

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series 2007 B Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Series 2007 B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, income on the Series 2007 B Bonds, including any profit made on the sale thereof, shall at all times be free from taxation by the State of Rhode Island and Providence Plantations (the "State") and any political subdivision of the State. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 B Bonds. (See "TAX EXEMPTION" and APPENDIX H – Form of Approving Opinion of Bond Counsel herein.)

\$19,615,000

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2007 B (POOLED ISSUE)**

Dated: Date of Delivery**Due: May 15 of the years shown on the inside cover**

The Series 2007 B Bonds will be issued only as fully registered bonds without coupon and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2007 B Bonds. Purchases of the Series 2007 B Bonds may be made only in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial ownership interest in the Series 2007 B Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in the Series 2007 B Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co, as aforesaid, and shall not mean the Beneficial Owners. (See "THE SERIES 2007 B BONDS" – Book-Entry Only System" herein.)

Interest on each Series 2007 B Bond will be payable on May 15 and November 15 of each year, commencing May 15, 2008. Principal of, semiannual interest, Sinking Fund Installments and Redemption Price, if any, on the Series 2007 B Bonds will be paid by The Bank of New York Trust Company, N.A. (the "Trustee") and as paying agent (the "Paying Agent"), to Cede & Co., as nominee of DTC in accordance with the maturity schedule herein. As long as DTC or its nominee, Cede & Co., is the Bondowner, such payments to the DTC Participants are the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as described herein. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months.

Payment of the principal of and interest on the Series 2007 B Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued by Ambac Assurance Corporation (the "Insurer" or "Ambac Assurance") simultaneously with the delivery of the Series 2007 B Bonds.

Ambac

The Series 2007 B Bonds are subject to optional and mandatory redemption at par prior to maturity as set forth in this Official Statement.

The Series 2007 B Bonds shall be special obligations of Rhode Island Health and Educational Building Corporation (the "Corporation") and, except to the extent payable from the proceeds received from the sale thereof or from other sources as described herein, will be payable solely from and secured by a pledge of payments to be made by certain municipal or governmental borrowers detailed in Appendix A hereto (collectively, the "Borrowers") in the State pursuant to separate Financing Agreements (collectively, the "Financing Agreements"), dated as of August 1, 2007, between the Corporation and such Borrowers, and all funds and accounts (except the Arbitrage Rebate Fund and the Administrative Fund) authorized under a Master Trust Indenture between the Corporation and the Trustee dated as of June 15, 2006 (the "Master Indenture") and a Series Indenture between the Corporation and the Trustee dated as of August 1, 2007 (the "Series 2007 B Series Indenture"), authorizing the Series 2007 B Bonds. None of the funds and accounts established under the Series 2007 B Series Indenture to secure the Series 2007 B Bonds shall secure any other Series of Bonds. There are no debt service reserve funds securing the Series 2007 B Bonds and no real property of any Borrowers secures the Series 2007 B Bonds. No Borrower will be responsible for the payment obligations of any other Borrower nor will the general obligation pledge of a Borrower be available to satisfy the obligation of another Borrower. If such Revenues are insufficient to pay the full amount of the deficiency, the only source of payment for the Series 2007 B Bonds would be payment by the Insurer under the Policy.

Each Borrower is required under its Financing Agreement to deliver its general obligation bonds (the "Borrower Bonds") to the Corporation to evidence its obligation to repay the loan (the "Loan") to be made by the Corporation to the Borrowers from proceeds of the Series 2007 B Bonds relating to such Financing Agreement. The principal and Redemption Price of and interest on the Borrower Bonds ("Loan Repayments") are scheduled to be sufficient to repay, when due, the principal, Sinking Fund Installments and Redemption Price of and interest on the Loan. Each Borrower is also required under its Financing Agreement to pay such amounts as are required to be paid under the Financing Agreement, including the fees and expenses of the Corporation and the Trustee. To secure its payment of all amounts due under its Financing Agreement, each Borrower under its Financing Agreement has pledged its full faith and credit and taxing power (its "General Obligation Pledge"). The Corporation has assigned the Revenues, which include amounts payable by each Borrower under the Applicable Borrower Bonds and Applicable State Housing Aid, to the extent received by the Corporation with respect to the Applicable Borrower Bonds. Each Borrower has acknowledged that the State Housing Aid to be paid directly to the Trustee pursuant to an assignment by the Corporation and upon the occurrence of certain events of default under its Financing Agreement as provided in the School Aid Act (as defined herein) and the Memorandum of Understanding by and among the Corporation, the General Treasurer of the State of Rhode Island ("General Treasurer") and the Controller of the State of Rhode Island (the "State Controller") and acknowledged by the Rhode Island Department of Elementary and Secondary Education dated June 27, 2006 and amended and restated on September 20, 2006 (the "MOU"). The Series 2007 B Bonds will be secured by the pledge and assignment to the Trustee of the payments to be made by each Borrower to the Corporation under its Financing Agreement and on the Borrower Bonds relating to the Series 2007 B Bonds and under the Financing Agreements relating to the Series 2007 B Bonds.

NEITHER THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS NOR THE CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS AND REDEMPTION PRICE OR INTEREST ON THE SERIES 2007 B BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2007 B SERIES INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, SINKING FUND INSTALLMENTS AND REDEMPTION PRICE OR INTEREST ON THE SERIES 2007 B BONDS. THE CORPORATION DOES NOT HAVE TAXING POWER. PURSUANT TO RHODE ISLAND GENERAL LAWS SECTIONS 16-7-35 TO 16-7-47, AS AMENDED (THE "SCHOOL AID ACT") THE STATE PROVIDES CONSTRUCTION AID TO MUNICIPALITIES AND REGIONAL SCHOOL DISTRICTS FOR THE COST OF BUILDING OR RENOVATING PUBLIC SCHOOLS ("SCHOOL HOUSING AID"). PAYMENTS OF SCHOOL HOUSING AID ARE SUBJECT TO ANNUAL APPROPRIATION BY THE RHODE ISLAND GENERAL ASSEMBLY AND DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE.

The Series 2007 B Bonds will be offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and the approval of legality and certain other matters by Edwards Angell Palmer & Dodge LLP, Providence, Rhode Island, Bond Counsel, as well as certain other conditions. Certain legal matters will be passed upon for the Corporation by its counsel, Moses Afonso Jackvony Ltd., Providence, Rhode Island, and for the Underwriters by their counsel, Partridge Snow & Hahn LLP, Providence, Rhode Island. First Southwest Company is serving as financial advisor for the Corporation in this transaction. The Series 2007 B Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about August 15, 2007.

Merrill Lynch & Co.**UBS Investment Bank**

Dated: August 1, 2007

\$19,615,000

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2007 B (POOLED ISSUE)**

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

<u>Maturity</u> <u>May 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ^{**}	<u>Maturity</u> <u>May 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ^{**}
2008	\$175,000	4.25%	3.68%	762243VS9	2015	\$ 905,000	4.25%	4.05%	762243VZ3
2009	715,000	4.25	3.72	762243VT7	2016	945,000	4.50	4.12	762243WA7
2010	750,000	4.25	3.75	762243VU4	2017	985,000	4.50	4.17	762243WB5
2011	785,000	4.25	3.79	762243VV2	2018	945,000	4.25	4.27	762243WC3
2012	815,000	4.25	3.85	762243VW0	2019	985,000	4.25	4.36	762243WD1
2013	845,000	4.25	3.92	762243VX8	2020	1,035,000	4.50	4.45*	762243WE9
2014	880,000	4.25	3.98	762243VY6	2021	1,085,000	5.00	4.39*	762243WF6

\$2,335,000 5.00% Term Bonds Due May 15, 2023, Price 104.466 to yield 4.43* CUSIP 762243WG4
\$5,430,000 5.00% Term Bonds Due May 15, 2027, Price 103.824 to yield 4.51* CUSIP 762243WH2

* Yield to the May 15, 2017 optional redemption date at a redemption price of 100%.

** The CUSIP Numbers have been assigned by an independent company not affiliated with the Corporation and are included solely for the convenience of the holders of the Series 2007 B Bonds. Neither the Underwriters, nor the Borrowers, nor the Corporation is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2007 B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2007 B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2007 B Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2007 B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters may offer and sell the Series 2007 B Bonds to certain dealers (including dealers depositing Series 2007 B Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page hereof.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of Series 2007 B Bonds in any jurisdiction in which such an offer or solicitation is not authorized or in which it is unlawful to make such an offer or solicitation. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Corporation, the Borrowers or the Underwriters.

The information set forth herein has been obtained from the Corporation, the Borrowers and other sources all of which are believed to be reliable, but it is not guaranteed as to its accuracy or completeness and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. The information and expressions of opinion set forth herein are made as of the date hereof and are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, in the circumstances, create any implication that there has been no change in the affairs of the Corporation or the Borrowers or in any other matter since the date hereof.

The Corporation and each of the Borrowers has agreed to enter into a Continuing Disclosure Agreement pursuant to which the Corporation and each Borrower will provide certain continuing disclosure to the extent required by law. The purpose of the Continuing Disclosure Agreement is to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein.

Other than with respect to information concerning Ambac Assurance Corporation (the "Insurer" or "Ambac Assurance") contained under the caption "BOND INSURANCE AND DESCRIPTION OF THE INSURER" and APPENDIX J – "Specimen Financial Guaranty Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Ambac Assurance and Ambac Assurance makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2007 B Bonds; or (iii) the tax-exempt status of the interest on the Series 2007 B Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Corporation and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Corporation and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UPON ISSUANCE, THE SERIES 2007 B BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW, AND NEITHER THE MASTER INDENTURE NOR THE SERIES 2007 B SERIES INDENTURE HAVE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS. THE SERIES 2007 B BONDS WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE AND NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY HEREOF.

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OFFICIAL STATEMENT

Relating To

\$19,615,000

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2007 B (POOLED ISSUE)**

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information in connection with the issuance and sale by the Rhode Island Health and Educational Building Corporation (the "Corporation"), a public body corporate and agency of the State of Rhode Island and Providence Plantations (the "State") of its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 B (Pooled Issue) in the aggregate principal amount of \$19,615,000 (the "Series 2007 B Bonds"). The Corporation is authorized under Chapter 38.1 of Title 45 of the General Laws of Rhode Island (the "Act"), and pursuant to a resolution of the Corporation adopted on July 17, 2007 (the "Resolution") to issue the Series 2007 B Bonds. The Series 2007 B Bonds will be issued and secured under a Master Trust Indenture dated as of June 15, 2006 (the "Master Indenture") by and between the Corporation and The Bank of New York Trust Company, N.A., as trustee (the "Trustee") and a Series Indenture dated as of August 1, 2007 (the "Series 2007 B Series Indenture") between the Corporation and the Trustee. The Trustee is also bond registrar and paying agent for the Series 2007 B Bonds.

The Series 2007 B Bonds will be issued pursuant to the Master Indenture and the Series 2007 B Series Indenture. Each of the Borrowers will enter into a separate Financing Agreement with the Corporation for the purpose of financing or refinancing its respective school projects from the proceeds of the Series 2007 B Bonds (the "Financing Agreements").

The Master Indenture authorizes the issuance of multiple Series of Bonds. Each Series of Bonds is to be separately secured by (i) the funds and accounts established pursuant to a series indenture, (ii) certain payments to be made under the Financing Agreement by each Borrower receiving a Loan to be funded from the proceeds of such Series of Bonds, and (iii) certain State Housing Aid to the extent received by the Corporation. None of the funds and accounts established under any series indenture or the pledge of the Revenues to secure a Series of Bonds shall secure any other Series of Bonds. However, if more than one Series of Bonds has been issued to finance or refinance projects for a particular Borrower, the Applicable State Housing Aid for such Borrower will secure all such Series of Bonds on a parity basis. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 B BONDS – Issuance of Additional Bonds"). The Corporation has previously issued its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2006 A (Pooled Issue) (the "Series 2006 Pool") and its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 A (Pooled Issue) (the "Series 2007 A Pool"). Among the Borrowers in the Series 2006 Pool is the Town of Tiverton.

The Series 2007 B Bonds are special obligations of the Corporation payable solely from the payments to be made by the Borrowers under their respective Financing Agreements. Payments due under each Financing Agreement ("Loan Repayments") are scheduled to be sufficient to pay the Borrower's proportionate share of the principal, Sinking Fund Installments and Redemption Price of and interest of the Series 2007 B Bonds, from the proceeds of which each Borrower will receive a loan ("Loan"). Each Financing Agreement also requires the Borrower to pay fees and expenses of the Corporation and the Trustee. Pursuant to the Master Indenture, the payments and the Corporation's right to receive the same from all Financing Agreements in respect of the Series 2007 B Bonds have been pledged to the Trustee to secure solely such Series of Bonds and no other Series of Bonds.

No Borrower will be responsible for the payment obligations of any other Borrower nor will the General Obligation Pledge of a Borrower be available to satisfy the obligation of another Borrower. A failure to pay an amount when due by a single Borrower under its Financing Agreement in respect of the Series 2007 B Bonds would

result in a intercept of the State Housing Aid relating to other bonds, notes or other evidence of indebtedness of such Borrower previously issued or subsequently issued in an amount required to pay such deficiency. If such Revenues are insufficient to pay the full amount of the deficiency, the only source of payment for the Series 2007 B Bonds would be the payment made by the Insurer under the Policy. If a Borrower fails to pay amounts due under its Financing Agreement, the Corporation's sole recourse will be against the defaulting Borrower and no other Borrower. Further, upon the occurrence of such an event of default, none of the Corporation, the holders of the Bonds of such Series or the Insurer will have the right to accelerate the obligation of the defaulting Borrower under its Financing Agreement. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 B BONDS – Payment of the Series 2007 B Bonds" and "BOND INSURANCE AND DESCRIPTION OF INSURER" herein.

The Series 2007 B Bonds will be secured by the pledge and assignment to the Trustee of payments due under all Financing Agreements with Borrowers, including Loan Repayments and all funds and accounts authorized by the Master Indenture and established by the Series 2007 B Series Indenture authorizing the Series 2007 B Bonds (with the exception of the Arbitrage Rebate Fund and the Administrative Fund). Each Borrower will deliver its Borrower Bonds to the Corporation to evidence its obligation to repay its Loan, will pledge its full faith and credit to the payment of the principal of and interest on its Borrower Bonds and has the power and is required under the State statues to levy and collect ad valorem taxes on all its taxable property for such payment. The Corporation, as the holder of such Borrower Bonds, will have the right to remedies provided for by the State Constitution and applicable statutes to the holder of general obligation bonds.

To secure payment of all amounts due under its Financing Agreement, each Borrower has given its General Obligation Pledge to the Corporation. Each, under its Financing Agreement, has directed and acknowledged that Applicable State Housing Aid is to be paid directly to the Trustee as provided in the School Aid Act (as defined herein) and Memorandum of Understanding by and among the Corporation, the General Treasurer and the State Controller and acknowledged by the Rhode Island Department of Elementary and Secondary Education dated June 27, 2006, and amended and restated on September 20, 2006 (the "MOU") and that after the occurrence of an event of default resulting from the failure to pay the amounts due under its Financing Agreement, State Housing Aid relating to other bonds, notes and evidences of indebtedness may be intercepted and applied to the payment of the Series 2007 B Bonds. The School Aid Act authorizes an intercept mechanism under which the General Treasurer shall pay the State Housing Aid assigned by a Borrower to the Corporation directly to the Trustee pursuant to an assignment from the Corporation. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 B BONDS – Security for the Series 2007 B Bonds."

The determination of the amount of State Housing Aid and the apportionment of such State Housing Aid are legislative acts and the General Assembly may amend or repeal the statues relating to State Housing Aid and the formulas which determine the amount of State Housing Aid payable to the Borrowers. Such amendments could result in the increase, decrease or elimination of the amount of the State Housing Aid available for the payment of debt service on the Series 2007 B Bonds. The financial condition of the State may affect the amount of State Housing Aid appropriated by the General Assembly.

NEITHER THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS NOR THE CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, REDEMPTION PRICE OF OR INTEREST ON, THE SERIES 2007 B BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2007 B SERIES INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, SINKING FUND INSTALLMENTS AND REDEMPTION PRICE OR INTEREST ON THE SERIES 2007 B BONDS. THE CORPORATION DOES NOT HAVE TAXING POWER.

The purchase of the Bonds involves a degree of risk. Prospective purchasers should carefully consider the material under the "RISK FACTORS" herein.

The summaries contained herein are not comprehensive or definitive. All references to the Series 2007 B Bonds, the Master Indenture, the Series 2007 B Series Indenture, the Financing Agreements, the Borrower Bonds and the Memorandum of Understanding are qualified in their entirety by the definitive forms thereof. Copies of the documents will be made available by the Underwriters to any prospective purchasers upon request.

Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the meanings specified in APPENDIX D - "Definitions" attached hereto. Terms not otherwise defined in this Official Statement have the meanings provided in the specific documents.

THE SERIES 2007 B BONDS

Description of the Bonds

The Series 2007 B Bonds will be dated the date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2007 B Bonds will be issued as fully registered bonds. The Series 2007 B Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2007 B Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2007 B Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for any Series of the Bonds, the Bonds of such Series will be exchangeable for other fully registered Bonds of such Series in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Master Indenture. See "THE SERIES 2007 B BONDS - Book-Entry Only System" and "APPENDIX F – Summary of Certain Provisions of the Master Indenture and the Series Indenture" herein.

Interest on the Series 2007 B Bonds will be payable by check or draft mailed to the registered owners thereof at the address thereof as it appears on the registration books held by the Trustee, or, at the option of a Holder of at least \$1,000,000 in principal amount of the Bonds of a Series of Bonds by wire transfer to the Holder of the Bonds of such Series, each as of the close of business on the fifteenth day preceding an interest payment date. The principal or redemption price of the Series 2007 B Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Trust Company, N.A., the Trustee and Paying Agent. As long as the Series 2007 B Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "THE SERIES 2007 B BONDS - Book-Entry Only System" herein.

For a more complete description of the Series 2007 B Bonds, see "APPENDIX F – Summary of Certain Provisions of the Master Indenture and the Series Indenture".

Redemption Provisions

The Series 2007 B Bonds are subject to optional and mandatory redemption as described below.

Optional Redemption

The Series 2007 B Bonds maturing on or before May 15, 2017 are not subject to optional redemption prior to maturity. The Series 2007 B Bonds maturing after May 15, 2017 are subject to redemption prior to maturity on or after May 15, 2017 in any order of maturity, at the option of the Corporation, as a whole or in part at any time, at a Redemption Price of 100% of the principal amount of the Series 2007 B Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption date.

Mandatory Redemption

The 2007 B Bonds maturing on May 15, 2023 are also subject to redemption, in part, on each of the dates of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of 2007 B Bonds specified for each of the dates shown below:

<u>May 15</u>	<u>Principal Amount</u>
2022	\$1,140,000
2023	1,195,000 ⁺

⁺Maturity

The 2007 B Bonds maturing on May 15, 2027 are also subject to redemption, in part, on each of the dates of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of 2007 B Bonds specified for each of the dates shown below:

<u>May 15</u>	<u>Principal Amount</u>
2024	\$1,255,000
2025	1,320,000
2026	1,390,000
2027	1,465,000 ⁺

⁺Final Maturity

Book-Entry Only System

The information under this heading has been furnished by DTC, New York, New York. None of the Corporation, the Underwriters or the Borrowers make any representations as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2007 B Bonds. The Series 2007 B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Series 2007 B Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and

Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2007 B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 B Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct and Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 B Bonds, except in the event that use of the book-entry system for the Series 2007 B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds issued are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, Sinking Fund Installments, Redemption Price, if any, and interest payments on the Series 2007 B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, the Borrowers, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation and Paying Agent; disbursement of such payments to Direct Participants shall be the responsibility of DTC; and

disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2007 B Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION, THE BORROWERS AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT NEITHER THE CORPORATION, THE BORROWERS NOR THE UNDERWRITERS TAKE RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE CORPORATION, THE BORROWERS, THE PAYING AGENT, THE UNDERWRITERS, AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2007 B BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2007 B BONDS.

Neither the Corporation, the Borrowers, the Underwriters, the Trustee, nor the Paying Agent shall have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC or any Participant with respect to any beneficial ownership interest of the Series 2007 B Bonds; (ii) the delivery to any Participant, Beneficial Owner of the Series 2007 B Bonds or other person, other than DTC, of any notice with respect to the Bonds; (iii) the payment to any Participant, Beneficial Owner of the Series 2007 B Bonds or other person, other than DTC of any amount with respect to the principal of, premium, if any, or interest on, the Series 2007 B Bonds; (iv) any consent given by DTC as registered owner; or (v) the selection by DTC or any Participant of any Beneficial Owners to receive payment if the Series 2007 B Bonds are redeemed in part.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2007 B Bonds at any time by giving reasonable notice to the Corporation and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Notice of Redemption and Other Notices

So long as DTC or its nominee is the Bondowner, the Borrowers, the Corporation, the Trustee and the Paying Agent will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance or notices and other communications by DTC to Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as maybe in effect from time to time.

If the Series 2007 B Bonds to be redeemed are Book-Entry Only Bonds, the Trustee shall give notice of redemption to DTC not less than thirty five (35) prior to the date fixed for redemption and otherwise comply with

the Master Indenture notice requirements. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption. For a more complete description of the Series 2007 B Bonds and their notice provisions for redemption see “APPENDIX F – Summary of Certain Provisions of the Master Indenture and the Series Indenture”.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 B BONDS

Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for the Series 2007 B Bonds issued under the Master Indenture. These provisions have been summarized and this description does not purport to be complete. References should be made to the School Aid Act, the Master Indenture, the Series 2007 B Series Indenture, the Financing Agreements, the Memorandum of Understanding and the Borrower Bonds for a more complete description of such provisions. Copies of the School Aid Act, the Master Indenture, the Series 2007 B Series Indenture, each Financing Agreement, the Memorandum of Understanding and the Borrower Bonds are on file with the Corporation and/or the Trustee. See also “APPENDIX E – Summary of Certain Provisions of the Financing Agreements” and “APPENDIX F – Summary of Certain Provisions of the Master Indenture” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2007 B Bonds

The Series 2007 B Bonds will be special obligations of the Corporation. The principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007 B Bonds are payable solely from the Revenues pledged to the Series 2007 B Bonds. The Revenues consist of the payments paid by all Borrowers under their Applicable Financing Agreements, including Loan Repayments and the State Housing Aid to the extent received by the Corporation. The Revenues and the right to receive them have been pledged to the Trustee for the payment of the Series 2007 B Bonds.

Loan Repayments in respect to the Series 2007 B Bonds are to be paid by each Borrower on the dates and in the amounts specified in each Financing Agreement and the Borrower Bonds, which dates are at least forty-five (45) days prior to the dates on which principal and interest are next due on the Series 2007 B Bonds and which amounts are scheduled to be sufficient to pay principal and interest on the Series 2007 B Bonds.

No Borrower will be responsible for the payment obligations of any other Borrower nor will the General Obligation Pledge of a Borrower be available to satisfy the obligation of any other Borrower. A failure to pay an amount when due by a single Borrower under its Financing Agreement in respect to the Series 2007 B Bonds would result in an intercept of the State Housing Aid of such Borrower in an amount required to pay such deficiency. If such Revenues are insufficient to pay the full amount of the deficiency, the only source of payment for the Series 2007 B Bonds would be the payment made by the Insurer under the Policy. If a Borrower fails to pay amounts due under its Financing Agreement, the Corporation’s sole recourse will be against the defaulting Borrower and no other Borrower. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 B BONDS – Security for the Series 2007 B Bonds” and “BOND INSURANCE AND DESCRIPTION OF INSURER” herein.

The Series Indenture and the MOU also provide that, to the extent that (i) the Corporation issues more than one Series of Bonds to finance Loans to a particular Borrower, (ii) the Corporation does not receive sufficient payments from the Borrower to meet such Borrower’s payment obligations with respect to all such Series of Bonds, and (iii) the State Housing Aid payable to such Borrower is insufficient to fully make up such deficiency, then the General Treasurer will intercept State Housing Aid due to the Borrower relating to other bonds, notes and other evidence of indebtedness and direct said aid to the trustee for each such Series of Bonds.

Security for the Series 2007 B Bonds

The Series 2007 B Bonds will be secured by the pledge and assignment to the Trustee of all payments payable by all Borrowers under their Financing Agreements, and all funds and accounts authorized by the Master Indenture and established by the Series 2007 B Series Indenture authorizing the Series 2007 B Bonds (with the exception of the Arbitrage Rebate Fund and the Administrative Fund), and the State Housing Aid to the extent received by the Corporation in respect of the Series 2007 B Bonds; provided however, that certain earnings on amounts held in the Debt Service Fund will be released to the applicable Borrowers and prior to such release will secure only the proportionate amount of the Series 2007 B Bonds relating to the Loan of such Borrowers. There is no debt service reserve fund securing the Series 2007 B Bonds. Pursuant to the terms of the Master Indenture, the funds and accounts established by the Series 2007 B Series Indenture authorizing the Series 2007 B Bonds secure only the bonds of such Series and do not secure any other Series of Bonds issued under the Master Indenture. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 B BONDS – Issuance of Additional Bonds” herein.

Payments Under the Financing Agreements and Borrower Bonds. Each Borrower will, pursuant to its Financing Agreement, deliver its Borrower Bonds to the Corporation to evidence its obligation to repay the Loan made by the Corporation to such Borrower. No Series 2007 B Bonds are secured by any interest in any real property of any Borrower. The Borrower Bonds are general obligations of such Borrower. Each Borrower will pledge its full faith and credit to the payment of the principal of and interest on the Borrower and has the power and is required under State statutes to levy and collect ad valorem taxes on all taxable property of the Borrower for such payment. Each Borrower’s obligation to pay the amounts due under its Financing Agreement is absolute and unconditional without any right of set-off, recoupment or counterclaim against the Corporation.

The Corporation has covenanted for the benefit of the Holders of the Series 2007 B Bonds that it will not create or cause to be created any lien or charge upon the Revenues specifically pledged to secure the Series 2007 B Bonds, the proceeds of the Series 2007 B Bonds or the funds or accounts established under the Series 2007 B Series Indenture authorizing such Series 2007 B Bonds which is prior to the pledge made by the Master Indenture for such Series, except for the State Housing Aid for any Borrower, for which the Corporation has issued more than one Series of Bonds to finance Loans to such Borrower, which will secure all such Series of Bonds on a parity basis. The Corporation has previously issued its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2006 A (Pooled Issue) (the “Series 2006 Pool”) and its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 A (Pooled Issue) (the “Series 2007 A Pool”). Among the Borrowers in the Series 2006 Pool is the Town of Tiverton.

State Housing Aid. Each Borrower under its Financing Agreement has acknowledged that State Housing Aid relating to the Borrower Bonds is to be paid directly to the Trustee as provided in the School Aid Act and the MOU and that upon the occurrence of certain events of default under its Financing Agreement State Housing Aid relating to other bonds, notes and evidences of indebtedness may be intercepted and applied to the payment of the Series 2007 B Bonds. State Housing Aid of one Borrower will not be available to satisfy the obligation of any other Borrower.

Pursuant to Rhode Island General Laws Sections 16-7-35 to 16-7-47, as amended (the “School Aid Act”), the State provides construction aid to Rhode Island municipalities and regional school districts for the cost of building or renovating public schools (“State Housing Aid”). All buildings constructed or renovated since July 1, 1949 are eligible for assistance to a minimum of 30% of the full cost of such buildings. Such assistance level may be further increased by a formula, which takes into account the equalized assessed valuation and debt service burden of the particular municipality. The legislation authorizing State Housing Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly.

School housing project costs include the cost of interest on any bond issued after July 1, 1988. For projects approved by the voters after June 30, 2003, the cost of interest on any bond will be reimbursed as an eligible project cost only if the bonds for these projects are issued through the Corporation. The legislation authorizing State

Housing Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly. State aid reimbursement for school construction projects is based on the share ratio established for that year by the Rhode Island Department of Education. This ratio can vary from year to year.

The School Aid Act authorizes an intercept mechanism under which the General Treasurer shall pay the State Housing Aid directly to the Corporation or its designee. Pursuant to the Financing Agreement and the MOU, if a Borrower shall not have paid the scheduled Loan payments, then the Corporation shall send a notice to the General Treasurer, the Controller and the Rhode Island Department of Elementary and Secondary Education so stating, and requesting the General Treasurer to deduct from the Borrower's State Housing Aid an amount sufficient to pay the Loan payments and pay such amounts directly to the Trustee.

There can be no assurance that the amount of a Borrower's State Housing Aid will be sufficient to pay the amount of any deficiency in Loan Repayments payable by such Borrower.

The State Aid Act has various restrictions. Under current law, State Housing Aid only applies to those projects undertaken at school facilities under the care and control of a school committee and located on school property. In addition, facilities with combined school and municipal uses or facilities that are operated jointly with any other profit or non-profit agency do not qualify for State Housing Aid. Therefore, in the event that a facility (i) ceases to be under the care and control of a school committee, (ii) is located on property which ceases to be school property, (iii) becomes a facility with joined school and municipal uses, or (iv) becomes jointly operated with a profit or non-profit agency, a project will no longer qualify for State Housing Aid and payments of State Housing Aid in respect to such project shall be discontinued.

Issuance of Additional Bonds

In addition to the Series 2007 B Bonds, the Master Indenture authorizes the issuance of other Series of Bonds for other borrowers and for specified purposes, including to refund Outstanding Bonds issued under the Master Indenture. Each Series of Bonds issued under the Master Indenture will be separately secured by the pledge and assignment of the Applicable Revenues, the Applicable State Housing Aid, to the extent received by the Corporation, the proceeds from the sale of such Series of Bonds and all funds and accounts (with the exception of the Arbitrage Rebate Fund and the Administrative Fund) authorized by the Applicable Series Indenture.

The Master Indenture and the MOU also provide that, to the extent that (i) the Corporation issues more than one Series of Bonds to finance Loans to a particular Borrower, (ii) the Corporation does not receive sufficient payments from the Borrower to meet such Borrower's payment obligations with respect to all such Series of Bonds, and (iii) the State Housing Aid payable to such Borrower is insufficient to fully make up such deficiency, then the General Treasurer will deduct the amount of State Housing Aid due to the Borrower and direct said State Housing Aid to the Trustee for each such Series of Bonds until such deficiency is made up.

General

The Series 2007 B Bonds will not be a debt of the State nor will the State be liable thereon. The Corporation has no taxing power. The Corporation has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "THE CORPORATION" herein.

Defaults and Remedies under the Financing Agreements

Among the events which would constitute an "event of default" under a Financing Agreement are the failure by the Borrower to pay the amounts due under the Financing Agreement as evidenced by its Borrower Bonds or any other amounts due under the Financing Agreement or to observe or perform any of the covenants, conditions or agreements contained in the Financing Agreement which continues for the applicable grace period after notice of such failure has been given to such Borrower. In the event any such event of default happens as a result of a failure to pay the amounts due under the Financing Agreement, the Corporation may direct payment to the Trustee pursuant

to the State Housing Aid intercept mechanism authorized by the School Aid Act and implemented by the MOU of certain State Housing Aid payable by the State to such Borrower. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 B BONDS” herein. In the event any other event of default happens and continues, the Corporation may exercise a number of remedies, including such remedies as are available to the holder of the Borrower Bonds, and any other remedies available at law or in equity. *In no event may any “event of default” under the Financing Agreement cause an acceleration of the amounts due under the Financing Agreement.*

Defaults and Remedies under the Master Indenture

“Events of Default” under the Master Indenture in respect of a Series of Bonds include: (i) the failure to pay principal, Sinking Fund Installments or Redemption Price of, and interest on the Bonds of such Series when due; (ii) the failure to comply with the provisions of the Code applicable to such Series necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code, with the result that interest on the Bonds of such Series is no longer excludable from the gross income of the Holders thereof; and (iii) a default by the Corporation in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Master Indenture or the Applicable Series Indenture or in the Bonds of such Series on the part of the Corporation to be performed and such default continues for thirty (30) days after written notice specifying such default and requiring same to be remedied is given to the Corporation by the Trustee, which may give such notice in its discretion and must give such notice at the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of such Series, unless, if such default is not capable of being cured within thirty (30) days, the Corporation has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

The Series 2007 B Series Indenture provides that if an “event of default” occurs and continues, the Trustee may proceed, and upon the written request of a Credit Facility Provider of a Series or of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of such Series will proceed (in either case, with the consent of a Credit Facility Provider of such Series) or, in the case of a happening and continuance of an “event of default” specified in clause (ii) above, upon the written request of a Credit Facility Provider of a Series or of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of such Series with the consent of the Credit Facility Provider of such Series, will proceed (subject to the provisions of the Master Indenture), to protect and enforce its rights and the rights of the Bondholders or of such Credit Facility Provider under the Series 2007 B Series Indenture or under the laws of the State of such suits, actions or special proceeding in equity or at law, either for the specific performance of any covenant contained under the Series 2007 B Series Indenture or in aid or execution of any power therein granted, or for an accounting against the Corporation as if the Corporation were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee deems most effectual to protect and enforce such rights. *In no event may an “event of default” cause an acceleration of any the Series 2007 B Bonds under the Series 2007 B Series Indenture.*

In the enforcement of any remedy under the Master Indenture and the Applicable Series Indenture, the Trustee may sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Corporation for principal or interest or otherwise under any of the provisions of the Master Indenture and such Series Indenture or of the Bonds of the applicable Series, with interest on overdue payments of the principal of or interest on the Bonds of such Series at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Master Indenture and such Series Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce a judgment or decree against the Corporation but solely as provided in the Master Indenture and such Series Indenture and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

THE CORPORATION

Authorization

The Corporation was organized in 1966 as a Rhode Island non-business corporation with the name of "Rhode Island Educational Building Corporation". In 1967, by virtue of the Act, the Corporation was constituted as a public body corporate and agency of the State by the General Assembly of the State. Under this legislation, the Corporation was given broad powers to assist in providing educational facilities to accommodate the projected increases in the college and university enrollment levels in the State. In 1968, by virtue of Chapter 224 of the Rhode Island Public Laws of 1968, the Corporation's name was changed to its present name, and the Corporation's powers were expanded to enable it to assist hospitals in the State in the financing of health care facilities. Since 1968, the Corporation's powers have been expanded to provide assistance to non-profit health associations and cooperative hospital service organizations. In 1982, the Corporation was given the power to initiate a student loan program for institutions for higher education in the State. However, that power has not been exercised as of the date hereof. In 1988, the Corporation was given power to treat any non-profit corporation, all of whose members are hospitals or parent corporations of hospitals, as a "hospital" for purposes of the Act. Also, in 1989 the Corporation was authorized to guaranty or insure loans to a participating hospital or institution for higher education and to pledge, encumber or advance funds of the Corporation in connection therewith. As yet the Corporation has not exercised this authority. In 1990, the Corporation's powers were again expanded to allow it to provide financial assistance to non-profit visiting nurse associations. In 1991, the Corporation's powers were expanded to enable it to assist in financing a broad range of non-profit health care providers. In 1992, the Corporation's powers were expanded to enable it to assist in financing non-profit secondary schools and child day care centers and to finance facilities for companies, pursuant to state contracts, which counsel and assist troubled youths. In 1994, the Corporation's powers were expanded to enable it to assist in financing the development of the site of the former Narragansett Brewery in the City of Cranston as a multi-purpose facility to be used as a center for economic development, biotechnology research, education, health care, governmental and other similar uses. In 1998, the Corporation's powers were expanded to enable it to assist in financing stand-alone non-profit assisted living facilities and adult day care facilities. In 2000, the Corporation's powers were expanded to enable it to issue Revenue Anticipation Notes and Capital Notes. In 2003, the Corporation's powers were expanded to enable it to assist local educational authorities within the State in financing school projects.

ANY NOTES OR BONDS ISSUED BY THE CORPORATION FOR THESE PURPOSES DO NOT AND CANNOT CONSTITUTE A DEBT OF THE STATE. NEITHER THE STATE NOR THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, SINKING FUND INSTALLMENTS, REDEMPTION PRICE OF OR INTEREST THEREON, EXCEPT FROM REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2007 B SERIES INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, SINKING FUND INSTALLMENTS, REDEMPTION PRICE OF OR THE INTEREST ON SUCH NOTES OR BONDS. THE CORPORATION DOES NOT HAVE TAXING POWERS.

Under the Act, the Corporation is required to report annually to the Governor of the State on its activities. Such report must include financial statements reported on by independent certified public accountants.

Board of Directors

The Act provides that all of the powers of the Corporation shall be vested in its Board of Directors, the five members of which are appointed by the Governor of the State to serve for five years with one new member appointed each year. The Board of Directors is required by the Act to elect a Chairman and Vice Chairman from its membership and a Secretary and Treasurer who need not be members of the Board of Directors. Each such officer is elected at the annual meeting to serve for a term of one year.

The members of the Corporation's Board of Directors and its officers are as follows:

Mr. James K. Salome, Chairman. Term as member expires June 30, 2011. Mr. Salome, a resident of North Smithfield, Rhode Island, is President of Vanco Industries, Inc., a packaging and printing company in North Smithfield, Rhode Island.

Mr. Ralph W. Ezovski, Vice Chairman. Term as member expires June 30, 2010. Mr. Ezovski, a resident of Barrington, Rhode Island, is a National Representative for the National Association of Government Employees (NAGE).

Mr. John B. Bentz, Treasurer. Term as member expires June 30, 2007. Mr. Bentz, a resident of Greenville, Rhode Island, is President of Property Advisory Group, Inc., a property development and management company in Providence, Rhode Island.

Mr. Terrence M. Biafore, Secretary. Term of member expires June 30, 2009. Mr. Biafore, a resident of South Kingstown, Rhode Island is Vice-President of Babcock & Helliwell, Inc., an insurance and risk management firm in Wakefield, Rhode Island.

Mr. Douglas C. Jeffrey, Sr., Assistant Treasurer. Term as a member expires June 30, 2008. Mr. Jeffrey, a resident of Johnston, Rhode Island, is President of Signature Properties, a Commercial/Residential Real Estate Brokerage in Providence, Rhode Island.

Staff, Advisors and Other Officers

The staff, advisors and other officers of the Corporation other than the directors are as follows:

Mr. Robert E. Donovan, Executive Director and Assistant Secretary. Mr. Donovan's office of the Executive Director is located at 170 Westminster Street, Suite 1200, Providence, Rhode Island 02903. The telephone number is (401) 831-3770.

First Southwest Company, a financial and investment advisory firm, located in Lincoln, Rhode Island serves as financial advisor to the Corporation in connection with the issuance of the Bonds and certain other financial matters.

Edwards Angell Palmer & Dodge LLP, of Providence, Rhode Island, is serving as Bond Counsel and will submit its approving opinion with regard to the legality of the Series 2007 B Bonds in substantially the form attached hereto as APPENDIX H - "Form of Approving Opinion of Bond Counsel."

Moses Afonso Jackvony Ltd. of Providence, Rhode Island is serving as counsel to the Corporation with respect to the issuance of the Bonds.

Prescott Chatellier Fontaine & Wilkinson, LLP of Providence, Rhode Island, served as independent certified public accountants to the Corporation for the fiscal year ended June 30, 2006. Copies of the Corporation's financial statements and the auditor's report for the fiscal year ended June 30, 2006 are available at the office of the Corporation.

Under the Act, the Corporation is authorized and empowered, among other things, directly or by and through a participating non-profit or public institution for higher education or a participating non-profit hospital (including a group health association, a cooperative health services organization, any non-profit corporation the member(s) of which consist solely of one or more hospitals or parent corporations thereof, and any non-profit corporation licensed as a skilled nursing and/or intermediate care facility or a participating non-profit visiting nurse association), as its agent, (i) to acquire real and personal property as it may deem necessary or convenient for the construction or operation of a project and to take title thereto in its own name or in the name of a participating

institution as its agent; (ii) to construct, reconstruct, renovate, replace, maintain, repair, operate, lease, as lessor or lessee, and regulate any project and to designate a participant to do the same; (iii) to enter into contracts for any or all of such purposes or for the management and operation of a project and to designate a participant to do the same; (iv) to issue bonds, bond anticipation notes and other obligations and to fund or refund the same; (v) to fix and revise from time to time and charge and collect rates, rents, fees and charges for the use of and for the services furnished by a project or any portion thereof and to enter into contracts in respect thereof; (vi) to establish rules and regulations for the use of a project or any portion thereof and to designate a participant to do the same; (vii) to receive and accept from any public agency loans or grants for or in aid of the construction of a project or any portion thereof; (viii) to mortgage any project and the site thereof for the benefit of the holders of bonds issued to finance such project; (ix) to make loans to any participant for the cost of a project or to refund outstanding obligations, mortgages, advances issued, made or given by such participant for the cost of a project; (x) to charge to and equitably apportion among participants its administrative costs and expenses incurred; (xi) to accept gifts or grants or loans of funds or property or financial or other aid in any form from the federal government or any agency or instrumentality thereof or from the State or any agency or instrumentality thereof or from any other source; (xii) to make loans to participating institutions for higher education for the purpose of funding student loan programs; (xiii) to make gifts or grants of funds for construction of or development of any project; (xiv) to assist local educational authorities within the State in financing school projects; and (xv) to do all things necessary or convenient to carry out the purpose of the Act.

Indebtedness of the Corporation

The Corporation has heretofore authorized and issued certain series of its bonds and notes for eligible institutions in the State. As of June 30, 2006, the Corporation had 99 series of bonds and notes outstanding (excluding series secured by trust funds for future redemption) totaling \$2,294,606,181 originally issued and \$1,861,192,452 outstanding. (See APPENDIX G - "Indebtedness of the Rhode Island Health and Educational Building Corporation" herein.)

The Corporation expects to issue subsequent series of bonds and notes for the purpose of financing and refinancing projects. With respect to such other series of bonds and notes, the Corporation expects to enter into separate agreements with eligible institutions.

Each series of bonds and notes issued by the Corporation is payable only from revenues provided by the institution for such series. The general funds of the Corporation are not pledged to any bonds or notes.

The Corporation has never defaulted in the payment of maturing principal or interest on its bonds or notes. However, each series of bonds and notes has been a special obligation of the Corporation issued under a separate agreement.

Except for the information contained herein under "The Corporation" and "Litigation" "Continuing Disclosure" and in APPENDIX G - "Indebtedness of Rhode Island Health and Educational Building Corporation" insofar as it relates to the Corporation, and in the description of the terms and conditions of the MOU, the Corporation has not provided any of the information contained in this Official Statement. The Corporation is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the Borrowers, the Insurer, the Underwriters or any other person.

THE PROJECT

Each Borrower's Allocable Portion of the proceeds from the sale of the Series 2007 B Bonds will be deposited in its respective account in the Construction Fund and loaned to the Borrower pursuant to its Financing Agreement and used to finance or refinance Cost of Projects and to pay each Borrower's Allocable Portion of costs of issuance. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds

Par Amount of Bonds	\$19,615,000.00
Net Premium	<u>491,267.00</u>
TOTAL SOURCES	<u>\$20,106,267.00</u>

Estimated Uses of Funds

Deposit to Construction Fund	
Barrington Subaccount	\$725,633.15
Central Falls Subaccount	1,302,179.15
North Kingstown Subaccount	7,076,049.37
Tiverton Subaccount	10,701,422.09
Total Underwriters' Discount	124,608.81
Costs of Issuance*	<u>176,374.43</u>
TOTAL USES	<u>\$20,106,267.00</u>

*Includes Bond Insurance Premium

THE BORROWERS

For a discussion of certain matters regarding the Borrowers, see APPENDIX A – “List of the Borrowers and Principal Amount of Each Borrower’s Loan”, APPENDIX B - "Information Relating to the Borrowers" and APPENDIX C - "Audited Financial Statements of the Borrowers."

BOND INSURANCE AND DESCRIPTION OF THE INSURER

The following information has been furnished by Ambac Assurance Corporation (the “Insurer” or “Ambac Assurance”) for use in this Official Statement. Reference is made to APPENDIX J for a specimen of the financial guaranty insurance policy. The following discussion does not purport to be complete and is qualified in its entirety by reference to the financial guaranty insurance policy.

Payment Pursuant to Financial Guaranty Insurance Policy

The Insurer has made a commitment to issue a financial guaranty insurance policy (the “Policy”) relating to the Series 2007 B Bonds effective as of the date of issuance of the Series 2007 B Bonds. Under the terms of the Policy, the Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Series 2007 B Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Paying Agent. The Policy will extend for the term of the Series 2007 B Bonds and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2007 B Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2007 B Bonds, the Insurer will remain obligated to pay principal of and interest on outstanding Series 2007 B Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund

redemption dates. In the event of any acceleration of the principal of the Series 2007 B Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that the Insurer elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, the Insurer's obligations under the Policy shall be fully discharged.

In the event the Paying Agent has notice that any payment of principal of or interest on a Series 2007 B Bond that has become Due for Payment and that is made to a Bondholder by or on behalf of the Corporation has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment (as set forth in the Policy). Specifically, the Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;
2. payment of any redemption, prepayment or acceleration premium; and
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Series 2007 B Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2007 B Bonds to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to the Insurer.

Upon payment of the insurance benefits, the insurer will become the owner of the Series 2007 B Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2007 B Bonds and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$10,194,000,000 (unaudited) and statutory capital of approximately \$6,557,000,000 (unaudited) as of March 31, 2007. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Corporation of the Series 2007 B Bonds.

Ambac Assurance makes no representation regarding the Series 2007 B Bonds or the advisability of investing in the Series 2007 B Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading “BOND INSURANCE AND DESCRIPTION OF THE INSURER” herein.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the “Company”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “NYSE”), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance’s financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 1, 2007;
2. The Company’s Current Report on Form 8-K dated and filed on April 25, 2007; and
3. The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2007 and filed on May 10, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in “Available Information”.

RISK FACTORS

Purchase of the Series 2007 B Bonds involves a degree of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Series 2007 B Bonds are an appropriate investment. Certain of the risks associated with the purchase of the Series 2007 B Bonds are described below. The following list of possible factors, while not setting forth all the factors which must be considered, contains some of the factors which should be considered prior to purchasing the Series 2007 B Bonds. This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive. Prospective purchasers of the Series 2007 B Bonds should give careful consideration to the matters referred to in the following summary. Such summary should not be considered exhaustive, but rather informational only.

