

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

**IN RE: CITY OF WOONSOCKET, WATER DIVISION
APPLICATION FOR BORROWING AUTHORITY**

DOCKET NO. 23-_____

February 14, 2023

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

Docket No. 23-_____

APPLICATION FOR BORROWING AUTHORITY

TABLE OF CONTENTS

	<u>Tab</u>
Application for Borrowing Authority	1
Proposed Notice of Filing and Public Hearing	2
Pre-Filed Direct Testimony of David G. Bebyn	3
Pre-Filed Direct Testimony of Maureen E. Gurghigian	4
Appendix.....	5
Woonsocket Water Revenue Bond Trust Indenture	A
Woonsocket City Council Resolutions	B
RIIB Commitment Letters	C

TAB 1

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

IN RE: City of Woonsocket Water Division Docket No.: D-23-

APPLICATION FOR BORROWING AUTHORITY

The City of Woonsocket, Water Division ("WWD" or "the City") submits this Application to the Division of Public Utilities and Carriers ("Division") for authority and approval pursuant to R.I.G.L. § 39-3-15 *et seq.* to borrow approval to borrow (1) up to five million (\$5,000,000) dollars for a Meter Replacement Project, and (2) up to five hundred twenty five thousand (\$525,000) dollars for a Lead Service Line Replacement Project

1. The City of Woonsocket is a political subdivision of the State of Rhode Island. The City's Water Division, a regulated water utility in the State of Rhode Island, provides water to approximately 9,500 retail, commercial, industrial, governmental and wholesale customers.
2. In this Borrowing Application, WWD seeks to issue evidence of indebtedness, payable more than twelve (12) months from the date of issuance, to finance certain water distribution system improvements.
3. WWD desires to borrow not more than five million (\$5,000,000) dollars as soon as practicable from the Rhode Island Infrastructure Bank, formally the Rhode Island Clean Water Finance Agency, through the Drinking Water State Revolving Fund, at a rate not exceeding market rates of approximately 3.5% - 4.25% (before subsidy). If WWD can secure borrowing from the Drinking Water State Revolving Fund, the City can anticipate a potential 25% discount from market rates.
4. WWD desires to also borrow five hundred twenty-five thousand (\$525,000) dollars in the form of a forgivable loan from the Rhode Island Infrastructure Bank to support the City's efforts to replace certain lead service lines.
5. WWD has secured authority for both borrowing requests, to proceed with this Application by the City Council.
6. The borrowing issued in connection with this Application will be secured by the water revenues of WWD.
7. In accordance with Rule 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers ("Division"), written testimony and supporting exhibits are attached hereto, including the written testimony of Maureen E. Gurghigian and David G. Bebyn.

8. In accordance with Rule 14 of the Rules of Practice and procedure of the Division, a copy of this Application has been filed with the Attorney General.

WHEREFORE, the City of Woonsocket, Water Division respectfully requests that the Division of Public Utilities and Carriers consent to and authorize their Application for Borrowing (1) up to five million (\$5,000,000) dollars for a Meter Replacement Project, and (2) up to five hundred twenty- five thousand (\$525,000) dollars for a Lead Service Line Replacement Project.

City of Woonsocket,

Christine Chamberland
By: Christine Chamberland, Finance Director
City of Woonsocket
169 Main Street
Woonsocket, Rhode Island

LAURA DUBE
Notary Public, State of Rhode Island
My Commission Expires SEPT. 20, 2025
Commission # 761473

Subscribed and sworn to before me this 13th day of February, 2023.

Laura Dube
Notary Public

My Commission Expires: 9/20/2025

TAB 2

APPLICATION FOR BORROWING AUTHORITY

NOTICE OF FILING AND PUBLIC HEARING

Notice is hereby given that on February 14, 2023 pursuant to the Rhode Island General Law §39-3-15, §39-17, §39-3-18 and Section 14 of the Rhode Island Division of Public Utilities and Carriers' Rules of Practice and Procedure, The City of Woonsocket, Water Division ("WWD"), filed with the Division of Public Utilities and Carriers ("Division") an Application For Borrowing Authority to obtain financing, payable more than twelve (12) months from the date of issue for two borrowings as follows: (1) up to five million (\$5,000,000) dollars for a Meter Replacement Project, and (2) up to five hundred twenty five thousand (\$525,000) dollars for a Lead Service Line Replacement Project. These projects are intended to be funded by the Rhode Island Infrastructure Bank, formerly known as the Rhode Island Clean Water Finance Agency for the Drinking Water State Revolving Fund. The borrowing will be secured by a pledge of WWD's revenues.

A hearing on the proposal will be held at the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, Rhode Island on _____ [], 2023 at [] a.m. The hearing may continue thereafter from day to day and time to time as required. At this hearing, the Division will consider the propriety of WWD's Application For Borrowing Authority. Please note that the Division is accessible to the handicapped, and that individuals requesting interpreter services for the hearing impaired must contact the Clerk seventy-two hours in advance of the hearing.

A copy of the application is on file for examination at City of Woonsocket Clerk's Office, 169 Main Street, Woonsocket, Rhode Island, and at the offices of the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, Rhode Island. A copy of the filing was also provided to the Rhode Island Attorney General's Department, Civil Regulatory Division.

Reference is made to Chapters 39-1, 39-3 and 42-35 of the Rhode Island General Laws; specifically, Sections 39-1-7, 39-1-8, 39-1-11, 39-1-12, 39-1-16, 39-1-18, 39-1-20, 42-35-8, and 42-35-10.

Linda D. George, Administrator

TAB 3

CITY OF WOONSOCKET, WATER DIVISION

PRE-FILED DIRECT TESTIMONY

OF

DAVID G BEBYN, CPA

FOR

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

DOCKET NO. D-23 - _____

February 2023

1 **Q. Please state your name and business address for the record.**

2 **A.** My name is David G. Bebyn, CPA and my business address is 21 Dryden Lane,
3 Providence, Rhode Island 02904.

4

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

6 **A.** I am the President of B&E Consulting LLC ("B&E"). B&E is a CPA firm that
7 specializes in utility regulation, expert rate and accounting testimony, tax and accounting
8 services.

9

10 **Q. Mr. Bebyn, have you testified as an expert accounting witness prior to this**
11 **docket?**

12 **A.** Yes. I have provided testimony on rate-related matters before utility commissions in
13 Rhode Island and Connecticut. Regarding the Rhode Island Public Utilities Commission, I
14 have prepared testimony and testified in the Woonsocket Water Department's ("WWD")
15 last three rate filing Dockets #3800, #4320 and #4879, in support of the adjusted test year,
16 rate year and rate design. In addition to WWD's rate filings, I provided testimony in
17 support of the City of 'Woonsocket ("the City's") financing requests with the Division, the
18 last two finance filings in Docket #D-17-43 and #D-18-06. More recently, I have prepared
19 finance filing for the Block Island Utility District in Dockets #D-22-01 and #D-22-12.

20

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

22 **A.** I received my Bachelor of Science Degree in Accounting ("BSA") from Rhode
23 Island College. I became a Certified Public Accountant in 2000 after passing the CPA
24 exam.

25

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

27 **A.** I will provide background information on the WWD's Application for Borrowing
28 Authority for (1) the amount of \$525,000 for the Rhode Island Infrastructure Bank's
29 ("RIIB's") "Drinking Water Loan Active for the Replacement of Lead Service Lines"

1 program; and (2) an amount of up to five million (\$5,000,000) dollars for RIIB's
2 "Drinking Water Special Revenue Fund Loan" program for the WWD's Meter replacement
3 program. The details associated with the associated projects will be covered in my
4 testimony. I will also address the financial impact of this proposed financing in this
5 testimony. I will also provide the reasoning behind WWD's selection of the financing
6 terms for each loan. I will also present the information required by the Rules of the
7 Division so that the Division can review and evaluate these proposed \$525,000 and
8 \$5,000,000 financing packages. The projected debt service schedules are attached to the
9 Pre-filed Testimony of Maureen E. Gurghigian.

10
11 **\$525,000 Lead Service Line Program**
12

13 **Q. Mr. Bebyn, please describe the first project concerning the lead service lines.**

14 **A.** The City of Woonsocket is ready to move forward on its project of removing
15 approximately 60 existing private-side lead and galvanized steel water service lines and
16 replacing them with new Type-K copper service lines at residential properties specified by
17 the Woonsocket Water Department. The removal of these services from the drinking water
18 distribution system will have obvious public health benefits. Targeted existing services
19 were identified from existing documentation and verified in the homes. Property owners
20 were given the opportunity to apply for Replacement of the services on private property for
21 no cost to them.

22
23 A list of services to replace under the proposed project was developed on a first come first
24 served basis, with priority given to homes with lead services that were known to have
25 children in residence. Work will also include the installation of new residential backflow
26 preventers, meters, appurtenances, and fittings. Additional work will be involved in the
27 restoration of all disturbed areas.

1 **Q. Does this loan differ from WWD's past borrowings through RIIB?**

2 **A.** Yes, the loan agreement contains a new provision that has not been included in past
3 loan agreements related to the replacement of private side lead services. This new
4 provision was included in a loan agreement recently reviewed by the Division in Newport
5 Water's Application For Borrowing Authority (Docket D-22-14).

6
7 **Q. Can you explain the differences?**

8 **A.** Yes, there has been an effort throughout the country to reduce and eliminate lead from
9 drinking water. The Bipartisan Infrastructure Law (BIL), recently passed by the United
10 States Congress, provides approximately fifteen billion dollars (\$15,000,000,000) for Lead
11 Service Line Replacement (LSLR) to Drinking Water State Revolving Funds throughout
12 the country. RIIB has indicated that it expects approximately one hundred fifty million
13 dollars (\$150,000,000) in BIL LSLR funds over the next five years. Forty-nine percent
14 (49%) of these funds will be provided to communities as grants or principal forgiveness
15 loans, and fifty-one percent (51%) of the funds will be available to communities for low-
16 interest loans. To access these funds, a water utility using these funds must replace the
17 private side of any lead service when it replaces the public side. Although the United
18 States Environmental Protection Agency ("EPA") has not issued final rules for the BIL
19 LSLR, EPA has issued a guidance document suggesting that water utilities using these
20 DWSRF funds cannot replace a public side service if it cannot replace the private side.
21 This can be an issue if the borrower cannot obtain permission from the property owner to
22 replace the private side lead service. RIIB has advised that loan proceeds from the DWSRF
23 can be used to replace identified private side lead service connections.

24
25 **Q. Will the requirement that these DWSRF funds cannot replace a public side**
26 **service if it cannot replace the private side be an issue for this project?**

27 **A.** No, with regard to the private homes in this WWD program, WWD has already done
28 the relevant public side replacements, and only private side replacement is intended on
29 being performed with these requested funds at the designated properties. Furthermore, the

1 selected projects have already been requested and approved by the property owners, so
2 there are no issues with these owners refusing to let WWD perform the replacements.

3
4 **Q. Will the funds be provided as grants or principal forgiveness loans?**

5 **A.** It will be treated as a grant since the RIIB has informed WWD that this loan will be
6 eligible for 100% loan forgiveness. Per the commitment letter, "Subject to the terms of this
7 letter and closing documents, the Bank will forgive the Loan in its entirety."
8

9 **Q. How will this financing impact the ratepayers?**

10 **A.** There will be no additional impact since the loan will have 100% principal
11 forgiveness.

12 **Q. Are the terms of the borrowing in the best interest of the ratepayers?**

13 **A.** Absolutely.
14

15 **\$5,000,000 Meter Replacement**
16

17 **Q. Mr. Bebyn, please describe the Meter Replacement Project.**

18 **A.** The City officials have informed me that the City of Woonsocket is also seeking to
19 replace its current water meters and meter reading system. The City previously performed
20 a system-wide meter replacement in 2004. AMCO Elster meters were installed, along with
21 an Itron radiofrequency (RF) mobile network that remains in service today. Over time, the
22 City has replaced failed meters with other manufacturers, including Hersey meters. Meter
23 failures are increasing as the meters continue to age. Also, the Itron RF modules and meter
24 reading system are outdated and at the end of their useful life. This project includes
25 purchasing and installing approximately 9,600 water meters ranging in size from 5/8-inch
26 to 2-inch, complete with encoder registers and RF modules. It is anticipated that this
27 project will be completed under two separate contracts: one for the purchase of the
28 metering equipment and one for the subsequent installation of that equipment. The project
29 will be completed over two years.

1 **Q. Will the requirement that these DWSRF funds cannot replace a public side**
2 **service if it cannot replace the private side be an issue for this project?**

3 **A.** No, this borrowing will be used exclusively to replace meters.
4

5 **Q. How will the proceeds of this borrowing be used?**

6 **A.** As explained in the Pre-Filed Testimony of Maureen E. Gurghigian, the borrowing of
7 a \$5,000,000 loan relating to the new Meter replacement will be used as follows:
8

Deposit in Construction Fund	\$4,550,682.64
Debt Service Reserve Fund Surety	349,317.36
Debt Service Reserve Fund Surety	50,000.00
Cost of Issuance – Local Level	<u>50,000.00</u>
Total	<u>\$5,000,000.00</u>

9
10 **Q. Mr. Bebyn, what terms are included in the Rhode Island Infrastructure Bank**
11 **commitment document for the \$5,000,000 Meter Replacement loans?**

12 **A.** Rhode Island Infrastructure Bank ("RIIB") provided an analysis of the loan terms,
13 which is attached to this filing in the commitment letters. The interest rates used in Ms.
14 Gurghigian's Testimony under attachment MG-1 anticipates that the interest will be
15 calculated using the revenue market rate not to exceed 3.5%, which would result in a
16 projected subsidized rate of approximately 2.62%. For the purpose of Division approval,
17 Ms. Gurghigian recommends a not-to-exceed market rate of 4.25% to allow for market
18 rate fluctuation and a not-to-exceed subsidized rate of 3.2%. This interest rate is the
19 cheapest rate available to WWD.
20

21 Woonsocket Water expects that 40% of the loan's principal will be subject to Principal
22 Forgiveness by RIIB, resulting in a net cost of \$3,000,000 plus interest cost. The
23 repayment periods will be over 10 years with a 10-year amortization. No balloon payment
24 will be due at the end of the 10 years. The debt service on the loan will be designed to
25 include level annual payments, with the average annual debt service expected to be

1 approximately \$350,000 per year at the projected interest rates, including the RIIB annual
2 fee.

