and the Paying Agent. Upon resignation or removal of the Paying Agent, the Authority shall appoint a successor Paying Agent which shall be a bank or trust



company or national bank which meets the requirements of subsection (1) of this Section 802. The Authority shall notify each Bondholder of the related Series of Bonds of the appointment and acceptance 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. Responsibility of Fiduciaries.

(1) The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Authority 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 this Resolution 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 this Resolution or of any Bonds issued thereunder or in respect of the security afforded by this Resolution, 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 to the extent provided in Article 8, Section 208, as amended, of the Rhode Island Uniform Commercial Code. 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 Authority 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 this Resolution. Notwithstanding the foregoing, the Trustee shall file or cause to be filed continuation statements for the purpose of continuing, without lapse, the effectiveness of those financing statements which have been filed at the issuance of any Series of Bonds hereunder in order to perfect the security interests created by this Resolution in certain rights, title and interests in the Revenues pledged hereunder as security and any other interest or right in which a security interest has been created. The Authority shall sign and deliver to the Trustee such



continuation statements as may be requested of it from time to time.

(2) All moneys held by any Fiduciary, as such, at any time pursuant to the terms of this Resolution 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 this Resolution.

SECTION 804. Evidence on Which Fiduciary May Act.

Each Fiduciary shall be protected in acting or not acting in accordance with 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 Authority, 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 Authority by an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution 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 805. Compensation. Unless otherwise provided by contract with such Fiduciary, the Authority 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, and employees incurred in and about the performance of their powers and duties hereunder and, unless otherwise provided in any Series Resolution with respect to any Series of Bonds, each Fiduciary shall have a lien therefor on any and all funds at any time held by it hereunder except the Rebate Fund. The Authority shall indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not because of its gross negligence or willful default.

SECTION 806. Permitted Acts. Any Fiduciary may become the owner of any Bonds and may otherwise deal with the Authority, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository 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 this Resolution, whether or not any such committee shall represent the Holders of a majority in Principal Amount of the Bonds Outstanding.

SECTION 807. Resignation of Trustee. The Trustee may resign at any time and be discharged of the duties and obligations created by this Resolution by giving not less than sixty (60) days' written notice to the Authority 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 a successor shall have previously been appointed by the Authority or the Bondholders as hereinafter provided, in which event such resignation shall take effect immediately on the appointment of such successor.

SECTION 808. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Authority if no event of default is then in existence, or 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 Authority.

SECTION 809. Appointment of Successor Trustee. In case at any time the Trustee shall resign or be removed or shall become incapable of acting, or 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 Holders of a majority in Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, 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. Pending such appointment, the Authority 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 Authority shall give written notice of any such appointment made by it to each Bondholder and Paying Agent within thirty (30) days of the date of such appointment. Any successor Trustee appointed by the Authority 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 Authority written notice as provided in Section 807 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. 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 and having its Principal Office 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 this Resolution.

SECTION 810. 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 Authority, 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 Authority, 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 811. 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 514(2), Section 809 or Section 802(2) and shall be authorized by law to perform all the duties imposed upon it by this Resolution, 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

### SERIES AND SUPPLEMENTAL RESOLUTIONS

SECTION 901. Series and Supplemental Resolutions Effective upon Filing. The Authority may at any time and from time to time adopt a Supplemental Resolution or a Series Resolution for any one or more of the following purposes, which resolutions, upon the filing with the Trustee of a copy thereof in accordance with Section 904 certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this Resolution against, or provide limitations and restrictions on, the original issuance of Bonds;

(2) to add to the covenants and agreements of the Authority contained in this Resolution 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 Authority by this Resolution;

(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 this Resolution;

(5) to exercise any provision herein or to make such determinations hereunder as expressly provided herein to be exercised or determined in a Series Resolution; and

(6) to confirm, as further assurance, any pledge under and the subjection of the Revenues to any lien or pledge created or to be created by this Resolution.



SECTION 902. Supplemental Resolution Regarding Ambiguities. At any time or from time to time but subject to the conditions or restrictions in this Resolution contained, a resolution of the Authority amending or supplementing this Resolution may be adopted curing any ambiguity or curing, correcting or supplementing any defect or inconsistent provisions contained in this Resolution or making such provisions in regard to matters or questions arising under this Resolution as may be necessary or desirable and not contrary to or inconsistent with this Resolution, but no such resolution shall be effective until after the filing with the Trustee in accordance with Section 904 of a copy of such resolution certified by an Authorized Officer, and the filing with the Authority of an instrument in writing made by the Trustee consenting to such resolution.

SECTION 903. Supplemental Resolutions Amending Resolution or Bonds. At any time or from time to time, but subject to the conditions or restrictions in this Resolution contained, a resolution of the Authority amending or supplementing this Resolution may be adopted modifying any of the provisions of this Resolution or Bonds or releasing the Authority 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 resolution shall be effective until after the filing with the Trustee in accordance with Section 904 of a copy of such resolution certified by an Authorized Officer and unless (a) no Bonds authorized by a Series Resolution adopted prior to the adoption of such resolution remain Outstanding at the time it becomes effective, or (b) such resolution is consented to by or on behalf of Bondholders in accordance with and subject to the provisions of Article X.

SECTION 904. Adoption and Filing of Series and Supplemental Resolutions. Any resolution of the Authority referred to and permitted or authorized by this Article IX may be adopted by the Authority without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in this Article. Every such resolution so becoming effective shall thereupon form a part of this Resolution. Any such resolution when filed with the Trustee shall be accompanied by a Counsel's Opinion to the effect that such resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and constitutes the lawful and binding obligation of the Authority 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, by first-class mail, 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 this Resolution may be made by a Supplemental Resolution, with the written consent given as provided in Section 1003, (i) of the Holders of at least sixty-six and two thirds percent ( $66\frac{2}{3}\%$ ) 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 sixty-six and two thirds percent ( $66\frac{2}{3}\%$ ) in aggregate Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Payment, of the Holders of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) in aggregate Principal Amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment 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 like Series and 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, except as aforesaid, 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 Authority may at any time adopt a Supplemental Resolution 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 Resolution, 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 Resolution (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto prepared by the Authority in form satisfactory to the Trustee, shall be mailed by the Authority to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this Section). Such Supplemental Resolution shall not be effective unless and 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 provided in this Section. Any such consent shall be binding upon the Holder of the Bonds giving such consent and on any subsequent Holder as 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 Resolution, notice, stating in substance that the Supplemental Resolution 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 (but failure to mail such notice shall not prevent such resolution from becoming effective and binding as herein provided). The Authority shall file with the Trustee proof of giving such notice. Such Supplemental Resolution shall be deemed conclusively binding upon the Authority, 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 (60) day period; provided, however, that any Fiduciary and the Authority 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 Resolution 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 Authority and of the Holders of the Bonds and the terms and provisions of the Bonds or of this Resolution

may be modified or amended in any respect upon the adoption of a Supplemental Resolution by the Authority 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 Authority 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 Authority 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 Authority 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 Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority 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 Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds then Outstanding, the Principal Amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution then the pledge of any Revenues or other moneys, securities,