No Obligation of the State of Rhode Island

NEITHER THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS NOR THE CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, REDEMPTION PRICE OR INTEREST ON THE SERIES 2007 B BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2007 B SERIES INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, SINKING FUND INSTALLMENTS, REDEMPTION PRICE OR INTEREST ON THE SERIES 2007 B BONDS. THE CORPORATION DOES NOT HAVE TAXING POWER.

PURSUANT TO RHODE ISLAND GENERAL LAWS SECTIONS 16-7-35 TO 16-7-47, AS AMENDED (THE "SCHOOL AID ACT") THE STATE PROVIDES CONSTRUCTION AID TO MUNICIPALITIES AND REGIONAL SCHOOL DISTRICTS FOR THE COST OF BUILDING OR RENOVATING PUBLIC SCHOOLS ("SCHOOL HOUSING AID"). PAYMENTS OF SCHOOL HOUSING AID ARE SUBJECT TO ANNUAL APPROPRIATION BY THE RHODE ISLAND GENERAL ASSEMBLY AND DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE.

Event of Taxability

If the Borrowers do not comply with certain covenants of the Borrowers in the Financing Agreements or if certain representations made by the Borrowers in the Financing Agreements or certain certificates of the Borrowers are false or misleading, the interest payable on the Series 2007 B Bonds may become subject to federal income taxation retroactive to the date of issuance of the Series 2007 B Bonds, regardless of the date on which noncompliance or misrepresentation is ascertained. In the event that interest on the Series 2007 B Bonds should become subject to federal income taxation, the Master Indenture does not provide for the redemption of the Series 2007 B Bonds, the acceleration of the payment of debt service on the Series 2007 B Bonds, or an increase in interest paid on the Series 2007 B Bonds.

State Housing Aid

The State Aid Act has various restrictions. Under current law, State Housing Aid only applies to those projects undertaken at school facilities under the care and control of a school committee and located on school property. In addition, facilities with combined school and municipal uses or facilities that are operated jointly with any other profit or non-profit agency do not qualify for State Housing Aid. Therefore, in the event that a facility (i) ceases to be under the care and control of a school committee, (ii) is located on property which ceases to be school property, (iii) becomes a facility with joined school and municipal uses, or (iv) becomes jointly operated with a profit or non-profit agency, a project will no longer qualify for State Housing Aid and payments of State Housing Aid in respect to such project shall be discontinued.

SUMMARY OF THE MASTER INDENTURE, THE SERIES INDENTURE AND THE FINANCING AGREEMENTS

The Series 2007 B Bonds will be issued under and secured by the Master Indenture. Reference is made to the Master Indenture, the Series Indenture and the Financing Agreements for the complete details of the terms thereof. See APPENDIX E - "Summary of Certain Provisions of and the Financing Agreements" and APPENDIX F – "Summary of Certain Provisions of the Master Indenture and the Series Indenture" for a brief summary of certain provisions of the Master Indenture, the Series Indenture and the Financing Agreements which should not be considered a full statement thereof.

TAX EXEMPTION

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Corporation (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2007 B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2007 B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Bond Counsel is also of the opinion that, under existing law, the Series 2007 B Bonds, their transfer, and the income from the Series 2007 B Bonds, including any profit made on the sale of the Series 2007 B Bonds, shall at all times be free from taxation of every kind of the State and any political subdivision of the State. Bond Counsel has not opined as to other Rhode Island tax consequences arising with respect to the Series 2007 B Bonds. Prospective Bondholders should be aware, however, that the Series 2007 B Bonds and the income thereon may be included in the measure of State estate taxes and certain State corporate and business taxes. Bond Counsel has not opined as to the taxability of the Series 2007 B Bonds or the income therefrom under the laws of any state other than Rhode Island. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX H hereto.

To the extent the issue price of any maturity of the Series 2007 B Bonds is less than the amount to be paid at maturity of such Series 2007 B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2007 B Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2007 B Bonds which is excluded from gross income for federal income tax purposes and is exempt from Rhode Island personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2007 B Bonds is the first price at which a substantial amount of such maturity of the Series 2007 B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2007 B Bonds accrues daily over the term to maturity of such Series 2007 B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2007 B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2007 B Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Series 2007 B Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2007 B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2007 B Bonds is sold to the public.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2007 B Bonds. Failure to comply with these requirements may result in interest on the Series 2007 B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2007 B Bonds. The Corporation and the Borrowers have covenanted to comply with such requirements to ensure that interest on the Series 2007 B Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants. Certain requirements and procedures contained or referred to in the Resolution, the Master Indenture, the Series 2007 B Indenture, the Financing Agreements, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2007 B Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2007 B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007 B Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of

interest on, the Series 2007 B Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Series 2007 B Bonds is excluded from gross income for federal income tax purposes and is exempt from Rhode Island personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 B Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences. (See "APPENDIX H – Form of Approving Opinion of Bond Counsel" herein).

In connection with the foregoing, prospective Bondholders should be aware that the statutory framework on which the exemption from Rhode Island personal income taxes described above is based is similar to that at issue in Department of Revenue of Kentucky v. Davis, 197 S.W.3d 557 (Ky. App. 2006), cert. granted, 550 U.S. ____ (May 21, 2007), in which the Kentucky court held that a statute which provided more favorable income tax treatment for holders of bonds issued by Kentucky issuers than for holders of out-of-state municipal bonds violated the Commerce Clause of the United States Constitution. Should the United States Supreme Court affirm the holding of the Kentucky court, subsequent Rhode Island judicial decisions and/or legislation designed to ensure the constitutionality of Rhode Island tax law could, among other alternatives, adversely affect the Rhode Island tax exemption of outstanding municipal bonds, including the Series 2007 B Bonds, to the extent constitutionally permissible, or result in the exemption from Rhode Island income tax of interest on non-Rhode Island municipal bonds, either of which could adversely affect the market price of the Series 2007 B Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2007 B Bonds are subject to the approving opinion of Edwards Angell Palmer & Dodge LLP, Providence, Rhode Island, Bond Counsel to the Corporation, a form of which is attached as APPENDIX H - "Form of Approving Opinion of Bond Counsel." Copies of such opinion will be available at the time of delivery of the Series 2007 B Bonds. Bond Counsel is not passing upon the accuracy or the adequacy of the statements made in the Official Statement except the Sections entitled "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 B BONDS", "THE SERIES 2007 B BONDS", "SUMMARY OF THE MASTER INDENTURE, THE SERIES INDENTURE AND THE FINANCING AGREEMENTS", "TAX EXEMPTION", "STATE NOT LIABLE ON THE SERIES 2007 B BONDS" and "COVENANT BY THE STATE" and APPENDICES D, E, F and H. In addition, Edwards Angell Palmer & Dodge LLP, Providence, Rhode Island will deliver an opinion regarding the authorization and issuance of the Borrower Bonds as general obligations of each Borrower.

Certain legal matters will be passed upon for the Corporation by Moses Afonso Jackvony Ltd., Providence, Rhode Island; and for the Underwriters by their counsel, Partridge Snow & Hahn LLP, Providence, Rhode Island.

UNDERWRITING

Subject to the terms and conditions set forth in the Bond Purchase Agreement among the Corporation, the Borrowers and the Underwriters, the Underwriters have agreed to purchase the Series 2007 B Bonds for a price of \$19,981,658.19 (which is equal to the par amount of the Series 2007 B Bonds plus net bond premium of \$491,267.00 less an Underwriters' fee of \$124,608.81), and will offer the Series 2007 B Bonds for resale at the interest rates and prices stated herein. Such initial public offering prices may be changed from time to time and the Series 2007 B Bonds may be offered and sold to dealers and others (including dealers depositing the Series 2007 B Bonds into unit investment trusts and other municipal securities portfolios) at prices lower than such initial public offering price.

Under the Bond Purchase Agreement, the Borrowers have agreed, to the extent permitted by law, to indemnify the Underwriters against certain liabilities, including liabilities under applicable securities laws.

FINANCIAL ADVISOR

The Corporation has retained First Southwest Company (the "Financial Advisor") to serve as its financial advisor in connection with the issuance of the Series 2007 B Bonds. The Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2007 B Bonds is contingent upon the issuance and delivery of the Series 2007 B Bonds, and receipt by the Corporation of payment therefor. The Corporation may engage the Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of the proceeds of the Series 2007 B Bonds.

CONTINUING DISCLOSURE

The Corporation has determined that no financial or operating data concerning the Corporation is material to any decision to purchase hold or sell the Series 2007 B Bonds and the Corporation will not provide any such information.

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), each Borrower has undertaken in a written agreement (a "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide on an annual basis to the Corporation and each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission in accordance with Rule 15c2-12 (each a "Repository" or "NRMSIR"), on or before 270 days after the end of each fiscal year of such Borrower, commencing with the fiscal year ending June 30, 2007, as applicable, operating data and financial information of the type hereinafter described which is included in APPENDIX B to this Official Statement (the "Annual Report"), together with such Borrower's annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards.

The Annual Report for each Borrower will consist of the following: (a) operating data and financial information of the type included in APPENDIX B to this Official Statement (only to the extent that this information is not included in the audited financial statements of such Borrower), together with (b) a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning such Borrower and in judging the financial and operating condition of such Borrower.

In addition, the Corporation has undertaken, for the benefit of the Bondholders, to provide each such Repository or to the Municipal Securities Rulemaking Board (the "MSRB") in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices").

The Notices include notice of any of the following events with respect to the Series 2007 B Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 B Bonds; (7) modifications to rights of the Holders of the Series 2007 B Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2007 B Bonds and (11) rating changes. Each Borrower has undertaken to provide to the Corporation, in a timely manner, notices similar to the ones described above with respect to its Borrower Bonds.

The sole and exclusive remedy for breach or default under a Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the defaulting Borrower and/or the Corporation, and no person, including any Holder of the Series 2007 B Bonds, may recover monetary damages thereunder under any circumstances. The Corporation or such default Borrower may be compelled to comply with their respective obligations under a Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2007 B Bonds or by the Trustee on behalf of

the Holders of Outstanding Series 2007 B Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of Outstanding Bonds. However, the Trustee is not required to take any enforcement action unless so directed by the Holders of not less than 25% in aggregate principal amount of Outstanding Series 2007 B Bonds. A breach or default under a Continuing Disclosure Agreement will not constitute an Event of Default under the Master Indenture. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under a Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, will no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. Any Continuing Disclosure Agreement, however, may under certain circumstances be amended or modified without the consent of Holders of the Series 2007 B Bonds. Copies of all Continuing Disclosure Agreements when executed by the parties thereto upon the delivery of the Series 2007 B Bonds will be on file at the principal office of the Corporation.

The Corporation

The Corporation has never failed to comply in any material respect with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

Barrington

The Town of Barrington has not failed to comply with its continuing disclosure diligence under the Rule.

Central Falls

The City of Central Falls has not failed to comply with its continuing disclosure diligence under the Rule.

North Kingstown

The Town of North Kingstown has not failed to comply with its continuing disclosure diligence under the Rule.

Tiverton

The Town of Tiverton became obligated to make annual disclosure of certain financial information by executing a Continuing Disclosure Agreement in connection with the Town's 2002 Series Bonds. Certain required financial information and audited financial statements were not timely filed with each NRMSIR for fiscal years ending 2002 and 2006. The Town mistakenly stated that it was in compliance in a 2007 official statement. All required information has since been filed, including notices of late filing. The Town Treasurer is currently soliciting proposals from firms to prepare subsequent continuing disclosure filings.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned the Series 2007 B Bonds a rating of "Aaa" based upon the issuance of the Policy by the Insurer. Such rating reflects only the views of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so

warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the Owners of the Series 2007 B Bonds any proposed revision or withdrawal of the ratings of the Series 2007 B Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the Series 2007 B Bonds. Such ratings should not be taken as a recommendation to buy or hold the Series 2007 B Bonds.

LITIGATION

As of the date hereof, there is no litigation of any nature pending or to the best of the Corporation's knowledge, threatened against the Corporation to restrain or enjoin the issuance, sale, execution or delivery of the Series 2007 B Bonds or the application of the proceeds thereof toward the Cost of the Projects, or in any way contesting or affecting the validity of the Series 2007 B Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Series 2007 B Bonds or the existence or powers of the Corporation.

As of the date hereof, there is no litigation pending or to the best of each Borrower's knowledge, threatened against the respective Borrower, wherein an unfavorable decision would adversely affect the ability of the Borrower to construct or operate its Applicable Project or to carry out its obligations under its Financing Agreement or would have a material adverse impact on the financial position of the respective Borrower.

STATE NOT LIABLE ON SERIES 2007 B BONDS

NEITHER THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS (THE "STATE") NOR THE RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS AND REDEMPTION PRICE OR INTEREST ON, THE SERIES 2007 B BONDS EXCEPT FROM THE REVENUES TO BE PROVIDED UNDER THE MASTER INDENTURE AND THE SERIES 2007 B SERIES INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, SINKING FUND INSTALLMENTS AND REDEMPTION PRICE OR INTEREST ON THE SERIES 2007 B BONDS. THE ACT DOES NOT IN ANY WAY CREATE A SO-CALLED MORAL OBLIGATION OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF TO PAY DEBT SERVICE IN THE EVENT OF DEFAULT BY THE BORROWERS. THE CORPORATION DOES NOT HAVE TAXING POWER.

COVENANT BY THE STATE

Under the Act, the State pledges and agrees with the owners of the Series 2007 B Bonds that the State will not limit or alter the rights vested in the Corporation until such Series 2007 B Bonds, together with interest thereon, are fully met and discharged; provided that nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the owners of such Series 2007 B Bonds.

MISCELLANEOUS

The references to the Act, the School Aid Act, the Master Indenture, the Series 2007 B Series Indenture, the Financing Agreements and the Memorandum of Understanding are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to the Act, the School Aid Act, the Master Indenture, the Series 2007 B Series Indenture, the Financing Agreements and the Memorandum of Understanding for full and complete statements of such and all provisions. The agreements of the Corporation with the owners of the Series 2007 B Bonds are fully set forth in the Master Indenture, and neither any advertisement of the Series 2007 B Bonds nor this Official Statement is to be construed as constituting an agreement with the owners of the Series 2007 B Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Corporation.

Information relating to DTC and the book-entry only system described under "BOOK-ENTRY ONLY SYSTEM" has been furnished by DTC and is believed to be reliable. However, none of the Corporation, the Borrowers or the Underwriters makes any representations or warranties whatsoever with respect to the information contained therein.

Attached to this Official Statement as APPENDIX B are letters that contain certain information relating to each Borrower and Applicable Projects. While the information contained in APPENDIX B is believed to be reliable, the Corporation and the Underwriters make no representations or warranties whatsoever with respect thereto. Also attached to this Official Statement is APPENDIX C which incorporates by reference the most recent audited financial statements of the Borrowers and the member towns of the regional school district borrowers, together with the independent auditors' reports thereon. The Corporation and the Underwriters have relied on the information contained in APPENDICES B and C.

APPENDIX D – "Definitions", APPENDIX E – "Summary of Certain Provisions of the Financing Agreements" and APPENDIX F - "Summary of Certain Provisions of the Master Indenture and the Series Indenture" have been prepared by Edwards Angell Palmer & Dodge LLP, Bond Counsel.

APPENDIX G – "Indebtedness of the Rhode Island Health and Educational Building Corporation" has been prepared by the Corporation.

APPENDIX H – "Form of Approving Opinion of Bond Counsel" has been prepared by Edwards Angell Palmer & Dodge LLP, Bond Counsel.

APPENDIX I – "Form of Continuing Disclosure Agreement" has been prepared by Partridge Snow & Hahn LLP, counsel to the Underwriters.

APPENDIX J – "Specimen Financial Guaranty Insurance Policy" has been provided by the Insurer.

The Borrowers have reviewed the portions of this Official Statement under "THE BORROWERS," "CONTINUING DISCLOSURE", the second paragraph of "LITIGATION" and in Appendices B and C, and to the extent they relate to the Borrowers or the Applicable Projects, "THE PROJECT", "RISK FACTORS" and "ESTIMATED SOURCES AND USES OF FUNDS." At the closing, each Borrower will certify that such portions of this Official Statement, and applicable portions of Appendices B and C, as well as the applicable most recent audited financial statements, which relate to the certifying Borrower and which are incorporated in Appendix C by reference do not contain an untrue statement of a material fact or omit a statement of material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

The distribution of this Official Statement and its execution have been duly authorized by the Corporation.

RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION

Dated: August 1, 2007

By: /s/ James K. Salome
Chairman

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APPENDIX A

**LIST OF THE BORROWERS AND PRINCIPAL
AMOUNT OF EACH BORROWER'S LOAN**

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APPENDIX A

<u>Borrowers</u>	<u>Principal Amount of Loan</u>
Town of Barrington	\$735,000
City of Central Falls	\$1,300,000
Town of North Kingstown	\$7,000,000
Town of Tiverton	\$10,580,000

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APPENDIX B

INFORMATION RELATING TO
THE BORROWERS

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Appendix B-1

Information Relating to the Town of Barrington

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July 25, 2007

Rhode Island Health and Educational Building Corporation
170 Westminster Street, Suite 1200
Providence RI 02903

Ladies and Gentleman:

We are pleased to submit the following information with respect to the Town of Barrington (the "Town"). This letter and the information contained herein are submitted to the Rhode Island Health and Educational Building Corporation (the "Corporation") for inclusion in the Official Statement relating to its Public Schools Revenue Bond, Financing Program Revenue Bonds, Series 2007 B (Pooled Issue) (the "Bonds"). Unless otherwise noted, all information, including statistics, is taken from Town and school department records. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Official Statement.

TOWN OF BARRINGTON

General

The Town of Barrington, established in 1653 and incorporated in 1770, is a suburban community in a metropolitan area of eastern Rhode Island. Located about nine miles southeast of Providence, it is primarily a single-family residentially developed community with a high median family income, a high educational attainment, very little blight except for small pockets of older seasonal dwellings and limited commercial and industrial development. The land area of the Town is comprised of commercially and residentially developed land as well as wetlands, farm land, salt marsh, open space, waterfront and woodland areas totaling 8.1 square miles.

Government

The Town operates under a Home Rule Charter originally adopted in 1958 providing for a council/town manager form of government with a five member Town Council headed by a Council President. All legislative powers of the Town are vested in the Town Council by the Charter except such powers as are reserved by State laws to the Financial Town Meeting, including the ordering of any tax, making appropriations and transacting any other business pertaining to the financial affairs of the Town.

Members of the Town Council are elected at large for a staggered four-year term. The Charter grants to the Town Council all powers to enact, amend, or repeal ordinances relating to the Town's property, affairs and government, including the power to create offices, departments or agencies of the Town, to preserve the public peace, health and safety, to establish personnel policies, to give effect to any vote of the Financial Town Meeting authorizing the issuance of bonds or notes and to provide for an annual audit of the Town's accounts.

The present members of the Town Council are as follows:

<u>Council Member</u>	<u>Length of Service</u>
John T. Lazzaro	4 Years
James Schwartz	1 st Term
June S. Speakman	5 Years
Jeffrey S. Brenner	2 Years
Kate G. Weymouth	2 Years

The Town Manager is appointed by a majority vote of the Town Council for an indefinite term solely on the basis of his executive and administrative qualifications. The Town Manager is the chief executive officer and head of the administrative branch of government. The Charter grants to the Town Manager the authority to appoint or remove all officers or employees of the Town, to prepare and submit to the Town Council the annual budget and annual report of the Town, to recommend to the Town Council pay schedules for Town employees and to recommend to the Town Council the adoption of such measures as he may deem necessary for the health, safety or welfare of the Town.

The Town Manager is Peter A. DeAngelis, Jr. Mr. DeAngelis received a Bachelor of Arts Degree from Roger Williams University. Prior to being appointed Town Manager in 2004, Mr. DeAngelis was the Public Works Director and has held assorted governmental positions within the Town beginning in 1975. Mr. DeAngelis is a member of the Rhode Island City and Town Managers Association, the International City Management Association and the International Personnel Management Association.

The Charter delegates certain financial responsibilities to the Finance Director, who is appointed by the Town Manager. The Finance Director is Dean M. Huff, Jr. Mr. Huff received a Bachelor of Science degree from Bryant College, Smithfield, Rhode Island. He holds a Master's Degree in Business Administration from the University of Rhode Island and is a Certified Public Accountant. Prior to being appointed Town Treasurer in 2001, Mr. Huff was an Associate with Howard Schultz and Associates from 1996 until 2001, Tax Manager for Bacon & Edge, CPAs from 1990 until 1996 and Management Information Systems Auditor with Old Stone Bank from 1988 until 1990. Mr. Huff is a member of the Rhode Island Government Finance Officers Association as well as the Rhode Island Society of Certified Public Accountants.

Education

The general administration of the Town's school system is directed by a five-member School Committee elected from the Town at large at the regular biennial elections for staggered four-year terms. The School Committee has general control of all policies affecting the administration, maintenance and operation of the public schools, appoints the superintendent of schools as its chief administrative agent, appoints and removes all school employees and is responsible for the purchase, lease, and maintenance of all school supplies. The School Committee is directed by the Charter to prepare and submit a budget for the operation of the schools to the Committee on Appropriations; the adoption of the school budget is subject to the approval of the Financial Town Meeting.

Student Enrollment

The following table is a summary of school population in the Town.

Actual		Projected	
<u>Year</u>	<u>Enrollment</u>	<u>Year</u>	<u>Enrollment</u>
2002-2003	3,356	2007-2008	3,448
2003-2004	3,409	2008-2009	3,494
2004-2005	3,421	2009-2010	3,462
2005-2006	3,398	2010-2011	3,448
2006-2007	3,460	2011-2012	3,417

The Public School System of the Town consists of three primary schools (grades K-3), one intermediate school (grades 4-5), one middle school (grades 6-8) and one senior high school (grades 9-12). The School System has 288 certified personnel and 126 non-certified personnel. The latest per pupil cost is \$11,096 the average class size K-12 is estimated at 24.

The cost of operating the Town's Public School System for the 2005-2006 fiscal year was \$34,335,982. The approved budget for the 2007 fiscal year is \$36,802,985 and for the 2008 fiscal year is \$38,601,107.

The Barrington Public School System is augmented by the existence of a number of private schools within the Town. There are five privately run nursery schools available, a first to eighth grade Catholic primary school (St. Luke's), an Episcopal Church operated secondary school (St. Andrew's) and the Zion Bible Institute which offers degree programs in Divinity and Theology.

Pursuant to Rhode Island General Laws Sections 16-7-15 to 16-7-34, as amended, the State provides operations assistance to each municipality and school district. The statutes provide for reimbursement of school expenditures based on a formula prescribed by the statutes which adjusts the reimbursement ratio based on relative equalized valuation of property and median family income of a community relative to the State as a whole. The School Department received \$2,599,525 in State School Operations Aid during the fiscal year ended June 30, 2006. The Town has budgeted \$2,833,645 and \$2,553,044 for the fiscal years ending June 30, 2007 and June 30, 2008, respectively.

Government Services

Public Works

The Town's Public Works Department is divided into three divisions: 1) Highways and Sanitation, 2) Natural Resources and 3) Sewer. The Department provides a full range of services including refuse collection/disposal, park and grounds maintenance, street maintenance, mosquito control, street lighting, and sanitary sewer system operation/maintenance. In fiscal year 2006 the Public Works Department expended \$2,327,458 (exclusive of sewer operations). The Town has budgeted \$2,382,101 and \$2,430,379 for the fiscal years ending June 30, 2007 and June 30, 2008, respectively. As of fiscal year 1996, sewer operations are accounted for in an enterprise fund. In fiscal year 2006, the Town's operating expenses were \$1,386,146 for sewer operations. For fiscal years 2007 and 2008 the Town budgeted \$1,814,015 and \$2,384,179 respectively (not including depreciation).

Public Safety

The Barrington Fire Department provides emergency medical services as well as fire protection and suppression services. The Department has a force of 24 full-time firefighters plus the chief. In fiscal year 2006 the Fire Department expended \$1,380,007. The Town has budgeted \$1,546,159 and \$1,621,292 for the fiscal years ending June 30, 2007 and June 30, 2008, respectively. The Town utilizes a combination of full-time and volunteer fire fighters.

The Barrington Police Department consists of 23 full-time police officers plus the chief and support personnel. During fiscal year 2006 the Department expended \$1,956,162. The Town has budgeted \$2,096,729 and \$2,167,511 for the fiscal years ending June 30, 2007 and June 30, 2008, respectively.

Recreation

Located on the eastern shore of Narragansett Bay, the Town has facilities for swimming and boating enthusiasts. There are numerous areas for fresh and salt water fishing within the Town.

The Town's part-time Recreation Program received an appropriation of \$121,487 for fiscal year 2006 and the Town has budgeted \$128,277 and \$93,727 for the fiscal years ending June 30, 2007 and June 30, 2008, respectively. The Recreation Department coordinates community use of all school/municipal buildings, parks and recreational facilities and properties.

Community Education

The Town's Community School is a volunteer citizens group organized in 1976 to provide a self-supporting community education program. Over 900 residents are enrolled in this diversified educational and leisure-time oriented program. The program has expanded each season thereafter without public funding.

Library

The Town's Public Library was founded in 1880 and has grown steadily ever since. In 1984, the Leander R. Peck School was converted into the Town's library and community center. The Library, comprising 30,000 square feet, provides space for an expanded collection, totaling 143,154 books, audio and video cassettes and periodicals, as well as accommodations for additional programming and exhibits. Meeting rooms are available for citizen boards and commissions, and for rental by private organizations. The building also houses the Senior Center, the Recreation Department, the Barrington Preservation Society, and Tap-In (a volunteer social services organization).

The Library installed a computerized circulation system in 1983, and is a member of the Cooperative Library Automated Network, which includes 48 libraries in the State. The Library has an annual circulation of 478,382. An average of 4,354 people use the Library each week.

The 2006-2007 Town Library budget is \$1,057,645 of which \$312,587 is supported by the Annual State Grant Program. The 2007-2008 Town Library budget is \$1,099,329 of which \$312,587 is supported by the Annual State Grant Program.

Town Sewerage System

The East Providence Wastewater Treatment Plant receives and treats all sewerage from the Town. Since 1996 sewer operations are treated as a self-supporting enterprise fund. The budget is approved at the Town Financial Town Meeting and the usage fee is reviewed and adjusted on a yearly basis.

Water

Bristol County Water Authority

The Bristol County Water Authority (the "Authority") was established in 1981 as a public corporation comprised of the member towns of Bristol, Warren and Barrington, Rhode Island (the "Towns"), which together constitute Bristol County, Rhode Island (the "County"). The Authority maintains ownership of, and is responsible for, the operation of the County's water distribution and treatment system (the "System"). The Authority's service area consists of substantially all of the County, 24.9 square miles in area, having a 2000 population of 50,648 as reported by the U.S. Commerce Department, Bureau of the Census ("U.S. Census"). The number of customer served by the Authority is 15,700 with an average daily demand of approximately 4.0 million gallons per day ("mgd").

All of the Authority's water supply is currently provided through water purchased from the City of Providence Water Supply System through the constructed East Bay Pipeline as the Authority completes planned major capital improvements to its Child Street Treatment Plant and the Shad Factory Line. Once those improvements are completed, the Authority anticipates providing most of its water to its customers primarily by four surface water reservoirs located in the County and the adjacent areas of The Commonwealth of Massachusetts. In addition, the Authority has installed two emergency connections to the East Providence water system, which are used only in the event the Authority's normal supply from the reservoirs is temporarily inadequate to meet total demand, and the East Bay Pipeline is not operational. The Authority's rehabilitated Child Street Treatment Plant, when operational, will treat all water from the reservoirs in compliance with updated water quality requirements. The water is distributed through approximately 220 miles of distribution mains.

In 1992, the Rhode Island General Assembly enacted the Bristol County Water Supply Act, Chapter 46-15.5 of the Rhode Island General Laws (the "Water Supply Act") which authorizes the Authority to (i) construct a new water supply transmission line to the City of Providence (the "East Bay Pipeline") and a new emergency connection and emergency pumping station to the City of East Providence (the "Emergency Connection") and (ii) construct a new water transmission line to replace its existing Shad Factory Line (the "Shad Factory Line") and to make improvements to its existing system of reservoirs and treatment plants (together with the Shad Factory Line, the "Existing System Improvements"). The Water Supply Act further provides for significant State financial support for such improvements. Implementation of the Water Supply Act has been and will be the primary focus of the Authority's Capital Improvement Program. Construction of the East Bay Pipeline and the Emergency Connection has been completed, and the first phase of the rehabilitation of the Child Street Treatment Plant was completed in January 2005. The second phase is expected to be completed in December 2007. A major portion of the Shad Factory Line has been repaired and engineering of the new Shad Factory Line has commenced. The East Bay Pipeline enables the Authority to permanently access water from the Scituate Reservoir which is owned and operated by the City of Providence while the Shad Factory Line is being replaced.

In 1995 the Authority issued its \$17,790,000 General Revenue Bonds, 1995 Series A (the "1995 Series A Bonds") to refund its \$19,690,000 General Revenue Bonds, 1986 Series A (the "1986 Series A Bonds"), in 1997 the Authority issued its \$12,195,000 General Revenue Bonds, 1997 Series A (the "1997 Series A Bonds") and in 1998 its \$6,090,000 General Revenue Bonds, 1998 Series A to fund the East Bay Pipeline and Emergency Connection projects. The Authority refunded a portion of the its Outstanding 1995 Series A Bonds in 2004. The Authority's 1995 Series A Bonds, 1997 Series A Bonds, 1998 Series A Bonds and 2004 Series A Bonds are currently the only bonds outstanding under the Authority's General Resolution.

Employee Relations

As of July 1, 2006 the Town had 114 full-time and 61 part-time employees, exclusive of the School Department. The School Department employs 288 professional employees. In addition, there are 126 full-time non-professional employees. The current status of union contracts for Municipal and School employees is:

Teachers - 3 year contract expires August 31, 2009
Firefighter - 3 year contract expires June 30, 2010
Police Civilian - 3 year contract expires June 30, 2010
Police Officers - 3 year contract expires June 30, 2008
Public Works - 3 year contract expires June 30, 2010
School Custodians - 3 year contract expires June 30, 2010
School Support Personnel - 3 year contract expires June 30, 2008

Retirement Programs

The Town provides as a condition of employment pension benefits to substantially all municipal employees through participation in a contributory retirement system administered under state law by the Municipal Employee's Retirement System of the State of Rhode Island. The Town participates in three separate plans under the system, two plans entirely Town-supported for general municipal, police and fire employees to which the Town makes annual contributions equal to the amount of pension expense and one plan supported by matching State contributions for public school teachers. The general municipal employee plan is funded on a "projected benefit method," which provides for the projection of the benefits to be earned by the employees and the contributions to be made to finance the benefits.

General Municipal Employee Plan

As of June 30, 2005, 179 general municipal employees of the Town and 91 pensioners participated in this plan. Employees contribute 7% of their salary. The Town has no unfunded accrued actuarial liability in this retirement program as of June 30, 2005. Retirement benefits are available upon completion of 10 years of service, provided the employee is at least 58 years of age, or upon 30 years of service regardless of age.

Police and Fire Employee Plan

As of June 30, 2005, 41 police and fire employees of the Town and 55 pensioners participated in this plan. Police Officers contribute 9% of their salary with the Town's contribution as of July 1, 2005 set at 32.08%. The Town has an unfunded accrued actuarial liability of \$3,457,118 in the Police Plan as of June 30, 2005. Firefighters with 25-year pensions contribute 8% of their salary with the Town's contribution as of July 1, 2005 set at 6.40%. The Town has an unfunded accrued actuarial liability of \$412,462 in the 25-Year Fire Plan as of June 30, 2005. Firefighters with 20-year pensions contribute 9% of their salary with the Town's contribution as of July 1, 2005 set at 5.39%. The Town has unfunded accrued actuarial liability of \$412,061 in the 20-Year Fire Plan as of June 30, 2005. Retirement benefits are available after 10 years of service at age 50 or over, or to police officers with 20 years of service, firefighters hired before July 1, 1993 with 20 years of service, and firefighters hired after July 1, 1993 with 25 years of service with no restriction on age.

School Teacher's Retirement Plan

The Town provides retirement benefits to its public school teachers through its participation in the Rhode Island Retirement System, a statutory, mandatory, statewide, cost-sharing multi-employer defined benefit plan, which first covered State teachers on July 1, 1949. This Teachers Retirement System is administered as a unified statewide system by the State Retirement Board, the composition of which is set forth in the pertinent State statute. The assets are held in the custody of the State Treasurer as an undivided single fund.

The actuarial costs of the retirement benefits are partially funded by employee contributions of 9.50% of the actuarial costs of the retirement benefits effective July 1, 2003. The actuary determines the net employer actuarial costs annually and as provided by the State Retirement Board to the Department of Administration. Contributions are reported as a percent of payroll, payable in part by the State and in part by the Town. The split between State and Town is specified in State statute. For fiscal year 2005-2006, the State paid 40 percent and the Town paid 60 percent.

The actuarial valuation prepared by Gabriel, Roeder, Smith & Company uses the entry age normal cost. The valuation assumes an annual salary increase on a scale of age/service. In addition, other actuarial assumptions are made for post-retirement increases and other contingencies as set forth in the published annual reports of the State Retirement Board.

The following are comparative highlights for 2003 through 2005 for the Teachers System as a whole:

	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>6/30/2003</u>
Active participants	14,469	14,556	14,410
Pensioners and beneficiaries	8,565	8,179	7,704
Inactive participants	2,037	1,836	1,404
Net assets	\$3,364,100,154	\$3,131,927,525	\$2,729,820,882
Employer contributions	\$ 121,853,338	\$ 115,715,178	\$ 93,747,429
Member and other miscellaneous contributions	<u>83,169,179</u>	<u>83,658,995</u>	<u>74,508,208</u>
Total contributions	\$ 205,022,517	\$ 199,374,173	\$168,255,637
Miscellaneous income	-0-	(10,203)	3,631,405
Investment income	<u>350,914,487</u>	<u>502,176,631</u>	<u>71,722,725</u>
Total income available for benefit payments	\$ 555,937,004	\$ 701,540,601	\$ 243,609,767
Benefit payment	<u>(\$323,764,375)</u>	<u>(\$299,433,958)</u>	<u>(\$268,014,336)</u>
Excess of income over expenses	<u>\$ 232,172,629</u>	<u>\$ 402,106,643</u>	<u>\$ (24,404,569)</u>

Compiled from Employee Retirement System of Rhode Island - Annual Reports 2003-2005

Actuarial costs and liabilities are determined in the aggregate for the Teachers Retirement System. Accordingly, employer contributions are first determined in the aggregate for all participating employers in this multi-employer system and are then expressed as a percentage of the aggregate participating payroll. For fiscal year 2007, the Town applied 60 percent of this factor to its participating payroll (the remaining 40 percent of the employer cost is contributed by the State as well as the full cost of deferred contributions by the State).

With respect to the Teachers Retirement System, Gabriel, Roeder, Smith & Company, independent actuaries advising the Retirement Board have calculated the pension plan to be fully funded by 2029.

According to the statutory funding schedule, the combined contributions required each year by the Town and the State will remain relatively level as a percent of payroll as the System moves toward funding the full actuarial liability. Ultimately, however, because the actuarial funding results in the accumulation of reserves that are invested, the required appropriation will be significantly less than would be required if the Teacher's Retirement System were on a pay-as-you-go basis.

Other Post Employment Benefits

The Town provides its workers with certain health care benefits after retirement sometimes called "other post-employment benefits" or "OPEB's." Changes in accounting rules will require the Town to estimate its actuarial OPEB liability and amortize the unfunded liability over thirty years beginning with the 2008-2009 fiscal year. The Town has established an "OPEB" trust which will be used specifically as a funding vehicle for Other Post Employment Benefits. The final report, prepared by the Angell Pension Group Inc., was completed in June 2006 and the Town began funding in FY2004. Since 2004, contributions into the trust fund total \$863,710.86. The "OPEB" unfunded liability, including both School and Municipal, was \$13,917,244 as of July 1, 2005.

ECONOMIC CHARACTERISTICS

Population

The Town ranks twenty-third in population among the 39 cities and towns in the State. As indicated in the following table, the Town experienced a 6.1% increase in population from 1990 to 2000.

	<u>Town Population</u>	<u>% Change</u>	<u>State Population</u>	<u>% Change</u>
2000	16,819	6.1%	1,048,319	4.5%
1990	15,849	-2.1	1,003,464	5.6
1980	16,174	-8.5	947,154	(0.3)
1970	17,554	21.2	949,723	9.5
1960	13,826	40.4	859,488	7.9
1950	8,246	24.4	791,896	10.0
1940	6,231	17.2	713,346	3.6
1930	5,162	24.5	687,497	12.1
1920	3,897	—	604,397	—

Sources: U.S. Bureau of the Census, 1920-2000

Income Levels

The following table represents the per capita and median family income according to the 2000 U.S. Census.

	<u>Per Capita</u>	<u>Median Family</u>
Barrington	\$35,881	\$84,657
Rhode Island	\$21,688	\$52,781
United States	\$21,587	\$50,046

Source: U.S. Bureau of the Census, 2000

Unemployment

The most recent labor market information summary indicates that unemployment rates for the years indicated and recent months were as shown in the following tables:

	<u>Annualized</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Town of Barrington	3.0%	3.1%	2.6%	2.6%	2.5%	2.7%	3.0%	3.6%	3.5%	3.7%
State of Rhode Island	5.2	4.6	4.2	4.1	4.6	5.1	5.4	5.2	5.0	5.1
United States	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6

Source: Rhode Island Department of Labor and Training
Not Seasonally Adjusted

	<u>Monthly 2007</u>					
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>
Town of Barrington	3.7%	3.6%	3.4%	3.5%	3.5%	3.6%
State of Rhode Island	5.5	5.1	4.6	4.6	4.5	4.7
United States	5.0	4.9	4.5	4.3	4.3	4.7

Source: Rhode Island Department of Labor and Training
Not Seasonally Adjusted

Employment

In 2005, the Town had 442 private business and industrial firms subject to employment security and the yearly payrolls for those firms totaled \$65,023,595. The average number of persons employed was 2,301. The following is a listing of the various types of industry in the Town covered by the Rhode Island Department of Labor & Training for the calendar year ended December 31, 2005.

	<u># of Units</u>	<u>Total Wages</u>	<u>Average Employment</u>	<u>% of Total Covered Employees</u>
Agriculture, Forestry, Fishing & Hunting	*	*	*	*
Mining	-	-	-	-
Utilities	-	-	-	-
Construction	61	8,883,211	212	9.21%
Manufacturing	14	2,921,936	83	3.61%
Wholesale Trade	49	5,467,578	82	3.56%
Retail Trade	42	7,880,635	388	16.86%
Transportation & Warehousing	4	127,716	4	0.17%
Information	11	1,018,168	22	0.96%
Finance & Insurance	16	4,683,647	90	3.91%
Real Estate & Rental & Leasing	12	1,122,809	32	1.39%
Professional & Technical Services	62	4,191,147	102	4.43%
Management of Companies & Enterprises	*	*	*	*
Administrative Support & Waste Mgmt.	30	1,866,391	58	2.52%
Educational Services	10	3,787,583	125	5.43%
Health Care & Social Assistance	36	11,151,794	410	17.82%
Arts, Entertainment, & Recreation	9	4,142,315	147	6.39%
Accommodation & Food Services	24	3,365,499	264	11.47%
Other Services	61	4,406,166	282	12.26%
Unclassified Establishments	1	7,000	-	0.00%
Total Private Only	442	\$ 65,023,595	\$ 2,301	100.00%

Source: Rhode Island Department of Labor & Training.
City & Town - 2005 Annual Report.

*Data not shown to avoid revealing data of any specific employer.

Largest Employers

The following lists the largest private employer in the Town.

<u>Name</u>	<u>Type</u>	<u>Number of Employees</u>
Shaw's Super Markets	Supermarket	160

Source: Rhode Island Economic Development Corporation; December 2006 report.
The Economic Development Corporation does not maintain employment statistics for firms employing fewer than 100 employees.

Housing and Building Permits

The Town is a stable suburban/commuter community in terms of the growth of residential housing units and business establishments. According to the 2000 U.S. Census, there was a total of 6,199 housing units in the Town and 5,822 in 1990. This was an increase of 377 housing units or 6.5%.

Occupied housing units totaled 6,011 in 2000, an increase of 401 or 7.2% from the 5,610 occupied units reported in 1990. In 2000, 88.4% of the occupied housing units were owner-occupied. According to 2006 state wide multiple listing service the median sales price of owner-occupied housing units was \$418,300 compared to the state average of \$282,500.

The following table lists the value and amount of housing permits issued for the fiscal years 1996 - 2007.

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>Value</u>
1996	21	\$2,668,807
1997	29	3,296,695
1998	35	3,245,027
1999	17	2,455,725
2000	25	3,279,774
2001	14	2,577,435
2002	13	2,342,280
2003	19	4,752,515
2004	35	7,155,706
2005	19	4,873,415
2006	22	6,894,140
2007	18	5,400,917

PROPERTY TAXES

General

Under State law, State municipalities, including this Town, are restricted from levying general taxes except ad valorem taxes upon real and personal property and excise taxes on motor vehicles. Valuations of real and personal property are assessed as of December 31 and the levy thereon may be paid in full or quarterly without penalty, at the taxpayer's option. In the Town, the fiscal year begins July 1 with taxes in the prior December 31 assessment payable quarterly on September 30, December 30, March 30 and June 30. No discount is allowed by the Town for advance payment of taxes.

Tax Limitations

Rhode Island General Laws Section 44-5-2 limits the amount by which a city or town may increase its tax levy unless it qualifies for certain exemptions relating to loss of non-property tax revenue, emergencies, payment of debt service and substantial increase in the tax base necessitating significant expenditures. Through and including its fiscal year 2007, the maximum amount is five and one-half percent (5.5%) in excess of the amount levied for the prior year. The maximum amount a city or town may levy in excess of the amount levied for the prior fiscal year is gradually decreased from five and one-half percent (5.5%) to four percent (4.0%) by decreasing the amount a city or town may levy by one-quarter percent (0.25%) annually beginning in 2008 and ending in 2013.

Any levy pursuant to this section in excess of the percentage increase as specified in subsection (a) or (b) of Section 44-5-2 shall be approved by the affirmative vote of at least four-fifths (4/5) of the full membership of the governing body of the city or town and, in the case of a city or town with a financial town meeting, the majority of electors present and voting at the financial town meeting.

Section 44-5-2 makes it clear that nothing contained in that Section constrains the payment of obligations as described by Section 45-12-1 of the Rhode Island General Laws, which provides that the outstanding notes, bonds and contracts of cities and towns shall be paid and be fulfilled and that the power and obligation of each city and town to pay its general obligation bonds and notes shall be unlimited and each city and town shall levy ad valorem taxes upon all taxable property within the city or town for the payment of such bonds and notes and interest thereon, without limitation as to rate or amount, except as otherwise provided by or pursuant to law.

Assessed Valuations

The following table indicates assessed valuations of taxable real and personal property for the calendar years 2002-2006.

	Assessed Valuations as of December 31,				
	<u>2002⁽¹⁾</u>	<u>2003</u>	<u>2004</u>	<u>2005⁽²⁾</u>	<u>2006</u>
Assessed Valuations:					
Real Estate.....	\$1,971,958,500	\$1,985,799,500	\$2,006,811,900	\$3,159,849,100	\$3,182,998,200
Tangible Personal Property ...	107,972,419	107,743,018	115,510,603	114,710,244	118,304,851
Total Assessed Valuations	2,079,930,919	2,093,542,518	2,122,322,503	3,274,559,344	3,301,303,051
Less Exemptions.....	(32,356,000)	(33,800,253)	(32,540,678)	(47,013,424)	(43,353,963)
Net Taxable Real and Tangible Personal Property.....	\$2,047,574,919	\$2,059,742,265	\$2,089,781,825	\$3,227,545,920	\$3,257,949,088

- (1) Statistical update.
- (2) Full revaluation.

Analysis of Taxable Property

The following table shows an analysis of taxable real and personal property in the Town, assessed as of December 31, 2005 and as reflected in the Tax Rolls for the fiscal year ended June 30, 2007:

<u>Class</u>	<u>Percent of Total Real Estate and Tangible Property</u>	
	<u>Town</u>	<u>State</u>
Residential	90.98%	80.03%
Commercial	3.85	10.31
Industrial	0.02	2.13
Utilities & Railroads	0.36	1.20
Motor Vehicles	4.45	5.69
Other	<u>0.33</u>	<u>0.64</u>
	100.00%	100.00%

Motor Vehicle Excise Tax

The General Assembly passed legislation during the 1998 Legislative Session that eliminated municipal authority to levy an excise tax on motor vehicles and trailers after fiscal year 2007. This legislative directive required all cities and towns to exempt the first \$4,500 (based on NADA valuation) in value on all motor vehicles subject to taxation in Fiscal Year 2003-2004. The legislation provided that the value of the exemption would increase each year until a full phase-out was reached in fiscal year 2007. The adopted Motor Vehicle Tax Phase-Out also froze the Town’s 1998 Tax Rate for motor vehicles for all future assessment periods.

To offset State budget deficits, in 2002, the General Assembly amended this legislation to extend this phase-out period until fiscal year 2008 and to establish the exemption for fiscal year 2003 and thereafter at \$4,500. However, phase-outs occurring beyond fiscal year 2003 were subject to annual review and appropriation by the General Assembly. In 2005, the General Assembly increased the exemption for fiscal year 2006 and in 2006 the General Assembly increased the exemption for fiscal year 2007 to \$6,000. Any future increases in the phase-out must be specifically approved by the General Assembly.

Principal Taxpayers

The ten largest taxpayers in the Town as of December 30, 2006 were as follows:

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>
ACP Shopping Center Assoc. LP	Retail Shopping	\$13,203,400
Atria Bay Spring LLC	Apartments	10,781,300
RI Country Club	Country Club	10,361,900
Atlantic Crossing LLC	Real Estate Dev.	5,373,800
Alfred Almeida	Real Estate Dev.	5,217,800
The Cove Haven Corp.	Marina	4,654,200
Charles Adams	Property Owner	4,281,800
Mary Jane Creamer	Property Owner	4,132,500
Adams Point LLC	Property Owner	4,035,400
Tracy C Daugherty Trust	Property Owner	3,825,400

Tax Rate, Levy, and Collection Record

The following is a schedule of tax rate, levy and balance of uncollected taxes as of the end of the year of levy.

