NEW ISSUE - BOOK ENTRY ONLY **RATING:** (See "Rating" herein)

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series 2013 H Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Series 2013 H 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, interest on the Series 2013 H Bonds and any profit on the sale of the Series 2013 H Bonds are exempt from taxation by the State of Rhode Island (the "State") or any political subdivision or other instrumentality of the State, although the income thereon may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes. 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 2013 H Bonds. See "TAX EXEMPTION."

$11,310,000
RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2013 H (TOWN OF LITTLE COMPTON ISSUE)

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

The Series 2013 H Bonds will be issued only as fully registered bonds without coupons 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 2013 H Bonds. Purchases of the Series 2013 H 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 2013 H Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in the Series 2013 H Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co, as aforesaid, and shall not mean the Beneficial Owners. (See "THE SERIES 2013 H BONDS – Book-Entry Only System" herein.)

Interest on the Series 2013 H Bonds will be payable on May 15 and November 15 of each year, commencing November 15, 2014. Principal of, semiannual interest, sinking fund installments, if any, and redemption price, if any, on the Series 2013 H Bonds will be paid by U.S. Bank National Association (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.

The Series 2013 H Bonds are subject to optional redemption at par prior to maturity as set forth in this Official Statement.

The Series 2013 H 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 the Town of Little Compton, Rhode Island (the "Borrower") pursuant to a Financing Agreement (the "Financing Agreement"), dated November 19, 2013, between the Corporation and the Borrower, 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 November 1, 2009, as amended by a First Supplemental Indenture dated as of April 15, 2013 (the "Master Indenture") and a Series Indenture between the Corporation and the Trustee dated December 10, 2013 H Series Indenture to secure the Series 2013 H Bonds shall secure any other Series of Bonds. There is no debt service reserve fund securing the Series 2013 H Bonds and no real property of the Borrower secures the Series 2013 H Bonds.

The Borrower is required under the 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 Borrower from proceeds of the Series 2013 H Bonds. 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, if any, and redemption price of and interest on the Loan. The Borrower is also required under the 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 the Financing Agreement, the Borrower under the 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 the Borrower under the Borrower Bonds, State Housing Aid and Basic Education Aid (each, as defined herein), to the extent received by the Corporation with respect to the Borrower Bonds. The Borrower has acknowledged that the State Housing Aid and the Basic Education Aid will be paid directly to the Trustee pursuant to an assignment by the Corporation and upon the occurrence of certain events of default under the 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, as amended and restated on September 20, 2006 and further amended and restated on September 26, 2012 (the "MOU"). The Series 2013 H Bonds will be secured by the pledge and assignment to the Trustee of the payments to be made by the Borrower to the Corporation under the Financing Agreement and on the Borrower Bonds relating to the Series 2013 H Bonds and under the Financing Agreement relating to the Series 2013 H Bonds.

NEITHER THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS NOR THE CORPORATION IS OBLIGATED TO PAY THE PRINCIPAL, SINKING FUND INSTALLMENTS, IF ANY, AND REDEMPTION PRICE OR INTEREST ON THE SERIES 2013 H BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2013 H 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, IF ANY, AND REDEMPTION PRICE OR INTEREST ON THE SERIES 2013 H 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 SCHOOL DISTRICTS FOR THE COST OF BUILDING OR RENOVATING PUBLIC SCHOOLS ("SCHOOL HOUSING AID"). THE STATE ALSO PROVIDES BASIC EDUCATION AID TO MUNICIPALITIES AND SCHOOL DISTRICTS FOR SCHOOL OPERATIONS ("BASIC EDUCATION AID"), WHICH MAY BE INTERCEPTED TO PAY AMOUNTS DUE UNDER THE FINANCING AGREEMENT. PAYMENTS OF SCHOOL HOUSING AID AND BASIC EDUCATION 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 2013 H Bonds will be offered when, as and if issued by the Corporation and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and the approval of legality and certain other matters by Edwards Wildman Palmer 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 Ryan Ltd., Providence, Rhode Island, and for the Underwriter by its counsel, Partridge Snow & Hahn LLP, Providence, Rhode Island. Public Financial Management, Inc. is serving as financial advisor for the Corporation in this transaction. The Series 2013 H Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about December 10, 2013.

Roosevelt & Cross, Incorporated

Dated: November 19, 2013

$11,310,000
RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2013 H (TOWN OF LITTLE COMPTON ISSUE)

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

Maturity May 15	Principal Amount	Interest Rate	Yield	Price	CUSIP**
2015	$225,000	2.00%	0.35%	102.352	762243 6P3
2016	420,000	3.00	0.60	105.782	762243 6Q1
2017	435,000	3.00	0.85	107.253	762243 6R9
2018	250,000	2.00	1.17	103.573	762243 6S7
2018	200,000	3.00	1.17	107.878	762243 6T5
2019	355,000	2.00	1.62	101.967	762243 6U2
2019	100,000	3.00	1.62	107.145	762243 6V0
2020	215,000	2.25	2.10	100.897	762243 6W8
2020	250,000	4.00	2.10	111.372	762243 6X6
2021	280,000	2.50	2.45	100.336	762243 6Y4
2021	200,000	4.00	2.45	110.470	762243 6Z1
2022	120,000	2.75	2.70	100.373	762243 7A5
2022	100,000	4.00	2.70	109.741	762243 7B3
2022	275,000	5.00	2.70	117.236	762243 7C1