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

(2) Bonds or interest installments for the payment or redemption of which moneys shall be held by the Fiduciaries (through deposit by the Authority 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 (1) 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 Authority 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 Government Obligations 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 Authority 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, and interest on said Bonds. Neither Government Obligations nor moneys deposited with the Trustee pursuant to this Section nor



principal or interest payments on any such Government Obligations 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 Government Obligations deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Government Obligations in accordance with Subsection (2)(ii) hereof 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 Governmental Obligations or moneys were held, any surplus shall be promptly paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under this Resolution.

(3) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with subsection (2)(ii) hereof, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Variable Rate Ceiling; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such Variable Rate Ceiling for any period, the total amount of moneys and Government Obligations on deposit with the Trustee for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Bonds in order to satisfy the provisions of subsection (2)(ii) above, the Trustee shall, if requested by the Authority, pay promptly the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

(4) Tender Bonds shall be deemed to have been paid in accordance with subsection (2)(ii) hereof only if, in addition to satisfying the requirements thereof, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum Principal Amount and Redemption Price of and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided,



however, that if, at the time a deposit is made with the Trustee pursuant to the provisions of subsection (2)(ii) above, the options originally exercisable by the Holders of Tender Bonds are no longer exercisable, such Bonds shall not be considered Tender Bonds for purposes of this subsection (4). If any portion of the moneys deposited with the Trustee for the payment of the Principal Amount or Redemption Price of and interest on Tender Bonds is not required for such purpose the Trustee shall, if requested by the Authority, pay promptly the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

(5) Anything in this Resolution 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 Authority, be repaid promptly by the Fiduciary to the Authority, 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 Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Fiduciary shall, at the expense of the Authority, 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 Authority.

## ARTICLE XII

### MISCELLANEOUS

#### SECTION 1201. Evidence of Signatures of Bondholders and Ownership of Bonds.

(1) Any request, consent or other instrument which this Resolution 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 Authority or any Fiduciary in accordance therewith.

SECTION 1202. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of this Resolution shall be retained in its possession and shall be subject at all reasonable times and upon reasonable notice to the inspection of the Authority, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

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 this Resolution against any member, officer, agent, representative or employee of the Authority or any person executing the Bonds. No member, officer, agent, representative or employee of the Authority shall be held personally liable to any purchaser or Holder of any Bond under or upon such Bond, or under or upon this Resolution, any Supplemental Resolution or any Series Resolution 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 Authority, or otherwise in connection with the management of its affairs, excepting solely for things willfully done or omitted to be done with an intent to defraud.

SECTION 1204. Notices. Notwithstanding anything in this Resolution to the contrary, any requirement of this Resolution providing for any notice or other direction from the Authority to the Trustee shall be satisfied, unless the Trustee or other recipient of such notice or direction shall otherwise agree, only if such notice or other direction is in writing made by an Authorized Officer of the Authority.

SECTION 1205. Partial Invalidity. If any provision of this Resolution or any Supplemental Resolution is held invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

SECTION 1206. Law and Place of Enforcement of this Resolution. This Resolution shall be construed and governed in accordance with the laws of the State.

SECTION 1207. Effective Date. This Resolution shall be effective upon its adoption by the Authority.

ADL/122

## **EXHIBIT 2**

KENT COUNTY WATER AUTHORITY  
FIRST SUPPLEMENTAL RESOLUTION  
AMENDING GENERAL BOND RESOLUTION

Be it resolved by the Kent County Water Authority (the "Authority") as follows:

SECTION 1. Amendment of General Bond Resolution. Sections 801, 808 and 809 of the General Bond Resolution adopted by the Authority on July 6, 1994 (the "General Resolution") are hereby amended as follows:

SECTION 801. Trustee. The Trustee shall be a trust company or bank organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a capital and surplus aggregating at least seventy five million dollars (\$75,000,000) and subject to supervision or examination by federal or state banking authority. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing a certificate of acceptance upon the issuance of any Bonds and, by executing such certificate, the Trustee shall be deemed to have accepted such duties and obligations with respect to all Bonds issued pursuant to the Resolution, but only, however, upon the terms and conditions set forth in this Resolution. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign promptly in the manner and with the effect specified in this Article VIII.

The Authority may appoint one or more Depositories for a Series of Bonds by resolution of the Authority adopted prior to the issuance of any Bonds of such Series. A Depository shall signify its acceptance of the duties and obligations imposed on it by this



Resolution by written instrument of acceptance filed with the Authority and the Trustee.

The Trustee may be appointed to act as a Depository.

SECTION 808. Removal of Trustee. The Trustee may be removed at any time by the Authority or, if there shall have occurred and be continuing an Event of Default hereunder, 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 Authority.

SECTION 809. Appointment of Successor Trustee. In case at any time the Trustee shall resign 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 Authority or, if there shall have occurred and be continuing an Event of Default hereunder, 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 Authority, 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. The Authority shall give written notice of any such appointment made by it to each Bondholder and Paying Agent within thirty (30) days of the date of such appointment. 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 Authority written notice as provided in

Section 807 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. Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a capital and surplus aggregating at least seventy five million dollars (\$75,000,000) and subject to supervision or examination by federal or state banking authority.

SECTION 2. This First Supplemental Resolution shall be effective on the date on which such Resolution is consented to by or on behalf of Bondholders in accordance with and subject to the provisions of Article X of the General Resolution.