<u>Fiscal Year</u>	<u>Tax Rate per \$1,000</u>	<u>Gross Levy</u>	<u>Net Abatements and Additions</u>	<u>Net Levy</u>	<u>Collections End of Fiscal Year</u>	<u>% of Gross Levy Collected</u>
2007 ⁽¹⁾	\$13.25/42.00	\$45,054,422	\$47,424	\$45,101,846	\$43,181,425	95.6%
2006	19.75/42.00	43,086,859	163,929	43,250,788	42,517,522	98.3
2005	18.99/42.00	40,853,698	85,529	40,939,227	40,307,296	98.4
2004	18.00/42.00	38,759,725	16,478	38,776,203	38,194,559	98.5
2003	26.10/42.00	36,853,903	24,929	36,878,832	36,340,663	98.5
2002	25.40/42.00	35,895,269	3,898	35,899,167	35,263,568	98.2
2001	24.20/42.00	34,206,008	208,848	34,414,856	33,882,869	98.4
2000	23.80/42.00	33,447,866	118,186	33,566,052	32,961,654	98.4
1999	22.20/42.00	31,497,215	4,912	31,502,127	30,688,452	97.4
1998	21.10/42.00	29,644,959	9,366	29,654,325	28,911,365	97.5
1997	20.00/35.00	27,495,992	(83,958)	27,412,034	26,632,416	96.6

(1) Does not reflect 60 day collections.

The Town historically has averaged collections of approximately 98% of its tax levy after the fourth quarterly installment is due and paid. This collection record is due to the fact that the Town has periodic tax sales for prior year delinquent real property taxes. Delinquent automobile excise taxes are collected in cooperation with the Rhode Island Registry of Motor Vehicles. If automobile taxes have not been paid, information is supplied to the Registry of Motor Vehicles and motor vehicles may not be re-registered until taxes are paid in full. Other delinquent personal property taxes are collected through delinquency notices and use of small claims court. The Town assesses an interest charge of 18% per annum on delinquent accounts.

TOWN DEBT

General

Except as provided below, under Rhode Island law the Town may not, without special statutory authorization, or ministerial approval by the Auditor General of the State (described below), incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the full assessed value of the taxable property within the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any fund held on account to pay such indebtedness maintained by the Town. In computing the value of taxable property, motor vehicles and trailers are valued at full value without regard to assessed value reductions provided for in other sections of the general laws. In July 2007, the Rhode Island State Legislature enacted legislation providing for ministerial approval by the State's Auditor General of debt outside of the 3% debt limit for communities with an "A" rating or better, if the community satisfies certain requirements. The 3% debt limit of the Town is \$97,738,472 based on net assessed valuations of \$3,257,949,088 as of December 31, 2006. As of June 30, 2006, the Town

has \$9,581,009 debt outstanding under the 3% debt limit provision; the remaining outstanding debt has been authorized by special act of the Rhode Island State Legislature and referenda approved by the Town Electorate. The Town has no debt outstanding under the ministerial approval process.

In addition to debt authorized within the 3% debt limit and debt authorized by special act of the Legislature, Rhode Island General Laws Section 45-12-11 authorizes the Rhode Island State Director of Administration, upon petition by a municipality, to authorize such municipality to incur indebtedness in excess of the 3% debt limit whenever the Director shall determine that the sums appropriated by the municipality or its funds available are insufficient to pay the necessary expenses of the municipality. The Town has never requested the State Director of Administration to authorize indebtedness of the Town under Section 45-12-11.

Outstanding Debt

As of June 30, for the years indicated, the outstanding general obligation indebtedness of the Town is as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Various Purpose	\$3,320,000	\$12,405,000	\$11,240,000	\$11,545,000	\$13,550,000
Sewer	-0-	-0-	-0-	4,392,000	4,203,000
1999 School Bond	12,820,000	12,105,000	11,390,000	10,675,000	9,960,000
Refunding	<u>9,125,000</u>	<u>7,325,000</u>	<u>5,650,000</u>	<u>3,855,000</u>	<u>2,600,000</u>
Total G.O. Debt	<u>\$25,265,000</u>	<u>\$31,835,000</u>	<u>\$28,280,000</u>	<u>\$30,469,005</u>	<u>\$30,313,000</u>

Actual Bond Debt Service Requirements

The following table sets forth a schedule of debt service for the outstanding bonds of the Town for the years ending 2007 through 2027

<u>Fiscal Year</u> <u>June 30,</u>	<u>Existing G.O. Debt Service</u>		<u>Existing Enterprise Debt Service ⁽¹⁾</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	\$ 3,735,000	\$ 1,060,190	\$ 191,000	\$ 51,041	\$ 5,037,231
2008	3,035,000	937,365	319,000	261,760	4,553,124
2009	3,045,000	825,575	361,000	254,506	4,486,081
2010	2,395,000	708,522	369,000	245,263	3,717,785
2011	2,460,000	609,238	377,000	235,598	3,681,836
2012	2,490,000	506,203	390,000	225,748	3,611,951
2013	1,360,000	404,141	403,000	215,537	2,382,678
2014	1,110,000	340,148	412,000	204,760	2,066,908
2015	1,115,000	288,448	425,000	193,650	2,022,098
2016	980,000	237,498	439,000	180,421	1,836,919
2017	990,000	190,754	453,000	166,569	1,800,323
2018	1,005,000	143,078	467,000	153,830	1,768,908
2019	1,020,000	94,536	481,000	140,675	1,736,211
2020	1,035,000	45,038	500,000	126,989	1,707,027
2021	335,000	13,400	515,000	112,551	975,951
2022	-	-	534,000	97,439	631,439
2023	-	-	549,000	81,432	630,432
2024	-	-	569,000	64,872	633,872
2025	-	-	589,000	47,301	636,301
2026	-	-	345,000	30,934	375,934
2027	-	-	360,000	15,840	375,840
	<u>\$26,110,000</u>	<u>\$ 6,404,132</u>	<u>\$ 9,048,000</u>	<u>\$ 3,106,716</u>	<u>\$ 44,668,848</u>

⁽¹⁾ Includes \$4,845,000 GO Bonds Issued June 15, 2007.

Authorized But Unissued Debt

After this issue of Bonds, the Town will have remaining authority to issue bonds/notes in the amounts and for the purposes shown below:

<u>Authorization</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Outstanding</u>	<u>Remaining Authority</u>
RIGL 45-12-2 and Financial Town Meeting Resolution of 5/22/04	Open Space	\$ 590,000	\$ 570,000	\$ 20,000
RIGL 45-12-2 and Financial Town Meeting Resolution of 5/23/07	Sewer	\$ 8,000,000	\$ 4,845,000	\$ 3,155,000

In addition, the Financial Town Meeting annually approves the issuance of Tax Anticipation Notes and Emergency Notes.

Debt Ratios and Debt Per Capita

	<u>Fiscal Year Ending June 30,</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Population	16,819	16,819	16,819	16,819	16,819
Net Assessed Value	\$1,359,788,027	\$1,367,007,759	\$2,047,574,919	\$2,059,742,265	\$2,089,781,825
Estimated Full Market Value	1,629,446,908	1,693,551,495	2,100,480,297	2,167,425,877	2,822,284,385
Gross G.O. Debt Outstanding	25,265,000	31,835,000	28,280,000	26,075,000	26,110,000
Ratio of Gross Debt to EFMV	1.55%	1.87%	1.34%	1.20%	.93%
Gross Debt per Capita	\$1,502	\$1,892	\$1,681	\$1,550	\$1,552

Source: Tax Assessor

TOWN FINANCES

The financial statements of the Town have been audited by Bacon & Company, CPA’s, LLC, for the fiscal year ended June 30, 2006. The June 30, 2006 audit is incorporated by reference as APPENDIX C to this Official Statement. Comparative financial statements are set forth in the section of this Official Statement entitled "Comparative Financial Statements". Such statements are unaudited but have been prepared by the Town Treasurer for comparative purposes from audited financial statements.

Financial Reporting

The financial statements of the General Fund are prepared on a modified accrual basis, reflecting assets, liabilities, and financial activities not recorded in separate fund groups. Receivables for property taxes are recorded as assets in the balance sheet, fully offset by a reserve. Revenues are recorded in the period of receipt, and expenditures and encumbrances are recorded on the basis of cash disbursements and commitments respectively. The general fixed assets of the Town (including land, buildings, equipment, etc.) are not recorded in any fund group of accounts. No depreciation has been provided on general fixed assets.

The Town's fiscal position is reported monthly by the Town Treasurer to the Town Manager. This report compares revenues received and expenditures paid or encumbered against budgeted revenues and expenditures. The Town Treasurer supervises and is responsible for the disbursement of all monies and has control over all expenditures to insure that budget appropriations are not exceeded. All proposed expenditures must be approved by the Town Manager, and no expenditure may be approved unless he can certify that there is an unencumbered balance of appropriations and funds available. The Town Treasurer is also responsible for maintaining a general accounting system for the Town, preparing annual financial reports and collecting of taxes and assessments. The Town Treasurer has custody of public funds and invests Town funds on hand.

Budgetary Procedures

The Town Manager (the “Manager”) shall submit to the Town Council and the Committee on Appropriations, not later than the second Monday in March, a proposed budget of receipts and operating and capital expenditures and an explanatory budget message together with a summary of the balances of each capital reserve account and a summary of the actual and anticipated additions to and expenditures from each such account for the current fiscal year. For such purpose, the Manager shall obtain from the head of each office, department and agency estimates of its revenues and expenditures and such

supporting data as the Manager may request. In preparing the proposed budget, the Manager shall review the estimates and may revise them as the Manager may deem advisable. The proposed budget as prepared by the Manager shall show all anticipated revenue and all proposed expenditures including capital expenditures, and the total of proposed expenditures shall not be greater than the total of anticipated revenues. The Manager's proposed budget shall include the gross school revenues and expenditures as submitted by the School Committee, however, such figures shall not be subject to the Manager's review.

The Town budget is approved at the annual Financial Town Meeting which is scheduled on the 4th Wednesday in May.

Town Budget (2007 and 2008)

Set forth below is the Town's budget for the fiscal year ending June 30, 2007, and the operating budget for the fiscal year ending June 30, 2008.

REVENUES:	<u>2007</u>	<u>2008</u>
General Property Taxes	\$44,990,290	\$47,152,684
Licenses, Fees and Permits	990,233	940,138
Interest on Investments and Taxes	435,000	435,000
State Aid	6,531,053	6,270,912
Reappropriation of Working Capital	1,202,985	300,000
Other Revenues	<u>713,786</u>	<u>880,754</u>
Total Revenues	<u>\$54,863,347</u>	<u>\$55,979,488</u>
EXPENDITURES:		
General Government	\$1,490,555	\$1,558,849
Fire Department	1,546,159	1,621,292
Police Department	2,096,729	2,167,511
Public Works	2,382,101	2,430,379
Benefits	2,927,662	3,040,942
Library	1,057,645	1,099,329
Recreation & Senior Services	237,601	206,649
Interest on Debt	897,869	787,262
Principal on Debt	3,302,508	2,578,957
Government Center Utilities	325,833	345,300
Capital Items*	1,518,225	1,279,500
Other	277,475	262,411
Education	<u>36,802,985</u>	<u>38,601,107</u>
Total Expenditures*	<u>\$54,863,347</u>	<u>\$55,979,488</u>

* Figures include capital reserve

Tax Anticipation Notes

Under Rhode Island law the Town may borrow in each fiscal year, in anticipation of the receipt of the proceeds of the property tax due in such fiscal year, an amount which shall not exceed the total tax levy of the then current fiscal year. Tax anticipation notes must be payable not later than one year from their date, but notes issued for less than one year may be renewed, provided such renewal notes are payable within one year of the date of the original notes. The Town has no tax anticipation notes outstanding.

State Aid

State School Operations Aid

Pursuant to Rhode Island General Laws Sections 16-7-15 to 16-7-34, as amended, the State provides operations assistance to each municipality and school district. The statutes provide for reimbursement of school expenditures based on a formula prescribed by the statutes which adjusts the reimbursement ratio based on relative equalized valuation of property and median family income of a community relative to the State as a whole. Under this program, the Town School Department received \$2,599,525 in fiscal year ended June 30, 2006 and has budgeted \$2,833,645 and \$2,553,044 during fiscal years ending June 30, 2007 and June 30, 2008, respectively. This legislation could be changed in a legislative session and all State aid is subject to General Assembly appropriation.

State School Construction Aid

Pursuant to Rhode Island General Laws Section 16-7-35 to 16-7-47, as amended, the State provides construction aid to Rhode Island municipalities for the cost of building or renovating public schools. All buildings constructed or renovated since July 1, 1949 are eligible for assistance of a minimum of 30% of the full cost of such buildings. Such assistance level may be further increased by a formula, which takes into account the equalized assessed valuation and debt service burden of the particular municipality. For the fiscal year ended June 30, 2006, the Town received \$667,378 in school construction aid and \$643,071 and \$618,958 has been budgeted in fiscal years ending June 30, 2007 and June 30, 2008, respectively. The legislation authorizing State School Construction Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly. School housing project costs include the cost of interest on any bond issued after July 1, 1988. For projects approved by the voters after June 30, 2003, the cost of interest on any bond will be reimbursed as an eligible project cost only if the bonds for these projects are issued through the Rhode Island Health and Educational Building Corporation. The legislation authorizing State School Construction Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly.

State aid reimbursement for school construction projects is based on the share ratio established for that year by the Rhode Island Department of Education. For the current year, the Town's share ratio is approximately 30%. This ratio can vary from year to year.

LITIGATION

The Town has several lawsuits pending against it. The Town Solicitor is of the opinion that there is not now pending or, to his knowledge, threatened any litigation seeking to restrain or enjoin the transactions contemplated by this Official Statement or in any way contesting the power of the Town to enter into the transactions contemplated by this Official Statement. In the opinion of the Town Solicitor, there is no litigation pending against the Town which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the Town's financial position or its ability to meet its debt service obligations.

Comparative Financial Statements

Set forth below are comparative financial statements, which were prepared by the Town Treasurer from audited financial statements.

**COMPARATIVE FINANCIAL STATEMENTS
GENERAL FUND
COMPARATIVE BALANCE SHEETS⁽¹⁾**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
ASSETS AND OTHER DEBITS:					
Cash and cash equivalents	\$ 4,936,044	\$ 4,593,084	\$ 9,612,931	\$10,055,638	\$10,088,434
Investments	3,267,775	4,843,258	416,750	109,187	162,641
Accounts Receivable	1,670,332	1,584,781	1,654,975	1,756,875	1,710,369
Due from other funds	2,121,807	1,635,108	1,182,410	1,603,551	1,508,472
Other assets	<u>57,802</u>	<u>52,552</u>	<u>52,552</u>	<u>52,552</u>	<u>52,552</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$12,053,760</u>	<u>\$12,708,783</u>	<u>\$12,919,618</u>	<u>\$13,577,803</u>	<u>\$13,522,468</u>
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts payable and accrued expenses	\$ 435,912	\$ 442,663	\$ 442,950	\$ 607,974	\$ 326,362
Due to other funds	1,533,175	2,099,026	2,346,824	2,646,776	2,466,825
Deferred revenues	745,611	655,476	681,991	735,665	780,385
Accrued compensated absences	127,922	105,086	105,086	-0-	-0-
Other Liabilities	<u>149,416</u>	<u>158,356</u>	<u>155,571</u>	<u>156,629</u>	<u>172,540</u>
TOTAL LIABILITIES	<u>\$ 2,992,036</u>	<u>\$ 3,460,607</u>	<u>\$ 3,732,422</u>	<u>\$ 4,147,044</u>	<u>\$3,746,112</u>
Fund Balances:					
Reserved for tax title property	\$ 18,292	\$ 11,987	\$ 11,987	\$ 11,987	\$ 11,987
Reserved for other purposes	57,904	89,663	57,124	28,475	95,173
Unreserved:					
Designated	1,200,000	1,200,000	900,000	750,000	900,000
Undesignated	<u>7,785,528</u>	<u>7,946,526</u>	<u>8,218,085</u>	<u>8,640,297</u>	<u>8,769,196</u>
Total equity and other credits	<u>9,061,724</u>	<u>9,248,176</u>	<u>9,187,196</u>	<u>9,430,759</u>	<u>\$9,776,356</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$12,053,760</u>	<u>\$12,708,783</u>	<u>\$12,919,618</u>	<u>\$13,577,803</u>	<u>\$13,522,468</u>

(1) Prepared from audited financial reports

**COMPARATIVE FINANCIAL STATEMENTS
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES⁽¹⁾**

	2002	2003	2004	2005	2006
REVENUES:					
Property taxes	\$35,710,622	\$36,909,552	\$38,761,540	\$40,854,688	\$43,100,006
Intergovernmental revenues	387,028	410,719	398,578	328,799	298,548
Other local revenue	1,418,422	1,326,371	1,510,240	1,584,891	1,574,356
Other revenues	466,272	449,789	507,323	601,964	699,649
State aid and grants	<u>5,504,870</u>	<u>5,707,597</u>	<u>5,632,701</u>	<u>5,784,981</u>	<u>6,258,169</u>
Total Revenues	<u>\$43,487,214</u>	<u>\$44,804,028</u>	<u>\$46,810,382</u>	<u>\$49,155,323</u>	<u>\$51,930,728</u>
EXPENDITURES:					
Current:					
General government	934,511	990,840	1,101,094	1,198,133	1,295,366
Public safety	3,041,134	3,114,796	3,285,110	3,350,211	3,424,555
Public works	1,979,007	2,096,397	2,191,716	2,208,373	2,327,258
Conservation of health	46,400	46,400	46,400	46,400	46,400
Personnel charges	1,598,826	1,671,813	1,852,952	2,155,121	2,439,737
Public Library	881,644	932,405	956,117	1,001,025	1,013,169
Recreation department	65,372	67,699	102,615	102,215	100,027
Community & Senior services	90,598	92,062	95,337	102,212	105,974
Inspections	61,621	64,210	66,551	70,409	79,535
Governmental center utilities	211,158	254,811	272,883	284,158	316,375
Miscellaneous	151,540	56,193	58,778	101,388	30,469
Debt Service	5,135,438	4,775,907	4,818,186	4,792,976	4,762,401
Capital outlay	<u>90,824</u>	<u>60,141</u>	<u>62,770</u>	<u>81,104</u>	<u>68,505</u>
Total expenditures	<u>\$14,388,073</u>	<u>\$14,223,674</u>	<u>\$14,910,509</u>	<u>\$15,493,725</u>	<u>\$16,009,771</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	\$29,099,144	\$30,580,354	\$31,899,873	\$33,661,598	\$35,920,957
OTHER FINANCING SOURCES (USES):					
Transfers in	8,688,308	504,181	624,371	809,712	525,000
Transfers out	(36,930,008)	(30,898,083)	(32,585,224)	(34,332,833)	(36,100,360)
Total other financing sources (uses)	(28,241,700)	(30,393,902)	(31,960,853)	(33,523,121)	(35,575,360)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	857,441	186,452	(60,980)	138,477	345,597
(Increase) decrease in reservations	—0—	—0—	—0—	—0—	—0—
Net change in unreserved fund balance	857,441	186,452	(60,980)	138,477	345,597
Fund balance, July 1 previous year	<u>8,204,283</u>	<u>9,061,724</u>	<u>9,248,176</u>	<u>9,292,282</u>	<u>9,430,759</u>
Fund balance, June 30 current year	<u>\$9,061,724</u>	<u>\$9,248,176</u>	<u>\$9,187,196</u>	<u>\$9,430,759</u>	<u>\$9,776,356</u>

(1) Prepared from audited financial reports

TOWN OF BARRINGTON, RHODE ISLAND

By: /s/ Dean M. Huff, Jr.
Finance Director

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Appendix B-2

Information Relating to the City of Central Falls

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Rhode Island Health and Educational Building Corporation
 170 Westminster Street, Suite 1200
 Providence RI 02903

Ladies and Gentleman:

We are pleased to submit the following information with respect to the City of Central Falls (the "City"). This letter and the information contained herein are submitted to the Rhode Island Health and Educational Building Corporation (the "Corporation") for inclusion in the Official Statement relating to its Public Schools Revenue Bond, Financing Program Revenue Bonds, Series 2007 B (Pooled Issue) (the "Bonds"). Unless otherwise noted, all information, including statistics, is taken from City and school district department records. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Official Statement.

THE CITY

General

The City of Central Falls was incorporated as a city on February 21, 1895. While the City is the smallest municipality in area in the State (1.2 square miles), it ranks 20th in population. The City is located six miles north of Providence and is bounded partly by the Towns of Cumberland and Lincoln, and the Cities of Attleboro (Massachusetts) and Pawtucket. The City has several large manufacturing plants with its economy sustained primarily by diversified manufacturing industry.

Government

The City operates under a Home Rule Charter adopted in 1952 providing for a Mayor/City Council form of government. The five-member City Council is headed by a Council President. All legislative powers of the City are vested in the City Council by the Charter, including the ordering of any tax, making appropriations and transacting any other business pertaining to the financial affairs of the City.

The Mayor is the chief executive and administrative officer of the City and is elected for a term of two years. According to the City Charter, it is the duty of the Mayor to provide to the City Council, at least once a year, a statement of the financial and general conditions of the affairs of the City. He must also submit a proposed annual operating budget, a recommended capital program and a recommended capital budget.

Education

The Central Falls School District has five elementary schools and one middle school and one high school. The School District has 338 certified teaching personnel. Actual and projected student enrollment for the years indicated is as follows:

Actual Enrollment		Projected Enrollment	
Average Daily			
Membership			
2003-04	3,777	2007-08	3,992
2004-05	3,734	2008-09	4,036
2005-06	3,951	2009-10	4,083
2006-07	3,975	2010-11	4,105

State Assumption of Responsibility for City School District

General

Pursuant to Chapter 312 of the Rhode Island Public Laws of 1991 (the "Act") effective July 1, 1991, the State of Rhode Island assumed responsibility for the administration and financing of the Central Falls School District (the "School District"). The complete takeover of the School District became effective July 1, 1992. The Act provided that the Governor, after consultation with the Commissioner of Elementary and Secondary Education (the "Commissioner") appoint a Special State Administrator (the "Administrator") for the School System. The Act initially gave the Administrator all rights,

responsibilities, duties and obligations of school committees under the applicable laws and regulations of the State. The Administrator, who reported to the Commissioner, was also required to seek community input from a nine (9)-member Central Falls School Advisory Group and to provide regular briefings to the Mayor of Central Falls. In 2003, pursuant to Section 16-2-34 of the Rhode Island General Laws, the Administrator for the Central Falls School District was replaced by a seven member Board of Trustees and the Central Falls School District Advisory Group, created by the Act was dissolved. The seven (7) member Board of Trustees governs the Central Falls School District. With the exception of those powers and duties reserved by the Commissioner of Elementary and Secondary Education and the Board of Regents for Elementary and Secondary Education, the Board of Trustees has all powers and duties of school committees.

The Central Falls School District continues to operate in the same manner that it did in prior fiscal years except that:

1. the Board of Trustees has replaced the School Committee;
2. the City of Central Falls continues to be responsible for payment of all bond principal and interest; and
3. For financial reporting purposes, the Central Falls School District is a component unit of the State of Rhode Island. The School District has established its own accounts separate and apart from the City's account(s). The School District uses these account(s) to pay only those expenses incurred after July 1, 1991, which have been approved by the Board of Trustees.

Funding for the Central Falls School District

The Central Falls School District, a component unit of the State of Rhode Island, is funded by appropriations from the State of Rhode Island. In fiscal year 2005-06 the total funding amounted to \$41,241,503 and in fiscal year 2007 and 2008, the total funding amounted to \$43,234,574 with the same amount (i.e. level funding) budgeted in fiscal year 2008.

It is anticipated that State School Construction Aid to the City from the State will continue to support annual debt service payments for the life of all existing school bonds. However, the legislation authorizing State School Construction Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly. The City receives approximately 93% reimbursement under the State School Construction Aid formula.

Government Services

The City provides basic City services such as fire and safety services, public works and maintenance of all City property. The City wastewater is processed by the Narragansett Bay Commission which collects and treats the City's wastewater and sewage. The City is nearly 100% sewered. The City of Pawtucket Water Supply System services the City's water needs.

Employee Relations

The School District employs 375 professional employees. In addition, there are 282 part-time and non-professional employees of the School Department.

The current status of union contracts for municipal and school employees is:

- Police Officers - 3 year contract expires June 30, 2009
- Municipal (City Hall/Public Works/Library) - 3 year contract expires June 30, 2008
- Fire Department - 3-year contract expires June 30, 2008
- School District Teachers - 3-year contract expires August 31, 2008
- School District Department Non-certified personnel - 1-year contract expires June 30, 2007 (Negotiations on-going)

Both of the school contracts as negotiated between the employee bargaining units and the Board of Trustees are ratified by Rhode Island Department of Education. Presently, there is no impact on the City's General Fund as a result of these contracts.

Retirement Programs

The City provides as a condition of employment pension benefits to substantially all municipal employees under three separate plans. The Central Falls School District (a component unit of the State of Rhode Island) participates in a separate contributory retirement system for school teachers administered under State law by the Municipal Employees' Retirement System of the State of Rhode Island ("MERS").

Municipal Employees

The City of Central Falls participates in the Municipal Employees' Retirement System, a cost-sharing multiple-employer public employee retirement system. The system includes one plan for general employees and two plans for police and fire personnel.

The system, for employees other than police or fire, generally provides retirement benefits equal to 2 percent of final average salary per year of service. Such benefits are available to members at least age 58 with 10 years of service or after 30 years at any age. Benefits are based on the average of the highest three consecutive years earnings. The maximum benefit is 75 percent of such average salary.

All plans also provide non-service connected disability benefits after 5 years of service, service-connected disability with no minimum service requirement, vested benefits after 10 years of service, survivors' benefits, and certain lump sum death benefits.

MERS members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 7.18% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by State Statute.

For 2006, the City's annual pension cost of \$197,606 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3 percent inflation component compounded annually, (c) 3 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Uninsured Pensioner Mortality Table and (e) a retirement age of 60 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-period. MERS unfunded actuarial accrued liability is being amortized using the weighted average method over a 25 year period.

City Police and Fire Pension Fund (1%)

The City Police and Fire Pension Fund was established by the Public Laws of Rhode Island, 1925, and was effective for all police and firefighters hired prior to July, 1972.

As of June 30, 2006, employee membership data related to the pension plan is as follows:

Active membership.....	1
Retirees and beneficiaries.....	61

The pension plan provides pension benefits, as well as disability and death benefits. A member may retire after accumulating 20 years of service with the City. Benefits vest after 5 years of service. Employees with 20 years of service are entitled to pension payments equal to 50% of their final base salary for life. They can accrue an additional 2% per year for the next 5 years and then 1% per year for the next five years thereafter, not to exceed 65% for 30 years of service. The final salary is the salary of the employee during the final year of full-time employment inclusive of base wages, longevity and holiday pay. After retirement, the benefit increases by the same percentage as the salary of an active participant of the same rank.

Significant actuarial assumptions included (a) a net investment return of 7.5 percent compounded annually, (b) projected salary increases of 3 percent compounded annually, (c) 3 percent per year cost-of-living adjustments, (d) mortality rates based on the 1983 Group Annuity Mortality Table and (e) a retirement age of 65 for police officers and age of 55 for firefighters.

The value of the plan assets at July 1, 2006 was \$1,146,741 and an unfunded actuarial accrued liability of \$14,591,702 as of July 1, 2006. The City Police and Fire Pension Fund is considered part of the City's financial reporting entity and is included in the City's annual financial report as a pension trust fund.

Police and Fire Private Pension Plan (John Hancock)

All full-time police and fire employees are eligible and must participate in the City's private pension plan administered by John Hancock Mutual Life Insurance Company, if hired after July 12, 1972. The pension plan provides

pension benefits, as well as disability and death benefits. A member may retire after accumulating 20 years of service with the City. (Prior to July 1, 1992, normal retirement required 25 years of service.)

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost method. The normal cost is funded on a current basis. Employees of the City are required to contribute 7% of their gross earnings to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 76 percent of annual covered payroll.

For 2006, the City's annual pension cost was \$1,949,325 for the Police and Fire Pension Plan and actual contributions were \$150,000. The annual required contribution includes \$748,703 of normal cost, \$140,207 of interest and \$1,060,415 of amortization of the unfunded actuarial accrued liability. The required contribution was determined as part of the July 1, 2004 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 7.75 percent compounded annually, (b) projected salary increases of 3 percent compounded annually, (c) 2.5 percent per year cost-of-living adjustments, (d) mortality rates based on the 1983 Group Annuity Mortality Table and (e) retirement after the earlier of age 55 and 10 years of service or age 50 and 20 years of service. The actuarial value of the Police and Fire Pension Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Unfunded actuarial accrued liability is being amortized using the weighted average method over a 30 -year period. The Plan's unfunded actuarial accrued liability was \$20,599,620 as of July 1, 2006.

The City has identified possible funding sources for the purpose of reducing the City's net pension obligation incurred to date including approximately \$1.1 million generated from the sale of water pipes to the Pawtucket Water Supply Board on June 30, 2007.

The most recent actuarial report(s), indicating the City's unfunded accrued liability of both Police and Fire pension plans ("1% ers" and "John Hancock") were prepared, as of July 1, 2006. The recommended annual contribution and net pension obligation (NPO) are noted. Prospectively, the City's plan is to first adopt a "definitive funding plan" and then attempt to fund these future pension obligations by using a combined strategy of: (1) direct annual contributions from the City's General fund; (2) capping existing exposure by moving newly hired police officers and firefighters into the state pension plan; and (3) issuing pension obligation refunding bonds on the capped liability, providing financial market conditions are favorable.

In fiscal year 2006, the City of Central Falls funded 8% of the ARC for the Police and Fire ("John Hancock") Pension for employees hired after July 1, 1972. This plan reported a funded ratio of 34.6% in 2006. In June 2007 the City adopted a five-year pension funding plan by ordinance in an effort to work towards funding 100% of the ARC.

In order to maintain certain liquidity ratios in accordance with the terms of the City's guaranteed annuity contract with John Hancock, pension trust fund assets have and may continue to be sold as required in order to meet current and future obligations. Certain retired municipal employees and former employees with vested benefits are also covered by the plan.

School Non-Certified Personnel Retirement Plan

The School District provides retirement benefits to its non-certified personnel through its participation in the Rhode Island Municipal Retirement System, a statutory, mandatory, statewide, cost-sharing multi-employer defined benefit plan. This retirement system is administered as a unified statewide system by the State Retirement Board.

School Teacher's Retirement Plan

The School District provides retirement benefits to its public school teachers through its participation in the Rhode Island Retirement System, a statutory, mandatory, statewide, cost-sharing multi-employer defined benefit plan, which first covered State teachers on July 1, 1949. This Teachers Retirement System is administered as a unified statewide system by the State Retirement Board, the composition of which is set forth in the pertinent State statute. The assets are held in the custody of the State Treasurer as an undivided single fund.

The actuarial costs of the retirement benefits are partially funded by employee contributions of 9.50% of the actuarial costs of the retirement benefits effective July 1, 2003. The actuary determines the net employer actuarial costs annually and as provided by the State Retirement Board to the Department of Administration. Contributions are reported as a percent of payroll, payable by the State. For fiscal year 2005-2006, the State paid 100%.

The actuarial valuation prepared by Gabriel, Roeder, Smith & Company uses the entry age normal cost. The valuation assumes an annual salary increase on a scale of age/service. In addition, other actuarial assumptions are made for post-retirement increases and other contingencies as set forth in the published annual reports of the State Retirement Board.

The following are comparative highlights for 2003 through 2005 for the Teachers System as a whole:

	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>6/30/2003</u>
Active participants	14,469	14,556	14,410
Pensioners and beneficiaries	8,565	8,179	7,704
Inactive participants	2,037	1,836	1,404
Net assets	\$3,364,100,154	\$3,131,927,525	\$2,729,820,882
Employer contributions	\$ 121,853,338	\$ 115,715,178	\$ 93,747,429
Member and other miscellaneous contributions	<u>83,169,179</u>	<u>83,658,995</u>	<u>74,508,208</u>
Total contributions	\$ 205,022,517	\$ 199,374,173	\$168,255,637
Miscellaneous income	-0-	(10,203)	3,631,405
Investment income	<u>350,914,487</u>	<u>502,176,631</u>	<u>71,722,725</u>
Total income available for benefit payments	\$ 555,937,004	\$ 701,540,601	\$ 243,609,767
Benefit payment	<u>(\$323,764,375)</u>	<u>(\$299,433,958)</u>	<u>(\$268,014,336)</u>
Excess of income over expenses	<u>\$ 232,172,629</u>	<u>\$ 402,106,643</u>	<u>\$ (24,404,569)</u>

Compiled from Employee Retirement System of Rhode Island - Annual Reports 2003-2005

Actuarial costs and liabilities, as shown in the summary presentation, are determined in the aggregate for the Teachers Retirement System. Accordingly, employer contributions are first determined in the aggregate for all participating employers in this multi-employer system and are then expressed as a percentage of the aggregate participating payroll.

With respect to the Teachers Retirement System, Gabriel, Roeder, Smith & Company, independent actuaries advising the Retirement Board have calculated the pension plan to be fully funded by 2029.

According to the statutory funding schedule, the combined contributions required each year by the City and the State will remain relatively level as a percent of payroll as the System moves toward funding the full actuarial liability. Ultimately, however, because the actuarial funding results in the accumulation of reserves that are invested, the required appropriation will be significantly less than would be required if the Teacher's Retirement System were on a pay-as-you-go basis.

Other Post Employment Benefits

The City provides its workers with certain health care benefits after retirement sometimes called "other post-employment benefits" or "OPEB's." Changes in accounting rules will require the City to estimate its actuarial OPEB liability and amortize the unfunded liability over thirty years beginning with the 2008-2009 fiscal year. The City has not yet initiated an appraisal of its OPEB liability and no estimate of this liability is available. The City has engaged Alliance Benefit Group (Indianapolis, IN) to provide an appraisal of its OPEB liability, which will be reported in compliance with GASB 45 (Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions) In the fiscal year ending June 30, 2008, the City has budgeted approximately \$944,581 for post-employment benefits.

The School District has engaged Gabriel Roeder Smith and Company to provide an appraisal of its OPEB liability which will be reported in compliance with GASB 45. No estimate of this liability is available at this time.

ECONOMIC CHARACTERISTICS

Population

The City of Central Falls is ranked twentieth in population among the 39 cities and towns in the State. According to the 2000 Census, the median age for all Central Falls residents was 30.2 years. Population density was 14,662 persons per square mile. Set forth below is a table of the number of inhabitants in the City for various years from 1920 - 2000:

<u>Year</u>	<u>Population</u>
1920.....	24,174
1930.....	25,898
1940.....	25,248
1950.....	23,550
1960.....	19,858
1970.....	18,716
1980.....	16,995
1990.....	17,637
2000.....	18,928

Source: U.S. Bureau of the Census.

Unemployment

The most recent labor market information summary indicates that annualized unemployment for the years indicated was as shown in the following table:

	<u>Annualized</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City of Central Falls	7.7%	6.6%	5.7%	5.8%	7.4%	7.5%	8.3%	7.5%	7.3%	7.1%
State of Rhode Island	5.2	4.6	4.2	4.2	4.5	5.1	5.4	5.2	5.1	5.1
United States	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6

Source: Department of Labor and Training.
Not Seasonally Adjusted.

	<u>2007 Monthly</u>				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
City of Central Falls	7.1%	6.7%	6.1%	6.5%	6.4%
State of Rhode Island	5.5	5.1	4.6	4.6	4.5
United States	5.0	4.9	4.5	4.3	4.3

Source: Department of Labor and Training.
Not Seasonally Adjusted.

Employment

In 2005, the City had 258 private business and industrial firms subject to the payment of employment security taxes. During that period, the payrolls for those firms totaled \$67,233,704 and the average number of persons employed was 2,395. The following is a listing of the various types of industry in the City covered by the Department of Employment and Training for the calendar year ended December 31, 2005.

	<u># of Units</u>	<u>Total Wages</u>	<u>Average Employment</u>	<u>% of Total Covered Employees</u>
Agriculture, Forestry, Fishing & Hunting	-	-	-	-
Mining	-	-	-	-
Utilities	-	-	-	-
Construction	32	5,163,809	149	6.22%
Manufacturing	38	26,347,902	759	31.69%
Wholesale Trade	11	5,486,958	170	7.10%
Retail Trade	35	4,995,041	211	8.81%
Transportation & Warehousing	7	1,175,089	84	3.51%
Information	-	-	-	-
Finance & Insurance	14	4,154,614	124	5.18%
Real Estate & Rental & Leasing	9	1,248,914	54	2.25%
Professional & Technical Services	9	542,941	17	0.71%
Management of Companies & Enterprises	-	-	-	-
Administrative Support & Waste Mgmt.	14	7,011,893	266	11.11%
Educational Services	*	*	*	*
Health Care & Social Assistance	20	5,451,888	220	9.19%
Arts, Entertainment, & Recreation	*	*	*	*
Accommodation & Food Services	37	2,743,222	216	9.02%
Other Services	31	2,908,183	125	5.22%
Unclassified Establishments	1	3,250	-	-
Total Private Only	258	\$ 67,233,704	2,395	100.00%

Source: Rhode Island Department of Labor & Training.
City & Town - 2005 Annual Report.

*Data not shown to avoid revealing data of any specific employer.

Largest Employers

The following is a list of the largest employers in the City of Central Falls.

<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>
Donald W. Wyatt Detention Facility	Criminal Detention Facility	204
Fuller Packaging, Inc.	Packaging Company	200
Murdock Webbing Co., Inc.	Fibers & Elastic Manufacturing	150
Osram Sylvania, Inc.	Manufacturer	100
First Student, Inc.	Transportation (School Busing)	54

Source: City of Central Falls.

Income Levels

The following table represents the per capita and median family income according to the 2000 U.S. Census.

	<u>Per Capita</u>	<u>Median Family</u>
Central Falls	\$10,825	\$26,844
Rhode Island	21,688	52,781
United States	21,587	50,046

Source: U.S. Bureau of the Census, 2000

Housing

The total number of housing units in the City of Central Falls as of April 1, 2000, was 7,270. This represented a decrease of 67 units from the 7,337 housing units in 1990. Of the 7,270 housing units 574 were vacant, 6 of the vacant units were for seasonal or recreational use.

Building Permits

The following table indicates the number of building permits issued by the City building inspector for the calendar years indicated and the declared value of the construction undertaken:

	<u>Permits Issued</u>	<u>Value</u>
2006.....	260	\$ 3,217,741
2005.....	253	29,318,655
2004.....	556	4,891,257
2003.....	591	7,344,145
2002.....	673	6,966,155
2001.....	535	3,325,124
2000.....	659	4,246,039
1999.....	670	2,278,955

Even though less permits were issued in 2005, the total value of construction was considerably more than in previous years. This is due to on-going major expansion at the Wyatt Detention Center and Fortune Metals. The City expects to generate approximately \$500,000 per year in impact fees from the \$35 million expansion of Wyatt Detention Facility. The Facility expansion was completed in May 2007.

PROPERTY TAXES

General

Under Rhode Island law, municipalities are restricted from levying general taxes except ad valorem taxes upon real and personal property and excise taxes on registered motor vehicles and trailers.

Under Rhode Island law, valuation of real and personal property is assessed as of December 31 of each year and the levy thereon may be paid in full or quarterly without penalty, at the taxpayer's option. As a result of the tax and fiscal year synchronization process, the City's fiscal year begins July 1 with taxes in the prior December 31 assessment payable in full July 1 or quarterly in July, October, January and April. The City has not issued Tax Anticipation Notes ("TANs") during the last 15 years. The City has no plans to issue TANs at this time.

Tax Limitations

Rhode Island General Laws Section 44-5-2 limits the amount by which a city or town may increase its tax levy unless it qualifies for certain exemptions relating to loss of non-property tax revenue, emergencies, payment of debt service and substantial increase in the tax base necessitating significant expenditures. Through and including its fiscal year 2007, the maximum amount is five and one-half percent (5.5%) in excess of the amount levied for the prior year. The maximum amount a city or town may levy in excess of the amount levied for the prior fiscal year is gradually decreased from five and one-half percent (5.5%) to four percent (4.0%) by decreasing the amount a city or town may levy by one-quarter percent (0.25%) annually beginning in 2008 and ending in 2013.

Any levy pursuant to this section in excess of the percentage increase as specified in subsection (a) or (b) of Section 44-5-2 shall be approved by the affirmative vote of at least four-fifths (4/5) of the full membership of the governing body of the city or town and, in the case of a city or town with a financial town meeting, the majority of electors present and voting at the financial town meeting.

Section 44-5-2 makes it clear that nothing contained in that Section constrains the payment of obligations as described by Section 45-12-1 of the Rhode Island General Laws, which provides that the outstanding notes, bonds and contracts of cities and towns shall be paid and be fulfilled and that the power and obligation of each city and town to pay its general obligation

bonds and notes shall be unlimited and each city and town shall levy ad valorem taxes upon all taxable property within the city or town for the payment of such bonds and notes and interest thereon, without limitation as to rate or amount, except as otherwise provided by or pursuant to law.

Motor Vehicle Phase out Program

The General Assembly passed legislation during the 1998 Legislative Session that eliminated municipal authority to levy an excise tax on motor vehicles and trailers after fiscal year 2007. This legislative directive required all cities and towns to exempt the first \$4,500 (based on NADA valuation) in value on all motor vehicles subject to taxation in Fiscal Year 2003-2004. The legislation provided that the value of the exemption would increase each year until a full phase-out was reached in fiscal year 2007. The adopted Motor Vehicle Tax Phase-Out also froze the City’s 1998 Tax Rate for motor vehicles for all future assessment periods.

To offset State budget deficits, in 2002, the General Assembly amended this legislation to extend this phase-out period until fiscal year 2008 and to establish the exemption for fiscal year 2003 and thereafter at \$4,500. However, phase-outs occurring beyond fiscal year 2003 were subject to annual review and appropriation by the General Assembly. In 2005, the General Assembly increased the exemption for fiscal year 2006 and in 2006 the General Assembly increased the exemption for fiscal year 2007 to \$6,000. Any future increases in the phase-out must be specifically approved by the General Assembly.

Property Revaluation

In accordance with State law, the City conducted a full city-wide property revaluation of real property as of December 31, 2003, effective for fiscal year 2005.

Pursuant to legislation approved by the voters of the City of Central Falls in 1990, the City employs a tax classification system which permits three classes of property for taxation. The first classification includes residential property and open space; the second classification includes automobiles, trailers, and tangible personal property; the third classification includes industrial and commercial property.

Assessed Valuations

The following table indicates assessed valuation of taxable real and personal property as of December 31, for the years 2002 through 2006.

	<u>2002</u>	<u>2003⁽²⁾</u>	<u>2004</u>	<u>2005</u>	<u>2006⁽³⁾</u>
Real Estate.....	\$364,808,300	\$515,950,000	\$520,778,050	\$524,452,950	\$744,324,050
Tangible Personal Property ⁽¹⁾	<u>67,595,372</u>	<u>51,732,031</u>	<u>68,120,830</u>	<u>61,176,797</u>	<u>61,245,970</u>
Total Assessed Valuation.....	432,403,672	567,682,031	588,898,880	585,629,747	805,570,020
Less Exemptions.....	<u>119,768,525</u>	<u>44,514,841</u>	<u>59,135,068</u>	<u>53,212,062</u>	<u>70,103,496</u>
Net Taxable Property.....	\$312,635,147	\$523,167,190	\$529,763,812	\$532,417,685	\$735,466,524

- (1) Includes motor vehicle excise taxes.
- (2) Revaluation Year.
- (3) Statistical Update

Analysis of Taxable Property

The following tables set forth an analysis of taxable real and personal property in the City and in the State as reflected in the tax rolls for the fiscal year ended June 30, 2007.

<u>Class</u>	Per Cent of Total Assessed Valuation	
	<u>City</u>	<u>State</u>
Residential	77.95%	80.03%
Commercial.....	8.82	10.31
Industrial.....	4.61	2.13
Util. & Railroads.....	1.02	1.20
Motor Vehicles	7.42	5.69
Other	<u>.18</u>	<u>.18</u>
	100.00%	100.00%

Source: State of R.I. Department of Administration Annual State Reports on Local Government Finances and Tax Equalization as of December 31, 2005.

Principal Taxpayers

The following table sets forth the principal taxpayers in the City and the assessed valuation of the property held by such taxpayers as of December 31, 2006.