3

4 **Q. Mr. Bebyn, does WWD have sufficient rates in place to pay the debt service for**
5 **the up to \$5,000,000 borrowings?**

6 **A.** Yes, there are sufficient rates in place under the WWD's multi-year rate plan. The
7 WWD is in the middle of its approved five-step multi-year rate plan. WWD received its
8 base rates (step one) under Commission Order #23605 of Docket #4879 and the step two
9 increase was approved under Commission Order #23895 of Docket #4879. When the plan
10 was approved with step one, the final phase of the WWD treatment facility loan was not
11 finalized and as such the actual loans were approximately \$350,000 less than the overall
12 plan. Neither step one, nor step two, made any adjustment for the debt service increase to
13 reflect that the actual loans were approximately \$350,000 less than the overall plan..
14 Because the debt service overage was built into the current multi-year rate plan this
15 reduction in debt service will now be able to cover the debt service requested by this
16 borrowing without seeking additional rate coverage. I would like to also note that, in
17 coordination with this filing, WWD is also preparing to file its next step three and four
18 rate increase which will cover this borrowing.

19

20 **Q. What interest rates will be used for the loan?**

21 **A.** The interest rates used in Ms.Gurghigian's Testimony anticipates that the interest on
22 the phase two loan will be calculated using the revenue market rate not to exceed 3.5%,
23 which would result in a projected subsidized rate of approximately 2.62%. For the purpose
24 of Division approval, Ms. Gurghigian recommends a not-to-exceed market rate of 4.25%
25 to allow for market rate fluctuation and a not-to-exceed subsidized rate of 3.2%. This
26 interest rate is the cheapest rate available to WWD.

27

28

29

1 **Q. What, if any, financial covenants are required per the commitment letter?**

2 **A.** WWD is required to maintain a Debt Service Coverage (DSC) of 1.25X. WWD will
3 be able to make this coverage allowance for issuance using existing approved PUC rates,
4 pursuant to the multi-year rate plan, discussed above, and which include the debt service
5 reserve and, if necessary, some use of WWD's approved Infrastructure Replacment "IFR"
6 Funds.

7

8 **Q. How will this financing impact the ratepayers?**

9 **A.** As previously mentioned, there will be no additional impact outside of WWD's current
10 multi-year rate plan.

11 **Q. Are the terms of the borrowing in the best interest of the ratepayers?**

12 **A.** Absolutely.

13

14 **Q. What is the impact of this borrowing on the debt/asset ratio or any other**
15 **information required by the Division's rules?**

16 **A.** The debt-to-asset ratio is attached to my testimony as attachment DGB-1. The ratio is
17 calculated with the new loan net of principal forgiveness.

18

19 **Q. Does that conclude your testimony?**

20 **A.** Yes.

Capitalization
Woonsocket Water Division
6/30/2022

Attachment DGB - 1

Long Term Debt	Actual Outstanding (1)	Pro-Forma Amount
All existing Loans as of June 30, 2022	\$ 61,236,496	\$ 61,236,496
Lead Service Replacement (Net of Loan Forgivness)	-	-
Meter Replacement (Net of Loan Forgivness)	-	3,000,000
Total Loans	\$ 61,236,496.00	\$ 64,236,496
Total Captilization	<u>\$ 61,236,496.00</u>	<u>\$ 64,236,496</u>
Total Assets	\$ 116,103,386	\$ 119,103,386
Debt/Total Assets	52.74%	53.93%
Net Utility Plant	\$ 90,374,752	\$ 93,374,752
Debt/Total Assets	67.76%	68.79%

(1) From Audited Balance Sheet as of 6/30/21 plus
FY 2022 activity

TAB 4

Pre-Filed Direct Testimony

of

Maureen Gurghigian

**Woonsocket Water Division
Docket**

2023

1 INTRODUCTION

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

Q: Please state your name and business address.

A: My name is Maureen E. Gurghigian and I am a Managing Director at Hilltop Securities Inc. (“HilltopSecurities”) in the Lincoln, Rhode Island office.

Q: Please state your duties at HilltopSecurities.

A: I am a member of the firm’s public finance department and the lead financial advisor in Rhode Island providing municipal advisory services to state, local and regional government agencies for infrastructure projects in the water, wastewater, general government, education and transportation sectors among others, primarily in Rhode Island and Maine. I have supervisory responsibility for HilltopSecurities’ involvement with borrowings by numerous public agencies and more than 25 Rhode Island agencies and municipalities. On average, our office assists clients with the origination of more than \$500 million in public financing issues annually.

Q: Please describe your qualifications and experience.

A: I have approximately 36 years’ experience in the public finance field and hold a master’s 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 52, Series 53 and Series 63, as well as the Series 50, Municipal Advisor Representative License. Prior to joining First Southwest, the predecessor firm to HilltopSecurities, in 2001, I worked in public finance for Fleet Bank and/or Fleet Securities for sixteen years. From 1993 through 2000, I served as Manager of New England Public Finance and Investment Banking at Fleet Securities, Inc. 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: Have you previously testified before the Public Utilities Commission and Division of Public Utilities and Carriers?

1 A: Yes, I have provided testimony before the Public Utilities Commission
2 (“Commission”) and the Division of Public Utilities and Carriers (“Division”) on
3 behalf of the Kent County Water Authority, Woonsocket Water Division, Pawtucket
4 Water Supply Board, the City of Newport Water Division and the Providence Water
5 Supply Board.

6

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

8 A: I am providing assistance to the City of Woonsocket Water Division (“Woonsocket
9 Water”) and its financing team with respect to the issuance of debt through a
10 borrowing from Rhode Island Infrastructure Bank (“RIIB”). I have been asked by
11 Woonsocket Water to provide information on the debt service requirements for its
12 proposed borrowing, and to respond to related questions.

13

14 **Q: Please discuss Woonsocket Water’s financing plans.**

15 A. As set forth in its Application for Approval of Borrowing Authority, Woonsocket
16 Water seeks to obtain a loan in the amount of up to five million dollars (\$5,000,000)
17 for meter replacements and a loan in the amount of \$525,000 for the Replacement of
18 Lead Service Lines. It is expected that the \$5,000,000 loan will be funded by RIIB’s
19 Drinking Water State Revolving Fund (DWSRF) at below market rates equal to 25%
20 off Woonsocket Water’s market rate at the time of pricing. The funds will be used
21 for Woonsocket Water’s Water meter Replacement Project (“Project”). Woonsocket
22 Water expects that 40% of the principal of the loan will be subject to Principal
23 Forgiveness by RIIB resulting in net cost of \$3,000,000 plus interest cost. The loan
24 for the replacement of lead service lines will be subject to 100% Principal
25 Forgiveness under the federal Bipartisan Infrastructure Law as explained by Mr.
26 David Bebyn. Both projects have been described by Mr. Bebyn in his testimony
27 along with the rate and financial impact of the financing and I will provide the details
28 of the financing for the projects.

29

30 **Q. Can you explain how the financing will work for the two borrowings?**

1 A. Yes. Woonsocket Water has borrowed from RIIB through the Drinking Water State
2 Revolving Fund in the past. The meter replacement loan will be similar to those
3 previously approved by the Division. This project has been identified in Woonsocket
4 Water's capital program and reviewed by the Department of Health, RIIB's
5 regulatory partner for the DWSRF program. Therefore, the meter replacement project
6 qualifies for a subsidized loan from RIIB; and, as noted above also qualifies for
7 Principal Forgiveness in the amount of \$2,000,000 or 40% of the total. The lead
8 service line replacement project qualifies for 100% Principal Forgiveness and will
9 result in no cost to Woonsocket Water.

10

11 **Q: What is the term of the \$5,000,000 borrowing and the applicable interest rate?**

12 A. The term is approximately 10 years from the projected completion of construction.
13 The expected interest cost will reflect a below market rate of 25% off the current
14 market rates. Based upon market conditions as of January 25, 2023 it is anticipated
15 that the interest rate on the loan will not exceed a market rate of 3.50%, which would
16 result in a projected subsidized rate of approximately 2.62%. For purposes of
17 Division approval, we would recommend a not to exceed market rate of 4.25% and a
18 subsidized rate of 3.20% to allow for market movement.

19

20 **Q: How will the funds for the Meter Replacement borrowing be disbursed?**

21 A: Approximately \$4,550,682 will be available for project expenditures, approximately
22 \$349,317 will be set aside in the debt service reserve fund, and approximately
23 \$100,000 is allocated for costs of issuance, including rating agency fees, bond
24 counsel, financial advisor and trustee fees, and the origination fee. Since several of
25 the items are calculated based on interest cost (such as insurance and Debt Service
26 Reserve Fund) the allocation is subject to change with interest rates.

27

28 **Q: How will the funds for the Lead Service Replacement borrowing be disbursed?**

29 A: Approximately \$505,000 will be available for project expenditures and
30 approximately \$20,000 is allocated for costs of issuance, including bond counsel,
31 financial advisor and trustee fees, and the origination fee.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

A: This borrowing is anticipated to take place in March. RIIB generally requires that all borrower approvals be in place prior to mailing the RIIB Preliminary Official Statement and/or pricing borrower loans.

Q: What is the projected schedule of debt service for the contemplated new borrowings?

A. The projected debt service for the new borrowings is displayed in Schedule MG-1 (meter replacement) and Schedule MG-2 (lead service line replacement). For the \$5,000,000 loan, average annual debt service is expected to be approximately \$350,000 per year at the projected interest rates, including the RIIB annual fee. This amount is subject to change based upon the actual project costs, draw schedule and prevailing interest rates at the time of borrowing. During the construction period Woonsocket Water will pay interest based on the construction draw schedule.

Q. Please describe the rate impact of the RIIB financing

A. As set forth in the testimony of Mr. Bebyn, Woonsocket Water's current rate plan which includes IFR funds is sufficient to provide for payment and coverage on the \$5,000,000 borrowing.

Q: Does this complete your testimony?

A: Yes.

MG-1

**Rhode Island Infrastructure Bank
Drinking Water SRF Program - Series 2023
Preliminary Numbers as of 1/25/2023 + 75bps**

Loan Debt Service

Woonsocket- \$5.0M DWSRF Loan (A Rated, Revenue Pledge)

Date	Principal	Loan Rate	(1) Principal Forgiveness	Net Principal	(2) Interest	Net Fees @ 0.300%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
03/15/23									-
09/01/23	439,000.00	2.570%	(175,600.00)	263,400.00	35,966.67	4,150.00	40,116.67	303,516.67	303,516.67
03/01/24	-	-	-	-	35,598.60	4,104.90	39,703.50	39,703.50	-
09/01/24	451,000.00	2.590%	(180,400.00)	270,600.00	35,598.60	4,104.90	39,703.50	310,303.50	350,007.00
03/01/25	-	-	-	-	32,094.33	3,699.00	35,793.33	35,793.33	-
09/01/25	464,000.00	2.530%	(185,600.00)	278,400.00	32,094.33	3,699.00	35,793.33	314,193.33	349,986.66
03/01/26	-	-	-	-	28,572.57	3,281.40	31,853.97	31,853.97	-
09/01/26	478,000.00	2.490%	(191,200.00)	286,800.00	28,572.57	3,281.40	31,853.97	318,653.97	350,507.94
03/01/27	-	-	-	-	25,001.91	2,851.20	27,853.11	27,853.11	-
09/01/27	491,000.00	2.530%	(196,400.00)	294,600.00	25,001.91	2,851.20	27,853.11	322,453.11	350,306.22
03/01/28	-	-	-	-	21,275.22	2,409.30	23,684.52	23,684.52	-
09/01/28	505,000.00	2.570%	(202,000.00)	303,000.00	21,275.22	2,409.30	23,684.52	326,684.52	350,369.04
03/01/29	-	-	-	-	17,381.67	1,954.80	19,336.47	19,336.47	-
09/01/29	519,000.00	2.670%	(207,600.00)	311,400.00	17,381.67	1,954.80	19,336.47	330,736.47	350,072.94
03/01/30	-	-	-	-	13,224.48	1,487.70	14,712.18	14,712.18	-
09/01/30	535,000.00	2.670%	(214,000.00)	321,000.00	13,224.48	1,487.70	14,712.18	335,712.18	350,424.36
03/01/31	-	-	-	-	8,939.13	1,006.20	9,945.33	9,945.33	-
09/01/31	551,000.00	2.650%	(220,400.00)	330,600.00	8,939.13	1,006.20	9,945.33	340,545.33	350,490.66
03/01/32	-	-	-	-	4,558.68	510.30	5,068.98	5,068.98	-
09/01/32	567,000.00	2.680%	(226,800.00)	340,200.00	4,558.68	510.30	5,068.98	345,268.98	350,337.96
03/01/33	-	-	-	-	-	-	-	-	-
09/01/33	-	-	-	-	-	-	-	-	-
03/01/34	-	-	-	-	-	-	-	-	-
09/01/34	-	-	-	-	-	-	-	-	-
03/01/35	-	-	-	-	-	-	-	-	-
09/01/35	-	-	-	-	-	-	-	-	-
03/01/36	-	-	-	-	-	-	-	-	-
09/01/36	-	-	-	-	-	-	-	-	-
03/01/37	-	-	-	-	-	-	-	-	-
09/01/37	-	-	-	-	-	-	-	-	-
03/01/38	-	-	-	-	-	-	-	-	-
09/01/38	-	-	-	-	-	-	-	-	-
03/01/39	-	-	-	-	-	-	-	-	-
09/01/39	-	-	-	-	-	-	-	-	-
03/01/40	-	-	-	-	-	-	-	-	-
09/01/40	-	-	-	-	-	-	-	-	-
03/01/41	-	-	-	-	-	-	-	-	-
09/01/41	-	-	-	-	-	-	-	-	-
03/01/42	-	-	-	-	-	-	-	-	-
09/01/42	-	-	-	-	-	-	-	-	-
03/01/43	-	-	-	-	-	-	-	-	-
	<u>5,000,000.00</u>		<u>(2,000,000.00)</u>	<u>3,000,000.00</u>	<u>409,259.85</u>	<u>46,759.60</u>	<u>456,019.45</u>	<u>3,456,019.45</u>	<u>3,456,019.45</u>

(1) Principal Forgiveness funds have been distributed to borrowers with loan proceeds used to fund Green Projects. See financing documents for details.

(2) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.600%.