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## **EXHIBIT 3**

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**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

<b>Report</b>	<b>Page</b>
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<b>Bond Summary Statistics . . . . .</b>	<b>2</b>
<b>Bond Pricing . . . . .</b>	<b>3</b>
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**SOURCES AND USES OF FUNDS**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Dated Date           03/15/2017  
Delivery Date       03/15/2017

**Sources:**

<b>Bond Proceeds:</b>	
Par Amount	12,000,000.00
	12,000,000.00

**Uses:**

<b>Project Fund Deposits:</b>	
Project Fund	10,730,000.00
<b>Other Fund Deposits:</b>	
Debt Service Reserve Fund	1,200,000.00
<b>Delivery Date Expenses:</b>	
Cost of Issuance	70,000.00
	12,000,000.00



**BOND SUMMARY STATISTICS**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Dated Date	03/15/2017
Delivery Date	03/15/2017
First Coupon	01/15/2018
Last Maturity	01/15/2024
Arbitrage Yield	2.747195%
True Interest Cost (TIC)	2.747195%
Net Interest Cost (NIC)	2.750000%
All-In TIC	2.907475%
Average Coupon	2.750000%
Average Life (years)	3.928
Duration of Issue (years)	3.705
Par Amount	12,000,000.00
Bond Proceeds	12,000,000.00
Total Interest	1,296,350.00
Net Interest	1,296,350.00
Total Debt Service	13,296,350.00
Maximum Annual Debt Service	1,900,875.00
Average Annual Debt Service	1,945,807.32
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds	12,000,000.00	100.000	2.750%	3.928	4,335.20
	12,000,000.00			3.928	4,335.20

	TIC	All-In TIC	Arbitrage Yield
Par Value	12,000,000.00	12,000,000.00	12,000,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-70,000.00	
- Other Amounts			
Target Value	12,000,000.00	11,930,000.00	12,000,000.00
Target Date	03/15/2017	03/15/2017	03/15/2017
Yield	2.747195%	2.907475%	2.747195%

**BOND PRICING**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Bond Component	Maturity Date	Amount	Rate	Yield	Price
<b>Serial Bonds:</b>					
	01/15/2018	1,625,000	2.750%	2.750%	100.000
	01/15/2019	1,615,000	2.750%	2.750%	100.000
	01/15/2020	1,655,000	2.750%	2.750%	100.000
	01/15/2021	1,705,000	2.750%	2.750%	100.000
	01/15/2022	1,750,000	2.750%	2.750%	100.000
	01/15/2023	1,800,000	2.750%	2.750%	100.000
	01/15/2024	1,850,000	2.750%	2.750%	100.000
		<b>12,000,000</b>			

Dated Date	03/15/2017	
Delivery Date	03/15/2017	
First Coupon	01/15/2018	
Par Amount	12,000,000.00	
Original Issue Discount		
Production	12,000,000.00	100.000000%
Underwriter's Discount		
Purchase Price	12,000,000.00	100.000000%
Accrued Interest		
Net Proceeds	12,000,000.00	

**BOND DEBT SERVICE**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

Period Ending	Principal	Interest	Debt Service
06/30/2018	1,625,000	275,000.00	1,900,000.00
06/30/2019	1,615,000	285,312.50	1,900,312.50
06/30/2020	1,655,000	240,900.00	1,895,900.00
06/30/2021	1,705,000	195,387.50	1,900,387.50
06/30/2022	1,750,000	148,500.00	1,898,500.00
06/30/2023	1,800,000	100,375.00	1,900,375.00
06/30/2024	1,850,000	50,875.00	1,900,875.00
	12,000,000	1,296,350.00	13,296,350.00

**BOND DEBT SERVICE**

**Kent County Water Authority  
General Revenue Bonds, 2017 Series A  
\*\*PRELIMINARY/SUBJECT TO CHANGE\*\***

<b>Period Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Annual Debt Service</b>
01/15/2018	1,625,000	275,000.00	1,900,000.00	
06/30/2018				1,900,000.00
07/15/2018		142,656.25	142,656.25	
01/15/2019	1,615,000	142,656.25	1,757,656.25	
06/30/2019				1,900,312.50
07/15/2019		120,450.00	120,450.00	
01/15/2020	1,655,000	120,450.00	1,775,450.00	
06/30/2020				1,895,900.00
07/15/2020		97,693.75	97,693.75	
01/15/2021	1,705,000	97,693.75	1,802,693.75	
06/30/2021				1,900,387.50
07/15/2021		74,250.00	74,250.00	
01/15/2022	1,750,000	74,250.00	1,824,250.00	
06/30/2022				1,898,500.00
07/15/2022		50,187.50	50,187.50	
01/15/2023	1,800,000	50,187.50	1,850,187.50	
06/30/2023				1,900,375.00
07/15/2023		25,437.50	25,437.50	
01/15/2024	1,850,000	25,437.50	1,875,437.50	
06/30/2024				1,900,875.00
	12,000,000	1,296,350.00	13,296,350.00	13,296,350.00

## **EXHIBIT 4**



## Kent County Water Authority Request for Proposals

February [ ], 2017

Re: Request for Proposals for a Tax-Exempt Direct Purchase of up to \$12,000,000\* of General Revenue Bonds

Dear Interested Bidders:

The Kent County Water Authority (the "Authority") is soliciting proposals from qualified financial institutions to purchase up to \$12,000,000\* of General Revenue Bonds (hereinafter referred to as the "Bonds") to finance 1) capital improvement projects including water pipe repair and replacement and the reconstruction of a well; and 2) costs of issuance. The Bonds will be issued in reliance on an exemption from the provisions of Rule 15c2-12 of the Securities and Exchange Commission and the Authority will not prepare a disclosure document in connection with this financing. The Bonds will not be Bank Qualified under Section 265(b)(3) of the Code. We are seeking commitments to purchase the Bonds and welcome your proposal.