<u>Taxpayer as of December 31, 2006</u>	<u>Business</u>	<u>Valuation</u>	<u>Tax</u>
National Grid (Electric)	Electric Utility	\$2,298,129	\$126,167
Osram Sylvania, Inc.	Lighting Products Manufacturer	3,839,200	99,819
Rand Associates	Real Estate (Apartments)	7,317,200	73,465
Blackstone Falls, LLC	Real Estate (Apartments)	6,997,800	70,258
National Grid (Gas)	Gas Utility	1,247,467	68,486
Cox Communications	Cable TV Utility	967,940	53,140
Fortune Place, Inc.	Metals Recycling Company	1,943,500	50,531
Tai-O Associates, LP	Real Estate (Apartments)	1,912,800	49,733
Wardwell Braiding Machine Co.	Textile Manufacturer	1,783,200	46,363
558 Central Falls, LLP	Storage Facility	1,769,500	46,007

Tax Rate, Levy and Collection Record

<u>Fiscal Year Ended June 30,</u>	<u>Tax Rate Per \$1,000</u>	<u>Gross Levy</u>	<u>Net (Abatements) and Additions</u>	<u>Net Levy</u>	<u>Collected Within Fiscal Year</u>	<u>Percent of Net Levy</u>
2008	(10)	\$10,075,041	N/A	N/A	N/A	N/A
2007	(9)	9,968,176	N/A	N/A	N/A	N/A
2006	(8)	9,477,928	\$(103,009)	\$9,374,919	\$9,192,205	98.1%
2005	(7)	9,320,165	(103,679)	9,216,486	8,888,199	96.4
2004	(6)	8,984,283	75,436	9,059,719	8,616,286	95.1
2003	(5)	8,841,115	(83,384)	8,757,731	8,337,294	95.2
2002	(4)	9,637,616	(154,421)	9,483,195	8,628,318	91.0
2001	(3)	9,211,391	(89,370)	9,122,021	8,532,408	93.5
2000	(2)	9,247,935	(131,982)	9,115,953	8,528,094	93.6
1999	(1)	9,454,030	—0—	9,454,030	8,761,596	92.7
1998	(1)	9,429,484	(60,437)	9,369,047	8,686,684	92.7

- (1) Real Estate \$26.25, Com/Ind \$41.50 and Personal Property \$48.65.
- (2) Real Estate \$26.25, Com/Ind \$41.50, Personal Property \$48.65 and Inventory \$43.79.
- (3) Real Estate \$26.25, Com/Ind \$41.50, Personal Property \$48.65 and Inventory \$38.92.
- (4) Real Estate \$21.27, Com/Ind \$35.46, Personal Property \$48.65 and Inventory \$34.06.
- (5) Real Estate \$23.75, Com/Ind \$37.50, Personal Property \$48.65 and Inventory \$29.19.
- (6) Real Estate \$23.75, Com/Ind \$37.50, Personal Property \$48.65 and Inventory \$24.33.
- (7) Real Estate \$13.04, Com/Ind \$34.85, Motor Vehicles \$48.65, Tangible Personal Property \$51.33 and Inventory \$19.47.
- (8) Real Estate \$13.04, Com/Ind \$34.85, Motor Vehicles \$48.65, Tangible Personal Property \$51.33 and Inventory \$14.60.
- (9) Real Estate \$13.76, Com/Ind \$36.77, Motor Vehicles \$48.65, Tangible Personal Property \$54.15 and Inventory \$9.73.
- (10) Real Estate \$10.04, Com/Ind \$26.00, Motor Vehicles \$48.65, Tangible Personal Property \$54.90 and Inventory \$4.86.

CITY DEBT

General

Bonds of the City are generally authorized pursuant to special legislation which requires referendum approval and a majority vote of the City Council subject to the Mayor's veto. Such legislation normally provides that the indebtedness is not subject to the general 3% debt limit contained in the Rhode Island General Laws Section 45-12-2. (See "CITY DEBT - Debt Limit" below). City bonds may also be authorized under 45-12-2 outside the general debt limit pursuant to the ministerial approval process described below, or within the general debt limit, by an ordinance passed by a majority vote of the City Council, subject to the Mayor's veto; any such authorization must also receive referendum approval. The City Council may authorize the issuance of notes by resolution in anticipation of the issuance of bonds which have been properly authorized as outlined above. In addition, the City Council may similarly authorize refunding bonds, but no referendum is required.

Revenue anticipation notes and grant anticipation notes are authorized by a majority vote of the City Council.

Debt Limit

Except as provided below, under Rhode Island law the City may not, without special statutory authorization, or ministerial approval by the Auditor General of the State (described below), incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the full assessed value of the taxable property within the City. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes by law and the amount of any fund held on account to pay such indebtedness maintained by the City. In computing the value of taxable property, motor vehicles and trailers are valued at full value without regard to assessed value reductions provided for in other sections of the general laws. In July 2007, the Rhode Island State Legislature enacted legislation providing for ministerial approval by the State’s Auditor General of debt outside of the 3% debt limit for communities with an “A” rating or better, if the community satisfies certain requirements. The City has no debt outstanding under the ministerial approval process.

The State Legislature may by special act permit the City to incur indebtedness outside the 3% debt limit. Special legislation adopted by the Legislature authorizing the City to incur debt generally is subject to referendum by the electors of the City. The current 3% debt limit of the City is \$22,063,995 based on assessed valuations as of December 31, 2006 of \$735,466,524. On June 30, 2006 the total outstanding debt of the City was \$11,910,000 of which \$0 was counted against the 3% debt limit.

Outstanding Debt⁽¹⁾

Set forth below is a comparative statement of outstanding debt of the City for the fiscal years ended 2003 - 2006.

<u>Type of Debt</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Obligation School Bonds	\$10,640,000	\$10,220,000	\$9,780,000	\$9,200,000
Refunding Bonds-School Construction	4,325,000	3,965,000	3,260,000	2,590,000
Special Purpose Funding Bonds	<u>75,000</u>	<u>—0—</u>	<u>—0—</u>	<u>—0—</u>
Gross Bonded Debt.....	\$15,040,000	\$14,185,000	\$13,040,000	\$11,910,000
Bond Anticipation Notes.....	<u>—0—</u>	<u>—0—</u>	<u>2,000,000</u>	<u>7,900,000</u>
Total Debt.....	\$15,040,000	\$14,185,000	\$15,040,000	\$19,810,000

(1) Figures prepared from audited financial statements.

Actual Bonded Debt Service Requirements

As of the date hereof, the actual debt service requirements are as shown in the following table:

Fiscal Year	Existing Debt Service			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	1,110,000	\$ 612,440	\$ 1,722,440
2008		1,100,000	573,064	1,673,064
2009		1,090,000	530,878	1,620,878
2010		1,085,000	486,623	1,571,623
2011		855,000	443,251	1,298,251
2012		610,000	406,020	1,016,020
2013		635,000	371,250	1,006,250
2014		665,000	333,944	998,944
2015		700,000	294,875	994,875
2016		735,000	253,750	988,750
2017		770,000	207,813	977,813
2018		810,000	159,688	969,688
2019		850,000	109,063	959,063
2020		895,000	55,938	950,938
Total	\$	11,910,000	\$ 4,838,594	\$ 16,748,594

Authorized but Unissued Debt

The City has the following authorized but unissued general obligation debt as of the date hereof .

<u>Authorization</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Outstanding Notes</u>	<u>Outstanding Bonds</u> ⁽¹⁾	<u>Remaining Authority</u>
RI PL Chapter 236/511 of 2004	Public Building Improvements	\$10,000,000	\$7,900,000	\$1,300,000	\$800,000

(1) This Issue of Bonds.

Debt Ratios and Debt per Capita

<u>Fiscal Year Ending June 30,</u>	<u>Population</u> ⁽¹⁾	<u>Assessed Valuation</u>	<u>Ratio of Assessment</u> ⁽²⁾	<u>Estimated Full Value</u>	<u>Gross Debt</u> ⁽³⁾	<u>Gross Debt Per Capita</u> ⁽⁴⁾	<u>Ratio of Gross Debt to Estimated Full Value</u>
1997	17,637	\$296,955,513	100%	\$296,955,513	\$13,565,000	\$ 769	4.57%
1998	17,637	293,884,476	100	293,884,476	12,335,000	699	4.20
1999	17,637	294,015,611	100	294,015,611	11,860,000	672	4.03
2000	17,637	289,653,077	100	289,653,077	21,285,000	1,207	7.35
2001	18,928	289,184,655	100	289,184,655	19,210,000	1,015	6.64
2002	18,928	260,621,430	100	260,621,430	17,080,000	902	6.55
2003	18,928	308,171,199	100	308,171,199	15,040,000	795	4.88
2004	18,928	312,635,147	100	312,635,147	14,185,000	749	4.54
2005 ⁽⁵⁾	18,928	523,167,190	100	523,167,190	13,040,000	688	2.49
2006	18,928	529,763,812	100	529,763,812	11,920,000	629	2.25

(1) U.S. Census Reports.

(2) Source: City Assessor.

(3) Excludes bond anticipation notes outstanding.

(4) Exclusive of "overlapping debt" of the Narragansett Bay Commission.

(5) Revaluation.

CITY FINANCES

Basis of Accounting

Governmental fund types, expendable trust and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become both "measurable" and "available" to finance current period expenditures in accordance with Interpretation 3 of Statement 1 of the guidelines established by the National Council on Governmental Accounting. Uncollected property taxes not subject to accrual are recorded as deferred revenue. Expenditures are recorded when the liability is incurred.

The pension trust funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the receipt or payment of cash.

Comparative Statement of Revenue Receipts, Expenditures and Fund Balance

The City's fiscal position is reported monthly by the Finance Director to the Mayor and City Council. The City Charter provides that the City must avoid deficits and that appropriations be divided into quarterly allotments and that no department may expend in any quarter sums in excess of the quarterly allotment without the consent of the Mayor.

COMPARATIVE STATEMENT OF REVENUE RECEIPTS, EXPENDITURES AND FUND BALANCE⁽¹⁾ GENERAL FUND

	For the Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Revenues					
Property Taxes	\$ 7,884,116	\$ 9,008,488	\$ 9,077,203	\$ 9,350,543	\$ 9,522,520
Intergovernmental and Departmental	5,505,181	5,198,129	5,176,415	5,181,004	5,608,022
Interest on Investments	38,254	26,343	17,814	35,606	52,178
Other Revenues	1,062,833	1,622,280	1,207,251	1,342,732	1,561,155
Total Revenues	<u>\$ 14,490,384</u>	<u>\$ 15,855,240</u>	<u>\$ 15,478,683</u>	<u>\$ 15,909,885</u>	<u>\$ 16,743,875</u>
Expenditures					
General Government	\$ 1,059,362	\$ 1,177,924	\$ 1,561,189	\$ 1,502,871	\$ 1,715,146
Public Safety	4,950,654	5,074,901	5,084,948	5,406,254	5,623,844
Public Health	-	-	-	-	-
Public Works	1,322,942	1,480,661	1,672,662	1,514,842	1,445,230
Public Education	167,252	174,179	190,536	178,419	206,835
Public Recreation	168,056	165,003	247,081	276,163	313,033
General Public Assistance	-	-	-	-	-
Community Development	10,983	11,060	-	-	-
Fringe Benefits	3,636,147	3,743,199	3,958,333	4,798,841	4,758,506
Contingencies	124,158	172,276	188,620	113,632	45,803
Miscellaneous	31,690	72,518	405,912	167,868	290,499
Transfers to Debt Service Fund	3,284,786	3,055,025	1,990,296	1,959,412	2,045,157
Total Expenditures	<u>\$ 14,756,030</u>	<u>\$ 15,126,746</u>	<u>\$ 15,299,577</u>	<u>\$ 15,918,302</u>	<u>\$ 16,444,053</u>
Excess of Revenues over Expenditures	\$ (265,646)	\$ 728,494	\$ 179,106	\$ (8,417)	\$ 299,822
Transfer to Other Funds	(140,000)	(80,632)	26,709	10,872	-
Budgeted Other Transfer	-	-	-	-	-
(Increase) Decrease in Reserve for					
Encumbrances and Other Reservations	-	-	-	-	-
Excess (Deficiency)	<u>\$ (405,646)</u>	<u>\$ 647,862</u>	<u>\$ 205,815</u>	<u>\$ 2,455</u>	<u>\$ 299,822</u>
Fund Balance, Beginning	\$ 1,017,577 ⁽²⁾	\$ 582,611 ⁽²⁾	\$ 1,230,473	\$ 1,436,288	\$ 1,438,743
Prior Year Adjustment	-	-	-	-	-
Fund Balance, Ending	<u>\$ 611,931</u>	<u>\$ 1,230,473</u>	<u>\$ 1,436,288</u>	<u>\$ 1,438,743</u>	<u>\$ 1,738,565</u>

(1) Prepared from audited financial statements

(2) Restated Fund Balance from prior year.

COMPARATIVE STATEMENT OF FINANCIAL POSITION⁽¹⁾
GENERAL FUND

	For the Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Assets					
Cash	\$ 2,276,718	\$ 1,749,393	\$ 2,113,586	\$ 1,707,337	\$ 1,331,251
Accounts Receivable					
Real Estate and Personal Property Taxes	3,654,610	1,623,737	1,890,905	1,529,580	930,101
Due from Federal and State Governments	405,498	407,897	339,539	307,063	353,054
Other Receivables	130,776	118,505	100,750	117,458	149,327
Due from Other Funds	351,832	207,418	429,599	819,976	1,189,502
Other Assets	-	21,265	-	-	-
Total Assets	<u>\$ 6,819,434</u>	<u>\$ 4,128,215</u>	<u>\$ 4,874,379</u>	<u>\$ 4,481,414</u>	<u>\$ 3,953,235</u>
Liabilities and Fund Balance					
Accounts Payable and Accrued Expenses	\$ 787,978	\$ 914,620	\$ 892,417	\$ 802,630	\$ 612,906
Due to Other Funds	1,850,472	472,757	753,477	832,745	753,463
Deferred Revenues	3,461,651	1,510,365	1,792,197	1,407,296	848,301
Accrued Compensated Absences	107,402	-	-	-	-
Total Liabilities	<u>\$ 6,207,503</u>	<u>\$ 2,897,742</u>	<u>\$ 3,438,091</u>	<u>\$ 3,042,671</u>	<u>\$ 2,214,670</u>
Equity and Other Credits					
Fund Balance:					
Reserved	316,213	159,900	98,708	138,139	90,334
Unreserved	295,718	1,070,573	1,337,580	1,300,604	1,648,231
Total Equity and Other Credits	<u>\$ 611,931</u>	<u>\$ 1,230,473</u>	<u>\$ 1,436,288</u>	<u>\$ 1,438,743</u>	<u>\$ 1,738,565</u>
Total Liabilities, Equity and Other Credits	<u>\$ 6,819,434</u>	<u>\$ 4,128,215</u>	<u>\$ 4,874,379</u>	<u>\$ 4,481,414</u>	<u>\$ 3,953,235</u>

(1) Prepared from audited financial statements; certain items have been reclassified for comparative purposes.

State Aid

State School Operations Aid

Pursuant to Rhode Island General Laws Sections 16-7-15 to 16-7-34, as amended, the State provides operations assistance aid to each municipality and school district in the State. The statutes provide for reimbursement of school expenditures based on a formula which adjusts the reimbursement ratio based on the relative equalized evaluation of property and median family income of a community relative to the state as a whole. The State of Rhode Island has assumed responsibility for the City School Department operations effective July 1, 1991. The Central Falls School District does not receive aid under the operations assistance aid formula, but rather receives direct funding from a separate budget line item included in the Rhode Island Department of Education budget. See "THE CITY OF CENTRAL FALLS - State Assumption of Responsibility for City School System" herein.

State School Construction Aid

Pursuant to Rhode Island General Laws Section 16-7-35 to 16-7-47, as amended, the State provides construction aid to Rhode Island municipalities for the cost of building or renovating public schools. All buildings constructed or renovated since July 1, 1949 are eligible for assistance of a minimum of 30% of the full cost of such buildings. Such assistance level may be further increased by a formula, which takes into account the equalized assessed valuation and debt service burden of the particular municipality. For the fiscal year ended June 30, 2006, the City received \$1,854,956 in school construction aid and \$1,815,988 for the fiscal year ended June 30, 2007. A total of \$1,908,985 has been budgeted in fiscal year ending June 30, 2008. The legislation authorizing State School Construction Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly. School housing project costs include the cost of interest on any bond issued after July 1, 1988. For projects approved by the voters after June 30, 2003, the cost of interest on any bond will be reimbursed as an eligible project cost only if the bonds for these projects are issued through the Rhode Island Health and Educational Building Corporation. The legislation authorizing State School Construction Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly.

State aid reimbursement for school construction projects is based on the share ratio established for that year by the Rhode Island Department of Education. For the current year, the City's share ratio is approximately 95%. This ratio can vary from year to year.

Other State Aid

In addition to school construction aid, the City of Central Falls received other forms of State aid totaling \$3,620,092 in the fiscal year ended June 30, 2006 , anticipates receiving a total of \$3,867,619 in 2007 and has budgeted a total of \$3,905,213 in the fiscal year ending 2008.

For fiscal year 2006 the City received \$1,693,857 for General State Aid and \$265,191 in distressed community aid. For fiscal year 2007, the City expects to receive \$1,693,857 for General State Aid and \$351,165 in distressed community aid.

City Budget

The City's Charter provides that the Mayor must submit to the City Council no later than forty-five (45) days before the end of the fiscal year a proposed annual operating budget for the ensuing fiscal year. The budget contains an itemized estimate of the anticipated revenue and the proposed expenditures necessary to meet its financial needs detailed by organization units and object of expenditures. At least five (5) days before the fiscal year the City Council must adopt the annual operating budget ordinance which according to the charter must provide for liquidating any deficit.

Set forth below are the City's budgets for fiscal year 2006 to fiscal year 2008.

	Adopted <u>2006</u>	Adopted <u>2007</u>	Adopted <u>2008</u>
Estimated Revenue			
Tax Revenue.....	\$9,604,562	\$9,929,830	\$10,060,390
Fees/Non Tax Revenue.....	1,096,300	1,137,489	1,112,650
State Revenue.....	5,090,273	5,711,595	5,814,198
Department Revenue.....	108,600	128,700	149,000
Other Revenue.....	<u>1,001,165</u>	<u>541,086</u>	<u>1,698,512</u>
Total Estimated Revenue...	\$16,900,900	\$17,448,700	\$18,834,750
Appropriations			
Executive.....	\$111,250	\$111,990	\$140,642
Legislative.....	28,180	24,865	26,000
General Government.....	1,767,368	1,757,479	2,073,240
Finance.....	430,136	526,205	478,976
Law.....	123,772	131,139	156,263
Public Safety.....	5,149,944	5,411,563	5,755,327
Public Works.....	1,462,069	1,508,613	1,457,061
Library.....	239,839	241,428	254,895
Recreation.....	203,388	175,985	188,413
Contingencies.....	162,412	260,000	90,000
Fixed, General & Other.....	5,174,587	5,413,762	6,531,206
Debt Service.....	<u>2,047,955</u>	<u>1,885,671</u>	<u>1,682,727</u>
Total Appropriations.....	\$16,900,900	\$17,448,700	\$18,834,750

LITIGATION

The City has several lawsuits pending against it. The City Solicitor is of the opinion that there is not now pending or, to his knowledge, threatened any litigation seeking to restrain or enjoin the transactions contemplated by this Official Statement or in any way contesting the power of the City to enter into the transactions contemplated by this Official Statement. In the opinion of City officials, there is no litigation pending against the City which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the City's financial position or its ability to meet its debt service obligations.

CITY OF CENTRAL FALLS

By: /s/ John P. Kuzmiski
Finance Director

Appendix B-3

Information Relating to the Town of North Kingstown

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July 25, 2007

Rhode Island Health and Educational Building Corporation
170 Westminster Street, Suite 1200
Providence RI 02903

Ladies and Gentleman:

We are pleased to submit the following information with respect to the Town of North Kingstown (the "Town"). This letter and the information contained herein are submitted to the Rhode Island Health and Educational Building Corporation (the "Corporation") for inclusion in the Official Statement relating to its Public Schools Revenue Bond, Financing Program Revenue Bonds, Series 2007 B (Pooled Issue) (the "Bonds"). Unless otherwise noted, all information, including statistics, is taken from Town and school department records. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Official Statement.

TOWN OF NORTH KINGSTOWN

General

North Kingstown, settled in 1641 and incorporated as a Town in 1674, covers an area of 54 square miles and is approximately 22 miles south of Providence. While North Kingstown is primarily a residential suburb, it is also emerging as an important employment center because of the location of the Quonset Business Park. North Kingstown, with a population of 26,326 as of the 2000 U.S. Census, has a current full value of real and tangible personal property of \$3,793,809,652 with a budget of \$87,292,847 (i.e. all budgeted funds) for the fiscal year ending June 30, 2007 and \$90,351,755 for fiscal year ending June 30, 2008.

Theodore Francis Green Airport, a stop for seven major airlines, is located 12 miles north of the Town in the City of Warwick along Interstate Route 95.

Government

The Town operates under a home rule charter adopted in 1954, and subsequently amended, providing for a council/town manager form of government with a five-member Town Council headed by a Council President. The Charter including the adoption of the Town budget, the ordering of any tax levy, making appropriations and transacting any other business pertaining to the financial affairs of the Town, vests all legislative powers of the Town in the Town Council.

Members of the Town Council are elected on a partisan basis at large for a term of two years. The Charter grants to the Town Council all powers to enact, amend, or repeal ordinances relating to the Town's property, affairs and government including the power to create offices, departments or agencies of the Town, to preserve the public peace, health and safety, to establish personnel policies, to authorize the issuance of Bonds (with the approval of the voters) and to provide for an annual audit of the Town's accounts.

The Town Manager is appointed by a majority vote of the Town Council for an indefinite term solely on the basis of his or her executive and administrative qualifications. The Town Manager is the chief executive officer and head of the administrative branch of government. The Charter grants to the Town Manager the authority to appoint or remove all officers or employees of the Town except the Town Solicitor and School Department employees, to prepare and submit to the Town Council the annual budget and annual report of the Town, to recommend to the Town Council pay schedules for Town employees and to recommend to the Town Council the adoption of such measures as he or she may deem necessary for the health, safety or welfare of the Town.

Public Education

A seven-member School Committee elected on a partisan basis from the Town at large to staggered four-year terms directs the general administration of the Town's school system. The School Committee determines and controls all policies affecting the administration, maintenance and operations of the public schools in the Town, appoints a Superintendent of Schools as its chief administrative agent and appoints and removes all school employees upon recommendation of the Superintendent of Schools, except as may be provided otherwise by the laws of the State.

The Town has six elementary schools, two middle schools and one senior high school.

The School Department has 411 professional staff members comprised of 389 teachers and 22 administrators. The average enrollment is 4,489 students in the 2006-2007 school year. There are approximately 12 students per teacher in the system. Historically, more than 87% of the graduating students have attended college.

The total cost of operating the public school system for the 2005-06 school year was \$50,294,963 of which \$11,145,340 came from the State of Rhode Island, \$37,509,659 from the Town's 2006 appropriation, \$2,257,354 from nonresident tuition, and \$689,907 from other sources. Set forth below are actual and projected enrollment data for the years indicated.

	<u>Actual</u>					<u>Projected</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Kindergarten.....	290	261	293	240	269	287	285	284	262
Grade 1 & PRE 1....	331	317	286	298	253	318	316	314	278
Grade 2.....	339	332	313	282	295	319	316	314	276
Grade 3.....	337	347	328	314	282	323	320	318	278
Grade 4.....	353	351	341	319	309	284	321	319	276
Grade 5.....	381	354	363	326	314	320	290	328	242
Grade 6.....	344	391	353	347	319	334	321	291	279
Grade 7.....	355	351	394	334	339	352	337	323	261
Grade 8.....	348	352	337	392	329	358	344	329	287
Grade 9.....	377	384	412	383	445	396	408	392	336
Grade 10.....	395	378	376	402	378	437	395	407	344
Grade 11.....	366	365	355	370	389	364	416	376	362
Grade 12.....	312	356	370	344	361	387	360	411	347
Special Education..	<u>117</u>	<u>109</u>	<u>110</u>	<u>138</u>	<u>154</u>	<u>173</u>	<u>193</u>	<u>216</u>	<u>241</u>
Totals.....	4,645	4,648	4,631	4,489	4,435	4,652	4,622	4,622	4,070

In addition to its schools, the Town provides major public services, certain of which are described below:

Government Services

Police and Fire Protection

As of July 1, 2006, the North Kingstown Police Department consisted of 62 employees comprised of 49 law enforcement personnel and 13 civilians. The Town expended \$5,204,001 in fiscal 2006, and the Town's budget for fiscal 2007 and 2008 are \$5,690,469 and \$5,812,958, respectively.

As of July 1, 2007, the Fire Department had a force of 81 employees including 3 civilian workers and 78 fire and rescue personnel. The Town expended \$6,909,892 in fiscal 2006, and the Town's budget for fiscal 2007 and 2008 are \$7,596,784 and \$7,750,820, respectively.

Highway & Public Works

The Town has approximately 152 miles of paved streets maintained by the Public Works Department. In addition to other services, the department maintains Town property and provides snow removal services. The Town operates a trash transfer station, composting facility and recycling program. Private collectors provide refuse collection for the Town. The Public Works Department expended \$4,619,218 in fiscal 2006, and the Town's budget for fiscal 2007 and 2008 are \$4,802,776 and \$4,979,518, respectively.

Recreation and Leisure Activities

The Recreation Department/Leisure Activities Department provides a variety of activities for the Town's youth including field trips, art and creative dramatics, and most sports that are available through Recreation or organizations that rely on facilities provided by Recreation and the Town of North Kingstown. These facilities include four major areas for active and passive recreation including boating. They are Ryan Park, Wilson Park, Signal Rock Park and McGinn Park. The Recreation

Department Secretary schedules the Cold Spring Community Center, a building used to host meetings, family outings and Recreation Activities. The Town also enjoys 30 miles of shoreline on Narragansett Bay and has its own Town Beach. The Arts Council sponsors numerous activities throughout the Town including Children's and Family Concerts and Theater Productions. The Town and the Wickford Art Association work collectively to hold the Annual Wickford Art Festival in Historic Wickford each July.

The Recreation/Leisure Activities Department is continuing its plan to improve the conditions of the municipal golf course and the Allen Harbor/Calf Pasture Point Recreation Complex that consists of approximately 250 acres on Narragansett Bay including the Allen Harbor Marina and the recently acquired Calf Pasture Point. Funding for the Operation and Maintenance of Municipal Golf Course and the Allen Harbor Marina as well as the planned Capital Improvements for these facilities will come from the proceeds of the operation of the Golf Course and the Marina that are deposited in the Town's Quonset/Davisville Enterprise Account.

The North Kingstown Municipal Golf Course generated fees in excess of \$1.36 million in FY 2006 and increased the number of rounds played by 5.4% since January 2004 to 42,600 rounds. The golf course remains one of top golf destinations in Rhode Island and hosted the US Open Qualifier in May 2006. A new putting green was completed in May 2006. Additional improvements that are part of the Golf Course Capital Improvement Plan include the replacement of the irrigation system and a number of tees, bunkers and greens.

The Town is expanding the Marina by adding 54 slips and 4 moorings over the next several years to bring the total number of slips and moorings to 205. A new sewer has been constructed and the new restroom opened for the 2006 boating season. Future plans include the replacement of the bulkhead in the northern section of the Marina, improving the parking areas and the rehabilitation of the maintenance building and the office building.

The Master Plan for the Calf Pasture Point Recreation area has been completed and work is underway to develop trails and outlooks for use by the general public.

Libraries

The North Kingstown Free Library is governed by the Library Board of Trustees, which is made up of seven (7) members appointed by the Town Council for a three-year term. The North Kingstown Free Library, with a staff of 14 full-time and 8 part-time employees, continues to be one of the six busiest public libraries in Rhode Island. The library has more than 125,000 books, magazines, newspapers, videos, DVDs, compact discs, and talking books in its collection. In fiscal year 2005-2006, more than 19,000 CLAN (Cooperating Libraries Automated Network) cardholders borrowed over 357,000 items. More than 178,000 people visited the library to borrow books, to use the Internet computers, to attend public events, to find information, and to enjoy the warmth and hospitality of one of the most attractive public libraries in Rhode Island. The library staff hosted 421 public events that were attended by more than 12,000 children, teens, and adults. Patrons asked the staff more than 42,000 reference questions. The Library's 13 public Internet computers were used more than 21,000 times. North Kingstown CLAN cardholders accessed our 17 online reference databases either here at the library or from their homes more than 68,000 times. In addition to the North Kingstown Free Library, the Town's municipal public library, there are two small, non-municipal libraries in North Kingstown: the Willett Free Library in Saunterstown and the Davisville Free Library in Davisville.

Water

The Town draws groundwater from three aquifers using 10 gravel packed wells. Average system demand is approximately 3.4 million gallons per day (MGD). Maximum daily production for all wells is 8 MGD. Revenue is collected on approximately 85% of total well production. The Town is in the process of expanding its pumping capacity with the installation of a new supply well and associated well station. It is anticipated that the new well will be on line in the fall of 2007.

The Town meters all active service connections. Inactive accounts are charged a quarterly flat fee. Private fire protection services are charged a quarterly fee based on connection size. All Town owned buildings and sales to the Town of Narragansett are metered and charged in accordance with the rate schedule. There is no discount for large volume users. A full cost of service rate study is proposed for the upcoming year. All requests for additional services, such as turn on/off, are charged a service fee of \$25.00. Accounts that fall into arrears are served shut-off notices. The total budget for the Water Department for fiscal year 2007 is \$2,399,062. Ninety-five percent of revenues are from the sale of water. Non-operating revenues such as service fees, lateral charges, penalties, interest and investments makeup the remaining five percent of the needed revenue. The Town adopted its current rate schedule in 2004. This schedule provides for annual increases for usage,

fire protection and flat fees through 2008. The Public Utilities Commission does not regulate the Town's water rates. It is the Town Council by their legislative authority that sets water rates in the Town.

Employee Relations

As of July 1, 2006 the Town had 241 full-time employees exclusive of the School Department. The School Department employs 411 professional employees. In addition, there are 120 substitute teachers and 278 full-time non-professional employees. Set forth below is the current status of union contracts for municipal employees.

- Teachers—3 year contract expires August 31, 2007 (In negotiation)
- Firemen—3-year contract expires June 30, 2010
- Policemen—3-year contract expires June 30, 2010
- Public Works/Clerical—3-year contract expires June 30, 2008
- School Support Professionals—3-year contract expires June 30, 2009

Employee Retirement Plans

See Note 11 to Financial Statements for the Town in Appendix C herein which is incorporated by reference.

Other Post Employment Benefits

The Town provides its workers with certain health care benefits after retirement sometimes called “other post-employment benefits” or “OPEB’s.” Changes in accounting rules will require the Town to estimate its actuarial OPEB liability and amortize the unfunded liability over thirty years beginning with the 2008-2009 fiscal year. The Town has not yet initiated an appraisal of its OPEB liability and no estimate of this liability is available. The Town expects to hire a firm during FY2008 to prepare an actuarial valuation. In the fiscal year ending June 30, 2008, the Town (including school) has budgeted approximately \$1,000,000 for post-employment benefits.

ECONOMIC CHARACTERISTICS

Population

North Kingstown ranks thirteenth among thirty-nine cities and towns in Rhode Island in population, with 26,326 residents according to the 2000 U.S. Census. North Kingstown is the largest of nine communities in Washington County, having approximately 25% of the total county population.

<u>Year</u>	<u>Population</u>
1980	21,938
1982	22,664
1984	22,999
1986	24,080
1990	23,786
1994	24,065
2000	26,326

Source: 2000 U.S. Bureau of the Census. The 1982, 1984 and 1986 population are estimates obtained from the Local Population Estimate Reports, prepared by the U.S. Department of Commerce; 1994 population estimate was obtained from the Population Estimates Branch, U.S. Bureau of the Census, January, 1995 Report.

Employment

In 2005, the Town of North Kingstown had 1,008 private business and industrial firms subject to employment security taxes with yearly payrolls totaling \$474,065,054 and the average number of persons employed was 12,553 according to the most recent statistics. The following is a listing of the various types of industry in the Town covered by the Department of Employment Security for the calendar year ended December 31, 2005.

	<u># of Units</u>	<u>Total Wages</u>	<u>Average Employment</u>	<u>% of Total Covered Employees</u>
Agriculture, Forestry, Fishing & Hunting	9	2,990,130	51	0.41%
Mining	-	-	-	-
Utilities	-	-	-	-
Construction	130	16,887,140	441	3.51%
Manufacturing	67	225,219,910	4,608	36.71%
Wholesale Trade	111	27,835,621	459	3.66%
Retail Trade	106	50,050,855	1,960	15.61%
Transportation & Warehousing	35	11,314,644	374	2.98%
Information	23	6,386,693	111	0.88%
Finance & Insurance	53	18,827,333	363	2.89%
Real Estate & Rental & Leasing	32	2,543,705	101	0.80%
Professional & Technical Services	134	23,899,838	396	3.15%
Management of Companies & Enterprises	7	19,626,143	564	4.49%
Administrative Support & Waste Mgmt.	60	7,384,814	286	2.28%
Educational Services	17	2,693,748	93	0.74%
Health Care & Social Assistance	64	32,258,773	1,111	8.85%
Arts, Entertainment, & Recreation	26	4,931,567	216	1.72%
Accommodation & Food Services	64	12,150,217	1,032	8.22%
Other Services	70	9,063,923	387	3.08%
Unclassified Establishments				-
Total Private Only	1,008	\$ 474,065,054	12,553	100.00%

Source: Rhode Island Department of Labor & Training.
City & Town - 2005 Annual Report.

Unemployment

The most recent labor market information summary indicates that annualized unemployment for the years indicated was as shown in the following table:

	<u>Annualized</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Town of North Kingstown	3.6%	3.2%	3.2%	3.4%	3.6%	4.2%	4.1%	4.1%	4.1%	4.1%
State of Rhode Island	5.2	4.6	4.2	4.2	4.5	5.1	5.4	5.2	5.1	5.1
United States	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6

Source: Department of Labor and Training.
Not Seasonally Adjusted.

	<u>2007 Monthly</u>				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Town of North Kingstown	4.4%	4.2%	3.7%	3.6%	3.5%
State of Rhode Island	5.5	5.1	4.6	4.6	4.5
United States	5.0	4.9	4.5	4.3	4.3

Source: Department of Labor and Training.
Not Seasonally Adjusted.

Largest Employers

<u>Name</u>	<u>Type of Business</u>	<u># of Employees</u>
<u>Private Employers</u>		
Electric Boat Company	Mfr/Submarine	2,000
Toray Plastics of America	Mfr/Plastic Products	695
Perspectives, Corp.	Program for Disabled Adults	650
Hexagon Metrology, Inc.	Mfr/Precision Instruments	350
Ocean State Jobbers	Retail Warehouse	300
Home Depot	Retail	250
Reinauen*	Ship Builders	250
North Atlantic Distribution, Inc.	Storage & Prep of Imported Cars	248
The Stop & Shop Co., Inc.	Retail	225
Star Gas Services	Distributor	212
Wal-Mart	Retail	200
American Biophysics Corp.	Mosquito Magnet Developer	150
Custom Design	Jewelry Displays	150
Gregg's	Restaurant	150
South County Nursing Center	Nursing Home	150
Anvil International	Engineered Pipe Support	134
Scalabrini Villa	Nursing Home	120
Fuji Film	Mfg/Chemicals	120
Adecco Staffing	Employment Staffing	100
Quidnesstt Country Club	Private Country Club	100
<u>Public Employers</u>		
143d Air Wing, RI National Guard	Air National Guard	303
Town of North Kingstown		300 **

Source: RI Economic Development Corporation - November 2006

* Formerly SENESCO

** Excludes School Department Employees

Income Levels

According to the 2000 U.S. Census, median family income for the Town of North Kingstown was \$69,559 compared with \$57,781 for the State as a whole; 1990 per capita income was \$28,139 compared with \$21,688 for the State. The Town ranked 6th and 8th, respectively, for these income levels among the 39 cities and towns in the State.

Housing and Building Permits

The U.S. Census reported a total of 9,348 housing units in the Town in 1990 and 10,743 housing units in 2000; this represents an increase of 1,395 new units, or a 14.9 percent increase. Building permits issued by the Town's Building Inspector for the fiscal years indicated and the declared value of construction are as follows:

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>Value</u>
2000	995	\$44,668,975
2001	997	35,668,975
2002	2,182	38,110,228
2003	1,641	29,232,887
2004	1,001	34,112,952
2005	2,625	33,683,393
2006	2,638	45,741,081
2007 ⁽¹⁾	2,244	52,272,852

Source: Town Building Inspector

(1) Estimate

ECONOMIC DEVELOPMENT AND OUTLOOK

Over the past two decades, North Kingstown's economy has emerged as a dominant employment center for the region. Employment has grown in industrial, commercial and office sectors.

Industrial Development

About a third of North Kingstown employment is associated with manufacturing and industry. The majority of new manufacturing employment in the Town has been the result of migration of firms into North Kingstown. Seven major employers account for most of the manufacturing employment: Electric Boat Corporation; Toray Plastics of America; Ocean State Jobbers; Reinauen shipbuilding (formerly SENESCO); Hexagon; NORAD; and Illumination Concepts and Engineering, Inc.

Other significant employers include: 143rd Air Wing, Rhode Island Air National Guard; Wal-Mart; Scalabrini Villa; Seafreeze Limited; New England Stone; Maro Display; Dominion Diagnostics; Goldline Controls; Emissive Energy; South County Nursing Center; Stop and Shop Supermarkets; and Home Depot.

Quonset Business Park

The centerpiece of industrial development in North Kingstown is the Quonset Business Park, which is operated by the Quonset Development Corporation (QDC). The industrial and commerce park complex contains 3,000 acres of land; approximately 675 acres remain available for development. The park is actually composed of a number of smaller districts that are distinguished by their services and types of industry. Overall the park area is served by an airport, rail, and deep-water piers and is thus suitable for a wide diversity of manufacturing and port activities. One hundred thirty-eight tenants employing more than 6900 employees currently occupy the industrial park. The complex also includes an 18-hole golf course and marina owned and operated by the Town of North Kingstown.

The industrial complex was once the home of the Davisville Naval Construction Battalion Center and the Quonset Naval Air Station. The Naval Air Station closed in 1973 and the Naval Construction Battalion Center, 900 acres in size, was closed in 1994. The Town and the RI Economic Development Corporation (RIEDC) prepared a base reuse plan for the 1994 closure site with the expectation that the majority of the site would be converted to industrial and associated purposes. Most of the 900 acres was conveyed to the RIEDC and is part of an interim master lease for the site. RIEDC formed a new entity to oversee the development of the Quonset Business Park – the Quonset Development Corporation (QDC). The QDC has its own staff headed by an Executive Director, Deputy Director and is overseen by a Board of Directors. As a part of the Base Closure process, two hundred and four acres of land have been conveyed to the Town by the U.S. Department of Interior for recreation and conservation purposes; this land adjoins an additional 75 acres and was included in the development of a master plan for the entire area, known as Allen Harbor Calf Pasture Point. The goal of the master plan is establish Allen Harbor Calf Pasture Point as a passive recreation area.

The Town has been participating in the development of plans for Quonset Point/Davisville in anticipation of the full transfer of the Navy property to the RIEDC and the Town. The vision for the Quonset Business Park calls for mixed industrial, commercial and waterfront uses. Bond referendums passed by Rhode Island voters have secured funds to enhance the existing freight rail system and other infrastructure improvements to the park including on-going improvement projects to the internal roadways and public signage servicing the park. Construction is well underway on the relocation and improvement of Route 403, which will, upon completion, provide a limited access highway link between development at Quonset Point and Davisville and Route 4. The importance of linking the development of Quonset Point/Davisville to community objectives is demonstrated in the day to day coordination between the Town and the QDC and ongoing efforts to ensure that the Town's Comprehensive Plan and the Master Plan for the park are consistent as well as the development of a separate element of the North Kingstown Comprehensive Plan devoted to the industrial complex.

Several major facilities have been proposed, have recently expanded or are under construction at Quonset Point/Davisville. Keifer Park, the technology center of Quonset Point Davisville, exemplifies the mixed industrial development that has characterized the growth of the Quonset Point Davisville Industrial Park. In this portion of Quonset Point/ Davisville alone there is extensive activity and construction. Dominion Diagnostics operates a 23,000 square foot office and medical testing laboratory and is now preparing for the construction of Phase II of their project, a 30,000 square foot addition. Goldline Controls, a high technology manufacturer, operates a 67,206 square foot facility and has recently begun the process of acquiring additional land for development of an addition. Seiferts MTM, an electronic manufacturing firm has constructed a manufacturing operation in a new 56,900 square foot facility. Emissive Energy, an emerging leader in the use of LED technology, has constructed a 30,000 square foot addition to their Keifer Park facility. Vantage Point Properties has completed a 43,000 square foot industrial building and has begun construction on another 30,000 square foot building in

Keifer Park. Also in Keifer Park the State of Rhode Island and Hexagon Metrology have partnered in the construction for a 100,000 square foot manufacturing facility for Hexagon's Brown and Sharp Division, one of Rhode Island's oldest manufacturing firms.

Another area of the Park boasting significant current and anticipated growth is Commerce Park located at the heart of Quonset Point. Here, existing park tenants and new arrivals continue to prosper. Among the expanded existing facilities are Ocean State Jobbers with a 104,000 square foot addition to their existing warehouse/distribution facility raising their total square footage to 978,188 square feet. General Dynamics/Electric Boat, with the recent addition of two new structures, a 43,000 square foot materials processing plant and a 4,500 square foot paint application facility and approval of plans for a 14,000 square foot addition that will connect two of their existing building, continues to grow and remains the largest employer, at Quonset Point/Davisville. Reinauen, a shipbuilder continues to grow and can be ranked as one of Quonset Point/Davisville's best success stories to date with contracts for large barges coming in at a sufficient rate as to drive both additional employment and the expansion of their facility. Toray Plastic of America, a long time North Kingstown employer is in the process of seeking approvals to construct an addition to their existing facility. D.S. Nelson, a manufacturer of custom interior woodwork recently constructed a four-unit 22,000 square foot structure and has just started to house its expansion and act as an incubator for additional industrial growth. Also of note in Commerce Park is the Community College of Rhode Island Training Center, which provides trained employees for businesses in the industrial park and the region. Finally Commerce Park also houses the Rhode Island Army National Guard and Rhode Island Air National Guard installations both slated to expand and upgrade their facilities to better provide for their current missions and responsibilities.

North Davisville and West Davisville are the final areas of the park slated for industrial development. Here, as elsewhere in the park, existing uses continue to expand and new tenants are ready to move in. NORAD, an automobile importer, continues to expand its activities at the Davisville piers. Meanwhile, as the QDC finalizes its development plan for this area of the park, Landmark Building, Delfino Construction and Quonset Trucking (an existing park tenant) have completed new facilities in North Davisville. Also in North Davisville, the new Town Public Works garage has been completed and is now open. North Davisville appears to be a high priority for the QDC and further redevelopment is anticipated in this area including the potential realignment of Davisville Road. In order to streamline port operations the QDC has begun the process of finding a port operations management firm to oversee the Davisville Port. The port activities currently focus on automobile and seafood products.

In West Davisville, three existing businesses have completed expansion plans: All-American Meats and Seafoods has added 25,400 square feet to their existing 28,000 square foot facility; Trussco, a truss assembly company will be adding a 5,238 square foot addition; and BB and S has constructed a small addition to their current facility to incorporate new operational processes. West Davisville Realty acquired two 200,000 square foot former Navy buildings and has renovated them for reuse for warehousing and assembly purposes and also to provide space for a number of smaller industrial operations; a number of new tenants are settled into the renovated buildings. Seafresh USA, a seafood packaging and distribution operation, completed construction of a 20,000 square foot facility. D.S. Nelson, also a tenant of Commerce Park, has begun construction of a three building, multi-tenant industrial complex intended to serve as a business incubator by attracting small industrial operations. Marrinan Realty LLC, a promotional materials distributor has received approval for a 14,000 square feet office and warehousing structure to serve as a headquarters for its operations. Further development within West Davisville is anticipated with the completion of the relocation of Route 403 as a limited access highway with access ramps at West Davisville.

Other Industrial Development

Industrial activity is also located in other parts of the community, particularly in the mill village of Lafayette and adjacent to the rail lines that cross through North Kingstown. These areas include Dry Bridge Road and Old Baptist Road. Atlantic Tree Service has located its operation on Dry Bridge Road and is seeking to construct additional buildings on their site to house small business uses. Two applications for small unit flexible space light industrial complexes to provide further growth capacity for the Town's industrial base and additional start-up space for local small businesses have been approved and are in the first stages of construction.

The Town also participates in several regional economic development initiatives and, along with other Rhode Island communities is a member of a regional economic development corporation focused on enhancing manufacturing activities in the region. The Corporation has a targeted manufacturer outreach program designed to assess business needs for management and workforce support and training and to assist the business community with meeting those needs. The corporation provides small grants for equipment and training. The success of the regional corporation is reflected in the recent addition of new member communities and the positive feedback from the local business community.

More recently as a component of the economic development strategy of the Washington County Regional Planning Council, of which North Kingstown is a member, the Town completed an Economic Development Plan for the community. The recommendations of the plan include designating some areas for office uses and developing zoning ordinances to implement the strategies. The Plan also addressed protecting the community character through zoning regulations that address pedestrian scale and design.

Commercial Development

Post Road (U.S. 1) and Routes 2/102 are the primary areas where the larger-scale commercial and shopping plaza uses have located in North Kingstown. Many of the commercial establishments now located on Post Road were developed in response to the Navy base at Quonset Point and associated growth during the 1960's. Post Road development suffered following the closure of the Navy base during the 1970's and early 1980's. Since then, growth has begun anew with the addition of Wickford Commons and Hunt River Commons and the redevelopment of sites originally constructed in the 1950's and 1960's. Post Road has a mix of retail stores, offices, restaurants and services one would expect in a typical commercial corridor.

With a diminishing amount of commercially zoned land, it is anticipated that development will continue to focus on redevelopment of sites along Post Road. The gateway to the Quonset Business Park is located along Post Road and the Quonset Development Corporation has negotiated a development agreement for a large parcel adjacent to Post Road identified as the Quonset Point Davisville Business Park gateway in the QDC Master Plan for mixed-use commercial/ office development. Anticipated uses might include a hotel; retail that supports the industrial complex; and office uses.

Prime examples of recent development and redevelopment along Post Road are the U.S. Post Office's rehabilitation of a former supermarket; the construction of a Washington Trust Bank; Getty Petroleum demolished a former service station and completed construction of a gas station/convenience store; the redevelopment and construction of a "drive through" gas station/convenience store on the site of a former Extramart; Brooks Drugs demolition of a former car dealer facility to make way for a modern pharmacy and convenience store; Bess Eaton Donuts (now Tim Hortons), rehabilitation of a former bank; and Kingstown Plaza, first constructed in 1961, investing \$500,000 in a clock tower, new signage and façade improvements. Additionally, Tarbox Motors completed substantial renovations of their facilities; Cingular Wireless has completed the development of a 5,000 square foot retail location on a long vacant lot; 7-11/ Citgo has constructed a convenience store and gas station on a previously undeveloped lot; and a former health and fitness facility acquired by the YMCA has received extensive renovations. The YMCA has also undertaken additional site improvements that will enhance the site through additional parking and enhanced landscaping. Three auto rental agencies have already located on Post Road; and Tire Pro, an automotive services facility, operates a 7,560 square foot establishment and is seeking approval of an expansion. Seven Moons and Bay Leaves restaurants recently redeveloped two long time restaurant sites with interior and exterior renovations as well as site improvements. Further south in the US 1 corridor Dave's Marketplace has completed construction of an 11,000 square foot expansion of an existing market that includes façade, landscaping, and septic system upgrades.