MG-2

**Rhode Island Infrastructure Bank
Drinking Water SRF Program - Series 2023
Preliminary Numbers as of 1/25/2023 + 75bps**

Loan Debt Service

Woonsocket- \$0.525M DWSRF Loan (A Rated, Revenue Pledge)

Date	Principal	Loan Rate	(1) Principal Forgiveness	Net Principal	(2) Interest	Net Fees @ 0.300%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
03/15/23									-
09/01/23	46,000.00	2.570%	(46,000.00)	-	-	-	-	-	-
03/01/24	-	-	-	-	-	-	-	-	-
09/01/24	47,000.00	2.590%	(47,000.00)	-	-	-	-	-	-
03/01/25	-	-	-	-	-	-	-	-	-
09/01/25	49,000.00	2.530%	(49,000.00)	-	-	-	-	-	-
03/01/26	-	-	-	-	-	-	-	-	-
09/01/26	50,000.00	2.490%	(50,000.00)	-	-	-	-	-	-
03/01/27	-	-	-	-	-	-	-	-	-
09/01/27	52,000.00	2.530%	(52,000.00)	-	-	-	-	-	-
03/01/28	-	-	-	-	-	-	-	-	-
09/01/28	53,000.00	2.570%	(53,000.00)	-	-	-	-	-	-
03/01/29	-	-	-	-	-	-	-	-	-
09/01/29	55,000.00	2.670%	(55,000.00)	-	-	-	-	-	-
03/01/30	-	-	-	-	-	-	-	-	-
09/01/30	56,000.00	2.670%	(56,000.00)	-	-	-	-	-	-
03/01/31	-	-	-	-	-	-	-	-	-
09/01/31	58,000.00	2.650%	(58,000.00)	-	-	-	-	-	-
03/01/32	-	-	-	-	-	-	-	-	-
09/01/32	59,000.00	2.680%	(59,000.00)	-	-	-	-	-	-
03/01/33	-	-	-	-	-	-	-	-	-
09/01/33	-	-	-	-	-	-	-	-	-
03/01/34	-	-	-	-	-	-	-	-	-
09/01/34	-	-	-	-	-	-	-	-	-
03/01/35	-	-	-	-	-	-	-	-	-
09/01/35	-	-	-	-	-	-	-	-	-
03/01/36	-	-	-	-	-	-	-	-	-
09/01/36	-	-	-	-	-	-	-	-	-
03/01/37	-	-	-	-	-	-	-	-	-
09/01/37	-	-	-	-	-	-	-	-	-
03/01/38	-	-	-	-	-	-	-	-	-
09/01/38	-	-	-	-	-	-	-	-	-
03/01/39	-	-	-	-	-	-	-	-	-
09/01/39	-	-	-	-	-	-	-	-	-
03/01/40	-	-	-	-	-	-	-	-	-
09/01/40	-	-	-	-	-	-	-	-	-
03/01/41	-	-	-	-	-	-	-	-	-
09/01/41	-	-	-	-	-	-	-	-	-
03/01/42	-	-	-	-	-	-	-	-	-
09/01/42	-	-	-	-	-	-	-	-	-
03/01/43	-	-	-	-	-	-	-	-	-
	<u>525,000.00</u>		<u>(525,000.00)</u>	-	-	-	-	-	-

(1) Principal Forgiveness funds have been distributed to borrowers with loan proceeds used to fund Green Projects. See financing documents for details.

(2) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 0.000%.

TAB 5

A

TRUST INDENTURE

Between

CITY OF WOONSOCKET, RHODE ISLAND

and

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

securing

WATER SYSTEM REVENUE BONDS

Dated: May 1, 2003

TABLE OF CONTENTS

	<u>Page</u>
RECITALS AND GRANTING CLAUSES	1
ARTICLE I - DEFINITIONS	3
Section 101. Definitions	3
ARTICLE II - AUTHORIZATION AND ISSUANCE OF BONDS	14
Section 201. Authority for the Indenture	14
Section 202. Indenture to Constitute Contract	14
Section 203. Authorization of Bonds	15
Section 204. [RESERVED]	16
Section 205. General Provisions for Issuance of Bonds	16
Section 206. Special Conditions Precedent to the Delivery of Refunding Bonds	18
Section 207. Bond Anticipation Notes	18
Section 208. Additional Security	18
Section 209. Subordinated Bonds	19
ARTICLE III - GENERAL TERMS AND PROVISIONS OF BONDS	20
Section 301. Place and Medium of Payment, Form and Date	20
Section 302. Legends	21
Section 303. Execution and Authentication	21
Section 304. Interchangeability of Bonds	22
Section 305. Negotiability, Transfer, and Registry	22
Section 306. Bonds Mutilated, Destroyed, Stolen or Lost	23
Section 307. Preparation of Definitive Bonds, Interim Receipts and Temporary Bonds	23
Section 308. Cancellation of Bonds	24
ARTICLE IV - REDEMPTION OF BONDS	24
Section 401. Privilege of Redemption and Redemption Price	24
Section 402. Redemption at the Election of the City	24
Section 403. Redemption Otherwise Than at City's Election	24
Section 404. Selection of Bonds to be Redeemed by Lot	24
Section 405. Notice of Redemption	25
Section 406. Payment of Redeemed Bonds	25
ARTICLE V - ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF	26
Section 501. The Pledge Effected by the Indenture	26
Section 502. Establishment of Funds and Accounts	26
Section 503. Project Fund	27
Section 504. Revenue Fund	29

Section 505. Operating Fund	31
Section 506. Debt Service Fund	32
Section 507. Redemption Fund	34
Section 508. Debt Service Reserve Fund	35
Section 509. Rebate Fund	36
Section 510. Operation and Maintenance Reserve Fund	36
Section 511. Unrestricted Fund	37
Section 512. Investments	37
Section 513. Holding of Special Deposits	38
ARTICLE VI - PARTICULAR COVENANTS OF THE CITY	39
Section 601. Powers as to Bonds and Pledge	39
Section 602. [RESERVED]	39
Section 603. Covenant as to Rates and Charges	39
Section 604. Sale, Lease or Encumbrance of System	41
Section 605. Operation, Maintenance and Reconstruction	44
Section 606. Insurance and Condemnation	45
Section 607. Creation of Liens, Other Indebtedness	47
Section 608. Annual Operating Budget	48
Section 609. Accounts and Reports	49
ARTICLE VII - DEFAULTS AND REMEDIES	50
Section 701. Events of Default	50
Section 702. Application of Revenues and Other Moneys after Default	52
Section 703. Proceedings Brought by Trustee	53
Section 704. Restriction on Bondholders' Action	54
Section 705. Remedies not Exclusive	54
Section 706. Effect of Waiver and Other Circumstances	55
ARTICLE VIII - THE FIDUCIARIES	55
Section 801. Trustee	55
Section 802. Paying Agents	55
Section 803. Depositories	56
Section 804. Responsibility of Fiduciaries	56
Section 805. Evidence on Which Fiduciary May Act	57
Section 806. Compensation	57
Section 807. Permitted Acts	57
Section 808. Resignation of Trustee	57
Section 809. Removal of Trustee	58
Section 810. Appointment of Successor Trustee	58
Section 811. Transfer of Rights and Property to Successor Trustee	58
Section 812. Merger or Consolidation	59

ARTICLE IX - SUPPLEMENTAL INDENTURES	59
Section 901. Supplemental Indentures Effective upon Execution and Delivery	59
Section 902. Supplemental Indenture Regarding Ambiguities	60
Section 903. Supplemental Indentures Amending Indenture or Bonds	60
Section 904. Execution and Delivery of Supplemental Indentures	60
ARTICLE X - AMENDMENTS	61
Section 1001. Mailing	61
Section 1002. Powers of Amendment	61
Section 1003. Consent of Bondholders	61
Section 1004. Modification by Unanimous Action	62
Section 1005. Exclusion of Bonds	62
Section 1006. Notation on Bonds	62
ARTICLE XI - DEFEASANCE	63
Section 1101. Defeasance	63
ARTICLE XII - MISCELLANEOUS	64
Section 1201. Evidence of Signatures of Bondholders and Ownership of Bonds	64
Section 1202. Preservation and Inspection of Documents	65
Section 1203. No Recourse on the Bonds	65
Section 1204. Partial Invalidity	65
Section 1205. Law and Place of Enforcement of the Indenture	65
Section 1206. Business Days	65
Section 1207. Effective Date	65

TRUST INDENTURE

THIS TRUST INDENTURE (the "Indenture") dated as of May 1, 2003 is made by and between the CITY OF WOONSOCKET, RHODE ISLAND (the "Issuer" or the "City"), a municipal corporation organized and existing under the laws of the State of Rhode Island, and J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION (the "Trustee"), a duly organized and validly existing under the laws of the State of Rhode Island authorized to exercise corporate trust powers:

W I T N E S S E T H:

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

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

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

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

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

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

pledges and assigns to the Trustee and to its successors in trust, on the basis set forth herein, and its and their assigns, all right, title and interest of the City in and to the Trust Estate as defined in Article I;

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

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

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

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

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

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

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

"Authorized Officer" shall mean the Mayor, the City Treasurer, the Director of Public Works and the Superintendent of the Water Division of the City and, when used in reference to an act or document, shall also mean any other person authorized by resolution of the City Council to perform such act or sign such document;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Debt Service Requirement" shall mean, for any period of calculation, (i) all interest payable on all Bonds Outstanding during such period, plus (ii) the Principal Installment or Installments payable on such Bonds during such period, less (iii) amounts available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year, including but not limited to (A) amounts on deposit in the Debt Service Assistance Account or Debt Service Assistance certified by an Authorized Officer of the City as reasonably expected to be received and deposited to the Debt Service Assistance Account on or before the last day of the Fiscal Year during which the applicable Debt Service Requirement calculation is to be made if such Debt Service Assistance has been appropriated by the applicable governmental entity, if any, or is payable pursuant to an agreement constituting a valid general obligation of the grantor, (B) amounts on deposit in the Stabilization Account and (C) the amount, if any, of Bond proceeds available or projected to be available to pay Principal

Installments and interest becoming due in such Fiscal Year on Bonds Outstanding; provided that the interest and Principal Installments payable on any Series of Agency Bonds during such period shall be limited to the Required Debt Service Fund Deposits for such period set forth in the applicable Supplemental Indenture; and provided, further, for purposes of demonstrating compliance with Section 603(2) (as contemplated by Section 603(4)) hereof, that the amount of Debt Service Assistance deducted from such calculation pursuant to clause (iii) above shall include only Debt Service Assistance actually received by the City during or on account of such period and deposited in the Debt Service Assistance Account or amounts in anticipation thereof transferred from the Revenue Fund or from general funds of the City and deposited in such account;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Operating Expenses" shall mean any expenses incurred by or for the account of the City or reimbursable by or to the City for operation, maintenance and repair of the System including, without limiting the generality of the foregoing, administrative expenses, financial, legal and auditing expenses, insurance premiums, payments on claims against the City, to the extent monies are unavailable therefor in the Insurance Reserve Fund or to the extent such claims shall fall within such reasonable deductible limits as may be determined by the City, if any, payments in lieu of taxes, if any, payments of rates, assessments or other charges to the City with respect to the System, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization and sick leave benefits for City employees allocable to the System and any other similar expenses required to be paid by the City, all to the extent properly and directly attributable to the System, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Indenture, but does not include the

Cost of any Capital Improvement or any provision for interest, depreciation, amortization or similar charges on any indebtedness except for (i) interest paid on notes, and renewals thereof, issued in accordance with Section 607(2) (to the extent not included in the Cost of any Project), and (ii) payments made with respect to any indebtedness represented by leases, mortgages, security interests and other encumbrances permitted by Section 604(3);

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

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

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

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

the United States of America, or obligations issued by any state or any public agencies or municipalities which at the time of purchase are rated in either of the two highest rating categories by each Rating Agency then maintaining a rating on such obligations;

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

- (ix) bonds, notes or other evidences of indebtedness issued or guaranteed by the Federal Banks for Cooperatives, Federal Intermediate Credit Bank, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank System, Federal Land Banks, Export-Import Bank of the United States, Federal National Mortgage Association, Government National Mortgage Association or any agency or Instrumentality of or corporation wholly owned by the United States of America; and
- (x) Advance-Refunded Municipal Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

"Refunding Bonds" shall mean any of the Bonds authorized by Section 205;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 201. Authority for the Indenture. The Indenture is authorized pursuant to the Act and the ordinance of the City Council of Woonsocket adopted on November 4, 2002.

Section 202. Indenture to Constitute Contract. In consideration of the purchase and acceptance of the Bonds and Subordinated Bonds by those who shall own the same from time to time, the Indenture shall constitute a contract between the City and the Holders from time to time of the Bonds and Subordinated Bonds, and the pledge made in the Indenture and the covenants and agreements therein set forth to be performed by or on behalf of the City shall be, subject to the provisions of Section 209, for the equal benefit, protection and security of the Holders of any and all of the Bonds and Subordinated Bonds, all of which, regardless of the time or times of

their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof or of any of the Subordinated Bonds over any other thereof, except as expressly provided in or permitted by the Indenture.

Section 203. Authorization of Bonds.

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

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

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

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

Section 204. [RESERVED].

Section 205. General Provisions for Issuance of Bonds:

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

- (i) written order signed by an Authorized Officer of the City as to the authentication and delivery of such Bonds;
- (ii) a copy of the applicable Supplemental Indenture executed by an Authorized Officer;
- (iii) an amount of moneys or Reserve Deposits in a stated amount such that following the issuance of such Bonds and application of their proceeds, the amounts on deposit in and the aggregate stated and unpaid amount of all Reserve Deposits held as part of the Debt Service Reserve Fund shall equal the Debt Service Reserve Fund Requirement; provided, however, that the applicable Supplemental Indenture may provide that the Series Debt Service Reserve Fund Requirement attributable to any Series of Agency Bonds may be funded in substantially equal monthly installments over a period of time after issuance as specified in the applicable Supplemental Indenture (which period shall not exceed 24 months);
- (iv) a certificate of a Consulting Engineer or Certified Public Accountant selected by the City and satisfactory to the Trustee (a) setting forth the estimated annual Net Revenues for each of the three full Fiscal Years following the issuance of such Bonds (including the Fiscal Year in which such Bonds are issued), after giving effect to any increases or decreases in Rates and Charges projected to be in effect for such period, and to the Series Debt Service Reserve Fund Requirement attributable to such Bonds and to any additional Revenues projected to be available during such period, and (b) showing for each of such Fiscal Years that the estimated annual Net Revenues for such Fiscal Year together with amounts in the Stabilization Account, if any, available in such Fiscal Year (as calculated by an Authorized Officer at the time of issuance of such Bonds) will be at least equal to one hundred twenty-five percent (125%) (or such higher amount as may be set forth in the Supplemental Indenture authorizing the issuance of such Series of Bonds) of the Debt Service Requirement for such Fiscal Year; provided that the Consulting Engineer's or Certified Public Accountant's certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the City and approved by the Public Utilities Commission for such Fiscal Year on or before the date of such certificate;
- (v) if on the date of issuance of such Series of Bonds the City has any outstanding obligation to replenish the Debt Service Reserve Fund under Section 508(4), evidence that the City has made at least one monthly payment with respect to such obligation on or before the date required thereunder; and

- (vi) a certificate of an Authorized Officer stating that, as of the date of delivery of such Bonds, no Event of Default, as described in Section 701, has occurred and is continuing.
- (vii) evidence that all regulatory approvals required to issue the Bonds or to collect fees and charges sufficient to pay the Bonds have been obtained.