Enclosed for your review are the following:

- Term Sheet
- Fiscal Year 2017 Operating Budget
- Fiscal Year 2016 Coverage Certificate
- Most recent Moody's and Standard & Poor's Rating Reports
- Draft Form of Legal Opinion
  
- The Authority's Fiscal Year Ended June 30, 2016 Audited Financial Statements are available using the following link:  
[http://www.kentcountywater.org/config/rpts-fin/Audit%20FY2016\(1\).pdf](http://www.kentcountywater.org/config/rpts-fin/Audit%20FY2016(1).pdf)

Proposals should be submitted by 2:00 PM, Eastern Time on February [ ], 2017 to:

Timothy J. Brown  
[tbrown@kentcountywater.org](mailto:tbrown@kentcountywater.org)

with a copy to the Authority's Financial Advisor and Bond Counsel:

Adam S. Krea  
[adam.krea@hilltopsecurities.com](mailto:adam.krea@hilltopsecurities.com)

Karen S.D. Grande  
[karen.grande@lockelord.com](mailto:karen.grande@lockelord.com)

Alternative approaches and/or methodologies to accomplish the desired or intended results of this procurement are invited. The Authority reserves the right, at its discretion, to reject any or all proposals without explanation or to consider or reject alternate proposals.

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\*Preliminary. Subject to change.

Please include in your proposal the following:

A) Provide pricing, for the following structures assuming a dated date of March 15, 2017:

- i. A fixed rate bond as follows: level debt service with annual principal paying January 15, 2018 through January 15, 2024 and semi-annual interest paying January 15 and July 15 commencing January 15, 2018. Please include the pricing formula, the indicative rate (as of February [ ], 2017), and the maximum number of days prior to closing that the rate can be locked without any fee to the Authority.
- ii. A draw-down facility with advances made by the bank to the Authority against bond proceeds during the construction period of March 2017 through December 2017. Any undrawn balance at the conclusion of the construction period may be used as prepayment on the bonds. The facility will have a fixed rate for the entire amortization of the bonds. The bonds will be structured with annual principal paying January 15, 2018 through January 15, 2024 and semi-annual interest paying January 15 and July 15 commencing January 15, 2018. Please describe the pricing for this type of facility including pricing formula and indicative rate on the funds drawn and if there is an undrawn funds fee or any other fees and charges.

The Authority will also consider monthly interest and principal beginning in January 2018. If pricing is different for this structure, please provide this for the Authority's consideration;

- B) State whether the Bonds can be pre-paid, in whole or in part, after 36 months and if there is different pricing for this optional redemption;
- C) Name the bank counsel, indicate whether the Authority is expected to pay for their services, and detail their fees and expenses (including a cap on such fees and expenses);
- D) Detail any other fees that would be charged to the Authority (please note that the Authority's debt issuances are now subject to the Rhode Island Public Financial Management Board fee);
- E) Identify any further agreement terms on which your proposal is conditioned;
- F) State whether the proposal is conditioned on further credit or underwriting approvals and, if so, the date by which they are expected; and
- G) State whether the bank intends to purchase the Bonds as an investment or whether the bank intends to treat the Bonds as evidencing a loan from the bank to the Authority.

Thank you for your interest in working with Kent County Water Authority. We look forward to receiving your proposal.

/s/ Timothy J. Brown, P.E.  
General Manager and Chief Engineer

Cc: Maureen E. Gurghigian, Financial Advisor  
Adam S. Krea, Financial Advisor  
Karen S.D. Grande, Bond Counsel

## TERM SHEET

### Kent County Water Authority Tax-Exempt General Revenue Bonds

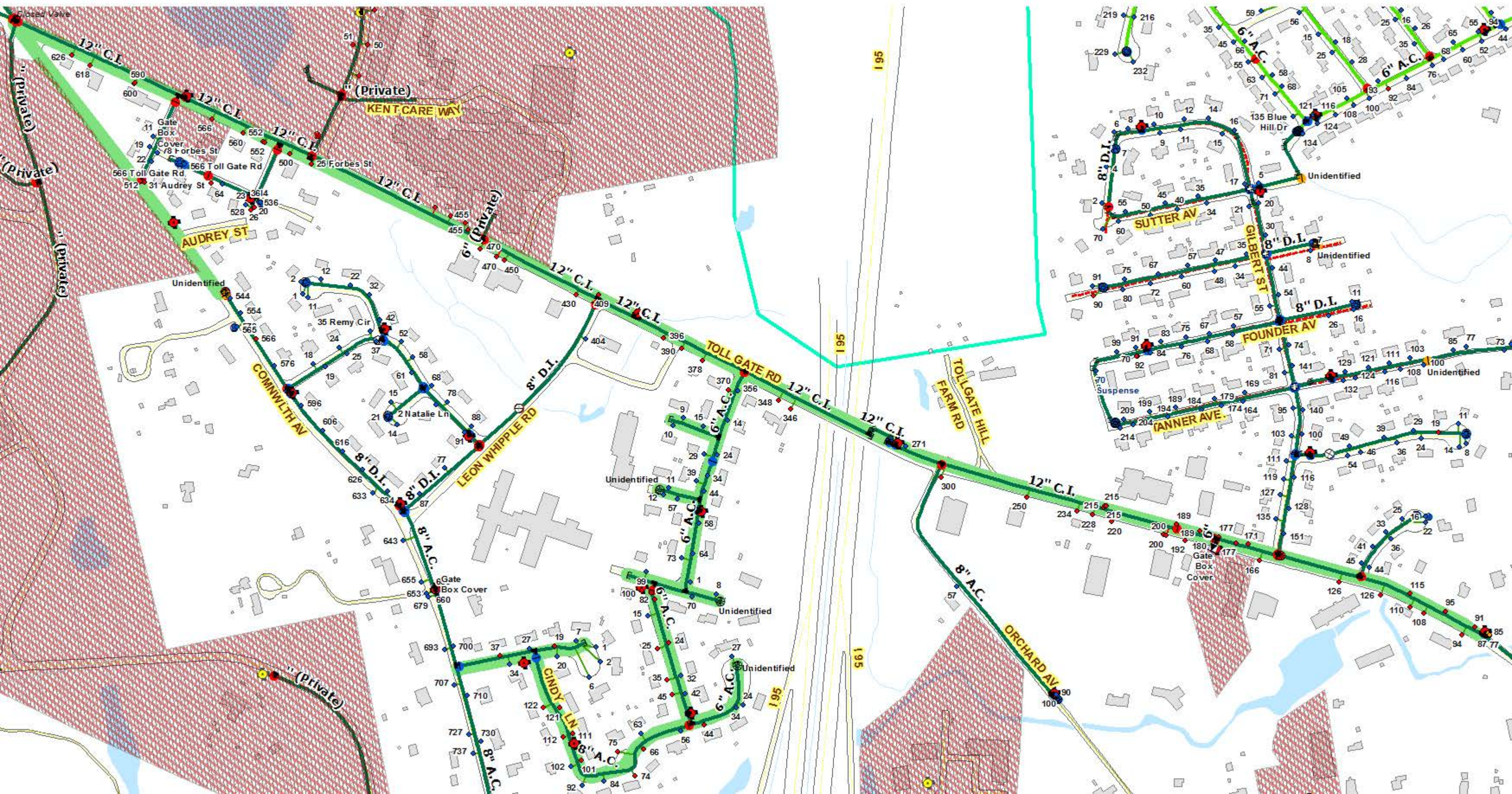
<b>Par Amount:</b>	Up to \$12,000,000*
<b>Amortization:</b>	Options outlined on page 2
<b>Purpose:</b>	The Authority will finance 1) capital improvement projects including water pipe repair and replacement and the reconstruction of a well; and 2) costs of issuance
<b>Bond Counsel:</b>	Locke Lord
<b>Financial Advisor:</b>	FirstSouthwest, a Division of Hilltop Securities Inc.
<b>Trustee and Paying Agent:</b>	The Bank of New York Mellon
<b>Security:</b>	<p>General Revenue Pledge of Kent County Water Authority on parity with existing bonds.</p> <p>The General Revenue Indenture requires a debt service reserve Fund to be funded at the lesser of 10% of par, maximum annual debt service, or 120% of average annual debt service.</p>
<b>Rating:</b>	The Bonds will not be rated.
<b>RFP Due Date:</b>	February [ ], 2017 2:00 PM
<b>Minimum Denominations:</b>	\$100,000. The Bonds will be issued in reliance on an exemption from the provisions of Rule 15c2-12 of the Securities and Exchange Commission and the Bonds may not be transferred in any manner which would reduce the denomination below \$100,000.
<b>Bank Qualification:</b>	The Bonds will not be designated as bank qualified under IRC Section 265(b)(3).
<b>Basis:</b>	Fixed Rate 30/360
<b>Dated Date:</b>	March 15, 2017
<b>Delivery Date:</b>	March 15, 2017
<b>Maturity Date:</b>	January 15, 2024
<b>Redemption:</b>	Please provide pre-payment alternatives based upon the request on page 2.