The importance of Post Road to the economic base of the Town is best reflected by the inclusion of a separate element within the Town Comprehensive Plan for the Post Road Corridor. This element addresses issues such as improving traffic conditions, updating design features of the commercial area, and the introduction of landscaping, pedestrian and bicycle enhancements. As development or redevelopment is occurring, the Planning Commission and Planning Department work to achieve these goals. The Town is also working with the Rhode Island Department of Transportation to insure that their projects work toward Town objectives. The Town has adopted a corridor plan for Post Road that will help guide development within the corridor in the future. The planning effort includes looking at ways to improve the aesthetics of the Post Road in North Kingstown, as well as exploring the potential for areas along Post Road to become growth centers.

Post Road has a long history as a commercial center. Richard Smith's Castle located near Wickford village is a recognized historic dwelling in Rhode Island. Richard Smith was the first English settler in Narragansett County and opened his trading post at Cocumscussoc in 1637. With local, state, and federal assistance, the property was refurbished over a three-year period and received historic preservation awards from the State of Rhode Island and the National Trust for Historic Preservation. Smith's Castle, along with the Gilbert Stuart Birthplace; Casey Farm, the Quonset Air Museum together with passive recreation sites such as the John H. Chafee Preserve at Rome Point form vital components of North Kingstown's stock of tourism attractions. Helping to better serve visitors to the Town is the recently expanded Hamilton Village Inn and new restaurants such as Bay Leaves and Seven Moons both of which redeveloped existing sites.

In addition to the commercial development along Post Road, there is considerable activity in each of the Town's villages. Seven villages are recognized for their historic prominence in the National Register of Historic Places. Most notable is the seaport of Wickford, a popular tourist attraction with many well-preserved historic buildings from the eighteenth and nineteenth century. The Town completed the first phase of plans for Wickford, which included significant improvements to the

roads and right of way amenities without sacrificing the historic character of the village. This improvement process began with improvements to Library Park, a waterfront park linking the Brown Street commercial heart of the village with the waterfront and continued with the Brown Street reconstruction project; the Town, a grant from the Rhode Island Department of Environmental Management, and a grant from Rhode Island Department of Transportation funded these improvements. The next phase will involve improvements to the infrastructure of Main Street, the heart of the local historic district. Currently the plans for this phase are being finalized with the project engineering and will include reconstruction of the roadway and sidewalks and installation of lighting and drainage improvements.

In Wickford village, redevelopment activity is underway in the business district. Brook's Drugs acquired a former pharmacy and completed extensive renovations designed to make the building more in keeping with the historic quality of the area. Centreville Bank constructed a new branch facility on a former location of a U.S. Post Office. The building was designed in coordination with the Town's historic district commission to ensure the new building's compatibility with the village. Another project just completed is the redevelopment of a property at the gateway to the village center; the design for the redeveloped building takes into account the protection of historic structure as well as the village character and was accomplished through a collaborative effort involving the property owner, the town historic district commission and Rhode Island Historic Preservation and Heritage Commission. The same property owner is also refurbishing another property located on Main Street for commercial and office use and has received approval to construct a pedestrian connection between Main Street and Brown Street. Renovations are now complete on a former diner and office building both recently acquired by the same local businessman and another local businessman has converted a long time restaurant to commercial space. The renovated space is quickly filling up with the relocation of some businesses already in the village or new businesses to the new space.

Wickford village is such an integral component of the Town's economic vitality and cultural center that the Town prepared a Wickford Village Plan (1998). A committee has been established by the Town Council to assist in the implementation of the Plan. The Town has been awarded \$575,000 in transportation enhancement monies for sidewalk and streetscape improvements and \$125,000 to design a bicycle connection between the village of Wickford and the Quonset Davisville Port and Commerce Park. Zoning designed to protect the character of Wickford village has been adopted.

The town expects that the commercial sector will continue to grow, particularly in response to development at the Quonset Business Park. Wickford Junction, a commercial project of nearly 300,000 square feet, includes a proposed commuter rail station near the village of Lafayette; Staples added a 25,000 square foot building in the complex and construction of the final phases of the commercial development are expected to coincide with the development of a train station on the site which will once more connect North Kingstown to points afar via rail. A 120,000 square foot Home Depot is now open on a site in the same vicinity with construction of a Dunkin Donuts and Washington Trust drive through automated teller on an adjacent parcel just completed. A shopping complex anchored by a Super Stop and Shop across from Home Depot was recently completed and BankRI has constructed a branch facility in the immediate area. Additional small retail development is also located along Boston Neck Road, particularly in the villages of Hamilton and Saunderstown and along the Quaker Lane portion of Route 2. On the South County Trail portion of Route 2 redevelopment of a Bald Hill Nursery Garden Shop is expected to provide an opportunity for additional commercial development.

Office Development

The Meadows, located at the intersection of Routes 2, 4, and 102, is a 27-acre office park that opened in 1988; growth in the office market led to the construction of two additional buildings to the complex. The same developer has recently completed a 2 building office complex directly across the street from The Meadows. The Wickford Professional Building on Phillips Street is another 40,000 square foot office complex.

The Lafayette Mill is now a satellite office for the State Department of Children, Youth, and Families. The State office uses comprise more than 13,000 square feet. Office development along the Post Road corridor includes renovation of a former residence as an accountant's office (the first stage of a mixed use development that will ultimately include a mini-storage facility as well as a multi-tenant office building); reuse of a long vacant furniture store has been redeveloped for 30,000 square foot of office use; Koch Eye Associates renovation of a former restaurant into medical office space; and construction of a new 2700 square foot dental office by Dr. Thomas Vutech. Office development called for in the Executive Park area of the Quonset Point Davisville Industrial Park is expected to have a positive impact on the Town's stock of professional office stock in the future.

BUSINESS TAX EXEMPTIONS AND ECONOMIC DEVELOPMENT TAX INCENTIVE

The Town Council adopted an ordinance in April of 1997, which allowed a phase-in over a period of six years of the assessment on property located at the Quonset Point Davisville Port and Commerce Park. The phase-in applied to any new buildings, new structures or new additions to existing buildings used essentially for offices, manufacturing or commercial enterprises. The phase-in was intended to help any commercial concern that was willing to locate at the Quonset Point Davisville Industrial Park as a new business to Rhode Island or for any existing business who are expanding their facilities. This incentive program has played an important role in encouraging new businesses to locate their facilities at the Quonset Point Davisville Industrial Park.

MUNICIPAL PLANNING AND DEVELOPMENT

Planning

The North Kingstown Planning Commission was established in 1946. A full-time professional Planning Department assists this and other boards in the growth management of the Town. The Town of North Kingstown adopted a Comprehensive Plan in 1992 that was prepared by a citizens advisory committee under the review of the Planning Commission; the Comprehensive Plan received approval from the State Department of Administration in 1995. The State-required Five-Year Update to the North Kingstown Comprehensive Plan was approved by the State Department of Administration in June 2002. The Commission provides recommendations to the Town Council for its implementation.

Zoning and Subdivision Regulation

In May 1998, the Town completed the zoning that implements the comprehensive community plan. The ordinance expanded the number of zones in North Kingstown and now includes a five-acre residential zone intended to direct growth into Town villages. The zoning ordinance also provides for business, industrial, public and open space zones. Certain types of uses within these districts are restricted by soils limitations and groundwater protection overlay regulation. Subdivision regulations first adopted by North Kingstown in 1946 have been amended a number of times, more recently to implement the comprehensive plan and respond to new State Enabling legislation.

Growth Management

In support of the North Kingstown Comprehensive Plan, the Town Council has focused on implementing the Plan through a set of growth management strategies. The Planning Department meets with the Town Council annually to discuss the activities of the Department and discuss those planned for the succeeding fiscal year. As a component of the Town budget process, Town departments are asked to document how proposed activities meet the vision of the Town and the Comprehensive Plan.

Over the past few years many of the growth management objectives have been achieved. These activities included the adoption of zoning ordinance amendments; subdivision and land development regulation amendments; the acquisition of farmland development rights; the preparation of cost of community services reports and the adoption of wastewater management and revised groundwater protection ordinances. The Town Council also adopted a Water Service Area, which helped recognize the limits of growth in the community.

One component of the Growth Management Program and the Action Plan is the acquisition of farmland development rights. The community electorate expressed their support for this activity in a June 1998 referendum where \$4.0 million was approved for continued acquisitions. The proceeds of the bond authorization, along with federal and state grants and in-kind charitable donations, has allowed for the permanent open space preservation of nearly 1,200 acres of land. In November of 2000, the voters approved a \$4.0 million bond referendum, and in November of 2006, the voters again approved another \$4.0 million bond referendum for development rights and farmland acquisition. In addition, the North Kingstown Town Council established an Open Space Fund that is supported by the dedication of a portion of the real estate transfer tax to the fund.

PROPERTY TAXES

General

The North Kingstown, fiscal year begins July 1 with taxes based on the prior December 31 assessment payable on July 31 or quarterly thereafter.

Rhode Island municipalities, including the Town, are restricted from levying general taxes except *ad valorem* taxes upon real and personal property and an excise tax on motor vehicles.

Tax Limitations

Rhode Island General Laws Section 44-5-2 limits the amount by which a city or town may increase its tax levy in each year unless the city or town qualifies for certain exemptions relating to loss of non-property tax revenue, emergencies, payment of debt service and substantial increase in the tax base necessitating significant expenditures. Through and including its fiscal year 2007, the maximum amount by which a city or town can increase its tax levy is five and one-half percent (5.5%) in excess of the amount levied for the prior year. The maximum amount a city or town may levy in excess of the amount levied for the prior fiscal year is gradually decreased each year by one quarter percent (.25%) from five and one-half percent (5.5%) in 2007 to four percent (4.0%) in 2013.

If a city or town desires to increase its tax levy in excess of the maximum amounts contained in Section 44-5-2, it must be approved by the affirmative vote of at least four-fifths (4/5) of the full membership of the governing body of the city or town and, in the case of a city or town with a financial town meeting, the majority of electors present and voting at the financial town meeting.

Section 44-5-2 makes it clear that nothing contained in that Section constrains the payment of obligations as described by Section 45-12-1 of the Rhode Island General Laws, which provides that the outstanding notes, bonds and contracts of cities and towns shall be paid and be fulfilled and that the power and obligation of each city and town to pay its general obligation bonds and notes shall be unlimited and each city and town shall levy *ad valorem* taxes upon all taxable property within the city or town for the payment of such bonds and notes and interest thereon, without limitation as to rate or amount, except as otherwise provided by or pursuant to law.

Motor Vehicle Phaseout Program

The General Assembly passed legislation during the 1998 Legislative Session that eliminated municipal authority to levy an excise tax on motor vehicles and trailers after fiscal year 2007. This legislative directive required all cities and towns to exempt the first \$4,500 (based on NADA valuation) in value on all motor vehicles subject to taxation in Fiscal Year 2003-2004. The legislation provided that the value of the exemption would increase each year until a full phase-out was reached in fiscal year 2007. The adopted Motor Vehicle Tax Phase-Out also froze the Town’s 1998 Tax Rate for motor vehicles for all future assessment periods.

To offset State budget deficits, in 2002, the General Assembly amended this legislation to extend this phase-out period until fiscal year 2008 and to establish the exemption for fiscal year 2003 and thereafter at \$4,500. However, phase-outs occurring beyond fiscal year 2003 were subject to annual review and appropriation by the General Assembly. In 2005, the General Assembly increased the exemption for fiscal year 2006 and in 2006 the General Assembly increased the exemption for fiscal year 2007 to \$6,000. Any future increases in the phase-out must be specifically approved by the General Assembly.

Assessed Valuations

The following table indicates assessed valuations of taxable real and personal property as of December 31 for the years 2002—2006.

	<u>12/31/2002</u>	<u>12/31/2003⁽²⁾</u>	<u>12/31/2004</u>	<u>12/31/2005</u>	<u>12/31/2006⁽³⁾</u>
Real Estate	\$2,011,507,975	\$3,373,797,470	\$3,401,172,700	\$3,440,758,510	\$4,241,371,090
Personal Property	<u>313,965,027</u>	<u>305,843,062</u>	<u>336,340,637</u>	<u>353,051,142</u>	<u>353,993,266</u>
Total	\$2,325,473,002	\$3,679,640,532	\$3,737,513,337	\$3,793,809,652	\$4,595,364,356
Less Exemptions ⁽¹⁾	<u>136,310,757</u>	<u>154,036,444</u>	<u>169,029,676</u>	<u>186,435,620</u>	<u>196,728,452</u>
Net Total	\$2,189,162,245	\$3,525,604,088	\$3,568,483,661	\$3,607,374,032	\$4,398,635,904
Full Value Ratio of Assessment	0.72	1.00	0.84	0.77	0.93

- (1) Tax exemptions are provided under State laws and Town ordinances. These exemptions are deducted from the assessed value based on the December 31st ownership and assessment date. Exemptions are applied to real estate, personal property or motor vehicles. The Town currently offers the following exemptions: Certified Blind, Flat Elderly Exemption, Gold Star Parent, Veteran, Disabled Veteran, and Prisoner of War. In addition the town also has two exemptions based on household income – Elderly Income and Totally Disabled.
- (2) Revaluation
- (3) Full Revaluation.

Principal Taxpayers

The following table sets forth the principal taxpayers in the Town and the assessed valuation of the property held by such taxpayers as of December 31, 2006.

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Valuation</u>
Narragansett Electric Co	Utility	\$26,385,950	.70
WREC Precison Park LLC	Manufacturing and Warehouse	18,844,700	.50
Zakopane Real Estate Assoc, Inc.	Corporate Office & Warehouse	14,521,000	.38
Home Depot USA, Inc.	Building Supply Store	12,078,420	.32
New Plan Hunt River Commons LLC	Retail Plaza	11,617,500	.31
Wal-Mart Real Estate Business Trust	Retail Store	10,140,900	.27
Fujifilm Electronic Materials USA	Electronic Materials	8,851,770	.23
Millcreek Limited Liability Co	Apartments	8,120,030	.21
Heritage Village Associate	Apartments	7,673,300	.20
Meadows Professional Office	Office Condos	7,020,860	.19
Quidnessett Country Club, Inc.	Golf Course & Restaurant	6,843,790	.18
Essex Village Company	Apartments	5,967,520	.16
Toray Plastics of America, Inc.	Polypropylene & Polyester Film	5,724,660	.15
Kingstown Plaza Limited Part	Retail Plaza	5,644,100	.15
Wickbay Properties, Inc.	Marina and Rental Property	5,354,660	.14
Kings Grant Co	Apartments	5,225,990	.14
Wickford Shipyard, Inc.	Marina & Boat Repair & Storage	4,996,500	.13
Slocum Woods, Inc.	Real Estate Developer	4,824,550	.13
High Lea Properties LLC	Retail Plaza	4,620,200	.12
S. County Nursing & Rehab Center, Inc.	Skilled Nursing & Rehab Service	4,514,080	.12
Cioe WJA1 LLC	Retail Plaza	4,481,100	.12
Wickford Village Realty LP	Apartments	4,312,700	.11
Stone, Don W	Real Estate Rentals	4,288,400	.11
West Davisville Realty Co LLC	Warehouse	4,108,300	.11
Goodwin & Sons	Fish Processing & Warehouse	3,493,400	.09

Taxed Under Payment in Lieu of Taxes (PILOT) Agreements – Not Part of Assessed Valuation:

		<u>Assessed Valuation*</u>
Toray Plastics of America	Polypropylene film, polyester film	\$38,098,700
Electric Boat Corporation	Submarine and hull components	\$19,496,025

*Agreed upon values upon which assessments are based.

Analysis of Property

The following table shows an analysis of taxable real and personal property in the Town, assessed as of December 31, 2005 and as reflected in the Tax Rolls for the fiscal year ended June 30, 2007:

<u>Class</u>	<u>Percent of Total Real Estate and Tangible Property</u>	
	<u>Town</u>	<u>State</u>
Residential	80.78%	80.03%
Commercial	8.73	10.31
Industrial	2.28	2.13
Utilities & Railroads	0.86	1.20
Motor Vehicles	6.97	5.69
Other	<u>0.36</u>	<u>0.64</u>
	100.00%	100.00%

Tax Rate, Levy and Collection Records

Fiscal Year	Actual Tax Rate ⁽¹⁾	Levy	Net abatements or Additions	Net Levy	Uncollected at Fiscal Year end	% Uncollected at Fiscal Year End
1994-95	\$19.26	\$29,127,597	\$ (286,734)	\$28,840,863	\$ 1,261,335	4.37%
1995-96	20.24	31,217,622	(180,296)	31,037,326	1,225,089	3.95%
1996-97	20.76	32,777,180	(102,849)	32,674,331	1,394,257	4.27%
1997-98	22.04	35,731,297	7,377	35,738,674	1,413,078	3.95%
1998-99	22.79	38,259,389	79,375	38,338,764	1,344,729	3.51%
1999-00	23.68	40,203,103	22,736	40,225,839	1,239,311	3.08%
2000-01	24.65	42,189,391	35,883	42,225,274	1,128,042	2.67%
2001-02	21.94	46,925,569	(39,896)	46,885,673	1,243,990	2.65%
2002-03	22.60	48,766,433	212,451	48,978,884	1,301,325	2.66%
2003-04	23.38	50,861,710	90,839	50,952,549	1,046,075	2.05%
2004-05	14.38	51,656,183	(132,741)	51,523,442	1,121,814	2.18%
2005-06	14.85	54,015,438	46,165	54,061,603	1,036,850	1.92%
2006-07 ⁽²⁾	15.55	56,991,563	(37,685)	56,953,878	1,190,538	2.09%

(1) Tax rate for Real Estate (motor vehicle tax rate has been frozen at \$22.04 since Fiscal Year 1999-00).

(2) Collected as of June 17, 2007

The Town of North Kingstown has an annual tax sale for prior year delinquent real property taxes. Delinquent automobile excise taxes are collected in cooperation with the Rhode Island Registry of Motor Vehicles. If automobile taxes have not been paid, registration renewals are not mailed to the taxpayer and information is supplied to the Registry of Motor Vehicles and the taxpayer. Motor vehicles may not be re-registered until taxes are paid in full. After 2 years, all unpaid tax accounts are turned over to a collection agency. Other delinquent personal property taxes are collected through delinquency notices and use of collection with legal action by the Town Solicitor. The Town assesses an interest charge of 12% per annum on delinquent accounts.

TOWN DEBT

Debt Limit

Except as provided below, under Rhode Island law the Town may not, without special statutory authorization, or ministerial approval by the Auditor General of the State (described below), incur any debt which would increase its aggregate indebtedness, not otherwise excepted by law, to an amount greater than 3% of the full assessed value of the taxable property within the Town. Deducted from the computation of aggregate indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any fund held on account to pay such indebtedness maintained by the Town. As of June 30, 2006 the Town had \$114,198 of debt outstanding subject to the 3% debt limit. In computing the value of taxable property, motor vehicles and trailers are valued at full value without regard to assessed value reductions provided for in other sections of the general laws. In July 2007, the Rhode Island State Legislature enacted legislation providing for ministerial approval by the State's Auditor General of debt outside of the 3% debt limit for communities with an "A" rating or better, if the community satisfies certain requirements. The current 3% debt limit of the Town is \$131,959,077 the net assessed valuation as of December 31, 2006 of \$4,398,635,904.

The State Legislature may by special legislation permit the Town to incur indebtedness outside the limitations imposed by the 3% debt limit. Special legislation adopted by the legislature authorizing the Town to incur debt is subject to referendum by the electors of the Town. On June 30, 2006 the total outstanding debt of the Town issued pursuant to special legislation outside the 3% debt limit was \$45,800,000. The Town has no debt outstanding under the ministerial approval process.

In addition to debt authorized within the 3% debt limit and debt authorized by special legislation of the legislature, Rhode Island General Laws 45-12-11 authorizes the Rhode Island State Director of Administration, upon petition by a municipality, to authorize such municipality to incur indebtedness in excess of the 3% debt limit whenever the Director shall determine that the sums appropriated by the municipality or its funds available are insufficient to pay the necessary expenses of the municipality. The Town has never petitioned the State Director of Administration to authorize indebtedness of the Town under Section 45-12-11.

Current Outstanding Debt

The outstanding general obligation debt of the Town for the fiscal years ended June 30, 2002 through 2006 was as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Obligation Bonds					
School	\$ 41,431,405	\$ 39,192,160	\$ 36,954,964	\$ 36,285,418	\$ 33,714,955
Public Facilities	4,405,526	\$ 4,092,191	\$ 3,778,856	3,474,246	3,171,780
Open Space	7,845,909	\$ 7,129,386	\$ 6,420,812	5,725,759	7,864,591
Library	849,560	\$ 799,474	\$ 749,388	699,429	649,334
Total G.O. Bonds	\$ 54,532,400	\$ 51,213,211	\$ 47,904,020	\$ 46,184,852	\$ 45,400,660
Enterprise Fund Bonds	1,035,056	912,869	785,428	652,409	513,538
Total Bonds	\$ 55,567,456	\$ 52,126,080	\$ 48,689,448	\$ 46,837,261	\$ 45,914,198

Actual Bonded Debt Service Requirements

Fiscal Year	Existing Debt Service ⁽¹⁾		Total Debt Service
	Principal	Interest	
6/30/2007	\$ 3,250,000	\$ 1,750,779	\$ 5,000,779
6/30/2008	3,140,000	1,731,953	4,871,953
6/30/2009	3,155,000	1,711,584	4,866,584
6/30/2010	3,135,000	1,594,689	4,729,689
6/30/2011	3,120,000	1,475,228	4,595,228
6/30/2012	2,995,000	1,355,526	4,350,526
6/30/2013	2,490,000	1,245,312	3,735,312
6/30/2014	2,480,000	1,141,154	3,621,154
6/30/2015	2,485,000	1,028,614	3,513,614
6/30/2016	2,480,000	915,201	3,395,201
6/30/2017	2,225,000	808,143	3,033,143
6/30/2018	2,225,000	704,978	2,929,978
6/30/2019	2,225,000	598,366	2,823,366
6/30/2020	1,715,000	505,103	2,220,103
6/30/2021	1,710,000	425,573	2,135,573
6/30/2022	1,515,000	349,539	1,864,539
6/30/2023	1,515,000	278,679	1,793,679
6/30/2024	1,505,000	207,963	1,712,963
6/30/2025	1,500,000	136,000	1,636,000
6/30/2026	1,500,000	62,672	1,562,672
6/30/2027	290,000	19,688	309,688
6/30/2028	305,000	6,672	311,672
Total	\$ 46,960,000	\$ 18,053,410	\$ 65,013,410

(1) Includes self-supporting recreation debt and \$4 million General Obligation Bonds Dated July 15, 2007.

Debt Ratios and Debt Per Capita

Fiscal Year	Population ⁽¹⁾	Assessed Value ⁽²⁾	Gross Bonded Debt and Bond Anticipation Notes	Debt Payable From Enterprise Revenue	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	23,786	\$ 1,542,372,324	\$ 10,925,000	\$ -	\$ 10,925,000	0.71%	\$ 459.30
1997	23,786	1,578,054,704	11,365,000	900,000	10,465,000	0.66%	439.96
1998	23,786	1,622,101,177	10,430,907	830,907	9,600,000	0.59%	403.60
1999	23,786	1,678,779,770	19,117,841	757,841	18,360,000	1.09%	771.88
2000	23,786	1,709,592,473	50,690,574	680,574	50,010,000	2.93%	2,102.50
2001	26,326	1,728,519,804	56,913,864	1,152,248	55,761,616	3.23%	2,118.12
2002	26,326	2,136,496,317	55,567,456	1,035,032	54,532,424	2.55%	2,071.43
2003	26,326	2,161,079,284	52,126,079	912,846	51,213,233	2.37%	1,945.35
2004	26,326	2,189,162,245	48,689,445	785,402	47,904,043	2.19%	1,819.65
2005	26,326	3,525,604,088	46,837,263	652,412	46,184,851	1.31%	1,754.34
2006	26,326	3,568,483,661	45,914,198	513,539	45,400,659	1.27%	1,724.56

(1) U.S. Department of Commerce, Bureau of Census 1990 and 2000.

(2) Net taxable assessed value.

Overlapping and Underlying Debt

The Town of has no overlapping or underlying governmental units and accordingly has no overlapping or underlying debt.

Outstanding Bond Authorizations

The following schedule sets forth the status of the various bond authorizations including this issue of Bonds.

Authorization			Original	Bonds	Bond	Unissued
Rhode Island Pub. Laws			Total	Issued	Anticipation	Authority
Chapter	Year	Purpose	Authority		Notes	
165	1992	Public Facilities	\$ 6,000,000	\$ 4,710,000	\$ —0—	\$ 1,290,000
13	1997	Library	1,350,000	1,000,000	—0—	350,000
129 & 229	2000	Open Space/Farmland	4,000,000	4,000,000	—0—	—0—
534	2004	School Facilities	9,000,000	7,000,000	—0—	2,000,000
398 & 518	2006	Senior Center Complex	4,000,000	—0—	—0—	4,000,000
397 & 519	2006	Public Safety Facilities	4,500,000	—0—	—0—	4,500,000
400 & 520	2006	Community Septic Syst Loan	<u>2,000,000</u>	<u>300,000</u>	<u>—0—</u>	<u>1,700,000</u>
Totals			\$30,850,000	\$ 17,010,000	\$ —0—	\$13,840,000

TOWN FINANCES

Basis of Accounting

See note 1 to Financial Statements for the Town in Appendix C herein which is incorporated by reference.

Annual Audit

The Town Charter provides that within three months after the beginning of each fiscal year the Town Council, by resolution, shall arrange for an annual independent audit of the Town's financial records as of the close of the preceding fiscal year. The audit may be conducted by any independent certified public accountant and the audit shall conform to generally accepted auditing standards.

Audited financial statements for the fiscal year ended June 30, 2006 are incorporated by reference as Appendix C.

Budgetary Procedures

The Town Charter requires the following process for adoption of the Town's annual budget. The preliminary preparation for the 2007—2008 budget actually began in September when capital budgets were submitted to the Manager by

the department heads. In December, the department heads began work on their proposed operating budgets which were submitted to the Manager in January. During the months of January and February, the department heads met with the manager to discuss their requests.

The Library Board of Trustees and the School Committee were required by the charter to submit their budget requests to the manager not later than February 26, 2007.

STEP	DATE	CHARTER CONSTRAINTS
Proposed Budget	March 12, 2007	The Manager shall submit to the Council not later than the fiftieth day preceding the first Wednesday in May a proposed budget of anticipated revenues and proposes expenditures after a review of estimated requirements from department heads.
Preliminary Approval of the Budget	March 26, 2007	The Council has two weeks to give preliminary approval to the manager's budget which the Council may revise.
Public Hearing	April 16, 2007 and April 18, 2007	Approximately three weeks after preliminary approval by the Council, two public hearings are held (one for school portion and one for all other budgets).
Petitions to Council	April 23, 2007	After preliminary approval of the budget, any qualified elector may circulate a petition requesting that the Council increase or decrease the budget. At least 50 signatures, validated by the Board of Canvassers, are required. The Council is required to consider and vote on each valid petition.
Final approval of the budget	April 25, 2007	On or before the first Wednesday in May, the Council is required to make any final changes to the budget by a majority vote and consider any petitions. Following final approval, the budget is published and copies are available for the public.
Referendum petitions	May 22, 2007	Following final approval by the Council, any qualified elector may circulate a petition requesting a referendum for either an increase or decrease to the total appropriations for a specific fund. Petition forms approved by the Town Clerk must be returned before the twentieth day following the first Wednesday in May.
Budget Referendum	June 5, 2007	Each valid petition with no less than 300 signatures along with the Council's final adopted budget is presented to the voters for a referendum vote on the first Tuesday following the first Saturday in June. The polls are open from 8:00 a.m. to 8:00 p.m.

Comparative Budgets (General Fund Only)

	Adopted Budget <u>2006/07</u>	Adopted Budget <u>2007/08</u>
<u>Current Revenue</u>		
General Property Tax ⁽¹⁾	\$11,607,328	\$12,146,567
Prior Year's Taxes	950,000	1,000,000
Interest and Penalties	225,000	240,000
State Revenues	4,354,028	4,649,470
Licenses and permits	98,695	98,650
Departmental Revenue	2,463,325	2,474,809
Property Rental	472,340	465,440
Investment Earnings	650,000	850,000
Miscellaneous	20,000	20,000
Payments in Lieu of Tax (PILOT)	1,768,473	1,757,527
Transfer from Q/D Recreation Fund	250,000	250,000
Transfer from Self Insurance Fund	<u>0</u>	<u>52,015</u>
Total Current Revenue	\$22,859,189	\$24,004,478
Prior Year Revenue	<u>870,000</u>	<u>671,000</u>
Total Estimated Available for Appropriation	\$23,729,189	\$24,675,478
<u>Estimated Requirements</u>		
Personnel Expenses	\$18,404,357	\$19,058,643
Non-Personnel Expenses	<u>4,967,275</u>	<u>5,050,573</u>
Total Ordinary Recurring Expenses	\$23,371,632	\$24,109,216
Major Capital Outlay	296,000	477,008
Contributions to Other Agencies	<u>61,557</u>	<u>89,254</u>
Total Estimated Requirements	\$23,729,189	\$24,675,478

(1) Amount to be raised by tax levy.

Tax Anticipation Notes

Under Rhode Island Law the Town may borrow in each fiscal year in anticipation of the receipt of the proceeds of the property tax due in such fiscal year, an amount which shall not exceed the total tax levy of the then current fiscal year. Tax anticipation notes must be payable no later than one year from their date, but notes issued for less than one year may be renewed provided such renewal notes are payable within one year of the date of the original notes. The Town has not borrowed in anticipation of taxes since 1983 and does not expect to do so in the future.

State Aid

State School Operations Aid

Pursuant to Rhode Island General Laws Sections 16-7-15 to 16-7-34, as amended, the State provides operations assistance to each municipality and school district in the State subject to annual appropriation by the General Assembly. The statute provides for a guaranteed minimum per pupil expenditure set by each municipality under a formula prescribed by the statute and equalized with other municipalities on the basis of assessed valuations and other factors as determined by the Rhode Island General Assembly. The legislation guarantees a minimum program for every pupil, and, if the municipality fails to provide adequate funds for such program, the State transfers other State Aid due to the municipality to the school account. The Town's School Department received \$11,268,578 School Operations Aid during the fiscal year ended June 30, 2006 and expects to receive \$11,696,882 and \$11,696,882 for the fiscal years ending June 30, 2007 and June 30, 2008 respectively.

State School Construction Aid

Pursuant to Rhode Island General Laws Section 16-7-35 to 16-7-47, as amended, the State provides construction aid to Rhode Island municipalities for the cost of building or renovating public schools. All buildings constructed or renovated since July 1, 1949 are eligible for assistance of a minimum of 30% of the full cost of such buildings. Such assistance level may

be further increased by a formula which takes into account the equalized assessed valuation and debt service burden of the particular municipality. For the fiscal year ended June 30, 2006 the Town received \$1,398,210 in school construction aid and expects to receive \$1,157,220 and \$1,172,898 in the fiscal year ending June 30, 2007 and June 30, 2008 respectively. The legislation authorizing State School Construction Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly.

Other State Aid

In addition to school operations assistance, municipalities in Rhode Island receive additional aid through the State General Revenue Sharing program. The program, with the distribution formula similar to the Federal Revenue Sharing program, replaced various state grant and aid programs as of July 1, 1987. For the fiscal year ended June 30, 2006, the Town received \$1,014,310 in funding from the General Revenue Sharing program and expects to receive \$891,999 and \$1,014,310 in the fiscal years ending June 30, 2007 and June 30, 2008, respectively.

Summary of State Aid Revenues

Shown below is a summary of various State Aid revenues credited to the Town's General Fund (excluding School Operations Aid and School Construction Aid, which are accounted for in the Special Revenue Fund and Debt Services Fund, respectively).

	<u>2003 Actual</u>	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Actual</u>	<u>2007 Projected</u>
General Revenue Sharing	\$ 784,034	\$ 821,676	\$ 806,625	\$ 1,014,310	\$ 891,999
Telephone Tax	452,550	409,969	361,535	306,537	259,511
State PILOT (non profits)	5,908	8,265	8,301	6,631	6,836
Excise Tax Phase Out	2,180,209	2,180,209	2,179,062	2,341,148	2,478,693
Hotel, Meal & Beverage Tax	<u>8,581</u>	<u>215,041</u>	<u>403,193</u>	<u>380,000</u>	<u>425,000</u>
Total State Aid	\$ 3,431,282	\$ 3,635,160	\$ 3,758,716	\$ 4,048,626	\$ 4,062,039

LITIGATION

The Town Solicitor is of the opinion that there is not now pending or, to his knowledge, threatened any litigation seeking to restrain or enjoin the transactions contemplated by this Official Statement or in any way contesting the power of the Town to enter into the transactions contemplated by this Official Statement. The Town, its officers and employees are defendants in several lawsuits. The Town Solicitor is of the opinion that none of such litigation is likely to result either individually or in the aggregate in final judgments against the Town which would materially affect the Town's financial position or its ability to meet its debt service obligations.

TOWN OF NORTH KINGSTOWN
 Comparative Balance Sheets - General Fund ⁽¹⁾
 For the Fiscal Years Ended June 30,

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Cash & investments	\$ 13,628,643	\$ 17,022,271	\$ 15,663,454	\$ 14,954,301	\$ 16,144,905
Property, tax receivables	1,900,776	1,909,708	1,170,009	1,133,405	1,109,095
Federal, state grants receivable	270,567	373,071	375,066	668,649	304,868
Due from other funds	155,085	129,958	403,781	672,323	305,908
Other assets	152,163	156,071	176,568	172,037	166,158
Total	<u>\$ 16,107,234</u>	<u>\$ 19,591,079</u>	<u>\$ 17,788,878</u>	<u>\$ 17,600,715</u>	<u>\$ 18,030,934</u>
 <i>Liabilities:</i>					
Accts. Payable, accrued expenses	582,066	774,971	823,161	821,420	937,500
Deferred revenues	3,610,976	3,816,560	3,060,316	3,937,147	3,253,393
Due to other funds	4,575,187	5,779,611	3,785,844	3,549,147	2,928,314
Other liabilities	402,927	583,586	531,281	565,505	828,391
Total	<u>\$ 9,171,156</u>	<u>\$ 10,954,728</u>	<u>\$ 8,200,602</u>	<u>\$ 8,873,219</u>	<u>\$ 7,947,598</u>
 <i>Fund Equity</i>					
Fund balances:					
Reserved	1,089,535	1,566,317	1,148,088	1,419,288	773,094
Unreserved	5,546,543	7,070,034	8,440,188	8,307,409	9,310,242
Total fund balances	<u>\$ 6,636,078</u>	<u>\$ 8,636,351</u>	<u>\$ 9,588,276</u>	<u>\$ 9,726,697</u>	<u>\$ 10,083,336</u>
Total Liabilities & Fund Equity	<u><u>\$ 15,807,234</u></u>	<u><u>\$ 19,591,079</u></u>	<u><u>\$ 17,788,878</u></u>	<u><u>\$ 18,599,916</u></u>	<u><u>\$ 18,030,934</u></u>

(1) Prepared from audited financial statements.

TOWN OF NORTH KINGSTOWN
 Comparative Statement of Revenues and Expenditures - General Fund ⁽¹⁾
 For the Fiscal Years Ended June 30,

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues:					
Taxes	\$ 48,570,277	\$ 51,272,225	\$ 53,805,401	\$ 53,653,354	\$ 56,100,311
Intergovernmental/Departments	4,231,343	5,220,050	5,620,071	6,007,777	6,331,522
Local receipts	782,902	667,427	864,115	1,215,046	1,389,412
Total Revenues	<u>\$ 53,584,522</u>	<u>\$ 57,159,702</u>	<u>\$ 60,289,587</u>	<u>\$ 60,876,177</u>	<u>\$ 63,821,245</u>
Expenditures:					
General government	3,991,423	3,999,356	4,040,582	4,089,378	4,610,761
Public safety	10,037,113	10,108,995	11,290,558	11,531,311	12,532,831
Public works	3,521,915	3,294,564	3,936,763	4,238,446	4,122,524
Senior services	-	271,638	286,475	297,474	285,376
Parks & recreation	-	-	-	585,699	499,780
Human resources	788,645	-	-	-	-
Total Expenditures	<u>\$ 18,339,096</u>	<u>\$ 17,674,553</u>	<u>\$ 19,554,378</u>	<u>\$ 20,742,308</u>	<u>\$ 22,051,272</u>
Excess (deficiency) of revenues over expenditures	\$ 35,245,426	\$ 39,485,149	\$ 40,735,209	\$ 40,133,869	\$ 41,769,973
Other financing sources (uses)	(35,516,313)	(37,108,542)	39,189,690	(39,989,448)	(41,413,334)
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (270,887)</u>	<u>\$ 2,000,273</u>	<u>\$ 951,925</u>	<u>\$ 138,421</u>	<u>\$ 356,639</u>

(1) Prepared from audited financial statements.

General Fund⁽¹⁾
TOWN OF NORTH KINGSTOWN
 Comparative Statement of Changes in Fund Balance - General Fund
 For the Fiscal Years Ended June 30,

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Fund balance, July 1	\$ 6,906,965	\$ 6,636,351	\$ 8,696,351	\$ 9,588,276	\$ 9,726,697
Prior period adjustment	-				
Current year excess (deficiency) of revenues over expenditures	(270,887)	2,000,273	951,925	138,421	356,639
Fund balance 6/30/02	<u>\$ 6,636,078</u>				
Fund balance 6/30/03		<u>\$ 8,636,351</u>			
Fund balance 6/30/04			<u>\$ 9,588,276</u>		
Fund balance 6/30/05				<u>\$ 9,726,697</u>	
Fund balance 6/30/06					<u>\$ 10,083,336</u>

(1) Prepared from audited financial statements.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

By: /s/ Patricia A. Sunderland
 Town Treasurer

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Appendix B-4

Information Relating to the Town of Tiverton

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July 25, 2007

Rhode Island Health and Educational Building Corporation
170 Westminster Street, Suite 1200
Providence RI 02903

Ladies and Gentleman:

We are pleased to submit the following information with respect to the Town of Tiverton (the "Town"). This letter and the information contained herein are submitted to the Rhode Island Health and Educational Building Corporation (the "Corporation") for inclusion in the Official Statement relating to its Public Schools Revenue Bond, Financing Program Revenue Bonds, Series 2007 B (Pooled Issue) (the "Bonds"). Unless otherwise noted, all information, including statistics, is taken from Town and school department records. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Official Statement.

THE TOWN OF TIVERTON

General

Tiverton was originally incorporated in 1694, as part of the Massachusetts Bay Colony. A long boundary dispute between Rhode Island and Massachusetts was settled in 1746, and Tiverton, by Royal Decree, together with the Towns of Cumberland, Barrington, Bristol and Little Compton was annexed to Rhode Island. The Town was incorporated in 1747.

In its early day, Tiverton was chiefly a farming community with some fishing and boat construction. Today, trade establishments are the major employers in the Town. Recent years have seen Tiverton grow as a summer resort and residential area. Development has been concentrated in the area known as North Tiverton. In 2000, the population was 15,260 persons, an increase of 948 people over the decade from the 1990 population of 14,312.

Located in Newport County, the Town is bounded on the north and east by the Commonwealth of Massachusetts; on the south by the Town of Little Compton; and on the west by the Sakonnet River and Mount Hope Bay. The Town limits extend over an area of 35.5 square miles which include a land area of 29.7 square miles and inland water area of 5.8 square miles. Route 24 is a major highway which connects the Town to I-195, I-95, and the entire northeast corridor.

Rhode Island's T.F. Green Airport (PVD) provides easy access to the entire state. Numerous airlines offer service to/from T.F. Green Airport. Providence is located on Amtrak's high speed "Acela Express" service between Washington D.C. and Boston, on Northeast Corridor main line and on the Massachusetts Bay Transit Authority commuter rail line (service to Metro Boston). Bonanza and Greyhound Bus Lines provide service from Providence.

Government

The Town operates under a home rule charter adopted in 1994 providing for a Town Council-Town Administrator form of government. The Town Council consists of 7 elected members headed by a Town Council President. Town Council members are elected at large for a term of two years. The Town Council has the responsibility for performance of all duties and obligations imposed on the Town by law, provided, however, that the administration and management of the government of the Town are the responsibility of the Town Administrator.

The Town Administrator serves as the administrative head of government and is responsible for all Town departments, offices and agencies, except the elected school department, elected Town Clerk, elected Town Treasurer and elected Budget Committee. Since January 8, 2006 this office has been held by W. Glenn Steckman, III. Mr. Steckman's contract expires January 8, 2009.

The office of Town Treasurer is an elected four-year term. The Town Treasurer is responsible for the management of the Town's finances. The current Treasurer is James P. Amarantes. Mr. Amarantes was initially elected in November, 2004 and reelected in November 2006. He previously held the position of Treasurer from 1990 to 1992.

Government Services

The Town provides major public services, certain of which are described below:

Public Safety

The Town's Police Department consists of 38 full-time employees. The Police Department expended \$2,269,638 in fiscal 2006 and budgeted \$2,439,542 and \$2,538,218 for fiscal years 2007 and 2008, respectively.

The Town's Fire Department has 34 full-time employees and 3 fire stations. The Fire Department expended \$1,904,476 in fiscal year 2006 and budgeted \$2,020,374 and \$2,176,889 for fiscal years 2007 and 2008, respectively.

Education

The general administration of the Town's school system is the responsibility of the School Committee within the provisions of powers and duties delegated in the State of Rhode Island General Laws and the Town's home rule charter. The five members of the School Committee are elected at-large at regular Town elections and serve four-year terms. Powers and duties of the Committee include: the preparation and submission of estimates and recommendations for the amount necessary for the support of the public schools to be appropriated at the Financial Town Meeting; the administration of all funds designated for school purposes and the selection of all school personnel. The School Department expended \$22,056,848 in fiscal year 2006. The fiscal years 2007 and 2008 budgets are \$23,419,467 and \$24,594,387, respectively, including grants and aid.

The Town maintains and operates one high school (grades 9-12), one middle school (grades 5-8), and four elementary schools (grades K-4). The following is a summary of school population in the Town:

<u>School Year</u>	<u>Enrollment</u>
2001-02	2,218
2002-03	2,235
2003-04	2,235
2004-05	2,151
2005-06	2,180
2006-07	2,086
2007-08	2,092*

* Projected.

Source: Town's School Department.

Sanitation

Solid waste generated by the Town is disposed at the Town's landfill. The landfill is located on 33 acres of a 125-acre parcel owned by the Town. The remainder of the parcel serves as a wooded buffer area adjacent to the Town Farm Recreation area.

Operations of landfills are governed by regulations concerning fill methods, permitted types of refuse, impact controls (including leachate control) and projected life span. The Town has retained an engineering firm to update its landfill management plan as required by State statutes.

The Town accounts for its closure and postclosure care costs under GASB Statement No. 18. State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town transfers a portion of these closure and postclosure costs each year to a restricted account held for such appropriations. The Town expects to close the landfill in 2016.

The Town intends to finance these closure and postclosure costs over the remaining life of the landfill through general fund contributions. As of June 30, 2006, the Town has accumulated \$2,618,656 in a Special Revenue Fund, restricted for this purpose.

Sewage Disposal

The Town does not have a town-wide municipal sewage system. Except for approximately 450 homes connected to the Fall River, Massachusetts system, there are no sewer lines in the Town. The common method of septic disposal is on-site individual septic systems or cesspools.

Water

Two water systems serve the Town. The Stone Bridge Fire District, created pursuant to Chapter 974 of the Public Laws of 1940, as amended, and the North Tiverton Fire District, created pursuant to an act of the general assembly passed on April 23, 1926, as amended, are independent from the Town. (See "TOWN DEBT-Direct and Overlapping Long-Term Debt). Both systems depend on water from Stafford Pond, the rights to which are owned by the City of Fall River, Massachusetts. Each water district negotiates to purchase water from Fall River but provides and maintains its own distribution systems.

Utilities

National Grid, an international utility corporation, supplies electricity and natural gas in the Town and maintains its main local plant and offices in Providence.

Special Services

In addition to the services outlined above the Town provides specialized government services for animal control, appropriations to various human service agencies and environmental conservation programs. Additionally, the Town operates a library with one satellite branch, various parks and recreation areas.

Employee Relations

As of June 30, 2006 the Town had 82 full-time and approximately 19 part-time and seasonal employees exclusive of the School Department. The School Department as of such date had 228 full and part-time professional as well as 73 part-time and full-time non-professional employees.

Municipal employees are represented by Rhode Island Council 94, AFSCME, AFL-CIO; Police Officers are represented by the International Brotherhood of Police Officers; Firefighters are represented by International Association of Firefighters, Local 1703 AFL-CIO; and Public Works employees are represented by the Teamsters Union.

The current status of union contracts for Municipal and school employees is as follows:

Police Department - contract expired 6/30/06 (currently under negotiation)

Fire Department - contract expires 6/30/09

Public Works - contract expires 6/30/08

Municipal Employees - contract expires 6/30/08

Teachers – contract extended one year to 08/30/07 (currently under negotiation)

Retirement Programs

The Town provides retirement programs to its employees. Details of each plan are provided in Note 16 and the supplementary information of the audited financials of June 30, 2006. The audited financials are incorporated by reference in the Appendix C of this official statement.

Municipal Employees Plan

All Town of Tiverton full-time employees and non-certified School Department general employees except for those School and Police employees who are covered by separate retirement plans participate in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent, multiple-employer public employee retirement system. The payroll for employees covered by the System for the fiscal year ended June 30, 2006 was \$1,935,140.

The Police Plan

The Town contributes to a separately maintained Police Pension Plan. The plan covers permanent police officers of the Town. The Town's payroll for the fiscal year ended June 30, 2006 for employees covered by the plan was \$1,383,052. In accordance with accounting requirements the Police Pension Plan is currently underfunded, however, the Town is making additional funding each year. (See Note 16 Audited Financial Statements of June 30, 2006).

Administration of the plan is the responsibility of a trust committee comprised of the Town Administrator, Treasurer, a member of the Town Council, Police Chief and President of the Police Officers' Union. Accordingly, the committee reviews the records of the plan, prepares and accumulates actuarial data, and prepares periodic reports for submission to the Town Council. The costs of administering the plan are paid by the plan.