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

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

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

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

Section 208. Additional Security. In addition to the security provided for the Bonds hereunder, in connection with the initial issuance of any Series of Bonds hereunder, the City may obtain or cause to be obtained letters of credit, lines of credit, insurance or similar obligations, agreements or instruments ("Additional Security") securing or providing for the payment of all or a portion of the Principal Installments or Redemption Price of, or interest due or to become due on, such Bonds or providing for the purchase of such Bonds or a portion thereof by the issuer or

obligor of any such Additional Security. In connection therewith the City may enter into such agreements with the issuer of or obligor on such Additional Security providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Additional Security, which fees and expenses may be Costs of Issuance or Operating Expenses as appropriate, the terms and conditions of such Additional Security and the Series of Bonds affected thereby, and the security, if any, to be provided for the issuance of such Additional Security and the payments of such fees and expenses or the obligations of the City with respect thereto.

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

Section 209. Subordinated Bonds.

(1) The City may, subject to the conditions set forth in this Section 209, from time to time issue bonds which shall be secured by a pledge of the Trust Estate that is subordinate to the pledge effected by Section 501 hereof for the benefit of Bonds. Such Subordinated Bonds shall contain an express statement to the effect that payment of the principal of and interest on such Subordinated Bonds is subordinate in all respects to the payment of the principal of and interest on Bonds and that the lien and security interest on the Trust Estate established for the benefit of such Subordinated Bonds is subordinate in all respects to the lien and security interest on the Trust Estate created for the benefit of Bonds. Funds on deposit in the Debt Service Reserve Fund shall be excluded from the Trust Estate pledged for the benefit of such Subordinated Bonds and shall not be applied to the payment of principal of or interest on such Subordinated Bonds. The Supplemental Indenture with respect to any Subordinated Bonds may establish separate reserves

for the benefit of such Subordinated Bonds (which may be excluded from the Trust Estate pledged for the benefit of Bonds), shall specify the terms and conditions applicable to such Subordinated Bonds, and shall make such amendments to this Indenture as are certified by an Authorized Officer of the City to be necessary to provide for the issuance of Subordinated Bonds, the payment thereof and the default and remedies provisions applicable thereto and to effect the subordination of payments with respect to such Subordinated Bonds to payments due on the Bonds.

(2) In the event that one or more Series of Outstanding Bonds has been assigned a rating by any Rating Agency, no Subordinated Bonds shall be issued pursuant to this Section 209 unless the City has provided (i) evidence to the Trustee that either (a) each such Rating Agency has confirmed in writing that such issuance of Subordinated Bonds will not adversely affect the ratings on each such Series of Outstanding Bonds provided by such Rating Agency or (b) each such Rating Agency has issued a rating on such Subordinated Bonds which is no lower than the rating assigned by such Rating Agency to any Series of Outstanding Bonds (which rating in each case is not based on Additional Security, if any, provided for such Series of Subordinated Bonds or Series of Outstanding Bonds, as applicable) prior to such issuance or (ii) any other evidence satisfactory to the Trustee that such adjustment will not adversely affect the then current ratings, if any, assigned to any Outstanding Bonds by any Rating Agency. In the event that Outstanding Bonds have not been assigned a rating by any Rating Agency, any issuance of Subordinated Bonds under this Section 208 shall be conditioned upon the written approval of the Agency.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

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

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

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

terms and conditions set forth therein together with such modifications to this Indenture as are necessary to the issuance of such Series of Bonds in such form.

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

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

Section 303. Execution and Authentication.

(1) The Bonds shall be executed in the name of the City by the manual or facsimile signature of the Mayor of the City and countersigned by the City Treasurer of the City (or by such other officers as may be authorized or required to execute the bonds under the Act) and its seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or facsimile signature of such officer. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been actually authenticated and delivered by the Authenticating Agent for such Bonds, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the City by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in the City, although at the date of the execution of the Bonds of such Series such persons may not have been so authorized or have held such office.

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

Certificate of Authentication

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

(Corporate name of Authenticating Agent)

By _____
Authorized Signatory

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

Section 305. Negotiability, Transfer, and Registry.

(1) All the Bonds issued under the Indenture shall be negotiable, subject to the provisions for registration and transfer contained in the Indenture and in the Bonds. So long as any of the Bonds shall remain Outstanding, the City shall maintain and keep, at the Principal Office of the Trustee, who shall be registrar for the Bonds, books for the registration and transfer of each Series of Bonds; and upon presentation thereof for such purpose at said office, or at the Principal Office of such other Paying Agent, if any, as may be specified in the applicable Supplemental Indenture, the City shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee or Paying Agent may prescribe, any Bond entitled to registration or transfer.

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

(3) All Bonds surrendered in any exchange or transfer of Bonds shall forthwith be canceled by the Authenticating Agent. For every such exchange or transfer of Bonds, whether temporary or definitive, the City, the Trustee or the Authenticating Agent for the Bonds of such

Series may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. The City shall not be obligated to make any such exchange or transfer of Bonds of any Series during the 10 days next preceding an interest or Principal Installment payment date of the Bonds of such Series or, in the case of any proposed redemption of Bonds of such Series, next preceding the date of the mailing of notice of such redemption, and shall not be obligated to make any exchange or transfer of Bonds called for redemption except as provided in Section 406.

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

Section 307. Preparation of Definitive Bonds, Interim Receipts and Temporary Bonds. Subject to the applicable Supplemental Indenture, until the definitive Bonds of any Series are prepared, the City may execute and, upon the written request of the City, the Authenticating Agent for such Series shall authenticate and deliver, in lieu of definitive Bonds, one or more interim receipts, or one or more temporary Bonds, substantially of the tenor of such definitive Bonds, (but with such registration provisions as the City may provide) and with such omissions, insertions and variations as may be appropriate for temporary Bonds. The City at its own expense shall prepare and execute and, upon the surrender at the Principal Office of the Authenticating Agent of such interim receipts and of such temporary Bonds, for exchange and cancellation, the Authenticating Agent shall authenticate and, without charge to the registered owner thereof, deliver in exchange therefor, definitive Bonds, of the same aggregate Principal Amount and Series and maturity as the interim receipt or temporary Bonds surrendered. Until so exchanged, the interim receipt and temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Indenture. All interim receipts and all temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith canceled by the Authenticating Agent.

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

ARTICLE IV

REDEMPTION OF BONDS

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

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

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

Section 404. Selection of Bonds to be Redeemed by Lot. Except as otherwise provided in a Supplemental Indenture with respect to a particular Series of Bonds, in the event of redemption of less than all the Outstanding Bonds of like Series and maturity, the Trustee shall

select by lot, in such manner in its discretion as it shall deem appropriate and fair, the numbers of the Bonds to be redeemed and the portions of any thereof to be redeemed in part. Bonds of denominations of more than the applicable minimum denomination, if any, may be redeemed either as a whole or in part (which part must be in the amount of the applicable minimum denomination, if any, or an integral multiple thereof). For the purposes of this Section 404, Bonds, or portions thereof, which have theretofore been selected for redemption shall not be deemed Outstanding.

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

Section 406. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest, if any, accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest, if any, accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, the City shall execute and the Authenticating Agent for such Bonds shall authenticate and deliver, upon the surrender of such Bond, without charge to the Holder thereof, for the unredeemed balance of the Principal Amount of the Bond so surrendered, Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, sufficient moneys for the redemption of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be available on

the redemption date, such Bonds or portions thereof shall continue to accrue interest until paid at the same rate or yield, as applicable, and in the same manner as they would have borne had they not been called for redemption.

ARTICLE V

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 501. The Pledge Effected by the Indenture. There are pledged pursuant to the Indenture for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and, subject to the provisions of Section 209, Subordinated Bonds, in each case, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, (i) subject to Section 207, the proceeds of Sale of the Bonds, (ii) all Revenues, and (iii) all moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the Indenture except the Operating Fund, the Rebate Fund and the Unrestricted Fund. The Bonds and Subordinated Bonds shall be limited obligations of the City payable solely from the Revenues and funds and accounts pledged hereunder. The Bonds and Subordinated Bonds and the obligations evidenced thereby shall not constitute a general indebtedness or a pledge of the full faith and credit of the City within the meaning of any constitutional or statutory provision. No Bondholder shall ever have the right, directly or indirectly, to require or compel the exercise of the taxing power of the City for the payment of the Bonds, Subordinated Bonds or any obligation of the City hereunder. The Bonds and Subordinated Bonds and the obligations evidenced thereby shall not constitute a lien or encumbrance on any property of or in the City other than the Revenues and funds pledged hereunder. Neither the State nor any political subdivision thereof or city or town therein, other than the City, shall be obligated to pay the Bonds or Subordinated Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof or city or town therein is pledged to the payment of the Bonds or Subordinated Bonds.

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

- (i) Project Fund
- (ii) Revenue Fund
- (iii) Operating Fund
- (iv) Debt Service Fund
- (v) Redemption Fund
- (vi) Debt Service Reserve Fund

- (vii) Rebate Fund
- (viii) Operation and Maintenance Reserve Fund
- (ix) Insurance Reserve Fund
- (x) Unrestricted Fund

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

Section 503. Project Fund.

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

(2) There shall be deposited in each Project Account (i) the amount, if any, provided in the applicable Supplemental Indenture to be deposited therein to pay the Costs of the Projects financed by such Series, and (ii) any other amounts (not required by the Indenture to be otherwise deposited), as determined by the City, including without limitation the proceeds of any loan made or bonds sold under any Agency Loan Agreement which the City elects to deposit in the Project Account pending disbursement thereof to the extent permitted by the Agency.

(3) Amounts in any Project Account shall be disbursed to or upon the order of the City to be applied to the Cost of the Projects financed in whole or in part by such Series upon receipt by the Trustee of one or more requisitions, in form annexed to and incorporated into the Supplemental Indenture, subject to any additional requirements imposed by the applicable Supplemental Indenture, signed by an Authorized Officer (who for purposes of this Section 503 shall be the Public Works Director of the City or such other person as the City Council may authorize). Upon completion of any Project the Costs of which are payable from a Project Account, the City shall file with the Trustee a certificate of an Authorized Officer, approved by a Consulting Engineer, setting forth the final Cost of such Project and stating (i) that such Project has been completed to the satisfaction of the City and (ii) that all amounts withdrawn from the applicable Project Account with respect to such Project have been applied to the Cost of such

Project. Such certificate shall further set forth the balance, if any, remaining in the applicable Project Account not required for the payment of Costs of such Project. Any such balance shall be applied by the Trustee, at the written direction of an Authorized Officer of the City and subject to the requirements of any Supplemental Indenture (i) to the Cost of other Projects payable from such Project Account, (ii) to the Cost of other Capital Improvements, including Projects, by deposit of such amount in another and separate Project Account or (iii) to the redemption of the Bonds or Subordinated Bonds of the Series for which such Project Account was established by deposit of such amount in the Redemption Fund; provided that, in the case of proceeds of any Series of Agency Bonds, such amount shall be applied as provided in Section 503(3)(iii) unless the City shall have received the written approval of the Agency of another use permitted under this subsection. Notwithstanding the foregoing, if at any time the amount on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account, Redemption Fund and Debt Service Reserve Fund Account is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from any unencumbered moneys on deposit in the Project Accounts (in such order of priority as the City by certificate of an Authorized Officer shall direct) to the Debt Service Fund the amount necessary to meet the deficiency.

(4) Upon the determination by the City that a Project undertaken or to be undertaken has been or should be delayed and that no further amounts or significantly reduced amounts are required therefor from the applicable Project Account, the City may, subject to the requirements of any Supplemental Indenture, direct the Trustee in writing to transfer or apply amounts then on deposit in the applicable Project Account (i) to the payment of Costs of other Projects payable from such Project Account, (ii) to another and separate Project Account or Capital Improvement Account, (iii) to the Redemption Fund for application to the redemption of Bonds or Subordinated Bonds of the Series for which such Project Account was established; provided that, in the case of proceeds of any Series of Agency Bonds, such amount shall be applied as provided in Section 503(4)(iv) unless the City shall have received the written approval of the Agency of another use permitted under this subsection.

(5) At any time that the City determines to undertake Capital Improvements to be financed by Revenues, the City may direct the Trustee in writing to establish within the Project Fund one or more separate accounts (herein called "Capital Improvement Accounts") for such Capital Improvements. There shall be deposited in any such Capital Improvement Account (i) any amounts withdrawn from the Revenue Fund for deposit therein pursuant to Section 504 and (ii) any other amounts (not required by the Indenture to be otherwise deposited) as determined by the City and certified in writing to the Trustee. Amounts in a Capital Improvement Account shall be disbursed to or upon the order of the City to be applied to the Cost of the Capital Improvements for which such account was established upon receipt by the Trustee of one or more requisitions, in form as attached or annexed to the Supplemental Indenture and incorporated therein by reference, signed by an Authorized Officer. Subject to Section 510 hereof, upon completion of such Capital Improvements, or upon a determination by the City that a Capital Improvement undertaken or to be undertaken has been or should be abandoned or

delayed and that no further amounts or significantly reduced amounts are required therefore from the applicable Capital Improvement Account, the City may direct the Trustee in writing to transfer amounts then on deposit in the applicable Capital Improvement Account (i) to another and separate Capital Improvement Account or (ii) to the Revenue Fund. Notwithstanding the foregoing, if at any time the amount on deposit and available therefore in the Debt Service Fund, including the Debt Service Assistance Account, Redemption Fund and Debt Service Reserve Fund, is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from any unencumbered moneys on deposit in the Capital Improvement Accounts (in such order of priority as the City by certificate of an Authorized Officer shall direct) to the Debt Service Fund, the amount necessary to meet the deficiency.

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

Section 504. Revenue Fund.