\*Preliminary. Subject to change.

## **EXHIBIT 5**



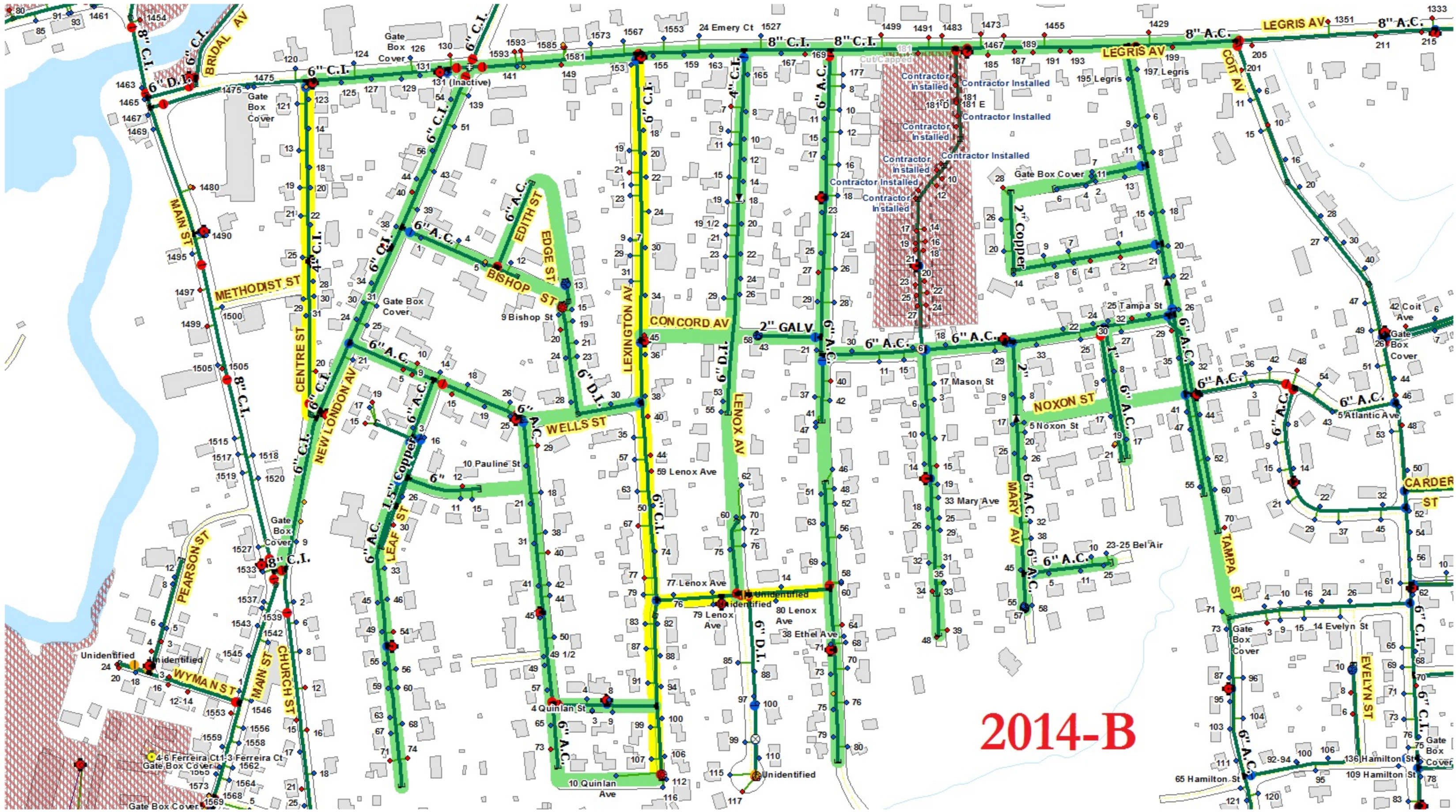
# 2014-A [[ AsBuilt Sheet #s 4 - 10 ]]