Municipal Fire Pension Plan

The Town also provides retirement benefits to its firefighters through its participation in the Municipal Employees' Retirement System of the State of Rhode Island ("System"). The System includes a normal plan for general employees and both a normal and optional plan for firefighters. All full-time firefighters participate in the System. The payroll and allowances for employees covered by the System for the year ended June 30, 2006 was \$1,803,949.

School Teachers' Retirement Plan

The Town provides retirement benefits to its public school teachers through its participation in the State of Rhode Island's Employees' Retirement System, which first covered Rhode Island teachers on July 1, 1949. This Teachers Retirement System is administered as a unified state-wide system by the State Retirement Board, the composition of which is set forth in the pertinent State statute. The assets are held in the custody of the State Treasurer as an undivided single fund.

The actuarial costs of the retirement benefits are partially funded by employee contributions and contribution by the state and the town.

Other Post Employment Benefits

The Town provides its workers with certain health care benefits after retirement sometimes called "other post-employment benefits" or "OPEBs." Changes in accounting rules will require the Town to estimate its actuarial OPEB liability and amortize the unfunded liability over thirty years beginning with the 2008-2009 fiscal year. No estimate of this liability is available. The Town has engaged Primorus Benefit Advisors to provide an appraisal of its OPEB liability and expects a draft report by the end of August 2007. In the fiscal year ending June 30, 2008, the Town has budgeted \$396,411 (excluding School) for post-employment benefits.

Recreation and Culture

Tiverton is within easy driving distance of world class educational institutions and music as well as nationally recognized theater, and top professional team sports. Newport, RI, Boston, MA, and Cape Cod as well as historical sites of New England, such as Plymouth Rock, Sturbridge Village, Walden Pond, Concord and Lexington are nearby.

Tiverton's entire western border is in contact with either the Sakonnet River or Mount Hope Bay, which, as part of the greater Narragansett Bay, provide some of the best sailing and power boating waters in the world. The Town has two town beaches that provide safe swimming waters. Nearby Westport, MA, and Little Compton, Middletown and Newport, RI, have additional first class beaches within a thirty-minute drive.

The Town-owned Weetamoe Woods, the Tiverton Land Trust-owned Pardon Grey Preserve and the Audubon Society-owned Rucker Wildlife preserve offer hundreds of acres for year-round walking and nature observation. The Town also owns Fort Barton Preserve and is actively acquiring additional open space.

Spectator sports from amateur to the major professional teams are in the area. Within a thirty to forty-five minute drive can be found a wide array of college level sports including Big East, Ivy League and Atlantic Ten Sports

Conferences, as well as minor league baseball and ice hockey. The New England Patriots professional football stadium can be reached in 45 minutes and Boston’s major league teams (baseball, basketball, hockey and soccer) are a little over 1 hour away. Premier winter sports areas in Vermont, New Hampshire and Maine can be reached in approximately three hours.

The historic Tiverton Four Corners area is home to art galleries and a small, but growing community of artists. The Town has an active arts commission devoted to encouraging cultural activities.

Nearby Newport, RI offers internationally known summer jazz and folk music festivals as well as winter classical music offerings. Nationally recognized Trinity Repertory Theater in Providence provides a rich variety of theatrical productions.

The Southcoast Learning Network offers a wide range of classes from painting, to yoga, to the area’s historic architecture in the Tiverton area. For those interested in taking a wider variety of educational courses, Rogers William University in Bristol, RI, University of Massachusetts at Dartmouth and Bristol Community College are within a thirty minute drive. Slightly further away is Brown University with a very active “Brown Learning Connection” as well as the Rhode Island School of Design.

ECONOMIC CHARACTERISTICS

Population

In 2000, Tiverton was ranked 25th in population among the thirty-nine cities and towns in Rhode Island and the Town experienced a 6.6% increase in population from 1990 to 2000.

The following table sets forth Tiverton’s population and the change in population relative to the State.

<u>Year</u>	<u>Population Town of Tiverton</u>	<u>State of Rhode Island</u>
2000	15,260	1,048,319
1990	14,312	1,003,464
1980	13,526	947,154
1970	12,559	949,723
1960	9,461	859,488

Source: U.S. Bureau of the Census.

Employment

The table below summarizes the average annual private employment statistics in the Town of Tiverton for employees covered by the Department of Labor and Training during the year ended December 31, 2005.

	<u># of Units</u>	<u>Average Employ- ment</u>	<u>% of Covered Employees</u>
Agriculture	11	43	1.92%
Mining	3	32	1.43
Construction	64	271	12.10
Manufacturing	14	72	3.21
Wholesale Trade	31	113	5.00
Retail Trade	57	566	25.27
Transportation & Warehousing	12	62	2.77
Finance & Insurance	12	52	2.32
Real Estate & Rental & Leasing	11	23	1.02
Professional & Technical Services	41	156	7.00
Administrative Support & Waste Management	29	68	3.03
Health Care & Social Assistance	26	298	13.30
Arts, Entertainment, & Recreation	6	28	1.25
Accommodation & Food Services	28	311	13.88
Other / Unclassified Establishments	50	144	6.43
Total	395	2,240	100.00%

Source: Rhode Island Economic Development Corporation.

Major Private Employers

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Town of Tiverton	Town Government/School	400
Viti Inc.	Auto Sales, Service	135
Sakonnet Bay Manor	Retirement Community	65
Laidlaw Transit, Inc.	School Bus	58
P D Humphrey, Inc.	Retail Lumber Supply	52
Gray's Ice Cream, Inc.	Retail Outlet	20
Control System Analysis	Analysis Systems	20
Ferrellgas	Propane	20
Professional Security Services, Inc.	Security Officers	12

In its early days, Tiverton was chiefly a farming community with some fishing and boat construction. Today, trade establishments are the major employers in the Town. Tiverton continues to grow as a summer resort and residential area. Development is concentrated in the area known as North Tiverton.

Unemployment

The following chart provides a comparison, for the years indicated, of the average annual or monthly unemployment rates in Tiverton, the State of Rhode Island and the United States.

	Annualized*							May
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Town of Tiverton	4.0%	4.3%	4.9%	5.5%	5.4%	5.3%	5.2%	4.5%
State of Rhode Island	4.1	4.6	5.1	5.4	5.2	5.0	5.1	4.5
United States	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.3

Source: Rhode Island Department of Labor and Training.

*Not Seasonally Adjusted

Income Levels

According to the 2000 Census, the median family income of the Town was \$58,917 compared to \$52,781 for the State of Rhode Island. The per capita income of the Town was \$22,866 compared to \$21,688 for the State.

In addition, the following table sets forth the personal income per capita for 1999 through 2004 for Newport County, the State, and the Nation. The Town of Tiverton population constitutes 19.1% of the County population.

<u>Year</u>	<u>Newport County</u>	<u>Rhode Island</u>	<u>United States</u>
2004	\$41,158	\$34,207	\$33,050
2003	37,851	32,038	31,472
2002	36,720	31,042	30,804
2001	36,242	30,680	30,575
2000	35,159	29,214	29,845
1999	33,100	27,459	27,939

Source: Bureau of Economic Analysis; US Census Bureau.

Housing

According to the 2000 U.S. Census, there were 6,474 dwelling units in the Town compared to 5,675 dwelling units in 1990. The additional 799 dwelling units represented an increase of 14%. In 2000, 4,854 of the 6,077 occupied housing units or 79.9% were owner occupied.

Source: US Census Bureau.

Building Permits

The following table shows the number and value of residential building permits issued in the Town from 2001 through 2006.

<u>Year</u>	<u>Residential Number of Units</u>	<u>Construction Cost</u>
2006	37	\$ 7,155,220
2005	97	17,155,111
2004	100	13,556,344
2003	113	16,494,210
2002	65	7,054,540
2001	56	6,302,560

Source: Town Officials

Economic Development

The Town of Tiverton through its Economic Development Commission has considerable acreage along the Town's major access road, Route 24, available for both commercial and industrial development.

PROPERTY TAXES

General

Under Rhode Island law, Rhode Island municipalities, including the Town, are restricted from levying general taxes except *ad valorem* taxes upon real and personal property, and an excise tax on motor vehicles. Valuations of real and personal property are assessed as of December 31 and the levy thereon may be paid in full or quarterly without penalty, at the taxpayer's option. In Tiverton, the fiscal year begins July 1 with taxes based on the prior December 31 assessment payable in full on August 1 or quarterly on July 1, October 1, January 1 and April 1.

The Town therefore receives three quarterly installments of the current year's levy in the current operating year; the balance of the property tax revenue is derived from prior year levies. Although the first installment of current property taxes is due three months after the start of the Town's fiscal year, the Town has not had the need to borrow in anticipation of taxes for at least the last fifteen years. (See "Tax Anticipation Notes" herein).

Historically, after the fourth quarterly tax installment is due and paid the Town has collected approximately 94% of its current levy. Late payment of current and prior year levies combine to make historical collections equal to or in excess of current budget requirements.

The Town of Tiverton conducts tax sales for real property taxes delinquent under Rhode Island law. The Tax Collector has the power to sell by public auction real estate located in the Town for unpaid taxes. However, the Tiverton Town Charter restricts the Town from conducting tax sales for taxes delinquent less than two years.

Tax Limitations

Section 44-5-2 of the State of Rhode Island General Laws provides that a city or town may not levy a tax in any year in an amount more than a stipulated percentage in excess of the amount levied for the prior year unless it qualifies for certain exceptions relating to non-property tax revenue, emergencies and payment of debt service. Through and including its fiscal year 2007, the maximum amount is five and one-half percent (5.5%) in excess of the amount levied for the prior year. The maximum amount a city or town may levy in excess of the amount levied for the prior fiscal year is gradually decreased from five and one-half percent (5.5%) to four percent (4.0%) by decreasing the amount a city or town may levy by one-quarter percent (0.25%) annually beginning in 2008 and ending in 2013. Any levy in excess of the stipulated maximum percentage increase must be approved by a 4/5ths vote of the governing body of the city or town or, in the case of a city or town having a financial town meeting, the majority of electors present and voting at the financial town meeting.

Section 44-5-2 makes it clear that nothing contained in that Section constrains the payment of obligations as described by Section 45-12-1 of the State of Rhode Island General Laws, which provides that the outstanding notes, bonds and contracts of cities and towns shall be paid and be fulfilled and that the power and obligation of each city and town to pay its general obligation bonds and notes shall be unlimited and each city and town shall levy *ad valorem* taxes upon all taxable property within the city or town for the payment of such bonds and notes and interest thereon, without limitation as to rate or amount.

Assessed Valuations

Fiscal Year	Gross
Ending	Assessed Value
June 30th	
2008	\$2,693,254,709*
2007	2,686,076,219*
2006	1,693,626,590*
2005	1,625,722,449*
2004	1,579,763,338
2003	1,000,653,198
2002	969,034,262

*Includes Tax Increment Financing (Starwood) Properties
Source: Town of Tiverton.

In accordance with State law, up-to-date property values are maintained through property revaluations and a revaluation cycle where every city or town conducts a revaluation within nine (9) years of the date of the prior revaluation. State law further requires an update of real property every three (3) years from the date of the last revaluation. The Town's last full revaluation was for the December 31, 2002 assessment date. The Town's last statistical update was for the December 31, 2005 assessment date.

Analysis of Taxable Property

The following table shows the analysis of taxable real and personal property as of December 31, 2005 in the Town by class, compared to the State average for the same period.

Class	Percent of Total	
	Assessed Valuation	State
	Town	Average
Residential	85.08%	80.03%
Commercial	5.84	10.31
Industrial	.94	2.31
Utilities & Railroads	.56	1.20
Motor Vehicles	4.67	5.69
Other	<u>2.91</u>	<u>.64</u>
	100.00%	100.00%

Source: State of R.I. Department of Administration, Municipal Affairs Office.

Motor Vehicle Excise Tax

Effective January 1, 1978, the Town's authority to assess personal property tax upon motor vehicles and trailers at assessed value determined by the Town Assessor on the basis of full and fair cash value was replaced with a motor vehicle excise tax administered and collected by the Town, assessed on the basis of the average retail price, as determined by the Rhode Island Vehicle Value Commission. The excise tax levy applies to all motor vehicles and trailers registered with the Rhode Island Registry of Motor Vehicles, the owner of which lives or is located in the Town. Motor vehicles not registered with the State are assessed in accordance with prior practice as tangible personal property.

Motor Vehicle Excise Tax Phase Out

The General Assembly passed legislation during the 1998 Legislative Session that eliminates municipal authority to levy an excise tax on motor vehicles and trailers after Fiscal Year 2007. This legislative directive requires all cities and towns to exempt the first \$4,500 (based on NADA valuation) in value on all motor vehicles subject to taxation in Fiscal Year 2003-2004. The Legislation provided that, the value of the exemption would

increase each year until a full phase-out was reached in Fiscal Year 2007. The adopted Motor Vehicle Tax Phase-Out also froze the Town's 1998 Tax Rate for motor vehicles for all future assessment periods.

To offset State budget deficits, in 2002, the General Assembly amended this legislation to extend this phase-out period until fiscal year 2008 and to establish the exemption current for fiscal year 2003 and thereafter at \$4,500. However, phase-outs occurring beyond fiscal year 2003 were subject to annual review and appropriation by the General Assembly. In 2005, the General Assembly increased the exemption for fiscal year 2006 and thereafter to \$5,000 and in 2006, the General Assembly increased the exemption for fiscal year 2007 to \$6,000. Any future increases in the phase-out must be specifically approved by the General Assembly.

Principal Taxpayers

The following table sets forth the principal taxpayers in the Town and the gross assessed valuation of property held by such taxpayers as of December 31, 2006 for Fiscal Year 2008:

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>
CNL Retirement Corporation	Senior Housing	\$19,965,000
Starwood, LLC	Condominium Development	16,500,500
National Grid	Utility	8,766,600
Viti, Inc.	Automobile Dealership	8,089,600
Inland Rhode Island	Fuel Storage	7,723,100
Countryview Estates	Real Estate Development	5,867,800
Holy Union of Sacred Hearts	Religious - Non-Exempt	5,330,000
Clinton D. Clemens	Private Residence	3,300,000
Scott & Cynthia Nebergall	Private Residence	3,200,000
P.D. Humphrey Co., Inc.	Building Supplies	3,076,500

Tax Rate, Levy and Collection Record

By State law, valuations are assessed each December 31, and the levy thereon may be paid in full or quarterly without penalty at the taxpayer's option. In the Town, the fiscal year begins July 1 with taxes on the prior assessment payable in full on the following August 1 or quarterly on July 1, October 1, January 1 and April 1. No discount is allowed by the Town for advance payment of taxes. There is a 12% late payment charge on all delinquent taxes including quarterly payments when not made in time.

The following is a schedule of assessed valuations, property tax rates, secured levies, collections and delinquencies as of June 30 of the indicated years.

<u>Fiscal Year Ended June 30</u>	<u>Net Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Outstanding Taxes</u>	<u>Outstanding Taxes as Percent of Total Levy as of 6/30/07</u>
2008	\$2,595,959,221	\$27,048,201	NA	NA
2007	2,598,334,442	25,528,273	\$568,506	2.22%
2006	1,641,884,990	23,620,331	469,759	1.99
2005	1,609,246,213	22,069,372	148,033	.67
2004	1,579,763,338	20,472,683	34,553	.17
2003	998,598,869	19,805,842	31,675	.16
2002	969,034,262	18,767,964	32,996	.18

Source: Tax Assessor, Treasurer

TOWN DEBT

General

All of the Town's general obligation debt now outstanding or authorized but unissued has been authorized pursuant to the State of Rhode Island General Laws or special acts of the State Legislature. Each special act provides for approval thereof by the electors of the Town. After referendum approval has been secured, the borrowing must be authorized by resolution of the Town Council, passed by vote of a majority of all members of the council. The Town Council may authorize borrowing under the State of Rhode Island General Laws.

Except as provided below, under Rhode Island law the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the full assessed value of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any fund held on account to pay such indebtedness maintained by the Town. In computing the value of taxable property, motor vehicles and trailers are valued at full value without regard to assessed value reductions provided for in other sections of the general laws. In July 2007, the Rhode Island State Legislature enacted legislation providing for ministerial approval by the State's Auditor General of debt outside of the 3% debt limit for communities with an "A" rating or better, if the community satisfies certain requirements. The current 3% debt limit of the Town is \$77,878,776 (based on the assessed valuation at December 31, 2006 of \$2,595,959,221. As of June 30, 2006, the Town had outstanding \$0 bonds issued within the 3% debt limit. The Town has no debt outstanding under the ministerial approval process.

The State Legislature may by special act permit the Town to incur indebtedness outside the limitations imposed by the 3% debt limit. Special legislation adopted by the Legislature authorizing the Town to incur debt is subject to referendum by the electors of the Town. On June 30, 2006, the total outstanding debt of the Town issued outside the 3% debt limit was \$12,145,000 consisting of long term bonds. In addition, the Town has outstanding \$11,300,000 bond anticipation notes, which will be indebtedness outside of the 3% debt limit.

In addition to debt authorized within the 3% debt limit and debt authorized by special act of the Legislature, State of Rhode Island General Laws Section 45-12-11 authorizes the Rhode Island State Director of Administration, upon petition by a municipality, to authorize such municipality to incur indebtedness in excess of the 3% debt limit whenever the Director shall determine that the sums appropriated by the municipality or its funds available are insufficient to pay the necessary expenses of the municipality. The Town has never requested the State Director of Administration to authorize indebtedness of the Town under Section 45-12-11.

Outstanding Debt

As of June 30 of the fiscal years 2002-2006, the outstanding bond indebtedness of the Town was as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Long-Term Debt					
General Obligation Bonds	\$ 3,735,000	\$ 0	\$ 35,000	\$ 70,000	\$ 105,000
Special Obligation TIF Bonds	7,800,000	8,295,000	8,295,000	8,295,000	0
Water Note	0	0	0	0	569,981
Land Acquisition Bonds	<u>610,000</u>	<u>915,000</u>	<u>1,220,000</u>	<u>1,530,000</u>	<u>1,840,000</u>
Total	\$12,145,000	\$9,210,000	\$9,550,000	\$9,895,000	\$2,514,981

Actual Bonded Debt Service Requirements

The table below sets forth a schedule of debt service for the bonds currently outstanding by the Town not including the Town's obligation on the Bonds.

Fiscal Year	<u>Tax Increment Bonds</u>			<u>Enterprise Fund General Obligation Bonds</u>			<u>Municipal General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$110,000	\$533,144	\$643,144	\$305,000	\$39,650	\$344,650	\$140,000	\$149,415	\$289,415
2008	420,000	526,544	946,544	305,000	19,825	324,825	190,000	163,200	353,200
2009	445,000	498,719	943,719				190,000	155,125	345,125
2010	340,000	469,219	809,219				190,000	147,525	337,525
2011	365,000	445,844	810,844				190,000	138,025	328,025
2012	390,000	420,750	810,750				190,000	130,425	320,425
2013	420,000	393,938	813,938				190,000	122,350	312,350
2014	445,000	365,063	810,063				190,000	114,275	304,275
2015	475,000	334,469	809,469				190,000	104,775	294,775
2016	510,000	301,813	811,813				190,000	97,175	287,175
2017	545,000	266,750	811,750				190,000	89,575	279,575
2018	580,000	229,281	809,281				190,000	81,975	271,975
2019	620,000	189,406	809,406				190,000	72,475	262,475
2020	665,000	146,781	811,781				190,000	62,975	252,975
2021	710,000	101,063	811,063				190,000	53,475	243,475
2022	760,000	52,250	812,250				190,000	43,975	233,975
2023							190,000	34,475	224,475
2024							185,000	24,975	209,975
2025							185,000	16,650	201,650
2026							<u>185,000</u>	<u>8,325</u>	<u>193,325</u>
Totals	\$7,800,000	\$5,275,031	\$13,075,031	\$610,000	\$59,475	\$669,475	\$3,735,000	\$1,811,165	\$5,546,165

Tax Anticipation Notes

Under State law, the Town may borrow in anticipation of the receipt of the proceeds of the property tax due in such fiscal year. The amount of notes shall not exceed the total tax levy of the then current fiscal year. Tax anticipation notes must be payable not later than one year from their date, but notes issued for less than one year may be renewed provided such renewal notes are payable within one year of the date of the original notes. The Town has not issued tax anticipation notes for at least the last fifteen years.

Bond Anticipation Notes

The Town currently has \$12,000,000 outstanding in school bond anticipation notes, maturing on August 16, 2007. The refunding of \$10,700,000 of these notes will be included in this Bond Issue. The remaining \$1,300,000 will be refunded by a like amount of the Notes, such refunding to be effected and to take place on August 16, 2007. The Town is also issuing an additional \$10 million notes on August 16, 2007.

Therefore, subsequent to the issuance of the \$11,300,000 Notes and this Bond Issue, the Town will have a total of \$11,300,000 outstanding in bond anticipation notes maturing on July 14, 2008.

Authorized But Unissued Debt

The following is a summary of the purpose, authorized amounts, issued and unissued general obligation debt of the Town of Tiverton:

<u>Authorization</u>	<u>Purpose</u>	<u>Amount</u>	<u>Bonds/Notes</u>	
			<u>Issued</u>	<u>Unissued</u>
Chp. 616 of 1987	Open Space	\$1,650,000	\$500,000	\$1,150,000
Chp. 69 of 1989	Water	6,000,000	674,000	5,326,000
Chp. 34 of 1993	Land Acquisition	4,000,000	3,700,000	300,000
Chp. 252/288 of 2004	School	30,700,000	22,000,000*	8,700,000*

* Includes Town's obligations under \$10,580,000 RIHEBC Bonds dated August 15, 2007 and \$11,300,000 Bond Anticipation Notes dated August 16, 2007.

Debt Ratios and Debt Per Capita

<u>Fiscal Year Ended June 30</u>	<u>Population⁽¹⁾</u>	<u>Net Assessed Valuation</u>	<u>Rate of Assessment⁽²⁾</u>	<u>Estimated Full Value</u>	<u>Gross Bonded Debt⁽³⁾</u>	<u>Gross Debt Per Capita</u>	<u>Ratio of Gross Debt to Estimated Full Value</u>
2006	15,260	\$1,547,121,484	100.00%	\$1,547,121,484	\$4,345,000	\$ 285	.28%
2005	15,260	1,522,400,232	100.00%	1,522,400,232	915,000	59	.06
2004	15,260	1,495,005,632	100.00%	1,495,005,632	1,255,000	82	.08
2003	15,260	948,691,732	100.00%	948,691,732	1,600,000	104	.16
2002	15,260	928,759,945	100.00%	928,759,945	2,514,981	164	.27
2001	15,260	911,011,330	88.33%	955,627,979	2,871,407	188	.30
2000	15,260	900,409,635	91.23%	968,988,806	3,227,123	211	.33

(1) Population U.S. Census Reports.

(2) State of Rhode Island Tax Equalization Reports and Town officials.

(3) Excludes Tax Increment Bonds and Capital Leases

Direct and Overlapping Long-Term Debt

The Town does not have any overlapping entities (other than the State) with power to incur debt except as described below. The Town does not have contingent liability to assume the debt of the State or any other agency.

The Tiverton Industrial and Recreational Commission

Pursuant to Chapter 258 of the Public Laws of 1968, as amended, the Tiverton Industrial and Recreational Commission (the "Industrial Commission") was created and established as a body corporate and politic, and a public instrumentality of the Town of Tiverton for the purpose of acquiring, constructing, developing, and financing industrial, commercial and recreational facilities within the Town. The Industrial Commission has the power to borrow money. The Industrial Commission has no bonds or notes outstanding at this time.

The Stone Bridge Fire District

Pursuant to the Chapter 974 of the Public Laws of 1940, as amended, the Stone Bridge Fire District was created and established to obtain and maintain a supply of water for a portion of the Town served by the District. The Stone Bridge Fire District or with respect to District debt, has taxing power and ability to issue bonds. The Town has no direct or contingent liability for District bonds.

The North Tiverton Fire District

Pursuant to an act passed by the general assembly on April 23, 1926, as amended, the North Tiverton Fire District was created and established to furnish a supply of water to a portion of the Town served by the District. The North Tiverton Fire District or with respect to District debt, has taxing power and ability to issue bonds. The Town has no direct or contingent liability for District bonds.

FINANCIAL INFORMATION

Financial Reporting

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equities, revenues, and expenditures, or expenses as appropriate. The various funds are grouped by type in the financial statements. The following fund types and account groups are used by the Town:

Governmental Fund Types

General Fund – is used to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenues used to finance the fundamental operations to the Town are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

School Unrestricted Fund – The School Unrestricted Fund is used to account for the budgeted resources devoted to financing the general operations of the school department.

Proprietary Fund Types

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category is as follows:

Enterprise Funds – are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and /or net income is appropriate for capital maintenance, public policy management control, accountability, or other purposes.

Major Enterprise Funds – The Land Acquisition Fund is used to account for the purchase of land for use by the town and the fees and the expenses associated with maintaining the land for future use. The Cafeteria Fund is used to account for the school lunch program and expenses related to providing breakfast and lunch to Tiverton students.

Fiduciary Fund Types

These funds account for assets held by the Town as a trustee or agent for individuals, private organization, and other units of governments. These funds are as follows:

Agency Funds – are used to account for funds that are to be used for educational and welfare expenditures and for funds held in escrow for other parties.

Pension Trust Fund – is used to account for funds that are to be used for the payment of retirement benefits to former employees. The Pension Committee oversees this fund.

Private-Purpose Trust Funds – are used to account for funds that are held by the town under various trust arrangements for the benefit of certain individuals.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (*i.e.*, revenues and other financing sources) and decreases (*i.e.*, expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (*i.e.*, net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (*e.g.*, revenues) and decreases (*e.g.*, expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trusts funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (*i.e.*, when they become both measurable and available). Measurable means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines, permits and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The Town’s financial statements for the year ended June 30, 2006 have been audited by Parmelee, Poirier & Associates, LLP, Certified Public Accountants. The audit report for the year ended June 30, 2006 is incorporated by reference as Appendix C. Copies of audit reports for other years are available upon request.

Budgetary Procedures

The Town employs the following procedures in establishing the general and budgetary data reflected in the combined financial statements:

1. The budget committee has eleven members who are elected for a six year term during general elections. The members “stand” as non-partisan candidates. Terms are staggered to insure continuity on the committee.
2. The school committee and the municipal units each submit budget proposals to the budget committee at least 120 days before the annual Financial Town meeting.
3. The Budget Committee conducts a series of public hearings on all budgets over a several month period.
4. The final budget is legally (item by item) enacted by the voters at the Financial Town Meeting on the third Wednesday in May.

The State of Rhode Island General Laws provide that the Town shall annually appropriate a sum sufficient to pay the principal and interest coming due within the year on all of its general obligation bonds and notes to the extent that monies therefor are not otherwise provided, and that if such sum is not appropriated by the Town Council, it shall nevertheless be added to the annual tax levy by the Town Treasurer.

Town Budget

Set forth below is the Town's budget for the fiscal years ended June 30, 2006 and 2007 and the current operating budget for the fiscal year ending June 30, 2008.

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:			
Local Property	\$ 22,271,256	\$ 25,103,339	\$26,909,360
Non-Local Property	7,056,627	6,903,609	7,670,932
Federal and State	<u>4,835,203</u>	<u>5,074,332</u>	<u>5,286,132</u>
Totals	\$ 34,163,086	\$ 37,081,280	\$39,866,424
Operations:			
Capital Expenditures (School Department)	\$ 418,695	\$ 140,200	\$ 113,218
Capital Expenditures (General Government)	350,372	324,989	376,667
Education	21,638,153	23,279,267	24,481,169
General Government	1,343,798	2,291,035	3,241,095
Financial Administration	3,506,468	3,805,552	3,949,674
Protection to Persons and Property	4,356,893	4,604,516	4,859,707
Grants, Health and Sanitation	891,862	917,698	442,555
Public Works	1,446,177	1,488,197	2,165,235
Associated Activities	104,163	119,224	119,363
Parks, Recreations and Leagues	<u>106,502</u>	<u>110,602</u>	<u>117,741</u>
Totals	\$ 34,163,086	\$ 37,081,280	\$39,866,424

School Aid

School Operations Aid

Pursuant to State of Rhode Island General Laws Sections 16-7-15 to 16-7-34, as amended, the State provides operations assistance aid to each municipality and school district in the State. The statute provides for payment by the State to each community a share of the cost of education of resident pupils in grade kindergarten through grade 12 as determined by a mandated minimum program level plus transportation costs and approved expenditures in excess thereof for a certain reference year, set for each municipality under a formula prescribed by the statute and equalized with other municipalities on the basis of assessed valuations with application of a factor of median family income of the community. This legislation guarantees a minimum program for every pupil and, if the municipality fails to provide adequate funds for such program, the State transfers other State aid due the municipality to the school account. Under this program, the Town School Department received \$4,857,794 in the fiscal year ended June 30, 2006, and the Town budgeted \$5,074,332 and \$5,286,132 in the fiscal years ending June 30, 2007 and 2008, respectively. This legislation could be changed in a legislative session and all State aid is subject to General Assembly appropriation.

State School Construction Aid

Pursuant to State of Rhode Island General Laws Section 16-7-35 to 16-7-47, as amended, the State provides construction aid to its municipalities for the cost of building or renovating public schools. All buildings constructed or renovated since July 1, 1949 are eligible for assistance of a minimum of 30% of the principal cost of such buildings. Such assistance level may be further increased by a formula which takes into account the equalized assessed valuation and debt service burden of the particular municipality. For the fiscal year ended June 30, 2006 the Town received \$61,400 in school construction aid, and the Town has budgeted \$90,000 and \$250,316 in the fiscal years ending June 30, 2007 and 2008, respectively.

Commencing with fiscal year 1990-91, school housing project costs included the cost of interest on any bond issued after July 1, 1988. For projects approved by the voters after June 30, 2003, the cost of interest on any bond will be reimbursed as an eligible cost only if the bonds for these projects are issued through the Rhode Island Health and Educational Building Corporation (RIHEBC). State aid reimbursement for school construction projects is based on the share ratio established for that year by the Rhode Island Department of Education. For the current year the Town's share ratio is approximately 30%. This ratio can vary from year to year. The legislation authorizing State

School Construction Aid is subject to future change and all State aid is subject to annual appropriation by the Rhode Island General Assembly.

Other State Aid

In addition to school operations assistance, municipalities in the State receive additional aid through the State General Revenue Sharing program. The program, with the distribution formula similar to the Federal Revenue Sharing program, replaced various state grant and aid programs as of July 1, 1987. The Town's 2008 budget includes \$646,245 State Revenue Sharing.

In addition, the Town receives aid from the State for Public Service Corporations Tax (Telephone Tax), partial reimbursement for school and library debt service costs and a hotel tax from Tiverton hotels equal to 1% of gross receipts.

Comparative Financial Statements

Set forth below are comparative financial statements, which were prepared by the Town Treasurer from audited financial statements.

GENERAL FUND BALANCE SHEET COMPARISON

	<u>2006</u> <u>Audited</u>	<u>2005</u> <u>Audited</u>	<u>2004</u> <u>Audited</u>	<u>2003</u> <u>Audited</u>	<u>2002</u> <u>Audited</u>
ASSETS AND OTHER DEBITS					
Cash and Cash Equivalents	\$11,693,252	\$9,912,538	\$10,440,718	\$8,096,188	\$9,020,921
Investments	257,632	5,100,335	2,322,498	2,936,207	426,518
Receivables:					
Taxes	879,307	873,736	1,101,384	1,229,110	1,320,192
Tax Sale Property		81,117	81,117	81,117	81,117
Other	81,117	37,684			383
Due From Other Funds	2,778,976	282,068	69,525	40,856	
Total Assets and Other Debits	\$15,609,284	\$16,287,478	\$14,015,242	\$12,383,478	\$10,849,131
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$188,364	\$77,521	\$103,153	\$95,895	\$62,461
Accrued Expenses	1,353,249	1,705,915	973,659	2,159,033	188,086
Due to Governmental Funds		187,248	176,171	20,977	
Due to Other Funds	8,300,439	6,542,696	6,305,267	2,802,725	2,522,561
Deferred Revenue	2,188,437	3,805,918	1,813,221	3,035,562	3,638,530
Intergovernmental Payable					59,494
Total Liabilities	\$12,030,489	\$12,319,298	\$9,371,471	\$8,114,192	\$6,471,132
Fund Balances:					
Reserved for Tax Sale of Property		\$81,117	\$81,117	\$81,117	\$81,117
Reserved for Encumbrances	98,583	23,534	68,352	50,655	32,845
Reserved for Tax Relief	600,000	1,300,000	700,000	500,000	557,000
Reserved for Termination of Benefits					47,955
Reserved for Revaluation					64,811
Designated for Subsequent Year's Expenditures		206,354	552,558	762,532	1,092,124
Unreserved	2,961,212	2,357,175	3,241,744	2,874,982	2,502,147
TOTAL FUND BALANCES	\$3,659,795	\$3,968,180	\$4,643,771	\$4,269,286	\$4,377,999
TOTAL LIABILITIES & FUND BALANCES	\$15,690,284	\$16,287,478	\$14,015,242	\$12,383,478	\$10,849,131

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

	<u>2006</u> <u>Audited</u>	<u>2005</u> <u>Audited</u>	<u>2004</u> <u>Audited</u>	<u>2003</u> <u>Audited</u>	<u>2002</u> <u>Audited</u>
Revenues:					
General Property Taxes	\$23,789,990	\$23,078,969	\$22,257,166	\$20,635,559	\$19,402,307
Intergovernmental Revenue	2,215,245	1,927,494	1,876,199	1,844,801	1,730,558
Departmental Revenue	1,977,256	1,138,170	1,021,426	729,193	618,767
Investment Income	168,040	177,676	71,940	104,672	181,266
Other	119,214	200,000			
Total Revenues	<u>\$28,269,745</u>	<u>\$26,522,309</u>	<u>\$25,226,731</u>	<u>\$23,332,225</u>	<u>\$21,932,898</u>
Expenditures:					
General Government	4,338,098	1,288,455	\$1,286,463	\$1,271,314	\$3,141,973
Public Safety	4,260,755	4,741,010	4,310,551	3,930,327	3,210,990
Public Works	1,259,543	1,196,853	1,046,053	940,074	938,793
Public Health and Welfare	537,924	602,725	575,916	553,004	447,325
Parks and Recreation	102,207	33,640	22,620	26,700	21,634
Fixed Charges		2,044,690	1,822,469	1,614,217	
Miscellaneous	476,609	52,984	54,417	51,707	744,542
Debit Service (P & I)		305,770	240,147	346,723	
Capital Expenditures		231,764	154,295	163,034	
Total Expenditures	<u>\$10,975,136</u>	<u>\$10,497,891</u>	<u>\$9,512,931</u>	<u>\$8,897,100</u>	<u>\$8,505,257</u>
Excess of Revenues Over Expenditures before other Financing Sources (Uses):	<u>\$17,294,609</u>	<u>\$16,024,418</u>	<u>\$15,713,800</u>	<u>\$14,435,125</u>	<u>\$13,427,641</u>
Other Financing Sources (Uses):					
Operating Transfers from Other Funds	222,044	420,000	220,000	200,000	225,000
Operating Transfers to Other Funds	(17,825,038)	(17,050,991)	(15,472,967)	(14,743,838)	(14,116,001)
Net other Financing Sources (Uses):	<u>(17,602,994)</u>	<u>(16,630,991)</u>	<u>(15,252,967)</u>	<u>(14,543,838)</u>	<u>(13,891,001)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	\$(308,385)	\$(606,573)	\$460,833	\$(108,713)	\$(463,360)
Fund Balance Beginning of Year	3,968,180	4,574,753*	4,182,938*	4,377,999	4,841,359
Fund Balance End of Year	<u>\$3,659,795</u>	<u>\$3,968,180</u>	<u>\$4,643,771</u>	<u>\$4,269,286</u>	<u>\$4,377,999</u>

*Restated

LITIGATION

The Town Solicitor is of the opinion that, to his knowledge, there is not now pending nor threatened any litigation seeking to restrain or enjoin transactions contemplated by this Official Statement or in any way contesting the power of the Town to enter into the transactions contemplated by this Official Statement. The Town, its officers, and employees are defendants in several lawsuits. Except for the claims discussed below, the Town Solicitor is of the opinion that none of such litigation is likely to result either individually or in the aggregate in final judgments against the Town which would materially affect its financial position or ability to meet its debt service obligations.

JAMES J. McInnis, as Trustee of the TIVERTON ASSOCIATES TRUST ("McInnis") has filed several lawsuits against the Town, in his quest to develop a shopping center on his property. Most of the lawsuits relate to the permitting process and challenge various land use decisions of the Town. On or about May 19, 2006, McInnis filed another lawsuit against the Town and several of its officers and employees, in which he has alleged conspiracy and civil rights violations and sought damages in the amount of \$10,000,000. The Town has referred such claim to its insurer and the Town has vigorously contested any liability on its part or that of its officers and employees. The Rhode Island Superior Court recently dismissed four of the five claims in this action. However, one count remains and the dismissal of the other counts may eventually be appealed to the Rhode Island Supreme Court. At this stage in the litigation, the Town is not able to make an assessment as to whether it is liable for damages, and, if so, the amount of such damages.

TOWN OF TIVERTON, RHODE ISLAND

By: /s/ James P. Amarantes
Treasurer

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
OF THE BORROWERS**

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APPENDIX C

Certain Information Regarding the Town of Barrington

The Town of Barrington, Rhode Island has filed with each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) its audited financial statements for the fiscal year ended June 30, 2006 (the “Barrington Audited Financial Statements”). The Barrington Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix C. Copies of the Barrington Audited Financial Statements may be examined at the offices of each NRMSIR in accordance with the applicable rules of each such entity governing the examination of such information. Copies of the Barrington Audited Financial Statements are also available by contacting the Corporation at 170 Westminster Street, Suite 1200, Providence, Rhode Island 02903, telephone: (401) 831-3770, fax: (401) 421-3910.

Certain Information Regarding the City of Central Falls

The City of Central Falls, Rhode Island has filed with each NRMSIR its audited financial statements for the fiscal year ended June 30, 2006 (the “Central Falls Audited Financial Statements”). The Central Falls Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix C. Copies of the Central Falls Audited Financial Statements may be examined at the offices of each NRMSIR in accordance with the applicable rules of each such entity governing the examination of such information. Copies of the Central Falls Audited Financial Statements are also available by contacting the Corporation at 170 Westminster Street, Suite 1200, Providence, Rhode Island 02903, telephone: (401) 831-3770, fax: (401) 421-3910.

Certain Information Regarding the Town of North Kingstown

The Town of North Kingstown, Rhode Island has filed with each NRMSIR its audited financial statements for the fiscal year ended June 30, 2006 (the “North Kingstown Audited Financial Statements”). The North Kingstown Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix C. Copies of the North Kingstown Audited Financial Statements may be examined at the offices of each NRMSIR in accordance with the applicable rules of each such entity governing the examination of such information. Copies of the North Kingstown Audited Financial Statements are also available by contacting the Corporation at 170 Westminster Street, Suite 1200, Providence, Rhode Island 02903, telephone: (401) 831-3770, fax: (401) 421-3910.

**Certain Information Regarding the
Town of Tiverton**

The Town of Tiverton, Rhode Island has filed with each NRMSIR its audited financial statements for the fiscal year ended June 30, 2006 (the “Tiverton Audited Financial Statements”). The Tiverton Audited Financial Statements are hereby incorporated by reference into this Official Statement as part of Appendix C. Copies of the Tiverton Audited Financial Statements may be examined at the offices of each NRMSIR in accordance with the applicable rules of each such entity governing the examination of such information. Copies of the Tiverton Audited Financial Statements are also available by contacting the Corporation at 170 Westminster Street, Suite 1200, Providence, Rhode Island 02903, telephone: (401) 831-3770, fax: (401) 421-3910.

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APPENDIX D

DEFINITIONS

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DEFINITIONS

The following are definitions of certain of the terms defined in the Master Indenture or the Agreements and used in this Official Statement.

“Accreted Value” means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Indenture authorizing such Capital Appreciation Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

“Act” means the Rhode Island Health and Educational Building Corporation Act, being and constituting Chapter 38.1 of Title 45, as amended of the Rhode Island General Laws.

“Administrative Fund” means such fund so designated, created and established by the Applicable Series Indenture pursuant to Section 5.02 of the Master Indenture.

“Agreement” means the Financing Agreement between the Corporation and a Borrower executed and delivered in connection with the issuance of a portion of an Applicable Series of Bonds, as from time to time amended or supplemented in accordance with the terms and provisions of the Master Indenture and of the Agreement.

“Allocable Portion” means each Borrower’s proportionate share of certain obligations arising under the Applicable Series of Bonds from time to time and the respective Agreements, particularly with respect to the Applicable Arbitrage Rebate Fund, the costs of issuance of such Series of Bonds, and the payment of principal, interest and redemption price of such Series of Bonds as particularly determined by the Applicable Series Indenture.

“Applicable” means (i) with respect to any Series Indenture, the Series Indenture relating to particular Bonds, (ii) with respect to any Series of Bonds, the Series of Bonds issued under a Series Indenture for a particular Borrower or Borrowers, (iii) with respect to any Agreement, the Agreement entered into by and between a Borrower and the Corporation, (iv) with respect to a Borrower, the Borrower for which a Series of Bonds is issued, (v) with respect to any Construction Fund, Debt Service Fund, Arbitrage Fund or Costs of Issuance Account in a Construction Fund, the Fund or Account established in a particular Series Indenture, and with respect to a particular Construction Account in a Construction Fund, means the Construction Account established and undertaken with respect to each Applicable Borrower, (vi) with respect to a Credit Facility or Liquidity Facility, the Credit Facility or Liquidity Facility, if any, identified in the Applicable Series Indenture, (vii) with respect to State Housing Aid, the amounts payable to the Corporation on account of a Borrower and (viii) with respect to Borrower Bonds, the Borrower Bonds issued and delivered to the Corporation by a Borrower as required by the Agreement.

“Appreciated Value” means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Applicable Series Indenture authorizing such Deferred Income Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

“Arbitrage Rebate Fund” means each such fund so designated, created and established by the Applicable Series Indenture pursuant to the Master Indenture.

“Authorized Newspaper” means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Corporation.

“Authorized Officer” means (i) in the case of the Corporation, the Chairperson, the Vice-Chairperson, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Corporation to perform such act or execute such document; (ii) in the case of a Borrower, when used with reference to any act or document, means the person identified in the Master Indenture or in the Applicable Agreement as authorized to perform such act or execute such document, and in all other cases means the Director of Finance, Treasurer or Chief Financial Officer of the Borrower or an officer or employee of a Borrower authorized in a written instrument signed by the Director of Finance, Treasurer; and (iii) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

“Basic Debt Service Payment” means all amounts payable pursuant to the Applicable Agreement, including in particular the Applicable Borrower Bonds.

“Bond” or “Bonds” means any of the bonds of the Corporation authorized and issued pursuant to the Master Indenture and to an Applicable Series Indenture.

“Bond Counsel” means an attorney or a law firm, appointed by the Corporation with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

“Bond Year” means unless otherwise stated in the Applicable Series Indenture a period of twelve (12) consecutive months beginning May 15 in any calendar year and ending on May 14 of the succeeding calendar year.

“Bondholder,” “Holder of Bonds” or “Holder” or any similar term, when used with reference to a Bond or Bonds, means the registered owner of any Bond.

“Book-Entry Bond” means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof.

“Borrower” or “Borrowers” means with respect to an Applicable Series of Bonds, each or all of the cities, towns and regional school districts for whose benefit the Corporation shall have issued all or a portion of such Series and with whom the Corporation shall have executed one or more Agreements.

“Borrower Bonds” means the bonds, notes, or other evidences of indebtedness, which, if not required by law to be in the form of a bond or note certificate, may be represented by a Financing Agreement.

“Borrower Payment Subaccount” shall mean the subaccount established in the Debt Service Account established with respect to a Borrower into which the Trustee shall deposit payments made by the Borrower on the Borrower Bonds.

“Borrower Resolution” means, collectively, the ordinances or resolutions of the Applicable Borrower authorizing the execution and delivery of the Agreement, the borrowing of the Loan proceeds, and the issuance and delivery to the Corporation of the Borrower Bonds.

“Borrower Tax Certificate” means the certificate of a Borrower to be delivered pursuant to the Applicable Agreement and to be dated the date of delivery of the Corporation Bonds.

“Business Day” means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in the State or in the City of New York; provided, however, that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions

chartered by the State or the United States of America, the Trustee or the issuer of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close.

“Capital Appreciation Bond” means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

“Code” means the Internal Revenue Code of 1986 and the applicable regulations promulgated thereunder.

“Construction Fund” means each such fund so designated, created and established by the Applicable Series Indenture pursuant to the Master Indenture.

“Construction Account” means each such account in a Construction Fund so designated, created and established for each Applicable Borrower by the Applicable Series Indenture pursuant to the Master Indenture.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of the date of issuance of the Corporation Bonds, by and among the Corporation, the Trustee and the Borrower.

“Corporation” means the Rhode Island Health and Educational Building Corporation, a public body corporate and agency of the State created by the Act, or any body, agency or instrumentality of the State which shall succeed to the rights, powers, duties and functions of the Corporation.

“Corporation Bonds” means the series of bonds of the Corporation issued in whole or in part to finance the Loans made under the Agreements, together with any bonds of the Corporation issued to refinance such bonds.

“Corporation Tax Certificate” means the Tax Certificate concerning certain matters pertaining to the use of proceeds of the Bonds executed by and delivered to the Corporation and the Trustee on the date of issuance of the Bonds, including any and all exhibits attached thereto.

“Cost” shall have the meaning as set forth in the Act.

“Credit Facility” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, municipal bond insurance policy or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a saving and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation, pursuant to which the Corporation is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus, accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance with the Master Indenture and with the Series Indenture authorizing such Bonds whether or not the Corporation is in default under the Master Indenture.

“Debt Service Fund” means each such fund so designated, created and established by the Applicable Series Indenture pursuant to the Master Indenture.

“Defeasance Security” means (a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations, (b) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations and (c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and

redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized Rating Agencies in the highest rating category for such Exempt Obligation; provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

“Deferred Income Bond” means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on each Interest Payment Date.