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

(2) On the last Business Day of each calendar month, the City shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

- (i) To the City for deposit in the Operating Account of the Operating Fund, the amount specified by an Authorized Officer in accordance with Section 608; provided that if no amount has been specified by such Authorized Officer, the Operating Expenses for such month shall be deemed to be 125% of the Operating

Expenses expended in the same calendar month in the preceding year or such lesser amount as an Authorized Officer shall certify in writing to the Trustee, but in no event less than 100% of such amount;

- (ii) To the Debt Service Account within the Debt Service Fund, an amount, which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement as of the first day of the next ensuing month;
- (iii) To the Rebate Fund the amount which together with the amounts on deposit therein will equal the Rebate Requirement as of such day;
- (iv) Subject to Section 508, to the Debt Service Reserve Fund, an amount which, together with the amounts on deposit therein, will equal the Debt Service Reserve Fund Requirement as of the first day of the next ensuing month;
- (v) To the Debt Service Assistance Account in the Debt Service Fund an amount specified by an Authorized Officer in a certificate delivered to the Trustee, as amended from time to time;
- (vi) To the Stabilization Account of the Debt Service Fund such amount, if any designated by the City as further provided in Section 504(4);
- (vii) Subject to Section 608, to the Operation and Maintenance Reserve Fund, an amount necessary for such Fund to equal the Operation and Maintenance Reserve Fund Requirement as of such day;
- (viii) To the Commission for deposit in the Insurance Reserve Fund, the amount, if any, determined by the Commission pursuant to Section 606(3) as necessary to maintain such Fund at the Insurance Reserve Fund Requirement;
- (ix) To the one or more Capital Improvement Accounts, such amount as requested by the City but only upon receipt by the Trustee of (a) a copy of the resolution of the City Council approving the Capital Improvements to be funded in whole or in part from such Accounts, certified by an Authorizing Officer and (b) a certificate of an Authorized Officer stating that such deposit will not impair the ability of the City to either (A) meet the requirements of the Revenue Fund in the succeeding months of such Fiscal Year based on the then current Annual Budget prepared in accordance with Section 608 or (B) satisfy the requirements of Section 603 in the current or next succeeding Fiscal Year;
- (x) To such other funds or accounts as shall be required by any Supplemental Indenture; and

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

(3) On the last Business Day of each Fiscal Year, the City shall, after making the deposits required by Sections 504(2), apply amounts available in the Revenue Fund to the following purposes and in the following order:

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

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

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

(5) If, on the last Business Day of any month, the amounts deposited pursuant to Section 504(2)(ii) are, as of such date of calculation, less than the amounts required to be deposited therein, the Trustee shall promptly notify the Agency of any such deficit.

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

Section 506. Debt Service Fund.

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

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

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

Debt Service Fund, including the Debt Service Assistance Account in accordance with a certificate of an Authorized Officer, to the appropriate Paying Agents, on or before such redemption date or maturity date, the amount required for the redemption of the Bonds so called for redemption or for the payment of such Bonds then maturing, and such amount shall be applied by such Paying Agents to such redemption or payment.

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

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

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

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

The Trustee shall apply monies on deposit in the Stabilization Account as follows:

(i) to any shortfall in the Debt Service Account of the Debt Service Fund after deposit of monies from the Revenue Fund but before transfers from the Debt Service Revenue Fund, on the Business Day prior to the date on which any payment of principal or interest on any Bonds is due and payable;

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

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

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

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

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

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

(8) The City also may, from time to time, deposit general funds of the City to the Debt Service Assistance Account in the Debt Service Fund in anticipation of Debt Service Assistance to be received to be applied by the Trustee in accordance with a certificate of an Authorized Officer, as amended from time to time; provided that such certificate also shall state that the amount of such deposit, together with other amounts deposited therein in anticipation of Debt Service Assistance not yet received, does not exceed the amount reasonably expected to be received as Debt Service Assistance. Once the anticipated Debt Service Assistance is received, an amount equal to such Debt Service Assistance received, but not in excess of the amount which has been transferred to the Debt Service Assistance Account pursuant to this Section 506(8), shall be transferred back to the City.

Section 507. Redemption Fund.

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

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

Section 508. Debt Service Reserve Fund.

(1) If at any time the amounts on deposit and available therefor in the Debt Service Fund, including the Debt Service Assistance Account, after application of any funds on deposit in the Stabilization Account pursuant to Section 506(6), and after transfers from the Redemption Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Account of the Debt Service Fund the amount necessary to meet any such deficiency. Amounts so withdrawn shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Deposits held as a part thereof upon the terms and conditions set forth in the agreements applicable to any such Reserve Deposits or as otherwise set forth in the Supplemental Indenture providing for such Reserve Deposits.

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

an Authorized Officer, to the extent of such excess, either (i) transfer cash and Permitted Investments to any Fund or Account established hereunder or (ii) consent to the reduction of the stated amount of any Reserve Deposit or (iii) do any combination of the foregoing.

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

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

Section 509. Rebate Fund. If any Series of Bonds or Subordinated Bonds is issued, or becomes, subject to the rebate requirement of Section 148(f) of the Internal Revenue Code of 1986, as amended, the City may, by Supplemental Indenture, activate the Rebate Fund established hereunder, and the Trustee shall then establish a separate Rebate Account within the Rebate Fund for such Series of Bonds or Subordinated Bonds. Funds on deposit in any Rebate Account shall be applied as set forth in the applicable Supplemental Indenture.

Section 510. Operation and Maintenance Reserve Fund.

(a) If any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Fund, Debt Service Reserve Fund, 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.

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

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

Section 512. Investments.

(1) Except as otherwise provided in Section 1101 or subsection 2 of this Section, money held for the credit of any fund or account held by the Trustee under the Indenture shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other fund or account, by the Trustee at the written direction of the City Treasurer in Permitted investments which shall mature or be redeemable at the option of the holder thereof, on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof held for the credit of such fund or account. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund shall be invested solely in the investments specified in paragraphs (i), (ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) of the definition of Permitted Investments. At least one-half of the moneys in the Debt Service Reserve Fund shall be invested in Permitted Investments (a) maturing no later than ten (10) years from the date such Permitted

Investment is acquired by the Trustee or (b) subject to liquidation at par or at the amortized cost thereof, as applicable, at any time application of the moneys so invested is required under the terms of the Indenture. Unless otherwise directed by any Supplemental Indenture, Permitted Investments purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account and all income thereon shall accrue to and be deposited in such fund or account and all losses from investment shall be charged against such fund or account; provided that all income earned on investment of the Redemption Fund, the Debt Service Reserve Fund and the Insurance Reserve Fund shall be credited to and deposited in the Revenue Fund. Notwithstanding any provision herein or in a Supplemental Indenture to the contrary, the Trustee shall not be liable for any losses from investment in accordance with this Section 512. The City may by Supplemental Indenture direct that all or any portion of income earned on investment of moneys allocable to any Series of Bonds in any fund or account established hereunder shall be transferred to the Rebate Account established for such Series of Bonds in the Rebate Fund created under Section 509.

(2) In computing the amount in any fund or account hereunder for any purpose, Permitted Investments shall be valued at amortized cost. As used herein the term "amortized cost", when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (i) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Unless otherwise provided in the Indenture, Permitted Investments in any fund or account hereunder shall be valued at least once in each Fiscal Year on the last day thereof. Notwithstanding the foregoing, Permitted Investments in the Debt Service Reserve Fund shall be valued at amortized cost for all purposes of the Indenture unless and until a withdrawal from such Fund shall be required in accordance with Section 508(1) in which event such investments shall thereafter be valued at amortized cost or market, whichever is lower, until the balance in such Fund, on the basis of such valuation, shall equal the Debt Service Reserve Fund Requirement.

Section 513. Holding of Special Deposits. Except as otherwise provided in any Supplemental Indenture, moneys held by or for the account of the City in connection with the System which are required to be applied under the terms of an agreement with respect to the acquisition, construction or alteration of a facility which is the subject of such agreement (including, any such moneys received by the City for such purpose under any grant or loan agreement with the United States of America or the City or any agency, political subdivision or instrumentality of either) or which are subject to refund by the City or held for the account of others or subject to refund to others, including, without limitation, any amounts which, under any agreement by the City providing for adequate separation of such amounts from Revenues, are collected by the City on behalf of others for services rendered or commodities provided to

customers of the System, any amounts deducted by the City from wage and salary payments to the employees of the System, any amounts contributed by the City to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the City and any amounts held as deposits, including customer service deposits, guaranteed revenue contract deposits, unexpended developer's deposits under construction loan contracts, minimum revenue deposits and unexpended jobbing deposits, together with any investments of such moneys and interest and profits thereon to the extent such interest and profits are also held for the account of others or subject to refund to others, may be held by the City outside of the various funds and accounts established by the Indenture and, notwithstanding anything herein to the contrary, shall not be subject to the pledge created by the Indenture or be considered Revenues hereunder while so held.

ARTICLE VI

PARTICULAR COVENANTS OF THE CITY

The City covenants and agrees as follows:

Section 601. Powers as to Bonds and Pledge. The City has taken all action necessary to authorize the Indenture and is duly authorized under the Act, Ordinance No. 02O88 dated November 4, 2002 and all applicable laws to create and issue the Bonds and to adopt the Indenture and to pledge the Revenues and other moneys, securities, Reserve Deposits and funds purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture. The Revenues and other moneys, securities, Reserve Deposits and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto prior to, or of equal rank with, the pledge created by the Indenture except to the extent expressly permitted hereby. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenue and other moneys, securities, Reserve Deposits and funds pledged under the Indenture and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Section 602. [RESERVED]

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

(1) So long as any Bonds are Outstanding, the City 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, including amounts from the Stabilization Account, at least sufficient to pay or provide for, as the same become due or are payable (i) all Operating Expenses, (ii) all payments of Principal Installments and Redemption Price of and interest on the Bonds and all other bonds, notes or other evidences of indebtedness of or assumed by the City which are payable from Revenues of the System, (iii) all amounts, if any, payable to the

Operation and Maintenance Reserve Fund, the Debt Service Reserve Fund, and, if any, the Insurance Reserve Fund, (iv) all repairs, replacements, and renewals of the System deemed necessary by the City which are payable from Revenues of the System and (v) all other amounts which the City may by law, order of the Public Utilities Commission, or contract be obligated to pay from Revenues of the System. Provided the City complies with Section 504(4) and has complied or is diligently proceeding to comply with the requirements of subsection (3) and (4) of this Section 603, the Trustee shall take no action pursuant to Section 701 or Section 703 on account of any failure by the City to comply with the requirements of this subsection; provided that the setting of the Rates and Charges shall, to the extent required by law, be subject to the approval of the Public Utilities Commission.

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

(3) On or before the day which is six months prior to the last Business Day of each Fiscal Year the City shall review the adequacy of its Rates and Charges to satisfy the requirements of this Section for the next succeeding Fiscal Year. If such review indicates that the Rates and Charges are, or are likely to be, insufficient to meet the requirements of this Section for the next succeeding Fiscal Year, or if it otherwise appears at any time during such Fiscal Year that Rates and Charges are or are likely to be insufficient to meet such requirements, the City shall promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency, including but not limited to, making an emergency request to the Public Utilities Commission to raise its Rates and Charges.

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

regularly auditing the books of the City in accordance with Section 609 setting forth the Net Revenues for the preceding Fiscal Year.

Section 604. Sale, Lease or Encumbrance of System.

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

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

(3) To the extent permitted by law, the City may sell, mortgage, grant security interests in, or otherwise encumber any real or personal property included in the System, or may lease as lessee any real or personal property to be used in the operation of the System; provided that the City shall deliver to the Trustee a written report satisfactory to the Agency (A) stating that such action shall not impede the City's ability to comply with all the covenants set forth in Article VI of this Indenture for so long as any Bonds or Subordinated Bonds shall remain Outstanding and (B) including a certificate of a Consulting Engineer (a) setting forth the estimated annual Net Revenues for each of the five full Fiscal Years following the action (including the Fiscal Year in which such action is taken), after giving effect to any increases or decreases in Rates and Charges projected to be in effect for such period and to any additional Revenues projected to be available during such period, and (b) showing for each of such Fiscal Years that the estimated annual Net Revenues for such Fiscal Year will be at least equal to one hundred twenty-five percent (125%) of the Debt Service Requirement for such Fiscal Years (provided that the Consulting Engineer's certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the City for such Fiscal Year on or before the date of such certificate). The proceeds of sale, if any, of any such property mortgaged or otherwise encumbered, after satisfying the mortgage, security interest or other encumbrance secured by the same, to the extent permitted by law, shall be deposited in the Revenue Fund.

(4) To the extent permitted by law, the City may lease as lessor or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such lease, contract, license, easement or right does not, in its written opinion, impede the operation by the City of the System. Except as provided in Section 607(3), any

payments to the City under or in connection with any such lease, contract, license, easement or right (except any such payments specifically excluded from the definition of Revenues) shall constitute Revenues and be deemed Rates and Charges.

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

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

(b) the City and the Trustee shall have received a Counsel's Opinion substantially to the effect that (i) the acquisition by the Authority of all or substantially all of the City's right, title and interest in the System and the assumption by the Authority of the City's obligations hereunder, under any Supplemental Indenture and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds have been duly authorized by the Authority and do not violate any law, ordinance, resolution or regulation applicable to the Authority or any applicable court decision; (ii) the instrument under which the Authority assumes the obligations of the City hereunder, under any Supplemental Indenture and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights; (iii) the security interest granted

by the Authority pursuant to subparagraph (d) creates a valid and effective first priority lien and security interest in the revenues to be generated by the System; and (iv) the rates and charges established by the Authority and referred to below in subparagraph (e) have been duly authorized and enacted in accordance with applicable law;

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

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

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

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

satisfactory to the Trustee that such conveyance will not, in and of itself, adversely affect the then current ratings, if any, assigned to any Outstanding Bonds by any Rating Agency; and

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

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

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

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

Section 606. Insurance and Condemnation.

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

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

(3) If at any time the City determines that any of the policies of insurance required to be maintained by this Section are not reasonably obtainable or may not be obtained at a reasonable cost either with respect to coverage, amounts or deductibles, the City shall deposit in the Insurance Reserve Fund an amount equal to the Insurance Reserve Fund Requirement. For the purpose of this Section and Section 504(2)(viii), the Insurance Reserve Fund Requirement shall be that amount (or such greater amount provided in any Supplemental Indenture) for any Fiscal Year or portion thereof certified to the City by a Consulting Engineer or an insurance consultant retained by the City (who may be the insurance consultant or agent regularly furnishing insurance to the City) as adequate to reserve against the risks to be covered by the Insurance Reserve Fund. A certificate of an Authorized Officer, approved by such Consulting Engineer or insurance consultant, setting forth the Insurance Reserve Fund Requirement shall be promptly delivered to the Trustee. The City shall annually review the requirements of the Insurance Reserve Fund and no later than one hundred and twenty (120) days after the end of each Fiscal Year shall deliver to the Trustee a certificate of an Authorized Officer setting forth the Insurance Reserve Fund Requirement for the next ensuing Fiscal Year or any portion thereof. For purposes of Section 504(2)(viii), if at any time the Insurance Reserve Fund Requirement shall be increased pursuant to this Section or if as of the last business day of a Fiscal Year the

balance in the Insurance Reserve Fund shall be less than the Insurance Reserve Fund Requirement calculated as of such date, the certificate of an Authorized Officer required by the foregoing sentence shall also specify the dates and amounts of deposits to such Fund during the next succeeding Fiscal Year pursuant to Section 504(2)(viii) so that no later than the last day of such Fiscal Year the balance in such Fund shall equal the Insurance Reserve Fund Requirement calculated as of such date.

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

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

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

Section 607. Creation of Liens, Other Indebtedness.