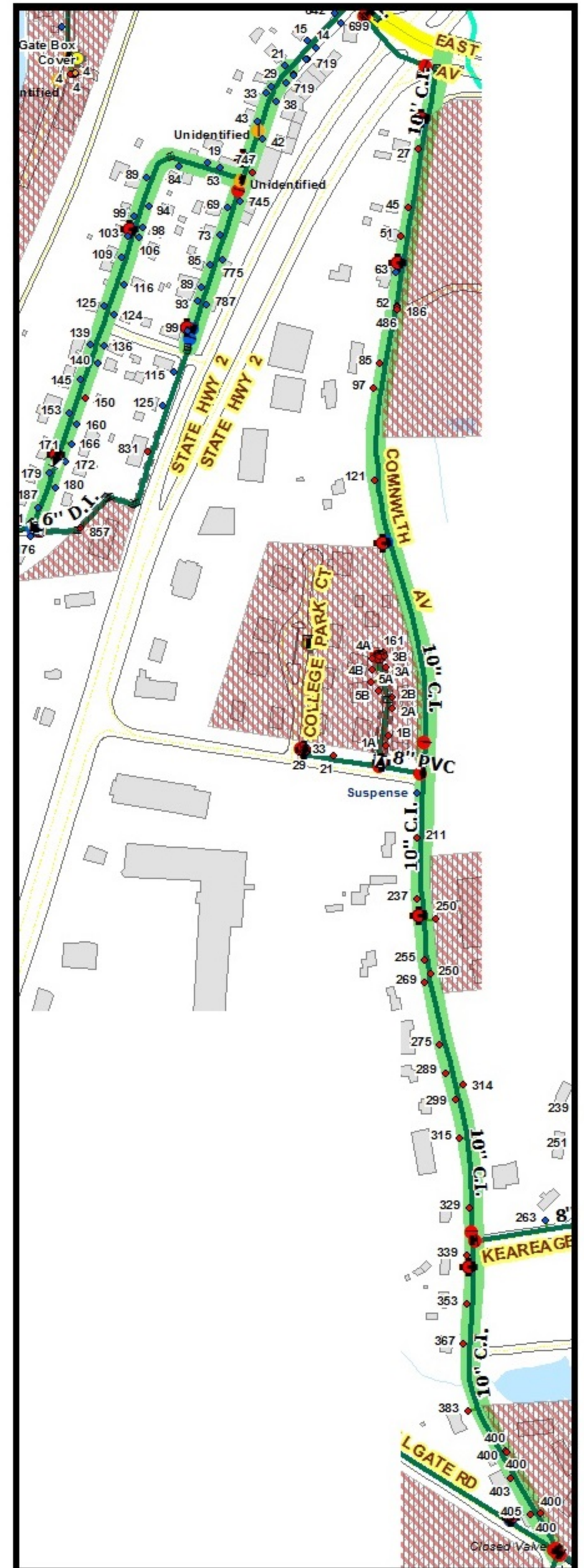
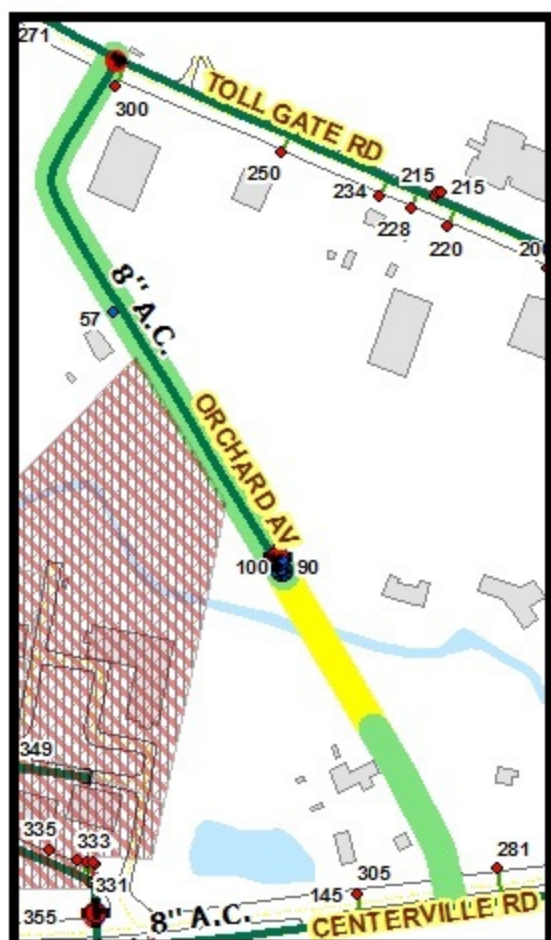