“Depository” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Indenture authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

“Escrow Agreement” means the Escrow Agreement, if any, dated as of the date of issuance of the Corporation Bonds, by and between the Borrower and the escrow agent thereunder, as such agreement may be amended from time to time in accordance with its terms.

“Exempt Obligation” means (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Master Indenture, carries a rating no lower than the rating carried by general obligation bonds of the State, (ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing and (iii) a share or interest in an open-end investment company or association or investment trust wholly comprised of any of the foregoing obligations which is registered in an open-end investment company or association or investment trust wholly comprised of such obligations which is registered under the Federal Investment Company Act of 1940 and which company association or trust shall comply with the provisions of Rhode Island General Laws Section 35-10-11 or any other applicable general or special law relating to investments.

“Existing Indebtedness” means the bonds or notes of the Borrower described in Exhibit B to the Applicable Agreement, which bonds or notes have financed the Project, if any.

“Facility Provider” means the issuer of a Credit Facility or a Liquidity Facility delivered to the Applicable Trustee.

“Federal Agency Obligation” means (i) an obligation issued by any federal agency or instrumentality, (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency, (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing and (iv) a share or interest in an open-end investment company or association or investment trust wholly comprised of such obligations which is registered under the Federal Investment Company Act of 1940 and which company association or trust shall comply with the provisions of Rhode Island General Laws Section 35-10-11 or any other applicable general or special law relating to investments.

“Fitch” means Fitch, Inc., a corporation organized and created under the laws of the State of Delaware and its successors and assigns.

“General Obligation Pledge” means the pledge of the full faith and credit and taxing power of a Borrower to the Corporation pursuant to an Applicable Agreement to secure the Borrower’s obligations under such Agreement.

“General Treasurer” means the General Treasurer of the State.

“Government Obligation” means (i) a direct obligation of the United States of America, (ii) an obligation the principal of and interest on which are fully guaranteed as to payment of principal and interest by the United States of America, (iii) an obligation to which the full faith and credit of the United States of America are pledged, (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing and (v) a share or interest in a an open end investment company or association or investment trust wholly comprised of any of the foregoing obligations which is registered under the Federal Investment Company Act of 1940 and which company, association or trust shall comply with the provisions of Rhode Island General Laws Section 35-10-11 or any other applicable general or special law relating to investments.

“Indenture” or “Master Indenture” means the Master Trust Indenture between the Corporation and the Trustee providing for the Borrower’s Revenue Bond Financing Program, as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms and provisions thereof.

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Applicable Series Indenture authorizing such Bond, after which interest accruing on such Bond shall be payable on the Interest Payment Date immediately succeeding such Interest Commencement Date and semi-annually thereafter on each Interest Payment Date.

“Interest Payment Date” means, unless otherwise provided in the Applicable Series Indenture, May 15 and November 15 of each Bond Year.

“Investment Agreement” means a repurchase agreement or other agreement for the investment of moneys with a Qualified Financial Institution.

“Liquidity Facility” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms of the Master Indenture and of the Applicable Series Indenture authorizing such Bonds.

“Loan” means the loan in the Principal Amount made to the Applicable Borrower from the proceeds of the Corporation Bonds pursuant to the Agreement.

“Maximum Rate” or “Maximum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Indenture authorizing such Bond, that shall be the maximum rate at which such Bond may bear interest at any time.

“Memorandum of Understanding” means the Memorandum of Understanding, among the Corporation, the General Treasurer of the State of Rhode Island and the Controller of the State of Rhode Island, and acknowledged by the Department of Elementary and Secondary Education, providing for payment of the State’s share of school housing project costs as determined in accordance with Rhode Island General Laws Sections 16-7-35 through 16-7-47, as amended, or any future legislation providing for such payment.

“Minimum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Indenture authorizing such Bond, that shall be the minimum rate at which such Bonds may bear interest at any time.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns.

“Notice of Terms” means a notice setting forth and confirming the definitive principal amounts, maturity dates and interest rates of the Borrower Bonds and certain other terms of the Loan which, to the extent such terms shall be inconsistent with the parameters set forth in the Applicable Agreement, shall be subject to the approval of the Applicable Borrower.

“Option Bond” means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Corporation prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Indenture authorizing such Bonds.

“Outstanding” when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Master Indenture and under any Applicable Series Indenture except: (i) any Bond cancelled by the Applicable Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with Section 12.01 of the Master Indenture; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Master Indenture; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Indenture authorizing such Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Master Indenture and in the Series Indenture authorizing such Bonds.

“Paying Agent” means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Master Indenture and of a Series Indenture or any other resolution of the Corporation adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

“Permitted Collateral” means (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations, (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations, or (iii) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a nationally recognized Rating Agency in the highest rating category.

“Permitted Investments” means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State and having its principal office or a deposit-taking facility in the State; (v) Collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized Rating Agency in at least the second highest rating category, and (b) are fully collateralized by Permitted Collateral; and (vi) Investment Agreements that are fully collateralized by Permitted Collateral.

“Principal Amount” means the original aggregate principal amount of the Loan as evidenced by the Borrower Bonds which shall be an amount equal to the total principal amount shown as payable in the Anticipated Repayment Schedule attached as Exhibit D to the Applicable Agreement; provided that such Loan amount may be revised to an amount not greater than the maximum amount authorized by the Borrower shown in such Exhibit D by the Corporation delivering a Notice of Terms to the Borrower to reflect the final sizing of the escrow, if any, to be established to provide for the payment of the Refunded Bonds, if any, and any allocation of original issue discount or bond premium allocated to the Borrower.

“Projects” means “school housing projects” as defined in the Act and described in Exhibit A to the Applicable Agreement.

“Proportionate Share” means the proportion that the outstanding principal amount of the Borrower Bonds bears to the outstanding principal amount of the Corporation Bonds.

“Qualified Financial Institution”, means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000: (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers, and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized Rating Agency no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized Rating Agency no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds; (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized Rating Agency no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized Rating Agency no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds; (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized Rating Agency no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized Rating Agency no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds; (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation; or (v) a corporation whose obligations, including any investments of any moneys held under the Master Indenture purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above.

“Rating Agency” means each of Moody’s, S&P and Fitch in each case, which has assigned a rating on a Series of Bonds at the request of the Corporation and who continues to apply a rating on such Bonds at the time in question, or their respective successors and assigns.

“Record Date” means, unless the Series Indenture relating to the Applicable Series of Bonds provides otherwise, the fifteenth (15th) day (whether or not a Business Day) preceding an Interest Payment Date.

“Redemption Price”, when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant to the Master Indenture or to the Applicable Series Indenture.

“Refunded Bonds” means all or a portion of the Existing Indebtedness, if any, which is to be refunded with the proceeds of the Corporation Bonds, as set forth in Exhibit B to the Applicable Agreement.

“Refunding Bonds” means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Master Indenture, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture.

“Remarketing Agent” means the person appointed by or pursuant to a Series Indenture authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Indenture relating to such Option Bonds.

“Remarketing Agreement” means, with respect to Option Bonds of a Series, an agreement between the Corporation and the Remarketing Agent relating to the remarketing of such Bonds.

“Revenues” means (i) the Basic Debt Service Payment paid by a Borrower pursuant to Applicable Agreement, which includes amounts payable by each Borrower under the Applicable Borrower Bonds, (ii) Applicable State Housing Aid, to the extent received by the Corporation with respect to Applicable Borrower Bonds, and (iii) the right to receive the same and the proceeds thereof and of such right.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Corporation, or its successors and assigns.

“Serial Bonds” means, with respect to Bonds of a Series, the Bonds so designated in an Applicable Series Indenture.

“Series” means all of the Bonds authenticated and delivered on original issuance and pursuant to the Master Indenture and to the Applicable Series Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

“Series Indenture” means an indenture between the Corporation and the Trustee providing for the issuance of a Series of Bonds entered into pursuant to the Master Indenture.

“Sinking Fund Installment” means, as of any date of calculation, when used with respect to any Bonds of a Series, other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required by the Master Indenture or by the Series Indenture pursuant to which such Bonds were issued, to be paid on a single future May 15 or November 15 for the retirement of any Outstanding Bonds of said Series which mature after said future May 15 or November 15, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond, and said future April 1 or November 15 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment, and when used with respect to Option Bonds or Variable Interest Rate Bonds of a Series, so long as such Bonds are Outstanding, the amount of money required by the Series Indenture pursuant to which such Bonds were issued, to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Rate Interest Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment.

“Special Obligation Pledge” means the pledge of monies to the extent they become legally available by appropriation by the Borrower or otherwise, and which does not constitute a pledge of the full faith and credit and taxing power of the Borrower, made by a Borrower to the Corporation pursuant to an Applicable Agreement to secure the Borrower’s obligations under such Agreement.

“Standby Purchase Agreement” means an agreement by and between the Corporation and another person or by and among the Corporation, one or more Borrowers and another person, pursuant to which such person is obligated to purchase an Option Bond tendered for purchase.

“State” means the State of Rhode Island and Providence Plantations.

“State Approvals” means the approval of the Board of Regents for Elementary and Secondary Education of the Project.

“State Housing Aid” shall mean aid provided by the State pursuant to Sections 16-7-40, 16-7-41 and 16-7-44 of the Rhode Island General Laws and pursuant to all acts supplementing such sections or pursuant to any other law

hereafter enacted providing for funds to cities, towns and regional school districts in lieu of or in substitution for the funds presently provided pursuant to such sections.

“State Payment Subaccount” shall mean the subaccount established in the Debt Service Account established with respect to a Borrower into which the Trustee shall deposit State Housing Aid received with respect to the Borrower Bond issued to secure the Corporation’s Bonds of a Series.

“State’s Portion” shall mean the portion of the Borrower Bond debt service payments payable by the State as determined by application of the “school housing ratio” for a Borrower, as in effect from time to time pursuant to Chapter 7 of Title 16 of the General Laws of Rhode Island and all acts supplementing such Chapter or pursuant to any other law hereafter enacted providing for funds to cities, towns and regional school districts and regulations promulgated thereunder.

“Supplemental Indenture” means any indenture of the Corporation amending or supplementing the Indenture, any Applicable Series Indenture or any Supplemental Indenture executed, delivered and becoming effective in accordance with the terms and provisions of the Master Indenture.

“Tax-Exempt Securities” means a certificate of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 CFR part 344 and any municipal bond (other than a qualified private activity bond), the interest on which is excluded from federal gross income.

“Term Bonds” means, with respect to Bonds of a Series, the Bonds so designated in an Applicable Series Indenture and payable from Sinking Fund Installments.

“Trust Estate” means the proceeds from the sale of an Applicable Series of Bonds, the Applicable Revenues, the Applicable State Housing Aid, to the extent received by the Corporation with respect to Applicable Borrower Bonds; all funds authorized by the Master Indenture and established pursuant to an Applicable Series Indenture, other than an Applicable Arbitrage Rebate Fund and the Applicable Administrative Fund, all as pledged and assigned to the Trustee pursuant to the Master Indenture.

“Trustee” means the bank or trust company appointed as Trustee for the Bonds pursuant to the Master Indenture or any Supplemental Indenture and having the duties, responsibilities and rights provided for therein, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant thereto.

“Valuation Date” means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Indenture authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date and the Interest Commencement Date set forth in the Series Indenture authorizing such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond.

“Variable Interest Rate” means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Indenture authorizing such Bonds, which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times or (ii) a stated interest rate that may be changed from time to time as provided in the Series Indenture authorizing such Bonds; provided, however, that such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Indenture; provided, further, that such Series Indenture shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

“Variable Interest Rate Bond” means any Bond which bears a Variable Interest Rate; provided, however, that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS

The following is a brief summary of certain provisions of the Financing Agreements to be executed by each of the Borrowers. The summary reflects the provisions of a single Agreement although a separate Agreement will be executed by each Borrower. Such summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such provisions. Defined terms used herein have the meanings ascribed to them in APPENDIX D or the body of this Official Statement.

Loan Clauses

(A) **Loan Consummation.** Subject to the conditions and in accordance with the terms of the Agreement, the Corporation agrees to make the Loan and the Borrower agrees to accept and repay the Loan in an aggregate principal amount of up to the Principal Amount at a net interest cost not to exceed the Maximum Rate. Pursuant to the Agreement and as evidence of the Loan made to the Borrower, the Borrower agrees to issue to or upon the order of the Corporation, and to deliver to or upon the order of the Corporation, the Borrower Bonds in an aggregate principal amount of up to the Principal Amount, bearing interest at rates not exceeding the Maximum Rate and expected to mature at the times and in the amounts set forth in the Agreement in accordance with the Borrower Resolution and laws applicable to the issuance of the Borrower Bonds. Subject to the provisions of the Agreement, the definitive terms of the Loan and the Borrower Bonds shall be as set forth in the Notice of Terms delivered by the Corporation to the Borrower.

(B) **Payment to Trustee.** The Borrower shall appropriate and pay the full (gross) debt service payment and, subject to the Trustee's receipt of the State Housing Aid, any amounts paid by the Borrower and held by the Trustee after the next succeeding payment date for the Corporation's Bonds shall be paid by the Trustee to the Borrower. On the dates set forth in the Notice of Terms, commencing on the date set forth in the Agreement, the Borrower shall deposit or cause to be deposited with the Trustee for deposit in the applicable Borrower Payment Subaccount of the Applicable Debt Service Account, the full amount of the payment due on the Borrower Bonds on such dates, respectively. Any balance in the Borrower Payment Subaccount of the Applicable Debt Service Account on the first Business Day after the immediately succeeding interest payment date for the Corporation Bonds shall be paid to the Borrower.

(C) **Pledge and Acknowledgment.** The Borrower gives its General Obligation Pledge to cover the payments required under the Agreement. The Borrower acknowledges that State Housing Aid payable by the State to cover the State's Portion of such amounts shall be paid directly to the Trustee as provided in Chapter 7 of Title 16 of the Rhode Island General Laws and the Memorandum of Understanding and that upon the occurrence of any Event of Default under the Agreement all State Housing Aid, including aid for bonds, notes or other evidences of indebtedness issued prior to or subsequent to the date of the Agreement shall be paid to the Corporation or to the Corporation's designee. Such General Obligation Pledge shall be irrevocable and shall continue until the date on which the liabilities of the Corporation and the Borrower with respect to the Project have been discharged and the Proportionate Share of the Corporation Bonds have been paid or otherwise discharged. **(Section 3.1)**

Other Amounts Payable.

(A) The Borrower expressly agrees to pay:

(i) Upon the issuance and sale of the Corporation Bonds, the initial financing fee and the Borrower's Proportionate Share (or such other portion thereof as shall be agreed upon by the Borrower and the Corporation) of the costs and expenses of the Corporation in the preparation, sale and delivery of the Corporation Bonds, the preparation and delivery of any legal instruments and documents necessary in connection with the Agreement and therewith and their filing and recording, if required, and all taxes and charges payable in connection with any of the foregoing, all as specified in the Notice of Terms. Such costs shall be payable from proceeds of the Corporation Bonds or from such other sources identified in Exhibit C to the Agreement and shall be in the amount specified in the Notice of Terms, subject to the limit set forth in such Exhibit C;

(ii) When due, other costs of issuance payable to consultants and attorneys utilized by the Borrower, if any, in connection with the issuance of the Borrower Bonds as set forth in the Notice of Terms;

and

(iii) As such expenses are incurred, subject to appropriation by the Borrower, the amount of any Corporation expenses (including but not limited to investment losses and the reasonable fees and expenses of the Corporation, the Trustee, the owners of Corporation Bonds, and attorneys representing any of the foregoing) incurred as a result of the Borrower's failure to make any payment on the Borrower Bonds when due or failure to otherwise comply with the terms of the Agreement or the Borrower Bonds.

(B) Indemnification. To the extent permitted by law, the Borrower agrees to indemnify, defend and hold harmless the Corporation and each member, officer and employee of the Corporation against any and all liabilities, losses, costs, damages or claims, and shall pay any and all judgments or expenses of any and all kinds or nature and however arising, imposed by law, including interest thereon, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, action, suit, charge or proceeding arising from or out of (1) the Agreement, the Loan and the Project financed thereby based on information furnished by the Borrower or actions or inactions of the Borrower in connection therewith, (2) any failure by the Borrower to deliver the Borrower Bonds to the Corporation or (3) an allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of the Corporation Bonds contained an untrue or misleading statement of a material fact obtained from the Borrower relating to the Borrower or the Project, or omitted to state a material fact relating to the Borrower or the Project necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that neither the Corporation nor a member, officer or employee of the Corporation shall be released, indemnified or held harmless from any claim for damages, liability, loss, cost, damage, judgment or expense arising out of the gross negligence or willful misconduct of the Corporation, such member, officer or employee.

The Corporation agrees to give the Borrower prompt notice in writing of the assertion of any claim or the institution of each such suit, action or proceeding described above and to cooperate with the Borrower in the investigation of such claim and the defense, adjustment, settlement or compromise of any such action or proceeding. The Corporation shall not settle any such suit, action or proceeding without the prior written consent of counsel to the Borrower.

Except as provided in the following paragraph, the Borrower, at its own cost and expense, shall defend any and all suits, actions or proceedings which may be brought or asserted against the Corporation, its members, officers or employees for which the Borrower is required to indemnify the Corporation or hold the Corporation harmless pursuant to the first paragraph, but this provision shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided for in the Agreement from its obligation to defend the Borrower, the Corporation and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

The Corporation and each member, officer or employee thereof shall, at the cost and expense of the Borrower, be entitled to employ separate counsel in any action or proceeding arising out of any alleged act or omission which occurred or is alleged to have occurred while the member, officer or employee was acting within the scope of his or her employment or duties in connection with the financing or refinancing or use of the Project, and to conduct the defense thereof, in which (i) the counsel to the Borrower determines, based on his or her investigation and review of the facts and circumstances of the case, that the interests of such person and the interests of the Borrower are in conflict, or in the event such counsel determines that no conflict exists, a court of competent jurisdiction subsequently determines that such person is entitled to employ separate counsel, or (ii) such person may have an available defense which cannot as a matter of law be asserted on behalf of such person by the Borrower or by counsel employed by it, or (iii) such person may be subject to criminal liability, penalty or forfeiture, or (iv) the Borrower has consented to the employment of separate counsel or the counsel retained by the Borrower pursuant to this paragraph B is not reasonably acceptable to the Corporation, provided, however, that the Borrower shall not be liable for attorneys' fees of separate counsel so retained or any other expenses incurred in connection with the defense of an action or proceeding described in clause (iii) of this paragraph, unless the member, officer or employee shall have prevailed on the merits or such action or proceeding was dismissed or withdrawn, or an adverse judgment was reversed upon appeal, and such action or proceeding may not be recommenced. Attorney's fees of separate counsel retained in accordance with this paragraph shall be paid only upon the audit of an appropriate Borrower officer. **(Section 3.2)**

Redemption of Borrower Bonds.

(A) Redemption Provisions. The Borrower Bonds shall be subject to redemption prior to maturity in accordance with the Exhibit C and Notice of Terms. The Borrower shall not, without the prior written consent of the Corporation, redeem prior to maturity any of the Borrower Bonds prior to the date on which any corresponding outstanding Corporation Bonds are redeemable.

The Borrower shall give notice of redemption of any Borrower Bonds to the Corporation and the Trustee at least sixty (60) days and not more than seventy-five (75) days prior to the date fixed for redemption of the Borrower Bonds. (Unless waived by the Corporation (or the successor registered owners of the Borrower Bonds.) The Borrower shall also publish a notice of redemption of the Borrower Bonds at least fifteen (15) days prior to the date of redemption in a daily newspaper of general circulation in the State and in an Authorized Newspaper, as defined in the Master Indenture.

(B) Application of Excess Proceeds. (i) The Borrower expressly acknowledges and agrees that, pursuant to the Master Indenture, with respect to any unspent proceeds remaining in an Applicable Construction Account established for the Borrower after completion of the Projects, that such moneys shall be paid by the Trustee first, to the Applicable Arbitrage Rebate Account established for the Borrower to the extent required by Section 148 of the Code and any remainder to the Borrower Payment Account in the Applicable Debt Service Account established for the Borrower; (ii) the Borrower expressly acknowledges and agrees that, with respect to any remaining unspent proceeds of any Refunded Bonds, either (a) such proceeds are required for the completion of the Project and the Borrower will, prior to issuance of the Corporation Bonds, on or before the date specified by the Corporation, transfer any remaining unspent proceeds of the Refunded Bonds to a separate fund or account and invest such proceeds in Tax-Exempt Securities or (b) the Borrower shall apply any remaining unspent proceeds of any Refunded Bonds to be used to make the next succeeding debt service payments on any Refunded Bonds, and the Corporation Bonds do not refund that portion of any Refunded Bonds.

(C) Costs. The Borrower shall pay all costs and expenses of the Corporation in effecting the redemption of any Corporation Bonds prior to maturity that are so redeemed due to the redemption prior to maturity of any Borrower Bonds, including any difference in the amount of interest due on the Borrower Bonds of the Borrower and the amount of interest due on the Corporation Bonds. **(Section 3.3)**

Deposit of Loan Proceeds.

(A) To the extent the proceeds of the Loan are to be used to pay Costs of the Projects or costs of issuance of Corporation Bonds or Borrower Bonds or any amounts payable to the Corporation under the Agreement, the portion of the proceeds to be so used shall be held on deposit with the Trustee for the account of the Borrower. Amounts so deposited shall be invested and disbursed at the direction of the Corporation in accordance with the Master Indenture and the Series Indenture.

Investment earnings on such amounts shall accrue to the benefit of the Borrower and shall be transferred semi-annually to the Borrower Payment Subaccount of the applicable Debt Service Account established for the Borrower.

(B) To the extent the proceeds of the Loan are to be used to refund any Refunded Bonds, the Corporation shall direct the Trustee to deposit the portion of the proceeds to be so used with the paying agent for the Refunded Bonds, from which disbursements shall be made in accordance with the Escrow Agreement, if any. **(Section 3.4)**

Effective Date and Term.

The date of the Agreement is for reference purposes only and the Agreement shall become effective upon the date of execution and delivery of the Agreement by the parties thereto, shall remain in full force and effect from such date and shall expire on such date as all Corporation Bonds shall be discharged and satisfied in accordance with the provisions thereof and all obligations of the Borrower to the Corporation thereunder are satisfied. **(Section 3.5)**

Trustee; Investment of Loan Proceeds and Borrower Bond Prepayments.

The Borrower authorizes the Trustee to invest, in accordance with instructions of the Corporation and laws governing the investments of the Corporation and the Borrower, amounts that are held by the Trustee for the account of the Borrower in accordance with the provisions of the Master Indenture. The Borrower acknowledges that the Corporation and the Trustee shall not be liable or responsible for any loss, direct or indirect, resulting from any investment authorized by the Master Indenture and the Agreement or from the redemption, sale or maturity of any such investment as therein authorized or from any depreciation in value of any such investment. Interest earnings shall be applied in accordance with the Agreement. **(Section 3.7)**

Authorization to Acquire Investments under Escrow Agreement, if any.

The Borrower authorizes the Corporation to acquire the investments required by and to be held by the escrow agent under the Escrow Agreement, if any, including forward purchase contracts. Such investments shall be permitted investments pursuant to Rhode Island General Laws Section 45-12-5.2 or any other applicable general or special law. **(Section 3.9)**

Application of Interest Earnings.

The Corporation agrees that it will cause to be deposited in the Debt Service Fund the interest earned and paid on the investment of moneys in the Debt Service Fund and the Construction Fund. Pursuant to the Master Indenture, the Corporation agrees that, so long as no event of default has occurred under the Agreement, the Corporation shall pay to the Borrower semi-annually the excess amounts (as determined by the Corporation) in the Borrower Payment Account of the Applicable Debt Service Account in the Debt Service Fund described in the Master Indenture. **(Section 3.10)**

Compliance with Laws and Agreements.

(A) **Compliance.** The Borrower agrees that the Project shall at all times during the term of any Loan be in compliance, in all material respects, with applicable federal and State laws and regulations. The Borrower will at all times construct and operate (or cause to be constructed and operated) the Project, in compliance with all applicable federal, State and local laws, ordinances, rules, regulations and the Agreement, and with all other applicable laws and regulations to the extent necessary to ensure the availability of the Project for its intended purposes and to ensure the safety of the public in connection with the Project.

(B) **Program Restrictions.** Title 16, Chapter 7 of the Rhode Island General Laws includes conditions of, and restrictions, on the receipt of State Housing Aid. Under current law, school housing project costs shall include the cost of interest payments on any bond issued after July 1, 1988, provided that such bond is approved by the voters on or before June 30, 2003 or issued by a municipal public building authority or by the appropriate approving authority on or before June 30, 2003. For those projects approved after June 30, 2003, interest payments may only be included in project costs provided that the bonds for these projects are issued through the Rhode Island Health and Educational Building Corporation. School housing project costs shall exclude: (1) any bond issuance costs incurred by the municipality or regional school district; (2) demolition costs for buildings, facilities, or sites deemed surplus by the school committee; and (3) restrictions pursuant to Rhode Island General Laws Section 16-7-44.1. A building, facility, or site is declared surplus by a school committee when the committee no longer has such building, facility, or site under its direct care and control and transfers control to the municipality. The term of any bond, or capital lease shall not be longer than the useful life of the project and these instruments are subject to the public review and voter approval otherwise required by law for the issuance of bonds or capital leases. Cities or towns issuing bonds, or leases issued by municipal public buildings authorities for the benefit of a local community pursuant to chapter 50 of title 45 shall not require voter approval. State Housing Aid shall not be provided for the purchase of furniture, fixtures and equipment except in the case of a project to construct a new school or new school addition that is also supported by a general obligation or lease revenue bond. State Housing Aid shall not be provided for projects supported by capital lease agreements that: (1) are not lease purchase agreements; (2) do not demonstrate a direct benefit to the school or are not located on school property; and (3) do not exclude all non-capital costs such as maintenance costs prior to the request for reimbursement. If at any time during the term of the Borrower Bond, the Project fails to qualify for State Housing Aid, the General Obligation Pledge of the Borrower shall remain in full force and effect and the Borrower shall continue to pay the full amount of the Loan and the full amount of the principal, premium, if any and interest on the Borrower Bonds. The Corporation and the Borrower acknowledge that payments of State Housing Aid by the State are subject to

the annual appropriation of funds by the State for such purpose and that in the event the State should fail to appropriate State Housing Aid for the Project, the Borrower is required to pay the full amount of the Loan and the full amount of the principal, premium, if any, and interest on the Borrower Bonds. In the event that the Borrower fails to pay such amounts, the Corporation may take steps under the Memorandum of Understanding to have all State Housing Aid, including aid for bonds, notes or other evidence of indebtedness issued prior to or subsequent to the date of the Agreement, to be paid to the Corporation or to the Corporation's designee in satisfaction of the Loan and the Borrower Bonds. **(Section 4.1)**

No Warranty Regarding Condition, Suitability or Cost of Project.

The Corporation makes no warranty, either express or implied, as to the Project or its condition or that it will be suitable for the Borrower's purposes or needs, or that the proceeds of the Loan will be sufficient to pay the costs of the Project. Nothing in the Agreement shall relieve the Borrower of its responsibility to properly plan, design, build and effectively operate and maintain the Project as required by laws, regulations and permits. The Borrower acknowledges and agrees that the Corporation or its representatives are not responsible for increased costs resulting from defects in the plans, design drawings and specifications or other Project documents. Nothing in this section prohibits the Borrower from requiring more assurances, guarantees, or indemnity or other contractual requirements from any party performing work on the Project. **(Section 4.2)**

Construction of Project.

(A) **Construction.** To the extent, if any, that the Project is not yet complete, the Borrower agrees to diligently pursue the expeditious completion of the Project.

(B) **Completion Certificate.** To the extent, if any, that the Project is not yet complete, the Borrower shall deliver to the Corporation a certificate of the Borrower stating that the Project has been completed in accordance with the Agreement within seven (7) Business Days following such completion. **(Section 4.3)**

Application of Loan Proceeds.

The Borrower shall apply the proceeds of the Loan solely to finance Project costs or to refund the Refunded Bonds, if any, as provided in the Escrow Agreement, if any, and to pay costs of issuance as set forth in the Agreement. **(Section 5.1)**

Tax Covenant.

The Borrower covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, with respect to the Project or the portion of the proceeds of the Corporation Bonds made available to it as part of the Loan including amounts treated as proceeds of the Corporation Bonds for any purpose of Section 103 of the Code, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Corporation Bonds under Section 103 of the Code. This provision shall control in case of conflict or ambiguity with any other provision of the Agreement. Without limiting the generality of the foregoing, the Borrower covenants that it will comply with the instructions and requirements of the Borrower Tax Certificate. The Borrower covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction, which, assuming the Borrower Bonds were issued as bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code, would cause the Borrower Bonds to be "private activity bonds", "private loan bonds," "arbitrage bonds" or "prohibited advance refunding bonds" within the meaning of Sections 141, 148 or 149 of the Code. The Borrower (or any related party within the meaning of Treasury Regulation Section 1.1501(b)) shall not, pursuant to an arrangement, formal or informal, purchase Corporation Bonds in an amount related to the amount of any obligation to be acquired from the Borrower by the Corporation. The Borrower will, on a timely basis, provide the Corporation with all necessary information to enable the Corporation to comply with the arbitrage and rebate requirements of the Code. **(Section 5.2)**

Payment of Borrower Bonds.

The Borrower covenants and agrees that it shall duly and punctually pay or cause to be paid the principal installments or redemption price of its Borrower Bonds and the interest thereon, at the dates and places and in the manner stated in such Borrower Bonds and in accordance with the Agreement and that such obligation shall not be subject to any defense (other than payment) or any rights of setoff, recoupment, abatement, counterclaim or deduction and shall be without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Corporation, the Trustee or the owner of any Corporation Bond. **(Section 5.4)**

Actions Regarding State Housing Aid.

The Borrower covenants and agrees that it shall submit to the State all documentation required by the State as a condition to the payment of any State Housing Aid in sufficient time to permit such aid to be paid to the Trustee, as the Corporation's designee, on its scheduled payment date. **(Section 5.5)**

Defaults.

An "event of default" or a "default" under the Agreement means any one or more of the following events: (a) failure by the Borrower to pay or cause to be paid when due the amounts to be paid under the Borrower Bonds; (b) failure by the Borrower to pay or to cause to be paid when due any other payment required to be made under the Agreement which failure continues for a period of thirty (30) days after payment thereof was due, provided that written notice thereof shall have been given to the Borrower not less than thirty (30) days prior to the due date thereof; (c) failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraphs (a) and (b) of this paragraph, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Corporation or such longer period, as is required to cure such default, if by reason of the nature of such failure the same cannot be remedied within such thirty (30) day period and the Borrower has within such thirty (30) day period commenced to take appropriate actions to remedy such failure and is diligently pursuing such actions; (d) any representation or warranty of the Borrower contained in the Agreement shall have been at the time it was made untrue in any material respect; or (e) the Borrower shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it for any substantial part of its property; or the Borrower shall authorize any of the actions set forth above in this subparagraph (e). **(Section 6.1)**

Remedies.

Whenever any event of default referred to in the Agreement shall have happened and be continuing, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Agreement, including requiring payment to the Trustee of any public funds otherwise payable to the Borrower by the State as provided in the Memorandum of Understanding, the exercise of any remedy authorized by the Rhode Island General Laws with respect to obtaining payment on the Borrower Bonds and any other administrative enforcement action and actions for breach of contract. **(Section 7.1)**

No Remedy Exclusive.

No remedy is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it under the Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required. **(Section 7.2)**

Waiver and Non-Waiver.

In the event any agreement contained in the Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Agreement. No delay or omission by the Corporation to exercise any right or power accruing upon default shall impair any right or power or shall be construed to be a waiver of any such default or acquiescence therein. **(Section 7.3)**

Amendments, Supplements and Modifications.

The Agreement shall not be amended, supplemented or modified except by a written instrument executed by the Corporation and the Borrower and, if such amendment occurs after the issuance of the Corporation Bonds, upon the Corporation's compliance with the provisions of the Master Indenture.

Further Assurances; Disclosure of Financial Information, Operating Data and Other Information.

(A) The Borrower shall, at the request of the Corporation, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be deemed necessary or desirable by the Corporation, in its sole discretion, for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by the Agreement and the Borrower Bonds. The Borrower also agrees to furnish to the Corporation such additional information concerning the financial condition of the Borrower as the Corporation may from time to time reasonably request.

(B) Without limiting the generality of the foregoing, the Borrower agrees to comply with the terms of the Continuing Disclosure Agreement.

(C) If and so long as the offering of the Corporation Bonds continues (a) the Borrower will furnish such information with respect to itself as the Underwriters of the Corporation Bonds may from time to time reasonably request and (b) if any event relating to the Borrower shall occur as a result of which it is necessary, in the opinion of Bond Counsel to the Corporation, General Counsel of the Corporation or counsel for such Underwriters, to amend or supplement the Official Statement of the Corporation used in connection with the offering of the Corporation Bonds in order to make such information not misleading in light of the circumstances then existing, the Borrower will forthwith prepare and furnish to the Corporation and the Underwriters such information relating to the Borrower as may be necessary to permit the preparation of an amendment of or supplement to such Official Statement (in form and substance satisfactory to the Bond Counsel to the Corporation and counsel for the Underwriters) which will amend or supplement such Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make statements therein, in light of the circumstances then existing, not misleading. Unless the Borrower shall have been notified to the contrary in writing by the Corporation or the Underwriters, the Borrower shall be entitled to presume that the offering by the Corporation and that its obligations under this paragraph shall have ceased twenty-five (25) days after the date of delivery of the Corporation Bonds. **(Section 8.9)**

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APPENDIX F

**SUMMARY OF CERTAIN PROVISIONS
OF THE MASTER INDENTURE AND THE SERIES INDENTURE**

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SERIES INDENTURE

The following is a brief summary of certain provisions of the Master Indenture and the Series Indenture. Such summary does not purport to be complete and reference is made to the Master Indenture for full and complete statements of such provisions. Defined terms used herein have the meanings ascribed to them in APPENDIX D or the body of this Official Statement.

Master Indenture, the Series Indentures, and the Bonds Constitute Separate Contracts.

It is the intent of the Master Indenture to authorize the issuance by the Corporation, from time to time, of its revenue bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Indenture and, *inter alia* to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Indenture and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Indenture authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of an Applicable Series authorized to be issued under the Master Indenture and the Applicable Series Indenture by those who shall hold or own the same from time to time, the Master Indenture and the Applicable Series Indenture shall be deemed to be and shall constitute a contract among the Corporation, the Trustee and the Holders from time to time of the Bonds of an Applicable Series, and the pledge and assignment made in the Master Indenture and the covenants and agreements set forth to be performed by or on behalf of the Corporation shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, 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 Bonds of a Series over any other Bonds of such Series except as expressly provided in the Master Indenture or permitted thereby or by the Applicable Series Indenture. **(Section 1.03)**

Authorization of Bonds.

The Bonds are authorized pursuant to the Master Indenture and each Applicable Series shall be issued as provided therein. The Bonds of each Series shall be special obligations of the Corporation payable solely from the Revenues pledged for the payment thereof and all funds and accounts (excluding the Applicable Arbitrage Fund and the Applicable Administrative Fund) authorized by the Master Indenture and established by the Applicable Series Indenture, all in the manner more particularly provided in the Master Indenture. The aggregate principal amount of Bonds of a Series which may be executed, authenticated and delivered is not limited except as provided in the Master Indenture and the Applicable Series Indenture.

The Bonds of each Series of the Corporation shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Corporation pledged by the Master Indenture to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on such Series of Bonds. **(Section 2.01)**

Additional Obligations.

The Corporation reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate indentures or agreements of the Corporation, so long as such bonds, notes or other obligations are not, or such other indebtedness is not entitled to a charge, lien or right prior or equal to the charge or lien created by the Master Indenture and pursuant to an Applicable Series Indenture, or prior or equal to the rights of the Corporation and Holders of an Applicable Series of Bonds provided by the Master Indenture or with respect to the moneys pledged thereunder or pursuant to an Applicable Series Indenture. **(Section 2.05)**

Authorization of Redemption.

Bonds subject to redemption prior to maturity pursuant to the Master Indenture or to a Series Indenture shall be redeemable, in accordance with the Master Indenture, at such times, at such Redemption Prices and upon such terms as may otherwise be specified therein or in the Applicable Series Indenture authorizing such Series. **(Section 4.01)**

Redemption at the Election or Direction of the Corporation.

The Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Corporation shall be determined by the Corporation in its sole discretion, subject to any limitations with respect thereto contained in the Master Indenture or in the Series Indenture authorizing such Series. Such notice shall be given to the Trustee at least sixty (60) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. **(Section 4.02)**

Selection of Bonds to Be Redeemed.

Unless otherwise provided in the Series Indenture authorizing the issuance of Bonds of a Series, in the event of redemption of less than all of the Outstanding Bonds of like Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Master Indenture) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected. For purposes of this paragraph, the lowest denomination in which a Capital Appreciation Bond is authorized to be issued shall be the lowest Accreted Value authorized to be due at maturity on such Bonds, and the lowest denomination in which a Deferred Income Bond is authorized to be issued shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Bonds. **(Section 4.04)**

Notice of Redemption.

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Corporation which notice shall specify: (i) the Bonds to be redeemed which shall be identified by the designation of the Bonds given in accordance with the Master Indenture, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) with respect to each such Bond, the principal amount thereof to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book-Entry Bonds, such Bonds will be redeemed at the principal corporate office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; and (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on a Bond or as contained in such notice shall not affect the validity of the proceedings for redemption. Any notice of redemption, unless moneys shall be received by the Trustee prior to giving such notice sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed, may state that such redemption shall be conditional upon the receipt of such moneys by the Trustee by 1:00 P.M. (New York time) on the date fixed for redemption. If such moneys shall not have been so received said notice shall be of no force and effect, the Corporation shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue. Such notice, unless the Bonds are Book-Entry Bonds, shall be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such

shorter period as shall be established by the Series Indenture authorizing such Bonds, but in no event less than fifteen (15) days prior to the redemption date. Such notice, unless the Bonds are Book-Entry Bonds, shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee shall promptly certify to the Corporation that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Master Indenture. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Master Indenture. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Corporation, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Indenture authorizing such Bonds, but in no event less than fifteen (15) days prior to the redemption date; provided, however, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

The Trustee shall (i) if any of the Bonds to be redeemed are Book-Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book-Entry Bonds not less than thirty-five (35) days prior to the redemption, but, if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the date of publication, and (ii) mail a copy of the notice of redemption to Kenny Information Systems Notification Service and to Standard & Poor's Called Bond Record, in each case at the most recent address therefor, or to any successor thereof. Such copies shall be sent by certified mail, return receipt requested, but mailing such copies shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copies were mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Bonds. **(Section 4.05)**

Payment of Redeemed Bonds.

Notice having been given by mail in the manner provided in the Master Indenture, 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 accrued and unpaid to the redemption date, upon presentation and surrender of such Bonds, other than a Book-Entry Bond which has been called for redemption in part, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond, the Corporation shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed 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 such Bonds shall no longer be considered to be Outstanding under the Master Indenture. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption. **(Section 4.06)**

Pledge of Revenues.

The proceeds from the sale of an Applicable Series of Bonds, the Applicable Revenues, the Applicable State Housing Aid, to the extent received by the Corporation with respect to the Applicable Borrower Bonds, and all funds authorized by the Master Indenture and established pursuant to an Applicable Series Indenture, other than an Applicable Arbitrage Rebate Fund and the Applicable Administrative Fund, are subject to the provisions of an Applicable Series Indenture, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and as security for the performance of any

other obligation of the Corporation under the Master Indenture and under an Applicable Series Indenture with respect to such Series, all in accordance with the provisions thereof. The pledge made by the Master Indenture, subject to the provisions of an Applicable Series Indenture, shall relate only to the Bonds of an Applicable Series authorized by such Series Indenture and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Master Indenture is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Applicable Series of Bonds, the Applicable Revenues, the Applicable State Housing Aid, to the extent received by the Corporation with respect to the Applicable Borrower Bonds, and all funds and accounts established by the Master Indenture and pursuant to the Applicable Series Indenture which are pledged pursuant by the Master Indenture and pursuant to the Applicable Series Indenture shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series shall be special obligations of the Corporation payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Applicable Revenues, the State Housing Aid, to the extent received by the Corporation with respect to the Applicable Borrower Bonds Applicable State Housing Aid, to the extent received by the Corporation with respect to the Applicable Borrower Bonds, and the funds established by the Master Indenture and pursuant to the Applicable Series Indenture, which pledge shall constitute a first lien thereon. Notwithstanding the foregoing, interest earnings on the Debt Service Fund held by the Trustee and properly allocable to one Borrower may not be used to make up a deficiency caused by the failure of another Borrower to pay its Basic Debt Service Payment. **(Section 5.01)**

Establishment of Funds.

Unless otherwise provided by the Applicable Series Indenture, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Indenture separate from any other funds established and maintained pursuant to any other Series Indenture:

- Construction Fund;
- Debt Service Fund;
- Arbitrage Rebate Fund; and
- Administrative Fund

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Indenture or upon the direction of the Corporation. In addition, an Applicable Series Indenture may provide for the establishment of additional funds. All moneys at any time deposited in any fund created by the Master Indenture, other than the Applicable Arbitrage Rebate Fund and the Applicable Administrative Fund, shall be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely in connection with Applicable Series of Bonds for the uses and purposes provided therein. **(Section 5.02)**

Application of Bond Proceeds and Allocation Thereof.

Upon the receipt of proceeds from the sale of a Series of Bonds, the Corporation shall apply such proceeds as specified in the Master Indenture and in the Series Indenture authorizing such Series. Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Indenture authorizing such Series. **(Section 5.03)**

Application of Moneys in the Construction Fund.

A separate Construction Fund shall be established by each Series Indenture and separate Construction Accounts shall be established therein with respect to each Borrower for whose benefit such Series of Bonds is issued. As soon as practicable after the delivery of each Series of Bonds, there shall be deposited in each Applicable Construction Account the amount required to be deposited therein pursuant to the Series Indenture authorizing such Series. In addition, the Corporation shall deposit in the Applicable Construction Account any moneys paid to the Corporation pursuant to the Master Indenture.

Except as otherwise provided in the Master Indenture and in any applicable Series Indenture, moneys deposited in the Applicable Construction Account shall be used only to pay the Borrower's Allocable Portion of the costs of issuance of the Applicable Bonds and the Costs of the Applicable Project.

Consistent with the provisions of the Applicable Agreement, payments from the Applicable Construction Account shall be made by the Corporation upon the filing in the records of the Corporation of, and in accordance with, a requisition signed by an Authorized Officer of the Corporation stating with respect to each payment to be made (i) the names of the payees, (ii) the purpose for which payment is to be made in terms sufficient for identification, (iii) the respective amount of each such payment and (iv) that such purpose constitutes a proper purpose for which moneys in the Construction Account may be applied and has not been the basis of any previous withdrawal from the Construction Account. Notwithstanding the provisions of this subdivision: (x) moneys in the Applicable Construction Account to be applied to pay interest on Bonds shall be transferred from the Applicable Construction Account to the Debt Service Fund at such times and in such amounts as shall be determined by an Authorized Officer of the Corporation; and (y) if permitted by the Applicable Agreement, be paid to the Borrower for deposit in an account established by the Borrower.

An Applicable Project shall be deemed to be complete (a) upon delivery to the Corporation and the Trustee of a certificate signed by an Authorized Officer of the Borrower which certificate shall be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Borrower and the Trustee of a certificate of the Corporation which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Borrower, shall specify the date of completion.

Upon receipt by the Trustee of the certificate required pursuant to this subdivision, the moneys, if any, then remaining in the Applicable Construction Account, after making provision in accordance with the direction of the Corporation for the payment of the Borrower's Allocable Portion of any costs of issuance of an Applicable Series of Bonds and Costs of an Applicable Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

First: To the Applicable Arbitrage Rebate Fund, the amount determined by the Corporation to be required to be deposited therein as the Allocable Portion of the Applicable Borrower, and;

Second: To the Applicable Borrower Payment Subaccount of the Applicable Debt Service Fund, to be applied in accordance with the Master Indenture, any balance remaining.

Following the occurrence and during the continuation of an Event of Default under an Applicable Agreement, the Corporation may, in its sole discretion, transfer moneys in the Applicable Construction Account to the Trustee for application pursuant to the provisions of the Master Indenture. **(Section 5.04)**

Deposit of Revenues and Allocation Thereof.

The Applicable Revenues and any other moneys which, by any of the provisions of the Applicable Agreement, are required to be deposited in each Applicable Debt Service Fund, shall upon receipt by the Trustee be deposited to the credit of the Applicable Debt Service Fund. In the event that the Trustee has not received a Basic Debt Service Payment forty-five (45) days prior to any Interest Payment Date, the Trustee shall, within two (2) Business Days, give notice of such non-payment to the Corporation, and the Corporation shall take all further action required under the Memorandum of Understanding to assure payment of such deficiency. To the extent not required to pay, (a) each Borrower's Allocable Portion of the interest becoming due on Outstanding Bonds of the Applicable Series on the next succeeding Interest Payment Date of such Bonds; (b) each Borrower's Allocable Portion of the amount necessary to pay the principal and Sinking Fund Installments becoming due on the Applicable Series of Outstanding Bonds on Interest Payment Date; and (c) moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund shall be paid by the Trustee on or before the business day preceding each Interest Payment Date to the Corporation, unless otherwise paid, such amounts as are payable to the Corporation relating to such Series for: (i) any expenditures of the Corporation for fees and expenses of auditing, and fees and expenses of the Applicable Trustee and Paying Agents, as required by the Master Indenture, (ii) all other expenditures reasonably and necessarily incurred by the Corporation in connection with the financing of the Applicable Project, including expenses incurred by the Corporation to compel full and punctual performance of all the provisions of the Applicable Agreement

in accordance with the terms thereof, and (iii) any fees of the Corporation, but only upon receipt by the Trustee of a certificate of the Corporation, stating in reasonable detail the amounts payable to the Corporation pursuant to this clause (iii).