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

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

- (i) in anticipation of Bonds to the extent and in the manner provided in Section 207, which notes, if so determined by the City, may be secured by a pledge of Revenues, provided that such pledge shall in all respects be subordinate to the provisions of the Indenture and the pledge created by the Indenture;
- (ii) in anticipation of the receipt by the City of any grant-in-aid from the United States of America or the State or any agency, instrumentality or political subdivision of either of them, for or on account of Capital Improvements and payable solely out of, or secured by a pledge of, the amounts to be received (which amounts shall not be deemed Revenues hereunder while any such notes are outstanding); provided that no such notes shall be issued unless (a) the City shall have received and accepted an agreement, whether conditional or unconditional, providing for the grant-in-aid anticipated by such notes executed by authorized officers of the grantor, (b) the aggregate principal amount of such notes (excluding renewals thereof issued by the City) shall not exceed the aggregate amount of the grant-in-aid provided for in such agreement and not yet received by the City and (c) all such notes or renewals thereof shall be issued to mature not later than six months after the expected final date of receipt of amounts provided under such grant-in-aid; or
- (iii) in anticipation of the Revenues to be received in any Fiscal Year, which notes may be payable out of, or secured by a pledge of, Revenues; provided that (a) any such pledge shall in all respects be subordinate to the provisions of the Indenture and the pledge created by the Indenture, (b) any such notes shall be payable no later than one year from date of issue (or, in the case of notes issued to renew such notes, no later than one year from the date of issue of the original issue of notes), (c) the aggregate amount of such notes outstanding at any one time in a Fiscal Year shall not exceed fifty percent (50%) of the Revenues for the immediately preceding Fiscal Year and (d) the proceeds of such notes (other than the proceeds of renewal notes require to pay notes) shall be deposited in the Revenue Fund.

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

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

Section 608. Annual Operating Budget. (1) Not less than one day prior to the beginning of each Fiscal Year, the City Council shall adopt and file with the Trustee an annual operating budget for the System (herein called "Annual Budget") for such Fiscal Year. The City Council may at any time, but not more often than once a month, adopt and file with the Trustee (or annually delegate to an Authorized Officer the authority to prepare and file with the Trustee) an amended or supplemental Annual Budget for the Fiscal Year then in progress, provided that an amendment for the purpose of making changes in one or more line items within the Annual Budget, but which does not increase the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year may be filed by an Authorized Officer without action by the City Council and provided further that any amendment that increases the aggregate amount of expenses shown in the Annual Budget for such Fiscal Year shall be accompanied by a certificate of an Authorized Officer to the effect that such increase will not preclude compliance by the City with the covenants set forth in Section 603. An Authorized Officer shall prepare and may amend from time to time, a monthly breakdown of the Annual Budget which breakdown or amendment thereto shall be filed with the Trustee and shall show for each month projected Operating

Expenses to be paid from the Operating Fund in such month, as well as the Revenues or other moneys held hereunder projected to be available to meet the same. The City shall not incur aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount of Operating Expenses shown in the Annual Budget as amended and supplemented for such Fiscal Year except in case of emergency or as required by law and shall promptly file a written report of any such excess expenditure with the Trustee signed by an Authorized Officer. For the purposes of this Section 608, "Authorized Officer" shall include, individually, the Mayor, the City Treasurer and the Water Official of the City.

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

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

Section 609. Accounts and Reports.

(1) The City shall annually, within 270 days after the close of each Fiscal Year or as soon thereafter as is practicable, file with the Trustee a copy of financial statements, audited by and containing the report of an independent public accountant or firm of accountants acceptable to the Trustee, relating to or including schedules relating to the operations and properties of the System for such Fiscal Year and setting forth in reasonable detail its financial condition as of the end of such year and income and expenses for such year, and including a summary of the receipt

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

(2) Not later than June 30, 2007 and the last day of each fifth Fiscal Year thereafter, the City shall cause an examination of and report on the properties and operations of the System to be made by a Consulting Engineer and shall cause a copy of such examination and report, certified by an Authorized Officer, to be filed with the Trustee. Such examination and report shall include a review and evaluation of the City's current and any proposed Capital Improvements Budget and of the City's Annual Budgets for the current year and, if available, for the next year, including a statement as to whether such budgets are appropriate, adequate and reasonably required to allow the City to operate the System, and such other reports, surveys and examinations as the City or the Consulting Engineer shall deem necessary. Any report prepared by the Consulting Engineer in connection with the issuance of Bonds within the last Fiscal Year in such five year period shall satisfy the requirements of this subsection for such five year period.

ARTICLE VII

DEFAULTS AND REMEDIES

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

- (i) if default shall be made by the City in the payment of the Principal Installments or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption at the option of the City or any Holder, or otherwise, or in the payment of any sinking fund payment when due,
- (ii) if default shall be made by the City in the payment of any installment of interest on any Bond when due,
- (iii) if default shall be made by the City in the payment of any installment of interest on or any Principal Installment or Redemption Price of any Subordinated Bonds when due,
- (iv) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the Indenture or in the Bonds and such default shall continue for a period of 30 days after written

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

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

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

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

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

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid Principal Amount or Redemption Price of any Bonds which shall become due, whether at maturity or by call for redemption, in the order of their due

dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Amount or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

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

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

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

Section 703. Proceedings Brought by Trustee.

(1) Whether or not a declaration shall be made by the Trustee or Bondholders pursuant to Section 701, if an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the Indenture by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee,

being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

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

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

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

Section 704. Restriction on Bondholders' Action.

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

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

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

Section 706. Effect of Waiver and Other Circumstances.

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

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

ARTICLE VIII

THE FIDUCIARIES

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

Section 802. Paying Agents.

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

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

successor Paying Agent which shall be a bank or trust company which meets the requirements of subsection (1) of this Section 802. The City shall notify each Bondholder of the related Series of Bonds of the appointment of such successor. Upon the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys and Bonds held by it in trust pursuant to this Section 802 to its successor.

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

Section 804. Responsibility of Fiduciaries.

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

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

Section 805. Evidence on Which Fiduciary May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate executed in the name of the City by an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Indenture upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may deem reasonable.

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

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

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

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

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

Section 811. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the predecessor Trustee, and also to the City, an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein, but the Trustee ceasing to act shall

nevertheless, on the written request of the City, or of the Successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurances and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it hereunder, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth.

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

ARTICLE IX

SUPPLEMENTAL INDENTURES

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

- (1) to close the Indenture against, or provide limitations and restrictions not contained in the Indenture on, the original issuance of Bonds;
- (2) to add to the covenants and agreements of the City contained in the Indenture other covenants and agreements thereafter to be observed for the purpose of further securing the Bonds;
- (3) to surrender any right, power or privilege reserved to or conferred upon the City by the Indenture;
- (4) to authorize Bonds of a Series and, in connection therewith, specify and determine any matters and things relative to such Bonds not contrary to or inconsistent with the Indenture;
- (5) to exercise any provision herein or to make such determinations hereunder as expressly provided herein to be exercised or determined in a Supplemental Indenture;
- (6) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Indenture of the Revenues;

(7) to reflect a change in the Fiscal Year of the City, and to make changes to the dates set forth in this Indenture to the extent necessary to conform such dates to the amended Fiscal Year; and

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

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

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

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

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

ARTICLE X

AMENDMENTS

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

Section 1002. Powers of Amendment. Any modification or amendment of the Bonds or of the Indenture may be made by a Supplemental Indenture, with the written consent given as provided in Section 1003, (i) of the Holders of at least a majority in aggregate Principal Amount of all Bonds Outstanding at the time such consent is given or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in aggregate Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the vote or consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the Principal Amount of any Outstanding Bond, or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon or the method for determining such rate without the consent of the Holder of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages of the Principal Amount of Bonds the consent of which is required to effect any such modification or amendment.

Section 1003. Consent of Bondholders. The City may at any time adopt a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 1002, to take effect when and as provided in this Section. Upon the adoption of such Supplemental Indenture, a copy thereof, certified by an Authorized Officer, shall be filed with the Trustee for the inspection of the Bondholders. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved in writing by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to each affected Bondholder. Such Supplemental Indenture shall not become effective until there shall have been filed with the Trustee the written consents of the percentages of the Holders of Outstanding Bonds specified in Section 1002 and a notice shall have been given as hereinafter in this Section provided. Any such consent shall be binding upon the Holder of the Bonds giving such consent and on any subsequent Holder of such Bonds (whether or not such subsequent Holder has notice thereof). At any time after the Holders of the required percentages of Bonds shall have filed their consent to the Supplemental Indenture, notice, stating in substance that the Supplemental Indenture has been consented to by the Holders of the required percentages of

Bonds and will be effective as provided in this Section, may be given to the Bondholders by mailing such notice to Bondholders. The City shall file with the Trustee proof of giving such notice. Such Supplemental Indenture shall be deemed conclusively binding upon the City, the Fiduciaries and the Holders of all Bonds at the expiration of sixty (60) days after the filing with the Trustee of the proof of the mailing of such notice, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding commenced for such purpose within such sixty day period; provided, however, that any Fiduciary and the City during such sixty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

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

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

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

ARTICLE XI

DEFEASANCE

Section 1101. Defeasance.

(1) If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds of a Series then Outstanding, the Principal Amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture then the pledge of any Revenues or other moneys, securities, Reserve Deposits and Additional Security, if any, pledged by the Indenture and all other rights granted by the Indenture shall be discharged and satisfied. In such event, the Trustee shall, upon request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such release and discharge and the Fiduciaries shall pay over or deliver to the City all moneys or securities held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment for redemption.

(2) Bonds or interest installments for the payment or redemption of which moneys shall be held by the Fiduciaries (through deposit by the City of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (i) of this Section 1101. All Outstanding Bonds of any Series or any part of a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) of this Section 1101 if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide as provided in Article IV, notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Permitted Investments of the type described in clause (1) of the definition thereof or Advance Refunded Municipal Bonds not subject to redemption at the option of the issuer thereof prior to the due date thereof, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time of deposit of such Permitted Investments, shall be sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to provide, as soon as practicable, at least thirty (30) days written notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with paragraph (1) of this Section 1101 and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal Amount or Redemption Price, if applicable, on said Bonds. Neither Permitted Investments nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Permitted

Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Amount or Redemption Price, if applicable, and interest on said Bonds, provided that any cash received from the principal or interest payments on such Permitted Investments deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Permitted Investments maturing at times and in principal amounts sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. After the making of the payments for which such Permitted Investments or moneys were held, any surplus shall be promptly paid over to the City, as received by the Trustee, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under this Indenture.

(3) Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any Bonds which remain unclaimed for three (3) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three (3) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the City, be repaid promptly by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the City for the payment of such Bonds; provided, however, that before being required to make any such payment to the City, the Fiduciary shall, at the expense of the City, cause to be mailed to the Holders of all Bonds Outstanding a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned promptly to the City.

ARTICLE XII

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

CITY OF WOONSOCKET, RHODE ISLAND

By: _____

By: _____

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

By: _____

@PFDesktop\.:ODMA/MHODMA/TLSDMS.TLSLAW.COM;imanager;353750;4

B

CITY OF WOONSOCKET
RHODE ISLAND



January 23, A.D. 2023

ORDINANCE
CHAPTER
8351

**ORDINANCE OF THE CITY OF WOONSOCKET APPROVING THE FINANCING OF THE
REPLACEMENT OF WATER METERS IN THE CITY OF WOONSOCKET AND ALL
ATTENDANT EXPENSES AND APPROVING THE ISSUANCE OF WATER SYSTEM REVENUE
BONDS AND NOTES THEREFOR IN AN AMOUNT NOT TO EXCEED \$5,000,000**

WHEREAS, pursuant to Chapter 46-12.8 of the Rhode Island General Laws, and subject to the terms and conditions set forth herein, the City of Woonsocket (the "City") intends to borrow an amount not exceeding Five Million Dollars (\$5,000,000) from the Rhode Island Infrastructure Bank, and to evidence such loan, to issue and refund on behalf of the City, in an amount not exceeding Five Million Dollars (\$5,000,000) water system revenue bonds or notes for the purposes of financing the replacement of water meters in the City, and all attendant expenses, including but not limited to, engineering costs, cost of borrowing, bond insurance costs, and a debt service reserve or the substitution of a surety policy, letter of credit or other eligible facility with respect thereto.

**IT IS ORDAINED BY THE CITY COUNCIL
OF THE CITY OF WOONSOCKET AS FOLLOWS:**

SECTION 1. The sum of Five Million Dollars (\$5,000,000) is appropriated for the purpose of financing the replacement of water meters in the City, and all attendant expenses, including, but not limited to, engineering costs, cost of borrowing, bond insurance costs, and a debt service reserve or the substitution of a surety policy, letter of credit or other eligible facility with respect thereto (the "Project").

SECTION 2. In accordance with Chapter 46-12.8 of the Rhode Island General Laws, and subject to the terms and conditions set forth herein, the City Treasurer and the Mayor are hereby authorized to borrow on behalf of the City, an amount not exceeding Five Million Dollars (\$5,000,000) from the Rhode Island Infrastructure Bank, and to

evidence such loan, such officers are hereby authorized to issue and refund on behalf of the City, in an amount not exceeding Five Million (\$5,000,000) water system revenue bonds (the "Bonds") of the City, at one time, or from time to time in order to meet the foregoing appropriation.

SECTION 3. The said officers from time to time may issue and refund not exceeding \$5,000,000 interest bearing or discounted water system revenue notes (the "Notes") in anticipation of the issue of said Bonds.

SECTION 4. The Bonds and Notes shall be payable solely from revenues of the Woonsocket water system and the funds and accounts that are pledged under the Trust Indenture (defined below), subject to any rights of forgiveness of the Bonds and Notes that may be granted by or through the Rhode Island Infrastructure Bank in connection therewith. The City may issue bonds, notes, or other obligations on a parity with the Bonds and Notes on the terms and conditions as provided in the Trust Indenture, and the Bonds and Notes may be issued separately or together with borrowings for other duly authorized water projects under the Trust Indenture. The purchaser, manner of sale, amount, denominations, maturities, conversion or registration privileges, interest rates, medium of payment, rights of forgiveness, and other terms, conditions and details of the Bonds or Notes may be fixed by the officers authorized to sign the Bonds or Notes.

SECTION 5. Pending the issuance of the Bonds under Section 2 hereof or pending or in lieu of the issue of Notes under Section 3 hereof, the City Treasurer, at the written direction of the City Council, may expend funds from other funds of the City for the purposes specified in Section 1 hereof. Any advances made under this section shall be repaid without interest from the proceeds of the Bonds or Notes issued hereunder or from the proceeds of applicable federal or state assistance or from other available funds.