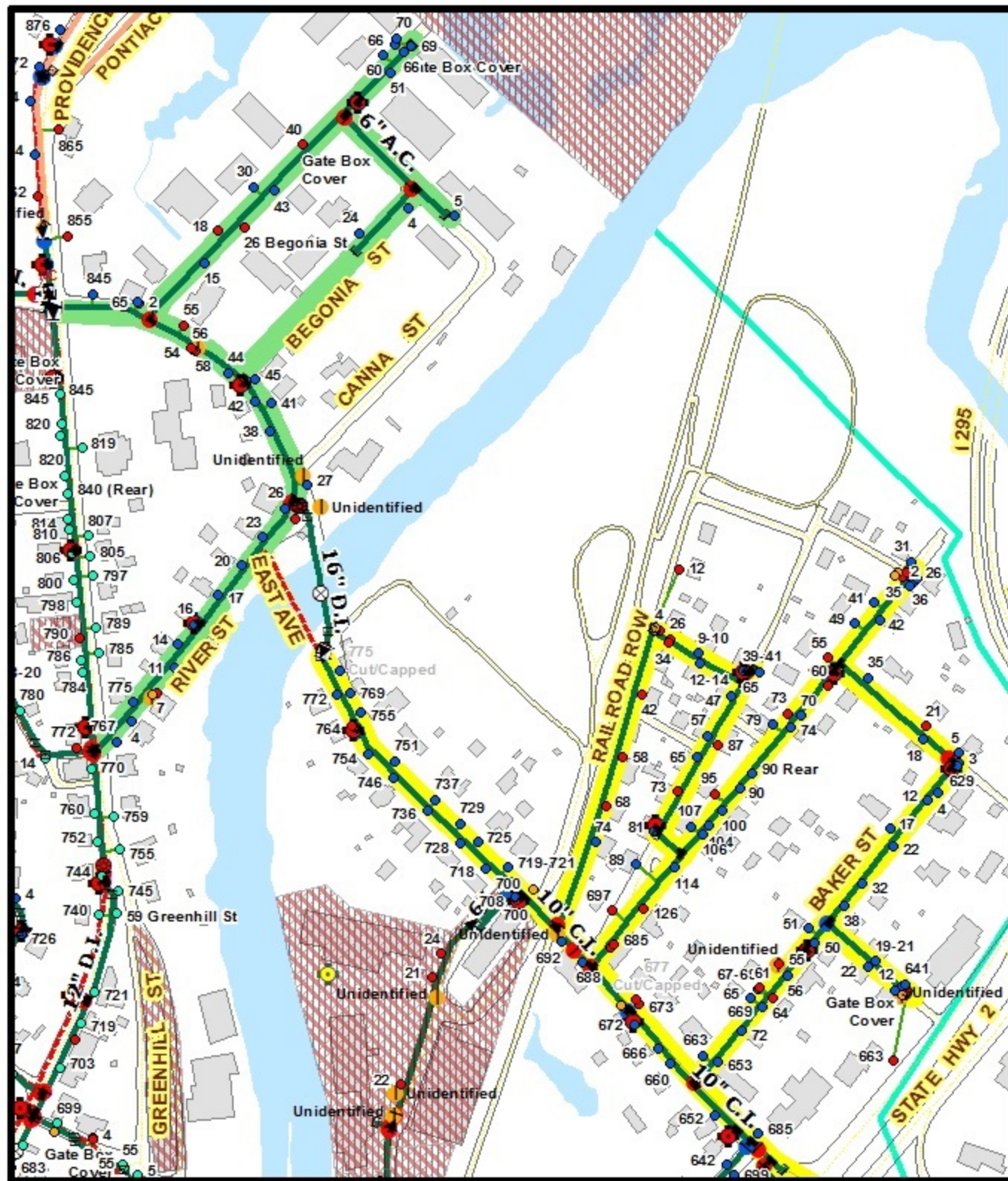
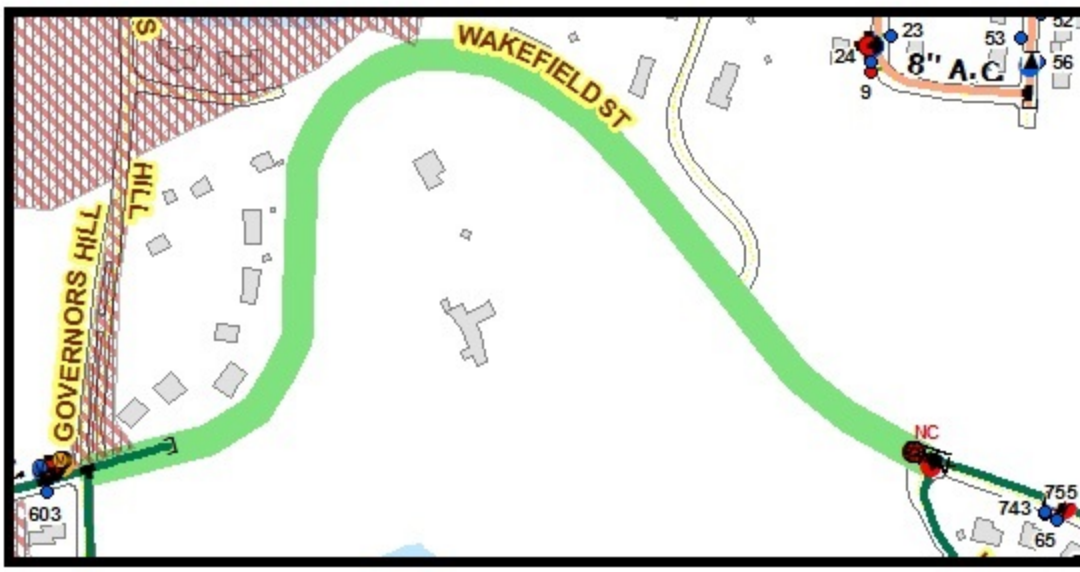