After making the payments required by the preceding paragraph, any balance remaining in the Borrower Payment Subaccount on the immediately succeeding Interest Payment Date shall be paid by the Trustee upon and in accordance with the direction of the Corporation to each of the respective Applicable Borrowers in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Master Indenture or by any of the Agreements; provided that the Trustee shall not pay any such money to the Borrower in the event that such money is allocable to a Borrower that is in default in the payment of its Basic Debt Service. The Trustee shall retain any balance remaining in the State Payment Account to be credited toward the State's obligation to pay the State's Portion of the next succeeding Borrower Bond debt service. The Trustee shall notify the Corporation promptly after making the payments required by the preceding paragraph of any balance remaining in the Applicable Debt Service Fund on the immediately succeeding Interest Payment Date. **(Section 5.05)**

Debt Service Fund

Separate Debt Service Accounts shall be established by each Series Indenture with respect to each Borrower for whose benefit such Series of Bonds is issued. Within each such Debt Service Account shall be established a Borrower Payment Subaccount and a State Payment Subaccount. The Trustee shall on or before the Business Day preceding each Interest Payment Date pay to itself and any other Paying Agent out of the Applicable Debt Service Fund:

- (a) each Borrower's Allocable Portion of the interest due and payable on all Outstanding Bonds of the Applicable Series on such Interest Payment Date;
- (b) each Borrower's Allocable Portion of the principal amount due and payable on all Outstanding Bonds of the Applicable Series on such Interest Payment Date; and
- (c) each Borrower's Allocable Portion of the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds of the Applicable Series on such Interest Payment Date.

The amounts paid out pursuant to (a), (b) and (c) above are irrevocably pledged to and applied to such payments.

Notwithstanding the above, the Corporation may, at any time subsequent to the first day of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of the Applicable Series to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Corporation. The principal amount of each Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such date; provided, however, that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

On June 15 of each year, the Trustee shall pay to the Rhode Island Department of Elementary and Secondary Education an amount representing interest earnings which have accrued on State Housing Aid held in each State Payment Subaccount. The Trustee shall provide to the Corporation and the Rhode Island Department of Elementary and Secondary Education, records which show the calculation of such interest earnings. Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of the Applicable Series payable during the next succeeding Bond Year, the interest on Outstanding Bonds of the Applicable Series payable on and prior to the next succeeding Interest Payment Date assuming that a Variable Interest Rate Bonds will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be paid or applied by the Trustee in accordance with the direction of an Authorized Officer of the Corporation (i) to the purchase of Outstanding Bonds of the Applicable Series at purchase prices not exceeding the Redemption Price

applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Corporation shall direct or (ii) to the redemption of Bonds of the Applicable Series as provided in the Master Indenture; at the Redemption Prices specified in the Applicable Series Indenture authorizing the issuance of the Bonds to be redeemed or Applicable Bond Series Certificate relating to such Bonds. **(Section 5.07)**

Administrative Fund.

Amounts on deposit in the Administrative Fund shall be available for use by the Corporation for administrative expenses and for any other lawful purpose. Amounts in the Administrative Fund shall not be pledged to Bondholders. **(Section 5.08)**

Arbitrage Rebate Fund.

The Arbitrage Rebate Fund shall be maintained by the Trustee as a fund separate from any other fund established and maintained under the Master Indenture. The Trustee shall deposit to the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Applicable Borrowers for deposit therein and, notwithstanding any other provisions of the Master Indenture, shall transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Corporation, moneys on deposit in any other funds held by the Trustee under the Master Indenture at such times and in such amounts as shall be set forth in such directions. Within the Arbitrage Rebate Fund, the Trustee shall maintain such accounts as shall be required by the Corporation in order to comply with the terms and requirements of the Tax Certificate. All money at any time deposited in the Arbitrage Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the Treasury Department of the United States of America, and the Corporation or the owner of any Bonds shall not have any rights in or claim to such money. All amounts deposited into or on deposit in the Arbitrage Rebate fund shall be governed by the Master Indenture and by the Tax Certificate. The Trustee shall be deemed conclusively to have complied with the requirements hereof and with such provisions of the Tax Certificate if it follows the directions of an Authorized Officer of the Corporation including supplying all necessary written information in the manner provided in the Tax Certificate and shall have no liability or responsibility for compliance (except as specifically set forth in the Master Indenture or in the Tax Certificate) or to enforce compliance by the Corporation with the terms of the Tax Certificate.

Upon the written direction of the Corporation, the Trustee shall deposit in the Arbitrage Rebate Fund funds received from the Corporation, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate.

The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the Master Indenture, other than from moneys held in the funds and accounts created under the Master Indenture or from other moneys provided to it by the Corporation.

The Trustee shall invest all amounts held in the Arbitrage Rebate Fund as provided in written directions of the Corporation. The Corporation, in issuing such directions, shall comply with the restrictions and instructions set forth in the Tax Certificate. Moneys may only be applied from the Arbitrage Rebate Fund as provided in the Master Indenture.

The Trustee, upon the receipt of written instructions and certification of the Rebate Requirement from an Authorized Officer of the Corporation, shall pay the amount of such Rebate Requirement to the Treasury Department of the United States of America, out of amounts in the Arbitrage Rebate Fund, as so directed.

Notwithstanding any other provisions of the Master Indenture, the obligation to remit the Rebate Requirement to the United States of America and to comply with all other requirements of the Master Indenture and the Tax Certificate shall survive the defeasance or payment in full of the Bonds. **(Section 5.09)**

Application of Moneys in Certain Funds for Retirement of Bonds.

Notwithstanding any other provisions of the Master Indenture, if at any time the amounts held in the Applicable Debt Service Fund, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to the Master Indenture for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Corporation may (i) direct the Trustee to redeem, all such Outstanding Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Master Indenture and by each Applicable Series Indenture as provided in the Master Indenture, or (ii) give the Trustee irrevocable instructions in accordance with the Master Indenture and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith. **(Section 5.10)**

Transfer of Investments.

Whenever moneys in any fund or account established under an Applicable Series Indenture are to be paid in accordance with the Master Indenture to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund. **(Section 5.11)**

Security for Deposits.

All moneys held under the Master Indenture by the Trustee shall be continuously and fully secured, for the benefit of the Corporation and the Holders of the Applicable Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Master Indenture and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Master Indenture as an investment of such moneys. **(Section 6.01)**

Investment of Funds and Accounts Held by the Trustee.

All moneys held under the Master Indenture by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Corporation given or confirmed in writing, signed by an Authorized Officer of the Corporation (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Facility Provider or a Rating Agency applicable to funds held under the Master Indenture, any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Corporation reasonably believes such moneys will be required for the purposes of the Master Indenture; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Corporation, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

Permitted Investments purchased as an investment of moneys in any fund or account held by the Trustee under the provisions of the Master Indenture shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

In computing the amount in any fund or account held by the Trustee under the provisions of the Master Indenture, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

Notwithstanding anything to the contrary in the Master Indenture, the Corporation, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Master Indenture and the proceeds thereof may be reinvested as provided in the Master Indenture. Except as otherwise provided in the Master Indenture, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant thereto whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Corporation, and, upon the written request of a Facility Provider, such Facility Provider, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Master Indenture and of the details of all investments held for the credit of each fund and account in its custody under the provisions thereof as of the end of the preceding month and as to whether such investments comply with the provisions of the Master Indenture. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

No part of the proceeds of any Series of Bonds or any other funds of the Corporation shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code. **(Section 6.02)**

Payment of Principal and Interest.

The Corporation shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof. **(Section 7.01)**

Accounts and Audits.

The Corporation shall keep proper books of record and accounts (separate from all other records and accounts), which may be kept on behalf of the Corporation by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Applicable Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Corporation, shall be subject to the inspection of the Applicable Borrowers, the Trustee or of any Holder of a Bond of the Applicable Series or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Corporation, each Facility Provider, and the Applicable Borrowers. Such report shall include at least a statement of all funds and accounts (including investments thereof) held by the Trustee and the Corporation pursuant to the provisions of the Master Indenture and of each Applicable Series Indenture, a statement of the Applicable Revenues collected from each Applicable Borrower in connection therewith and with each Applicable Series Indenture; and complete and correct entries of all transactions relating to an Applicable Series of Bonds. A copy of such report, shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of the Applicable Series or any beneficial owner of a Book-Entry Bond of the Applicable Series requesting the same. **(Section 7.05)**

Creation of Liens.

Except as permitted by the Master Indenture, the Corporation shall not create or cause to be created any lien or charge prior or equal to that of the Bonds of an Applicable Series on the proceeds from the sale of such Bonds, the Applicable Revenues, the Applicable State Housing Aid or the funds and accounts established by the Master Indenture and pursuant to the Applicable Series Indenture which are pledged by the Master Indenture; provided, however, that nothing contained in the Master Indenture shall prevent the Corporation from issuing bonds, notes or other obligations under another and separate indenture so long as the charge or the lien created by such indenture is not prior or equal to the charge or lien created by the Master Indenture; and provided further, that if the Corporation shall have issued more than one Series of Bonds for the benefit of a Borrower and the amounts pledged under the Applicable Agreements are insufficient to pay in full all Basic Debt Service Payments then due under all of the Agreements to which such Borrower is a party, then the General Treasurer shall pay a proportionate share of such available State Housing Aid with respect to

other bonds or evidences of indebtedness issued by the Borrower to the Trustee for each Series of Bonds as provided in the Memorandum of Understanding. **(Section 7.06)**

Enforcement of Obligations of the Borrowers.

Pursuant to the Applicable Agreement and the Applicable Borrower Bonds, the Corporation shall take all legally available action to cause a Borrower to perform fully its obligation to pay the Basic Debt Service Payment and other amounts which under the Applicable Agreement are to be paid to the Trustee, in the manner and at the times provided in the Applicable Agreement provided, however, that the Corporation may delay, defer or waive enforcement of one or more provisions of said Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Master Indenture) if the Corporation determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of a Series. **(Section 7.07)**

Amendment, Change, Modification or Waiver of Agreement.

An Applicable Agreement (and the related Applicable Borrower Bonds) may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of the Outstanding Bonds of the Applicable Series without the prior written consent of the Holders of at least a majority in aggregate principal amount of such Bonds then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series remain Outstanding, the 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 of the Applicable Series under the Master Indenture; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of such Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Borrower under the Applicable Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in the Master Indenture, an Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Trustee. Specifically, and without limiting the generality of the foregoing, an Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of such Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of the Applicable Project or which maybe added to such Project; (ii) to provide for the issuance of Bonds of an Applicable Series; or (iii) to cure any ambiguity or correct or supplement any provisions contained in the Applicable Agreement, which may be defective or inconsistent with any other provisions contained in the Master Indenture or in such Agreement.

An Applicable Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of an Applicable Series would be adversely effected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Corporation and all Holders of such Bonds.

The purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Corporation, may consent to an amendment, change, modification, termination or waiver permitted by the Master Indenture with the same effect as a consent given by the Holder of such Bonds.

The Trustee shall be entitled to rely upon an opinion of counsel, including an opinion of Bond Counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of the Applicable Series then Outstanding in any material respect. **(Section 7.10)**

Notice as to Agreement Default.

The Corporation shall notify the Trustee in writing that an “Event of Default” under the Applicable Agreement, as such term is defined in the Applicable Agreement (including the failure to pay the Applicable Borrower Bonds), has occurred and is continuing, or that which notice shall be given within five (5) days after the Corporation has obtained actual knowledge thereof. **(Section 7.11)**

Basic Debt Service Payment

The Applicable Agreement shall provide for the payment of Basic Debt Service Payment which shall be sufficient at all times to pay the Borrower’s Allocable Portion of the principal and Sinking Fund Installments of and interest on Outstanding Bonds of the Applicable Series as the same become due and payable. **(Section 7.12)**

Action Required Under the Memorandum of Understanding.

In the event of a failure by any Borrower to make its Basic Debt Service Payment, the Corporation shall take all further action required under the Memorandum of Understanding to assure payment of such deficiency to the Trustee. **(Section 7.13)**

Modification and Amendment without Consent.

The Corporation may execute and deliver at any time or from time to time Supplemental Indentures for any one or more of the following purposes:

- (a) To add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Master Indenture;
- (b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (c) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Master Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Master Indenture;
- (d) To confirm, as further assurance, any pledge under the Master Indenture or under the Applicable Series Indenture, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Indenture, of the Applicable Revenues, or any pledge of any other moneys, investments thereof or funds;
- (e) To modify any of the provisions of the Master Indenture or of any previously existing Series Indenture or Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of such Supplemental Indenture shall cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Indenture shall contain a specific reference to the modifications contained in such subsequent indentures; or
- (f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Master Indenture or to insert such provisions clarifying matters or questions arising under the Master Indenture as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Master Indenture as theretofore in effect, or to modify any of the provisions of the Master Indenture or of any previously executed Applicable Series Indenture or Supplemental Indenture in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders of the Applicable Series in any material respect. **(Section 9.02)**

Supplemental Indentures Effective with Consent of Bondholders.

The provisions of the Master Indenture and of an Applicable Series Indenture may also be modified or amended at any time or from time to time by a Supplemental Indenture, subject to the consent of the Applicable Bondholders in accordance with and subject to the provisions of the Master Indenture. **(Section 9.03)**

General Provisions Relating to Series Indentures and Supplemental Indentures.

The Master Indenture shall not be modified or amended in any respect except in accordance with and subject to the provisions thereof. Nothing contained in the Master Indenture shall affect or limit the rights or obligations of the Corporation to authorized, make, do, execute or deliver any indenture, act or other instrument pursuant to the provisions of the Master Indenture or the right or obligation of the Corporation to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere therein provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Applicable Series Indenture and Supplemental Indenture executed and delivered by the Corporation, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Indenture or Supplemental Indenture has been duly and lawfully executed and delivered in accordance with the provisions of the Master Indenture, is authorized or permitted thereby and is valid and binding upon the Corporation and enforceable in accordance with its terms.

The Trustee is authorized to execute and deliver any Series Indenture or Supplemental Indenture permitted or authorized pursuant to the provisions of the Master Indenture and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Indenture or Supplemental Indenture is authorized or permitted by the provisions of the Master Indenture.

No Series Indenture or Supplemental Indenture changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby. **(Section 9.04)**

Powers of Amendment.

Any modification or amendment of the Master Indenture and of the rights and obligations of the Corporation which shall affect an Applicable Series of Bonds and of the Holders of the such Applicable Series of Bonds under the Master Indenture, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Master Indenture, (i) of the Holders of at least a majority in principal amount of the Bonds of such Series Outstanding at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the Applicable Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the 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 described under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. A Series shall be deemed to be affected by a modification or amendment of the Master Indenture if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Master Indenture and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Master Indenture. **(Section 10.01)**

Consent of Bondholders.

The Corporation may at any time execute and deliver a Supplemental Indenture making a modification or amendment permitted by the provisions of the Master Indenture to take effect when and as provided in the Master Indenture. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly be mailed by the Corporation to the Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Indenture when consented to as provided in the Master Indenture). Such Supplemental Indenture shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in the Master Indenture, and (b) an opinion of Bond Counsel stating that such Supplemental Indenture has been duly and lawfully authorized, executed and delivered and filed by the Corporation in accordance with the provisions of the Master Indenture, is authorized or permitted thereby, and is valid and binding upon the Corporation and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Master Indenture. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Master Indenture. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Master Indenture shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Master Indenture to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof); unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Corporation and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture executed and delivered by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Master Indenture, shall be given to the Bondholders by the Corporation by mailing such notice to the Bondholders and, at the discretion of the Corporation, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in the Master Indenture). The Corporation shall file with the Trustee proof of the mailing of such notices and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Corporation, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

For the purposes of the Master Indenture, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Corporation, may consent to a modification or amendment permitted by the Master Indenture in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Corporation. **(Section 10.02)**

Modifications by Unanimous Consent.

The terms and provisions of the Master Indenture and the rights and obligations of the Corporation and of the Holders of the Bonds of an Applicable Series may be modified or amended in any respect upon the execution, delivery and filing with the Trustee by the Corporation of a copy of a Supplemental Indenture and the consent of the Holders of all of the Applicable Bonds then Outstanding, such consent to be given as provided in the Master Indenture, except what no notice to the Bondholders either by mailing or publication shall be required. **(Section 10.03)**

Consent of Facility Provider.

Whenever by the terms of the Master Indenture the consent of any of the Holders of the Bonds to a modification or amendment of the Master Indenture made by a Series Indenture or Supplemental Indenture is required, such modification or amendment shall not become effective until the written consent of each Applicable Facility Provider has been obtained; provided, however, that the consent of a Facility Provider which has provided a Credit Facility or a Liquidity Facility shall not be required unless the modification or amendment requires the consent of the Holders of any percentage in principal amount of Outstanding Bonds or of the Holders of any percentage in principal amount of the Bonds of the Series in connection with which such Credit Facility or Liquidity Facility was provided. No modification or amendment of the Master Indenture which adversely affects a Facility Provider shall be made without the written consent thereto of the Facility Provider affected thereby. Notice of the execution and delivery of any such Series Indenture or Supplemental Indenture and of the effectiveness of the modification or amendment made thereby shall be given to each Facility Provider by mail at the times and in the manner provided in the Master Indenture with respect to notices thereof required to be given to the Holders of the Bonds. Notice thereof shall also be given to the Rating Agency as soon as practical after execution and delivery of such Supplemental Indenture and of the effectiveness thereof. **(Section 10.04)**

Events of Default.

An event of default shall exist under the Master Indenture and under an Applicable Series Indenture (an “event of default”) if: (a) with respect to an Applicable Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any such Bond shall not be made by the Corporation when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; (b) with respect to an Applicable Series of Bonds, payment of an installment of interest on any such Bond shall not be made by the Corporation when the same shall become due and payable; (c) with respect to an Applicable Series of Bonds, the Corporation shall default in the due and punctual performance of any covenants, if any, contained in the Series Indenture authorizing the issuance thereof to the effect that the Corporation shall comply with the provisions of the Code applicable, to such Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; (d) with respect to an Applicable Series of Bonds, the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Master Indenture or in the Bonds of the Applicable Series or in the Applicable Series Indenture on the part of the Corporation to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Corporation by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of such Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Corporation has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

An Event of Default under the Master Indenture in respect of an Applicable Series of Bonds shall not in and of itself be or constitute an Event of Default in respect of any other Applicable Series of Bonds. **(Section 11.02)**

Enforcement of Remedies.

Upon the happening and continuance of any event of default specified in the Master Indenture, then and in every such case, the Trustee may proceed, and upon the written request of the Applicable Facility Provider or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series shall proceed (in either case with the written consent of the Facility Provider for such Series) or, in the case of a happening and continuance of an event of default specified in the Master Indenture, upon the written request of the

Applicable Facility Provider or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series with the written consent of the Facility Provider, for such Series, shall proceed (subject to the provisions of the Master Indenture), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Master Indenture or under the Applicable Series Indenture or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Master Indenture or under the Applicable Series Indenture or in aid or execution of any power therein granted, or for an accounting against the Corporation as if the Corporation were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Master Indenture and under the Applicable Series Indenture the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Corporation for principal or interest or otherwise under any of the provisions of the Master Indenture or of the Applicable Series Indenture or of the Applicable Bonds, with interest on overdue payments of the principal of or interest on the Applicable Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Master Indenture and under the Applicable Series Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Corporation but solely as provided in the Master Indenture, in the Applicable Series Indenture and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable. **(Section 11.04)**

Limitation of Rights of Individual Bondholders.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Master Indenture, or for any other remedy thereunder unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series or, in the case of an event of default specified in the Master Indenture, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Master Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Master Indenture or for any other remedy thereunder and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Master Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Indenture or to enforce any right under the Master Indenture except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of the Applicable Series. Notwithstanding any other provision of the Master Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. **(Section 11.08)**

Defeasance.

If the Corporation shall pay or cause to be paid to the Holders of Bonds of an Applicable Series the principal Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Master Indenture, and in the applicable Series Indenture, then the pledge of the Revenues or other moneys and securities pledged to such Bonds and all other rights granted by the Master Indenture to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Corporation, and all moneys or investments thereof held by it pursuant to the Master Indenture and the Applicable Series Indenture which are not

required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Corporation; second, to the Applicable Administrative Fund, the amount certified by an Authorized Officer of the Corporation to be then due or past due pursuant to any Applicable Agreement for fees and expenses of the Corporation or pursuant to any indemnity related to such Applicable Series of Bonds; and, then, the balance thereof to the Applicable Borrowers. Such moneys or investments thereof so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Master Indenture.

Notwithstanding any provision of the Master Indenture to the contrary, if any Borrower shall have prepaid the amounts due under its Agreement and in accordance therewith shall pay or cause to be paid its Allocable Portion of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on the Bonds or portions thereof applicable to such Agreement at the times and in the manner stipulated therein, in the Master Indenture, and in the Applicable Series Indenture, then the pledge of the Revenues or other moneys and securities pledged with respect to such Agreement or any portion thereof and all other rights granted under such Agreement shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Borrower, and the Corporation, and all moneys or other securities held by it pursuant to the Master Indenture and to a Series Indenture which are not required for the payment or redemption of its Allocable Portion of the Bonds of such Series to be defeased or any portion thereof not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Corporation; second, to the Applicable Administrative Fund the amount certified by the Corporation to be then due or past due pursuant to the Applicable Agreement to be prepaid for fees and expenses of the Corporation or pursuant to any indemnity; and, then, the balance thereof to the Borrower. Such moneys or investments so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Master Indenture, by a Series Indenture or by such Agreement.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture. All Outstanding Bonds of any Applicable Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Master Indenture notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities 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 same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, 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, (c) the Trustee shall have received the written consent of each Applicable Facility Provider which has given written notice to the Trustee and the Corporation that amounts advanced under an Applicable Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Facility Provider, and (d) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Corporation shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Corporation, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Corporation shall give written notice to the Trustee of its selection of the Series and maturity payment of which shall be made in accordance with this paragraph. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with this paragraph in the manner provided in the Master Indenture. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the

extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Corporation; second, to each Facility Provider the payments owed to it which have not been repaid, pro rata, based upon the respective amounts then unpaid to each Facility Provider; third, to the Applicable Administrative Fund the amount certified by an Authorized Officer of the Corporation to be then due or past due pursuant to the Applicable Agreement for fees and expenses of the Corporation or pursuant to any indemnity; and, then, the balance thereof to the Applicable Borrowers. The moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Master Indenture. **(Section 12.01)**

No Recourse under Indenture or on the Bonds.

All covenants, stipulations, promises, agreements and obligations of the Corporation contained in the Master Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Corporation and not of any member, officer or employee of the Corporation in his individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Bonds or for any claims based thereon, on the Master Indenture or on the Series Indenture against any member, officer or employee of the Corporation or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds. **(Section 14.04)**

Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds.

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Corporation, the Borrower or the Trustee any notice, consent, request, or demand pursuant to the Master Indenture for any purpose whatsoever, the then current Accreted Value of such Bond shall be deemed to be its principal amount. Notwithstanding any other provision of the Master Indenture, the amount payable at any time with respect to the principal of and interest on any Capital Appreciation Bond shall not exceed the Accreted Value thereof at such time. For purposes of receiving payment of the Redemption Price or principal of a Capital Appreciation Bond called for redemption prior to maturity, the difference between the Accreted Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds of the Series of which it is a part were first issued shall be deemed not to be accrued and unpaid interest thereon.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed or (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Corporation or the Trustee any notice, consent, request, or demand pursuant to the Master Indenture for any purpose whatsoever, the then current Appreciated Value of such Bond shall be deemed to be its principal amount. Notwithstanding any other provision of the Master Indenture, the amount payable at any time prior to the Interest Commencement Date with respect to the principal of and interest on any Deferred Income Bond shall not exceed the Appreciated Value thereof at such time. For purposes of receiving payment prior to the Interest Commencement Date of the Redemption Price or principal of a Deferred Income Bond called for redemption prior to maturity, the difference between the Appreciated Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds were first issued shall be deemed not to be accrued and unpaid interest thereon. **(Section 14.07)**

Credit Facility Provisions

The Series Indenture provides that so long as the Credit Facility Provider for the Bonds is not in default under the Credit Facility, the Trustee shall exercise remedies at the direction of the Credit Facility Provider and the consent of the Credit Facility Provider shall be required prior to the exercise of remedies at the direction of the Holders of the Bonds. In addition, the Series Indenture grants certain rights to the Credit Facility Provider for the Bonds, including the right to consent to amendments to the Master Indenture, the Series Indenture and the Financing Agreements in lieu of Bondholder consent. **(Article V)**

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APPENDIX G

**INDEBTEDNESS OF RHODE ISLAND HEALTH
AND EDUCATIONAL BUILDING CORPORATION**

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RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2006

<u>HEALTH CARE</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
Westerly Hospital Series 1994 Dated January 15, 1994	20,485,000	11,770,000
Tockwotton Home Series 1996 Dated December 1, 1996	5,405,000	4,365,000
Lifespan Obligated Group Series 1996 Dated December 1, 1996	214,585,000	60,990,000
Steere House Series 1997 Dated September 1, 1997	7,050,000	5,505,000
Roger Williams Hospital Series 1998 Dated December 1, 1998	19,115,000	17,105,000
Newport Hospital Series 1999 Dated February 1, 1999	30,000,000	26,840,000
St. Joseph Health Services Series 1999 Dated March 1, 1999	23,145,000	20,770,000
St. Antoine Residence Series 1999 A&B Dated August 1, 1999	23,730,000	19,815,000
Roger Williams Realty Corporation Series 1999 Dated November 15, 1999	8,580,000	7,690,000
Kent County Memorial Hospital Master Lease 2000 Dated June 29, 2000	3,320,000	561,666
Roger Williams General Hospital Master Lease 2000 Dated October 13, 2000	2,500,000	615,820
Ocean State Assisted Living Series 2001 Dated October 1, 2001	12,450,000	12,150,000
Care New England Master Lease 2001 Dated November 21, 2001	7,010,000	1,816,671
Ballou Home Series 2001 Dated December 1, 2001	2,000,000	1,785,000
South County Hospital Master Lease 2001 Dated December 14, 2001	2,500,000	274,589
Roger Williams General Hospital Master Lease 2001 Dated December 17, 2001	4,750,000	524,985
Lifespan Obligated Group Series 2002 Dated June 1, 2002	78,000,000	9,490,000
Care New England Series 2002 A&B Dated September 1, 2002	70,210,000	62,490,000
Jewish Seniors Agency of R. I. Series 2002 Dated December 1, 2002	11,750,000	11,750,000
South County Hospital Series 2003 B&C Dated December 1, 2003	46,565,000	13,725,000
Memorial Hospital Series 2003 Dated December 1, 2003	25,000,000	21,880,000
Thundermist Health Center Series 2004 Dated February 1, 2004	6,300,000	4,660,000

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2006**

<u>HEALTH CARE</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
Newport Hospital Series 2004 Dated March 1, 2004	10,000,000	8,000,000
Landmark Medical Center Master Lease 2004 Dated November 17, 2004	4,745,000	3,638,651
Kent County/Butler Hospital Master Lease 2004 Dated December 29, 2004	6,800,000	5,224,054
Landmark Medical Center Series 2005 Dated August 1, 2005	14,125,000	14,125,000
St. Joseph Health Services Master Lease 2005 Dated October 21, 2005	8,000,000	7,472,361
Women & Infants' Hospital Master Lease 2005 Dated December 16, 2005	2,550,000	2,314,017
Lifespan Obligated Group Series 2006 A Dated February 14, 2006	192,135,000	192,135,000
South County Hospital Series 2006 A Dated February 23, 2006	52,000,000	52,000,000
TOTALS	\$914,805,000	\$601,482,814

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2006

<u>EDUCATION</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
Providence College Series 1989 Dated January 1, 1989	9,385,111	2,103,164
Board of Governors for Higher Education Series 1993 B Dated July 1, 1993	35,691,070	450,675
Johnson & Wales University Series 1996 Dated April 1, 1996	9,500,000	7,835,000
Roger Williams University Series 1996 Dated December 1, 1996	30,000,000	25,030,000
University of Rhode Island Series 1997 Dated September 1, 1997	2,125,000	1,720,000
Salve Regina University Master Lease 1997 Dated September 18, 1997	1,500,000	282,844
Brown University Series 1998 Dated January 1, 1998	53,455,000	46,485,000
Bryant College Master Lease 1998 Dated June 11, 1998	3,100,000	740,959
Roger Williams University Series 1998 Dated September 1, 1998	39,745,000	34,995,000
Mount St. Charles Academy Series 1998 Dated December 1, 1998	3,880,000	2,980,000
Bryant College Master Lease 1998 B Dated December 30, 1998	5,000,000	1,452,073
St. Andrew's School Series 1999 Dated February 1, 1999	8,500,000	8,015,000
Johnson & Wales University Series 1999 Dated March 1, 1999	44,535,000	42,330,000
Salve Regina University Series 1999 Dated May 1, 1999	12,500,000	11,110,000
Moses Brown School Series 2000 Dated February 1, 2000	10,000,000	9,275,000
Roger Williams University Series 2000 Dated December 1, 2000	15,000,000	14,200,000
Bryant College Series 2001 Dated January 1, 2001	30,000,000	27,565,000
Portsmouth Abbey School Series 2001 Dated October 1, 2001	15,000,000	7,310,000
Rhode Island School of Design Series 2001 Dated November 1, 2001	27,890,000	27,795,000
St. Mary Academy Bay View Series 2001 Dated December 1, 2001	4,000,000	3,140,000
Brown University Series 2001 A&B Dated December 1, 2001	86,990,000	85,095,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2006

<u>EDUCATION</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
Bryant College Series 2002 Dated May 15, 2002	19,425,000	12,605,000
Salve Regina University Series 2002 Dated September 1, 2002	18,000,000	16,935,000
Board of Governors for Higher Education Series 2002 Dated November 15, 2002	7,975,000	7,660,000
Paul Cuffee School Series 2002 Dated December 15, 2002	3,000,000	2,900,000
Salve Regina University Series 2002 B Dated December 15, 2002	18,665,000	15,440,000
Johnson & Wales University Series 2003 Dated April 1, 2003	48,345,000	41,105,000
Board of Governors for Higher Education Series 2003 A Dated May 1, 2003	3,100,000	2,790,000
Board of Governors for Higher Education Series 2003 B&C Dated July 1, 2003	33,950,000	32,395,000
La Salle Academy Series 2003 Dated July 1, 2003	10,500,000	8,500,000
International Institute of R.I. Series 2003 Dated August 1, 2003	2,600,000	2,390,000
Providence College Series 2003 A Dated August 1, 2003	65,495,000	61,965,000
Providence College Series 2003 B Dated September 15, 2003	17,425,000	17,425,000
St. George's School Series 2003 Dated October 1, 2003	18,000,000	16,345,000
Brown University Series 2003 A&B Dated October 15, 2003	91,425,000	91,425,000
Roger Williams University Series 2003 Dated November 1, 2003	32,000,000	31,070,000
Pennfield School Series 2004 Dated March 1, 2004	5,000,000	4,975,000
Brown University Series 2004 Dated April 1, 2004	22,835,000	22,605,000
Rhode Island School of Design Series 2004 A-B-C-D Dated May 1, 2004	124,610,000	123,010,000
New England Institute of Technology Series 2004 Dated August 15, 2004	17,525,000	17,350,000
The Groden Center Series 2004 A&B Dated October 1, 2004	4,400,000	4,400,000
Times ² Academy Series 2004 Dated November 1, 2004	18,625,000	18,625,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2006

<u>EDUCATION</u>	<u>PRINCIPAL AMOUNT ISSUED</u>	<u>PRINCIPAL AMOUNT OUTSTANDING</u>
Board of Governors for Higher Education Series 2004 A&B Dated December 1, 2004	66,935,000	66,935,000
Board of Governors for Higher Education Series 2005 A Dated April 1, 2005	2,740,000	2,740,000
Catholic School Pool Program Series 2005 Dated April 1, 2005	23,100,000	23,045,000
Meeting Street School Series 2005 Dated May 15, 2005	17,000,000	16,000,000
Board of Governors for Higher Education Series 2005 B Dated June 30, 2005	2,000,000	2,000,000
Paul Cuffee School Series 2005 Dated October 1, 2005	1,400,000	1,400,000
Brown University Series 2005 A Dated October 1, 2005	85,500,000	85,500,000
Board of Governors for Higher Education Series 2005 C – G Dated November 2, 2005	85,045,000	85,045,000
Bryant University Series 2005 Dated December 1, 2005	30,000,000	30,000,000
Roger Williams University Master Lease 2005 Dated December 29, 2005	3,700,000	3,534,923
Providence College Series 2006 Dated May 15, 2006	13,400,000	13,400,000
Public School Pool Program Series 2006 A Dated June 15, 2006	18,285,000	18,285,000
TOTALS	\$1,379,801,181	\$1,259,709,638

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APPENDIX H

FORM OF APPROVING OPINION OF BOND COUNSEL

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Form of Approving Opinion of Bond Counsel

[Date of Closing]

Rhode Island Health and Educational
Building Corporation
170 Westminster Street, Suite 1200
Providence, Rhode Island 02903

\$19,615,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOL DISTRICTS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2007 B (POOLED ISSUE)

We have acted as bond counsel to the Rhode Island Health and Educational Building Corporation (the “Corporation”) in connection with the issuance by the Corporation of the above-referenced bonds (the “Series 2007 Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including the Master Trust Indenture dated as of June 15, 2006, as amended by that certain Series Indenture dated as of August 1, 2007 (the “Series Indenture” and collectively with the Master Trust Indenture, the “Indenture”), among the Corporation and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

As to questions of fact material to our opinion, we have relied upon representations and covenants of the Corporation contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, and certifications of officials of the Borrowers and others, without undertaking to verify the same by independent investigation.

The Series 2007 Bonds are issued under and pursuant to the Rhode Island Health and Educational Building Corporation Act, being Chapter 38.1 of Title 45 of the General Laws of Rhode Island, 1956, as amended (the “Act”) and the Indenture. With respect to the Series 2007 Bonds, the Corporation has entered into four Financing Agreements, dated as of August 1, 2007 (the “Financing Agreements”), with the four borrowers identified on Schedule A (the “Borrowers”) providing, among other things, for loans to the Borrowers for the purposes

Rhode Island Health and Educational
Building Corporation
[Date of Closing]
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permitted thereby and by the Master Trust Indenture and the Series Indenture. Pursuant to the Financing Agreements, each Borrower is required to make payments scheduled to be sufficient to pay the principal, sinking fund installments and redemption price of and interest on its proportionate share of the Series 2007 Bonds as the same become due, which payments have been pledged by the Corporation to the Trustee for the benefit of the holders of the Series 2007 Bonds. The Series 2007 Bonds are payable solely from funds to be provided under the Financing Agreements by the Borrowers pursuant to the Indenture. Under the Financing Agreements, the Borrowers have agreed to make payments sufficient to pay when due the principal (including sinking fund installments) and redemption price of and interest on the Series 2007 Bonds. Such payments and other moneys payable to the Trustee under the Indenture, including proceeds derived from any security provided thereunder (collectively, the “Revenues”), and the rights of the Corporation under the Indenture to receive the same (excluding, however, certain administrative fees, indemnification, and reimbursements), are pledged and assigned by the Corporation as security for the Series 2007 Bonds. The Series 2007 Bonds are payable from the Revenues and the proceeds of a municipal bond insurance policy (the “Policy”) delivered by Ambac Assurance Corporation (the “Insurer”) simultaneously with the issuance of the Series 2007 Bonds.

We express no opinion herein with respect to compliance by the Borrowers with applicable legal requirements in connection with the construction or operation of the Projects (as defined in the Indenture) being financed by the Series 2007 Bonds.

In such connection, we have reviewed the Indenture, the Financing Agreements, the Tax Certificate of the Corporation dated as of the date hereof (the “Corporation Tax Certificate”), the Tax Certificates of the Borrowers dated as of the date hereof (the “Borrower Tax Certificates”), the bond of each Borrower delivered to the Corporation to secure the obligations of the respective Borrower under the respective Financing Agreement, opinions of counsel to the Corporation, the Trustee and the Borrowers, certificates of the Corporation, the Trustee, the Borrowers and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Based on our examination, we are of the opinion, under existing law, as follows:

- (1) The Corporation is a duly created and validly existing body corporate and politic and a public instrumentality of the State of Rhode Island with the power to enter into and perform the Indenture and the Financing Agreements and to issue the Series 2007 Bonds.

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- (2) The Indenture and the Financing Agreements have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the other respective parties thereto, are valid and binding obligations of the Corporation enforceable against the Corporation. As provided in the Act, the Indenture creates a valid lien on the Revenues, the other funds pledged by the Indenture as security for the Series 2007 Bonds, and on the rights of the Corporation or the Trustee on behalf of the Corporation to receive Revenues under the Indenture (subject to certain rights with respect to indemnification, reimbursements and fees).
- (3) The Series 2007 Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding special obligations of the Corporation, enforceable in accordance with their terms, payable solely from the Revenues, the proceeds of the Policy and other funds provided therefor in the Indenture.
- (4) Interest on the Series 2007 Bonds is excluded from the gross income of the owners of the Series 2007 Bonds for federal income tax purposes. In addition, interest on the Series 2007 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Corporation and the Borrowers with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2007 Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Borrowers have covenanted in the Financing Agreements and, to the extent necessary, the Corporation has covenanted in the Indenture to comply with all such requirements. Failure by the Corporation or the Borrowers to comply with certain of such requirements may cause interest on the Series 2007 Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2007 Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2007 Bonds.
- (5) The Series 2007 Bonds, their transfer, and the income therefrom, including any profit made on the sale thereof, are exempt from taxation by the State of Rhode Island and by the municipalities and all other political subdivisions thereof. We express no opinion regarding any other Rhode Island tax consequences arising with respect to the Series 2007 Bonds or any tax consequences arising with

Rhode Island Health and Educational
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respect to the Series 2007 Bonds under the laws of any state other than Rhode Island.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Series 2007 Bonds and the enforceability of the Series 2007 Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Rhode Island Health and Educational
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SCHEDULE A

Borrowers

Town of Barrington
City of Central Falls
Town of North Kingstown
Town of Tiverton

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APPENDIX I

FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT
AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

THIS AGREEMENT, dated [], 2007 (the “Agreement”), is made by and among the Corporation, the Borrower and the Trustee, each as defined below in Section 1.

In order to permit the Underwriters to comply with the provisions of Rule 15c2-12 in connection with the public offering of the Bonds (defined below), the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Holders as follows:

Section 1. Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Indenture.

“Agreement” shall mean this Agreement as the same from time to time may be amended and supplemented in accordance with the terms hereof.

“Annual Information” shall mean the information specified in Section 3 hereof.

“Approved CPO” means the Texas Municipal Advisory Council or any other dissemination agent or conduit, including any “central post office” or similar entity, assuming or charged with responsibility for accepting filings for transmission to such repository, to the extent permitted by the Securities and Exchange Commission or Securities and Exchange Commission staff or required by the Securities and Exchange Commission.

“Bonds” shall mean the Rhode Island Health and Educational Building Corporation Public Schools Revenue Bond Financing Program Bonds, Series 2007 B (Pooled Issue).

“Borrower” shall mean [].

“Corporation” shall mean the Rhode Island Health and Educational Building Corporation, a public body corporate and agency of the State of Rhode Island and the issuer of the Bonds, and any successor thereto.

“DTC” shall mean The Depository Trust Company, New York, New York, which is acting as the Depository for the Bonds within the meaning of the Indenture.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“GAAS” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Bonds and for the purpose of Section 5 of this Agreement only, if registered in the name of DTC (or a nominee thereof) or in the name of any other entity (or a nominee thereof) that acts as a “clearing corporation” within the meaning of the Rhode Island Uniform Commercial Code and is a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, any beneficial owner of Bonds.

“Indenture” shall mean the Corporation’s Master Public Schools Financing Program Revenue Bond Indenture, together with the Series Indenture executed and delivered thereunder authorizing the issuance of the Bonds.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“Outstanding” shall mean Outstanding within the meaning of the Indenture.

“Rating Agency” shall mean S & P, Moody’s, Fitch or any other nationally recognized rating service which has assigned a rating to the Bonds.

“Repository” shall mean each nationally recognized municipal securities repository within the meaning of Rule 15c2-12. The name and address of each Repository shall be set forth on a list to be on file at the principal offices of the Corporation.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement.

“State Information Depository” shall mean any public or private repository or entity designated by the State of Rhode Island as a state information depository within the meaning of Rule 15c2-12. As of the date of this Agreement, there is no State Information Depository.

“Trustee” shall mean The Bank of New York Trust Company, N.A. a national banking association organized and existing under the laws of the United States.

“Underwriter” shall mean the underwriter or underwriters that have contracted to purchase the Bonds from the Corporation upon initial issuance.

Section 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the Borrower and the Trustee.

(a) The Borrower hereby undertakes, for the benefit of the Holders, to file, no later than two hundred seventy (270) days after the end of each of its fiscal years, commencing with the fiscal year ending June 30, 2007, either directly or indirectly through the use of an Approved CPO, with the Corporation, with each Repository and with the State Information Depository, the Annual Information relating to such fiscal year, together with audited financial statements of the

Borrower for such fiscal year provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided and such audited financial statements shall be filed either directly or indirectly through the use of an Approved CPO, with the Corporation, with each Repository and with the State Information Depository when they become available.

In addition, the Borrower and the Trustee shall immediately notify the Corporation of the occurrence of any of the eleven events listed in Section 2(ii)(a) hereof upon gaining actual knowledge of the occurrence of any such event.

(ii) Obligations of the Corporation. The Corporation hereby undertakes, for the benefit of Holders, to file the following:

either directly or indirectly through the use of an Approved CPO, with each Repository or with the MSRB and with the State Information Depository, in a timely manner, notice of any of the following eleven events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) a substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modification to rights of Holders of the Bonds;
- (h) bond calls;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes; and

either directly or indirectly through the use of an Approved CPO, with each Repository or with the MSRB and with the State Information Depository, in a timely manner, notice of a failure by the Borrower to comply with Section 2(i)(a) hereof.

(iii) Termination of Disclosure Obligation. The obligations of the Borrower pursuant to Section 2(i) hereof and of the Corporation with respect to the Borrower and on its own behalf pursuant to Section 2(ii) hereof may be terminated by mutual agreement of the Corporation and the Borrower during any such time that the Borrower is not an “obligated person” as defined in Rule 15c2-12. Upon any such termination, the Corporation shall provide notice thereof to each Repository, the State Information Depository and the MSRB.

(iv) Other Information. Nothing herein shall be deemed to prevent the Corporation or the Borrower from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Corporation or the Borrower should disseminate any such additional information, the Corporation or the Borrower shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(v) Disclaimer by the Corporation. The Corporation shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided to it pursuant to Section 2(i)(a) hereof, and its obligation hereunder with respect to the Annual Information and such financial statements shall be limited solely to the undertaking set forth in Section 2(ii)(b) hereof.

Section 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

operating data and financial information relating to the Borrower of the type included in Appendix B to the Official Statement (only to the extent that this information is not included in the audited financial statements of the Borrower); together with a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Borrower and in judging the financial and operating condition of the Borrower.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been filed either directly or indirectly through the use of an Approved CPO, with the Repositories, the State Information Depository and, if the document is an official statement, the MSRB.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

Section 4. Financial Statements.

The Borrower's annual financial statements for each fiscal year shall be prepared in accordance with GAAP unless applicable accounting principles are otherwise disclosed in the Official Statement and audited by an independent accounting firm in accordance with GAAS.

Section 5. Remedies.

The sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of the parties hereunder. No person or entity shall be entitled to recover any monetary damages hereunder under any circumstances. The Corporation may be compelled to comply with its obligations under this Agreement in the case of enforcement of its obligations to provide information required hereunder by any Holder or by the Trustee on behalf of the Holders; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Bonds at the time Outstanding.

Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Indenture or an event of default under any other agreement executed and delivered in connection with the issuance of the Bonds including, but not limited to, the Financing Agreement.

Section 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders. No other person (other than the Trustee on behalf of the Holders) shall have any right to enforce the provisions hereof or any other rights hereunder, except that the Corporation shall have the right to enforce the provisions hereof and to assert rights hereunder.

Section 7. Amendments.

Without the consent of any Holders or the Credit Facility Provider, the Corporation, the Borrower, and the Trustee at any time and from time to time may enter into amendments or changes to this Agreement for any of the following purposes:

(i) to comply with or conform to any changes in Rule 15c2-12 or any formal authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional);

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Borrower, the Trustee or the Corporation and the assumption by any such successor of the covenants of the Borrower, the Trustee or the Corporation hereunder;

(iv) to add to the covenants of the Borrower or the Corporation for the benefit of the Holders, or to surrender any right or power herein conferred upon the Borrower or the Corporation;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under Rule 15c2-12, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission, or its staff; or

(vi) for any other purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Corporation or the Borrower or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments or formal authoritative interpretations by the Securities and Exchange Commission of Rule 15c2-12, as well as any change in circumstances; and (c) the amendment does not materially impair the interests of the Holders, as determined either by the Trustee or by nationally recognized bond counsel.

(In determining whether or not there is such an adverse effect, the Trustee may rely upon an opinion of nationally recognized bond counsel).

Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year.

If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles for the fiscal year in which such change is made. The comparison should include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Borrower to meet its obligations. To the extent reasonably feasible, the comparison also should be quantitative. A notice of the change in accounting principles shall be sent to the Corporation, and filed, either directly or indirectly through the use of an Approved CPO, with each Repository or with the MSRB, and with the State Information Depository.

Section 8. Termination.

Unless otherwise agreed by the Corporation and the Borrower, this Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or defeased pursuant to the Indenture.

Section 9. The Trustee.

(i) Except as specifically set forth herein, this Agreement shall not create any obligation or duty on the part of the Trustee and the Trustee shall not be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) To the extent permitted by law, the Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the Indenture for matters arising thereunder.

Section 10. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF RHODE ISLAND DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

Section 11. The obligations of the Borrower under this Agreement are subject to annual appropriation.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Agreement.

THE BANK OF NEW YORK
TRUST COMPANY, N.A., as Trustee
For the benefit of the Bondholders

RHODE ISLAND HEALTH AND
EDUCATIONAL BUILDING
CORPORATION

Issuer

By: _____

By: _____

[BORROWER]

By: _____

Name:

Title:

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APPENDIX J

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer of Insurance Trustee

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