SECTION 6. The City Treasurer and the Mayor are also authorized, empowered and directed, on behalf of the City, to: (i) execute, acknowledge and deliver one or more Supplemental Indentures to the Trust Indenture by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee to J.P. Morgan Trust Company, National Association (together with any successor trustee thereto, the "Trustee"), dated as of May 1, 2003, as supplemented (as supplemented, the "Trust Indenture") relating to the Bonds and Notes and any and all other loan agreements, documents, certificates or instruments deemed by such officers as necessary, desirable or advisable to effectuate such borrowing, including, without limitation, loan agreements entered into with the Rhode Island Infrastructure Bank or other lender and agreements entered into with bond insurers or other credit enhancers; (ii) take such action or actions to facilitate the forgiveness of any of the Bonds or Notes by or through the Rhode Island Infrastructure Bank subject to such terms and conditions as such officers shall deem necessary, desirable or advisable; (iii) amend, modify or supplement the Bonds or Notes and any and all other loan agreements, documents, certificates, or instruments at any time and from time to time, in such manner and for such purposes as such officers shall deem necessary, desirable or advisable; (iv) direct the Trustee with regard to investments of trust funds pursuant to the Trust Indenture, and (v) do and perform all such other acts and things deemed by such officers to be necessary, desirable or advisable with respect

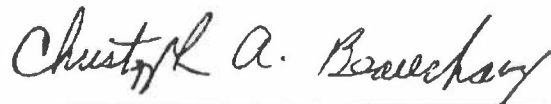
to any matters contemplated by this Ordinance in order to effectuate said borrowing and the intent hereof.

SECTION 7. The City Treasurer and the Mayor are hereby authorized to deliver the Bonds or Notes to the Rhode Island Infrastructure Bank or other lender as purchaser, and said officers are hereby authorized and instructed if the Bonds or Notes are issued as tax-exempt obligations, to take all actions, on behalf of the City, necessary to ensure, that interest on the Bonds or Notes will be excludable from gross income for federal income tax purposes and to refrain from all actions which would cause interest on the Bonds or Notes to become subject to federal income taxes.

SECTION 8. This Ordinance is an affirmative action of the City Council of the City toward the issuance of the Bonds and Notes in accordance with the purposes of the law of the State of Rhode Island. This Ordinance constitutes the City's declaration of official intent, pursuant to Treasury Regulation § 1.150-2, to reimburse the City for certain capital expenditures for the Project paid on or after the date which is sixty (60) days prior to the date of this Ordinance but prior to the issuance of the Bonds or Notes. Such amounts to be reimbursed shall not exceed \$5,000,000 and shall be reimbursed not later than eighteen (18) months after (a) the date on which the expenditure is paid or (b) the date the particular project is placed in service or abandoned, but in no event more than three (3) years after the date the expenditure is paid.

SECTION 9. The City Treasurer and the Mayor are authorized to take all actions necessary to comply with federal tax and securities laws including Rule 15c2-12 of the Securities and Exchange Commission (the "SEC Rule") and to execute and deliver a Continuing Disclosure Certificate or Agreement in connection with the Bonds or Notes in the form as shall be deemed advisable by the City Treasurer and the Mayor in order to comply with the SEC Rule. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate or Agreement, as it may be amended from time to time. Notwithstanding any other provision of this Ordinance or the Bonds or Notes, failure of the City to comply with the Continuing Disclosure Certificate or Agreement shall not be considered an event of default; however, any Bondholder or Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section and under the Continuing Disclosure Certificate or Agreement.

SECTION 10. This Ordinance shall take effect on the eleventh consecutive day following its passage by the City Council as provided in Chapter III, Section 9, of the Woonsocket Home Rule Charter.



Christopher Beauchamp
City Council President

By request of the Administration

IN CITY COUNCIL January 23, 2023 - Read by title and passed for the first time unanimously.

IN CITY COUNCIL February 6, 2023 - Read by title and passed unanimously.

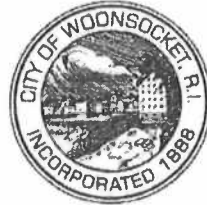
The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This not only helps in tracking expenses but also ensures compliance with tax regulations.

In the second section, the author outlines the various methods used for data collection and analysis. These include surveys, interviews, and focus groups. Each method has its own strengths and limitations, and the choice depends on the specific research objectives.

The third section delves into the statistical analysis of the collected data. It covers topics such as descriptive statistics, inferential statistics, and regression analysis. The goal is to identify patterns and trends in the data that can inform business decisions.

Finally, the document concludes with a summary of the findings and recommendations. It highlights the key insights gained from the research and provides practical advice for implementing these findings in a business context.

CITY OF WOONSOCKET
RHODE ISLAND



October 3, A.D. 2022

ORDINANCE
CHAPTER

8333

**ORDINANCE OF THE CITY OF WOONSOCKET APPROVING THE
FINANCING OF THE REPLACEMENT OF LEAD SERVICE LINES IN THE
WATER SYSTEM OF THE CITY AND ALL ATTENDANT EXPENSES AND
APPROVING THE ISSUANCE OF WATER SYSTEM REVENUE BONDS AND
NOTES THEREFOR IN AN AMOUNT NOT TO EXCEED \$525,000**

WHEREAS, pursuant to Chapter 46-12.8 of the Rhode Island General Laws, and subject to the terms and conditions set forth herein, the City of Woonsocket (the "City") intends to borrow an amount not exceeding Five Hundred Twenty-Five Thousand Dollars (\$525,000) from the Rhode Island Infrastructure Bank, and to evidence such loan, to issue and refund on behalf of the City, in an amount not exceeding Five Hundred Twenty-Five Thousand Dollars (\$525,000) water system revenue bonds or notes for the purposes of financing the replacement of lead service lines in the water system of the City, and all attendant expenses, including but not limited to, engineering costs, cost of borrowing, bond insurance costs, and a debt service reserve or the substitution of a surety policy, letter of credit or other eligible facility with respect thereto.

**IT IS ORDAINED BY THE CITY COUNCIL OF THE
CITY OF WOONSOCKET AS FOLLOWS:**

SECTION 1. The sum of Five Hundred Twenty-Five Thousand Dollars (\$525,000) is appropriated for the purpose of financing the replacement of lead service lines in the water system of the City, and all attendant expenses, including, but not limited to,

engineering costs, cost of borrowing, bond insurance costs, and a debt service reserve or the substitution of a surety policy, letter of credit or other eligible facility with respect thereto (the "Project").

SECTION 2. In accordance with Chapter 46-12.8 of the Rhode Island General Laws, and subject to the terms and conditions set forth herein, the City Treasurer and the Mayor are hereby authorized to borrow on behalf of the City, an amount not exceeding Five Hundred Twenty-Five Thousand (\$525,000) from the Rhode Island Infrastructure Bank, and to evidence such loan, such officers are hereby authorized to issue and refund on behalf of the City, in an amount not exceeding Five Hundred Twenty-Five Dollars (\$525,000) water system revenue bonds (the "Bonds") of the City, at one time, or from time to time in order to meet the foregoing appropriation.

SECTION 3. The said officers from time to time may issue and refund not exceeding \$525,000 interest bearing or discounted water system revenue notes (the "Notes") in anticipation of the issue of said Bonds.

SECTION 4. The Bonds and Notes shall be payable solely from revenues of the Woonsocket water system and the funds and accounts that are pledged under the Trust Indenture (defined below), subject to any rights of forgiveness of the Bonds and Notes that may be granted by or through the Rhode Island Infrastructure Bank in connection therewith. The City may issue bonds, notes, or other obligations on a parity with the Bonds and Notes on the terms and conditions as provided in the Trust Indenture (defined below). The purchaser, manner of sale, amount, denominations, maturities, conversion or registration privileges, interest rates, medium of payment, rights of forgiveness, and other terms, conditions and details of the Bonds or Notes may be fixed by the officers authorized to sign the Bonds or Notes.

SECTION 5. Pending the issuance of the Bonds under Section 2 hereof or pending or in lieu of the issue of Notes under Section 3 hereof, the City Treasurer, at the written direction of the City Council, may expend funds from other funds of the City for the purposes specified in Section 1 hereof. Any advances made under this section shall be repaid without interest from the proceeds of the Bonds or Notes issued hereunder or from the proceeds of applicable federal or state assistance or from other available funds.

SECTION 6. The City Treasurer and the Mayor are also authorized, empowered and directed, on behalf of the City, to: (i) execute, acknowledge and deliver one or more Supplemental Indentures to the Trust Indenture by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee to J.P. Morgan Trust Company, National Association (together with any successor trustee thereto, the "Trustee"), dated as of May 1, 2003, as supplemented (as supplemented, the "Trust Indenture") relating to the Bonds and Notes and any and all other loan agreements, documents, certificates or instruments deemed by such officers as necessary, desirable or advisable to effectuate such borrowing, including, without

limitation, loan agreements entered into with the Rhode Island Infrastructure Bank or other lender and agreements entered into with bond insurers or other credit enhancers; (ii) take such action or actions to facilitate the forgiveness of the Bonds or Notes by or through the Rhode Island Infrastructure Bank subject to such terms and conditions as such officers shall deem necessary, desirable or advisable; (iii) amend, modify or supplement the Bonds or Notes and any and all other loan agreements, documents, certificates, or instruments at any time and from time to time, in such manner and for such purposes as such officers shall deem necessary, desirable or advisable; (iv) direct the Trustee with regard to investments of trust funds pursuant to the Trust Indenture, and (v) do and perform all such other acts and things deemed by such officers to be necessary, desirable or advisable with respect to any matters contemplated by this Ordinance in order to effectuate said borrowing and the intent hereof.

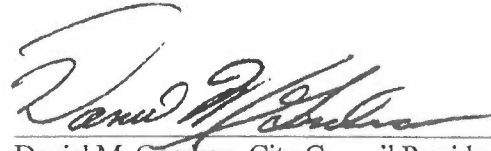
SECTION 7. The City Treasurer and the Mayor are hereby authorized to deliver the Bonds or Notes to the Rhode Island Infrastructure Bank or other lender as purchaser, and said officers are hereby authorized and instructed if the Bonds or Notes are issued as tax-exempt obligations, to take all actions, on behalf of the City, necessary to ensure, that interest on the Bonds or Notes will be excludable from gross income for federal income tax purposes and to refrain from all actions which would cause interest on the Bonds or Notes to become subject to federal income taxes.

SECTION 8. This Ordinance is an affirmative action of the City Council of the City toward the issuance of the Bonds and Notes in accordance with the purposes of the law of the State of Rhode Island. This Ordinance constitutes the City's declaration of official intent, pursuant to Treasury Regulation § 1.150-2, to reimburse the City for certain capital expenditures for the Project paid on or after the date which is sixty (60) days prior to the date of this Ordinance but prior to the issuance of the Bonds or Notes. Such amounts to be reimbursed shall not exceed \$525,000 and shall be reimbursed not later than eighteen (18) months after (a) the date on which the expenditure is paid or (b) the date the particular project is placed in service or abandoned, but in no event more than three (3) years after the date the expenditure is paid.

SECTION 9. The Mayor and the Finance Director are authorized to take all actions necessary to comply with federal tax and securities laws including Rule 15c2-12 of the Securities and Exchange Commission (the "SEC Rule") and to execute and deliver a Continuing Disclosure Certificate or Agreement in connection with the Bonds or Notes in the form as shall be deemed advisable by the City Treasurer and the Mayor in order to comply with the SEC Rule. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate or Agreement, as it may be amended from time to time. Notwithstanding any other provision of this Ordinance or the Bonds or Notes, failure of the City to comply with the Continuing Disclosure Certificate or Agreement shall not be considered an event of default; however, any Bondholder or Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or

specific performance by court order, to cause the City to comply with its obligations under this Section and under the Continuing Disclosure Certificate or Agreement.

SECTION 10. This Ordinance shall take effect on the eleventh consecutive day following its passage by the City Council as provided in Chapter III, Section 9, of the Woonsocket Home Rule Charter.



Daniel M. Gendron, City Council President
By request of the Administration

IN CITY COUNCIL October 3, 2022 - Read by title and passed for the first time
unanimously.

IN CITY COUNCIL October 17, 2022 - Read by title and passed unanimously.
Signed and approved by Mayor Gendron - October 18, 2022.

C

June 23, 2022

Mayor Lisa Baldelli-Hunt
City of Woonsocket
169 Main Street
Woonsocket RI 02895

RE: City of Woonsocket – Water Division - up to \$525,000 for Drinking Water Loan Active for the Replacement of Lead Service Lines

Dear Mayor Baldelli-Hunt,

I am pleased to inform you that the Board of Directors of Rhode Island Infrastructure Bank (the “Bank”), pursuant to policies and procedures adopted in accordance with the Safe Drinking Water Act Amendments of 1996 and Chapter 46-12.8 of the Rhode Island General Laws, has approved the June 3, 2022 application of the City of Woonsocket – Water Division (the “Borrower”) at the Bank’s June 21, 2022 Board Meeting. The Bank shall provide financial aid in the form of a loan on the terms stated below, in an amount not to exceed \$525,000 for a term not to exceed 20 years after project completion (the “Loan”). Subject to the terms of this letter and the closing documents, the Bank will forgive the Loan in its entirety.

This approval is subject to the Borrower meeting the following terms, that:

- 1) all projects to be funded appear on the Rhode Island Department of Health’s (“RIDOH”) Project Priority List and have Certificates of Approval (“COA”) issued;
- 2) the Loan complies with all applicable Federal, State, RIDOH and Bank laws, rules and regulations;
- 3) the Loan and debt service requirements be approved by any applicable regulatory agency;
- 4) a satisfactory loan agreement be signed by all parties to the transaction;
- 5) the Loan will be made subject to availability of funds as related to the Bank’s capacity; and,
- 6) that the Loan will be made subject to ranking on RIDOH’s Project Priority List.

TERMS AND CONDITIONS

1) **Division of Public Utilities and Carriers**

Prior to entering into a loan agreement, the Borrower must receive approval from the Division of Public Utilities and Carriers for entering into long-term financing with the Bank, if such approval is required by law, rule, or regulation.

2) **Certificate of Approval**

Prior to disbursement of funds by the Bank, the Bank must be in receipt of COA by RIDOH of the Borrower’s proposed project(s), pursuant to Title 46-12.8 of the Rhode Island General Laws, and rules and regulations promulgated thereunder.



3) **Loan Agreement**

The Bank and Borrower shall execute a loan agreement (the "Agreement") outlining the specific terms and conditions of the Bank's loan program, as more generally set forth below and in the Agreement, including the Loan to the Borrower. The Borrower's repayment obligation to the Bank under the Agreement will be evidenced by a Bond(s) of the Borrower outlining the Loan's specific terms and conditions (the "Bond(s)"). The Bonds shall be in fully marketable form, accompanied by documentation, in form and substance satisfactory to the Bank, and an opinion, in form and substance satisfactory to the Bank, of nationally recognized bond counsel satisfactory to the Bank as to its valid authorization, execution, delivery and enforceability. The general provisions of the Agreement, which will be more fully set forth prior to the time of the pricing of the loan by the Bank will include, without limitation, the following provisions:

(a) **Borrowing Rate**

The stated interest rate on the Bond, which is the Borrower's market rate (the "Market Rate"), is the prevailing market tax-exempt interest rate for issuers of comparable creditworthiness to the Borrower, as determined by the Bank on the advice of its financial advisor after consultation with the Borrower. The subsidized interest rate for the Loan is 25% off of the Market Rate (the "Subsidized Interest Rate"). The Borrower will be obligated by the Bond to pay the Market Rate, but will be billed only for the Subsidized Interest Rate. If the Borrower or other borrowers of the Bank should default in timely payment of debt service on the Loan or on the loans to such other borrowers of the Bank, the Bank may require the Borrower to pay up to the Market Rate on the Bond.