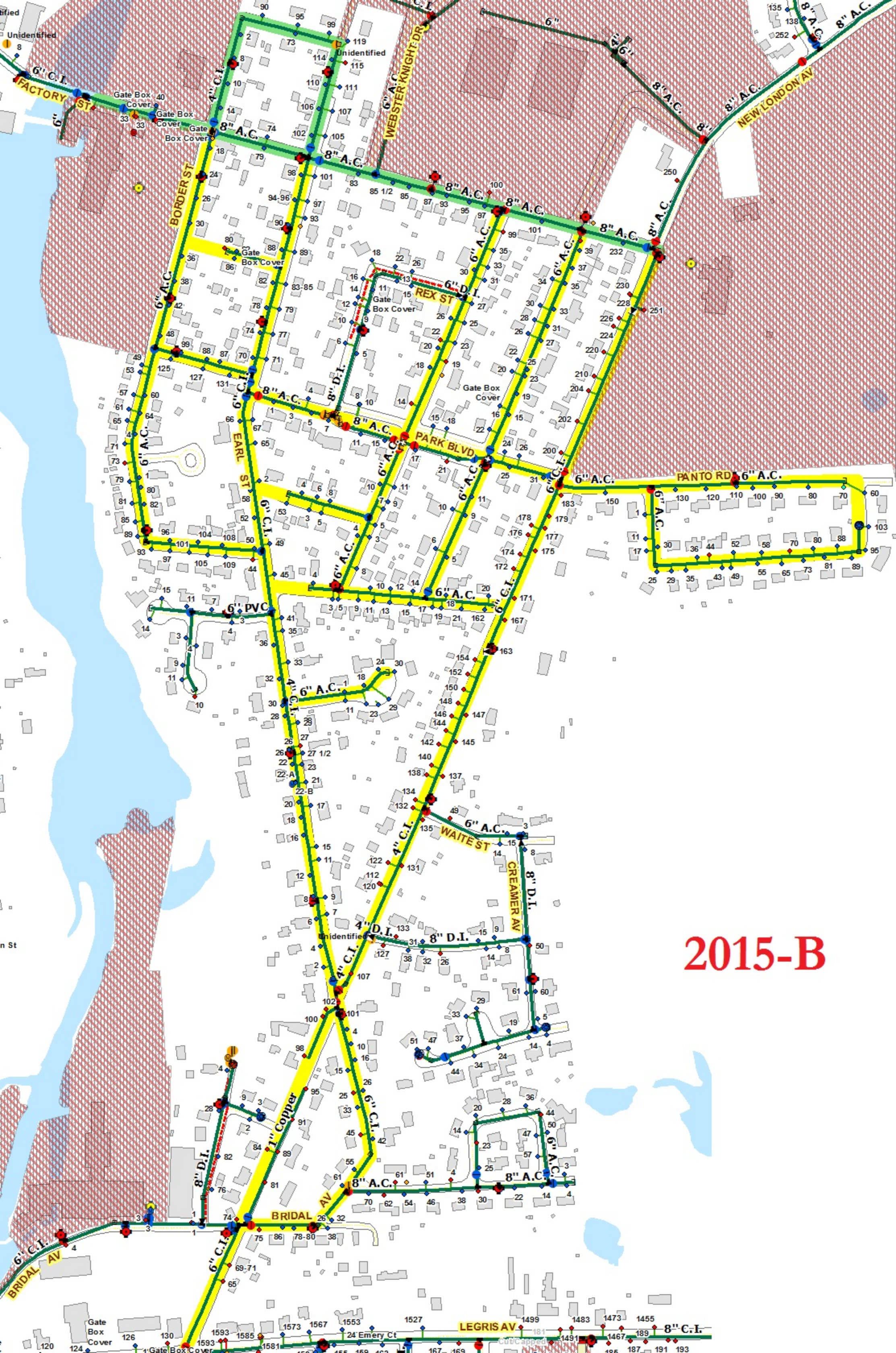




2015-A







2015-B












# Legend

## KCWA Infrastructure Replacement Status

-  On-Going IFRs
-  Completed IFRs


## MAINS


### Service Area


-  South Zone High (500')
-  Reduced High (500')
-  North Zone High (500')
-  Low (334')
-  Low Service Reduced
-  Bald Hill Pressure Gradient(232')
-  Oaklawn (231')
-  Hope Road Booster Gradient
-  Tiogue RP2 Pressure Gradient

## SERVICE LINES





-  Active Line
-  Fire Line
-  Suspense
-  Cut and Capped

-  Service Boxes
-  Meterpits







-  Hydrants

-  Hydrant Lines


## FITTINGS

-  Bend
-  Cap / Plug
-  Cross
-  Reducer
-  Tee


## VALVES

-  Air Release
-  Blow Off
-  Butterfly
-  Gate
-  Hydrant Valve
-  Pressure Reducing

-  WELLS

-  TANKS

-  PUMP STATIONS

-  EASEMENTS



## **EXHIBIT 6**

Program Cost

January-17			
Invoices to be paid	EG Well	\$	173,784.00
	2014B	\$	97,177.00
	2015A	\$	102,487.00
	TOTAL	\$	373,448.00

KCWA IFR WORK				
*2014A		\$	971,086.00	Remaining Invoice #19
		\$	600,000.00	Estimate of raving and retainage due end of 2017
*2014B		\$	2,610,156.00	Remaining Invoice #18
	A	\$	2,005,000.00	Main ,Paving, and Retainage remaining
	B	\$	97,177.00	Add in unpaid
	A+B	\$	2,102,177.00	Due by the end of 2017
**2015A		\$	2,729,548.00	Remaining Invoice #8
		\$	102,487.00	Add in unpaid
		\$	2,832,035.00	
***2015B		\$	5,147,357.00	
**** EG Well	A	\$	2,597,274.00	Remaining Invoice #2
	B	\$	173,784.00	Add in Unpaid
	A+B	\$	2,771,058.00	
* Will be expended in 2017				
**Most will be expended 2017 (Exceptions partial payments and partial retainage) Remaining 2018 to be paid \$300,000. No savings are assumed on project)				
*** Most Paving will done in 2018. Assumption of 20% will done in 2017. Same ratio on retainage				
**** No savings assumed on project. Retainage only 2018 \$973,755 * 0.05 = \$148,687				

		Due by the end 2017	Police & Engineering Construction Services	
2014A	\$	600,000.00		
2014B	\$	2,102,177.00	\$	135,000.00
2015A	\$	2,532,035.00	\$	500,000.00
2015B	\$	4,157,357.00	\$	831,000.00
EG Well	\$	2,448,587.00	\$	240,000.00
	\$	11,840,156.00	\$	1,706,000.00
TOTAL	\$			13,546,156.00

January after Payment	(\$450,000-Jan 2017 Bills)	\$	76,552.00
11 months @ \$450,000		\$	4,950,000.00
Reimbursment KCWA for IFR (Police, Engineering, and Testing)		\$	(1,378,739.00)
	TOTAL	\$	3,647,813.00
Assume \$1,984,285/yr for Principle and Interest (2017).Cost year 1 on 7 year term			
assuming \$270,000 interest on \$12,000,000 in year one with two \$6,000,000 drawdowns		\$	(1,984,285.00)
within that year (\$12,000,000/7yrs +\$270,000)			
	TOTAL	\$	1,663,528.00
		\$	11,882,628.00
Payment Jan and Feb 2018 (Jan 1/3 and Feb 2/3)	\$950,000	\$	10,932,628.00
Debt Service Reserve Fund		\$	1,200,000.00
	TOTAL BORROWING FROM CALCS	\$	12,132,628.00
	TOTAL BORROWING REQUESTED	\$	12,000,000.00