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

(b) **Amortization**

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

(c) **Final Maturity**

Loans shall mature up to twenty years after the completion of the funded projects.

(d) **Prepayments**



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

(e) **Security**

The Loan will have a pledge of (a) general revenues, (b) water system user fee revenues, and (c) may be secured by any assets and upon such other terms and conditions the Bank and Borrower deem appropriate to protect the interest of the other participants in the loan programs of the Bank, bondholders, other creditors of the Bank, or the finances of the Bank.

4) **Construction Progress Payments**

Progress payments for each construction project will be made through the Construction Proceeds Fund ("CPF"). Loan proceeds will be transferred to the CPF for the benefit of the Borrower based upon approved requisition forms submitted to the Bank. Upon receipt of the requisition form, the Bank will verify: a) that a COA has been issued by RIDOH; b) that the vendor is identified in the contract; and c) that there is sufficient availability in the CPF to make the payment. Payments will be made directly to the vendor and/or the Borrower for reimbursements by the Bank, and a "paid" stamped copy of the Requisition Form will be sent to the Borrower and RIDOH.

The Borrower acknowledges that RIDOH will perform periodic project inspections to a) monitor construction progress; b) verify eligibility of construction costs under the program; and c) ensure that construction is in conformity with Plans and Specifications. RIDOH will perform periodic inspections to a) monitor construction progress; b) verify eligibility of construction costs under the program and c) ensure that construction is in conformity with plans and specifications as submitted by the Borrower. RIDOH will provide a copy of the inspection report to the Bank. Any adverse conditions will be reported to the Bank who will suspend further payments until the adverse conditions have been rectified. RIDOH will perform a final project inspection before the final payment is made by the Bank.

5) **Reporting Requirements**

The Borrower will be required to provide the following information to the Bank during the life of the Loan:

- (a) a copy of the annual audited financial statements of the Borrower's water system in accordance with Generally Accepted Government Accounting Standards, annually within 9 months of end of fiscal year.
- (b) unless included as a part of the annual budget furnished pursuant to item 5(c) or the audited financial statements furnished pursuant to item 5(a), an analysis of operating revenues and expenses, including without limitation, a description of the



status of all revenues securing the Bond and of any operating expenses in excess of budget, annually within 9 months of the end of fiscal year.

(c) a copy of the annual budget of the Borrower's water system, within fifteen days of its adoption.

(d) copies of reports submitted to RIDOH, the U.S. Environmental Protection Agency ("EPA") and any other regulatory agency relating to any project financed by the Bank or the operation thereof, simultaneously with such submission.

(e) such other information or reports as and when the Bank may reasonably require.

6) Compliance with State and Federal Law

The Borrower shall comply with all applicable state and federal laws and regulations including but not limited to all requirements of the federal Safe Drinking Water Act, as amended and regulations issued thereunder, (see attached: Davis-Bacon prevailing wage requirements and EPA Guidance on Use of American Iron and Steel, as applicable).

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

7) Fees

An origination fee of the greater of \$1,000 or one percent 1% of the principal amount of the Loan will be payable to the Bank by the Borrower at the time of the Loan's closing. All other costs incidental to the Borrower's role in the transaction (i.e., legal fees, financial advisory fees, bond insurance premiums and the like, will be paid by the Borrower). The Bank will charge an annual service fee of three-tenths of one percent 0.3% of the Loan's outstanding principal, payable semi-annually at each interest payment date. A late payment fee will be charged for every 15 days that a payment is late of five percent 5% of the amount of the late payment.

8) Modifications

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

9) Merger

Once the Agreement, the Bond, and all other closing documents, in form and substance satisfactory to the Bank, associated with the making of the Loan (collectively, the "Closing Documents") are executed, the terms of this letter shall be merged with those of the Closing Documents. The terms of the Closing Documents will govern the extension of the Loan to



the Borrower. To the extent that any provisions contained in this letter are inconsistent with the definitive provisions contained in the Closing Documents, the terms of the Closing Documents shall control.

10) **Beneficiaries**

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

Please sign and return one original copy of this letter to the Bank at 235 Promenade Street, Suite 119, Providence, RI 02908 or via email.

I would like to take this opportunity to thank you for your participation in the Bank's loan program. Please be assured that every effort will be made to get the lowest total cost for your long-term capital needs. If you have any questions, please do not hesitate to contact me.

Very truly yours,

RHODE ISLAND INFRASTRUCTURE BANK

By:


Jeffrey R. Diehl
Executive Director and CEO

Accepted this 26th day of September, 2022

By: Lisa Balcells Hunt

Title: Mayer
Authorized Official

Read and approved for signature by
the Law Department

Initial LB
Date 9/22/22

Name and Address of Legal Counsel and/or Bond Counsel to the Borrower

Attorney
Paul Campellone
One Citizens Plaza 8th fl
Providence, RI 02903
Phone 427-6163

City of Woonsocket
Rhode Island



May 16, A.D. 2022

Resolution

**AUTHORIZING THE PUBLIC WORKS DEPARTMENT TO APPLY
FOR A DEPARTMENT OF HEALTH FORGIVABLE LOAN
FOR LEAD SERVICE LINE REPLACEMENT**

- WHEREAS,** The Woonsocket Water Division is responsible for providing quality drinking water and dependable service to more than fifty thousand customers; and
- WHEREAS,** more than one hundred residential customers have lead service lines bringing drinking water into their homes and lead is a known cause of health issues; and
- WHEREAS,** the Water Division has replaced the public portion of these service lines and is desirous of helping these customers replace the private portion of their service lines with less hazardous materials; and
- WHEREAS,** the Rhode Island Department of Health is offering to provide loans to water providers to finance lead service line replacement; and
- WHEREAS,** the Department of Health has announced that these loans will be forgivable, meaning that there will be no cost to the city; and
- WHEREAS,** the Director of Public Works would like to apply to the Department of Health for a forgivable loan in the amount of \$525,000 to finance the replacement of the remaining lead service lines.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL
OF THE CITY OF WOONSOCKET, RHODE ISLAND, AS FOLLOWS:**

- Section 1.** That the Director of Public Works is hereby authorized to apply for a Department of Health forgivable loan in the amount of \$525,000 for lead service line replacement.
- Section 2.** This Resolution shall take effect immediately upon its passage by the City Council.

Daniel M. Gendron
City Council President
By Request of the Administration

IN CITY COUNCIL May 16, 2022 - Read by title and passed unanimously.

February 8, 2023

Mayor Lisa Baldelli-Hunt
Mayor of Woonsocket
169 Main Street
Woonsocket, RI 02895

RE: Woonsocket Water Department - up to \$5,000,000 for Drinking Water State Revolving Fund Loan for water meter replacement

Dear Mayor Baldelli-Hunt,

I am pleased to inform you that the Board of Directors of Rhode Island Infrastructure Bank (the "Bank"), pursuant to policies and procedures adopted in accordance with the Safe Drinking Water Act Amendments of 1996 and Chapter 46-12.8 of the Rhode Island General Laws, has approved the June 8, 2022 application of the Woonsocket Water Department (the "Borrower") at the Bank's October 17, 2022 Board Meeting. The Bank will provide financial aid in the form of a loan on the terms stated below, in an amount not to exceed \$5,000,000 for a term not to exceed 20 years after project completion (the "Loan"). Subject to the terms of this letter and the closing documents, the Bank shall forgive up to \$2,000,000 of the Loan.

This approval is subject to the Borrower meeting the following terms, that:

- 1) all projects to be funded appear on the Rhode Island Department of Health's ("RIDOH") Project Priority List and have Certificates of Approval ("COA") issued;
- 2) the Loan complies with all applicable Federal, State, RIDOH and Bank laws, rules and regulations;
- 3) the loan and debt service requirements be approved by any applicable regulatory agency;
- 4) a satisfactory loan agreement be signed by all parties to the transaction (the "Agreement");
- 5) the loan will be made subject to availability of funds as related to the Bank's capacity; and,
- 6) that the loan will be made subject to ranking on RIDOH's Project Priority List.

TERMS AND CONDITIONS

1) Division of Public Utilities and Carriers

Prior to entering into the Agreement, the Borrower must receive approval from the Division of Public Utilities and Carriers to enter into long-term financing with the Bank, if such approval is required by law, rule, or regulation.

2) Certificate of Approval

Prior to disbursement of funds by the Bank, the Bank must be in receipt of COA by RIDOH of the Borrower's proposed project(s), pursuant to Title 46-12.8 of the Rhode Island General Laws, and any rules and regulations promulgated thereunder.



3) Loan Agreement

The Agreement shall outline the specific terms and conditions of the Bank's loan program, as more generally set forth below and in the Agreement, including the Loan to the Borrower. The Borrower's repayment obligation to the Bank under the Agreement will be evidenced by a Bond(s) of the Borrower outlining the Loan's specific terms and conditions (the "Bond(s)"). The Bonds shall be in fully marketable form, accompanied by documentation, in form and substance satisfactory to the Bank, and an opinion, in form and substance satisfactory to the Bank, of nationally recognized bond counsel satisfactory to the Bank as to its valid authorization, execution, delivery and enforceability. The general provisions of the Agreement, which will be more fully set forth prior to the time of the pricing of the loan by the Bank will include, without limitation, the following provisions:

(a) Borrowing Rate

The stated interest rate on the Bond, which is the Borrower's market rate (the "Market Rate"), is the prevailing market tax-exempt interest rate for issuers of comparable creditworthiness to the Borrower, as determined by the Bank on the advice of their financial advisor after consultation with the Borrower. The subsidized interest rate for the Loan is 25% off of the Market Rate (the "Subsidized Interest Rate"). The Borrower will be obligated by the Bond to pay the Market Rate but will be billed only for the Subsidized Interest Rate. If the Borrower or other borrowers of the Bank should default in timely payment of debt service on the Loan or on the loans to such other borrowers of the Bank, the Bank may require the Borrower to pay up to the Market Rate on the Bond.

Interest will be calculated based on a 360-day year and twelve thirty-day months, and may be capitalized during construction. Interest payments are semi-annually on March 1 and September 1.

(b) Amortization

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

(c) Final Maturity

The Loan will mature up to twenty years after the completion of the funded projects.

(d) Prepayments

A Loan may be prepaid by the Borrower at any time but may be subject to a prepayment penalty based on the cost of reinvesting the prepayment, the cost of



prepaying outstanding bonds of the Bank, or any other negative financial impact to the Bank.

(e) **Security**

The Loan will (a) have a pledge of general revenues, (b) have a pledge of water system user fee revenues, and (c) may be secured by any assets and upon such other terms and conditions the Bank and Borrower deem appropriate to protect the interests of the other participants in the loan programs of the Bank, bondholders, other creditors of the Bank, or the finances of the Bank.

4) **Construction Progress Payments**

Progress payments for each construction project will be made through the Construction Proceeds Fund ("CPF"). Loan proceeds will be transferred to the CPF for the benefit of the Borrower based upon approved requisition forms submitted to the Bank. Upon receipt of the requisition form, the Bank will verify: a) that a COA has been issued by RIDOH; b) that the vendor is identified in the contract; and c) that there is sufficient availability in the CPF to make the payment. Payments will be made directly to the vendor and/or the Borrower for reimbursements by the Bank, and a "paid" stamped copy of the requisition form will be sent to the Borrower and RIDOH.

The Borrower acknowledges that RIDOH may perform periodic project inspections to a) monitor construction progress; b) verify eligibility of construction costs under the program; and c) ensure that construction is in conformity with plans and specifications as submitted by the Borrower. RIDOH will perform periodic inspections to a) monitor construction progress; b) verify eligibility of construction costs under the program and c) ensure that construction is in conformity with Plans and Specifications. RIDOH will provide a copy of the inspection report to the Bank. Any adverse conditions will be reported to the Bank who will suspend further payments until the adverse conditions have been rectified. RIDOH will perform a final project inspection before the final payment is made by the Bank.

5) **Reporting Requirements**

The Borrower shall provide the following information to the Bank during the life of the Loan:

- (a) a copy of the annual audited financial statements of the Borrower's water system in accordance with Generally Accepted Government Accounting Standards, within 9 months of the end of each fiscal year.
- (b) unless included as a part of the audited financial statements furnished pursuant to item 5(a) or the annual budget furnished pursuant to item 5(c), an analysis of operating revenues and expenses, including without limitation, a description of the



status of all revenues securing the Bond and of any operating expenses in excess of budget, annually within 9 months of the end of fiscal year.

(c) a copy of the annual budget of the Borrower's water system, within fifteen days of its adoption.

(d) copies of reports submitted to RIDOH, the federal Environmental Protection Agency ("EPA") and any other regulatory agency relating to any project financed by the Loan, simultaneously with such submission.

(e) such other information or reports as and when the Bank may reasonably require.

6) Compliance with State and Federal Law

The Borrower must comply with all applicable state and federal laws and regulations, including but not limited to the federal Safe Drinking Water Act, as amended and regulations issued thereunder, Davis-Bacon prevailing wage requirements, and EPA Guidance on Use of American Iron and Steel.

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

7) Fees

An origination fee of the greater of \$1,000 or 1% of the principal amount of the Loan will be payable to the Bank by the Borrower at the time of the Loan's closing. All other costs incidental to the Borrower's role in the transaction (i.e., legal fees, financial advisory fees, bond insurance premiums and the like, shall be paid by the Borrower). The Bank will charge an annual service fee of 0.3% of the Loan's outstanding principal, payable semi-annually at each interest payment date. A late payment fee will be charged for every 15 days that a payment is late of 5% of the amount of the late payment.

8) Modifications

The Bank and the Borrower may waive or modify any provisions herein or agree to additional requirements as appropriate.

9) Merger

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



with the definitive provisions contained in the Closing Documents, the terms of the Closing Documents shall control.

10) **Beneficiaries**

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

Please sign and return one original copy of this letter to the Bank at 235 Promenade Street, Suite 119, Providence, RI 02908 or via email.

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

Very truly yours,

RHODE ISLAND INFRASTRUCTURE BANK

By: _____


Jeffrey R. Diehl
Executive Director and CEO

Accepted this _____ day of _____, 2023

By: _____

Title: _____
Authorized Official

Name and Address of Legal Counsel and/or Bond Counsel to the Borrower