$1,620,000 4.00% Term Bonds due May 15, 2025, Price 106.886* to Yield 3.15%, CUSIP 762243 7D9**
$1,190,000 5.00% Term Bonds due May 15, 2027, Price 111.277* to Yield 3.58%, CUSIP 762243 7E7**
$2,000,000 4.00% Term Bonds due May 15, 2030, Price 98.810 to Yield 4.10%, CUSIP 762243 7F4**
$3,075,000 4.25% Term Bonds due May 15, 2034, Price 97.989 to Yield 4.40%, CUSIP 762243 7G2**

* Priced to the May 15, 2023 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 2013 H Bonds. Neither the Underwriter, nor the Borrower, nor the Corporation, nor the Financial Advisor is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2013 H Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013 H 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 2013 H Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2013 H BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter may offer and sell the Series 2013 H Bonds to certain dealers (including dealers depositing Series 2013 H 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 2013 H 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 Borrower or the Underwriter.

The information set forth herein has been obtained from the Corporation, the Borrower 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 Underwriter. 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 Borrower or in any other matter since the date hereof.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter 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 Underwriter does 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 2013 H 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 2013 H 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 2013 H 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

$11,310,000
RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS, SERIES 2013 H (TOWN OF LITTLE COMPTON 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 2013 H (Town of Little Compton Issue) in the aggregate principal amount of $11,310,000 (the "Series 2013 H 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 October 17, 2013 (the "Resolution") to issue the Series 2013 H Bonds. The Series 2013 H Bonds will be issued and secured under a Master Trust Indenture dated as of November 1, 2009, as amended by a First Supplemental Indenture dated as of April 15, 2013 (the "Master Indenture") by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee") and a Series Indenture dated December 10, 2013 (the "Series 2013 H Series Indenture") between the Corporation and the Trustee. The Trustee is also bond registrar and paying agent for the Series 2013 H Bonds.

The Borrower will enter into a Financing Agreement with the Corporation for the purpose of financing or refinancing its school projects from the proceeds of the Series 2013 H Bonds (the "Financing Agreement").

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 Agreements by each Borrower receiving a Loan to be funded from the proceeds of such Series of Bonds, and (iii) certain State Housing Aid and Basic Education Aid to the extent received by the Corporation. All references in this Official Statement to "the Borrower" shall mean the Town of Little Compton, Rhode Island. All other references to "Borrower" or "Borrowers" shall mean one or more borrowers under the Prior Series (defined below). 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 and the Applicable Basic Education Aid for such Borrower will secure all such Series of Bonds on a parity basis. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H 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"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 A (Pooled Issue) (the "Series 2007 A Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 B (Pooled Issue) (the "Series 2007 B Pool"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2007 C (Pooled Issue) (the "Series 2007 C Pool"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2007 D (City of Pawtucket Issue) (the "Series 2007 D Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2008 A (the "Series 2008 A Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2008 B (Pooled Issue) (the "Series 2008 B Pool"), its Public Schools Revenue Bond Financing Program

Revenue Bonds, Series 2009 A (Town of East Greenwich Issue) (the "Series 2009 A Issue"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2009 B (Foster Glocester Regional School District Issue) (the "Series 2009 B Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2009 C (Pooled Issue) (the "Series 2009 C Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2009 D (Pooled Issue) (the "Series 2009 D Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2009 E (City of Woonsocket Issue) (the "Series 2009 E Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 A (Pooled Issue) (the "Series 2010 A Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 B (City of Central Falls Issue) (the "Series 2010 B Issue"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2010 C (Town of North Smithfield Issue) (the "Series 2010 C Issue"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2010 D (City of East Providence Issue) (the "Series 2010 D Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 E (City of East Providence Issue) (the "Series 2010 E Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 F (Town of East Greenwich Issue) (the "Series 2010 F Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 G (Pooled Issue) (the "Series 2010 G Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2011 A (Pooled Issue) (the "Series 2011 A Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2011 B (Chariho Regional School District Issue) (the "Series 2011 B Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2011 C (Town of Westerly Issue) (the "Series 2011 C Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2012 A (Town of East Greenwich Issue) (the "Series 2012 A Issue"), its Public Schools Revenue Bonds Financing Program Revenue Bonds, Series 2012 B (City of East Providence Issue) (the "Series 2012 B Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 (Town of North Kingstown Issue) (the "Series 2013 A Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 B (Town of Coventry Issue) (the "Series 2013 B Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 C (City of Newport Issue) (the "Series 2013 C Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 D (City of Warwick Issue) (the "Series 2013 D Issue") and its Public Schools Revenue Bond financing Program Revenue Bonds, Series 2013 E (Town of Portsmouth Issue) (the "Series 2013 E Issue") (collectively, the "Prior Series"). Prior to the end of the 2013 calendar year, the Corporation also plans to issue its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 F (City of Pawtucket Issue) (the "Series 2013 F Issue") and its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 G (City of Central Falls Issue) (the "Series 2013 G Issue").

The Series 2013 H Bonds are special obligations of the Corporation payable solely from the payments to be made by the Borrower under the Financing Agreement. Payments due under the Financing Agreement ("Loan Repayments") are scheduled to be sufficient to pay the principal, sinking fund installments, if any and redemption price of and interest on the Series 2013 H Bonds, from the proceeds of which the Borrower will receive a loan ("Loan"). The Financing Agreement also requires the Borrower to pay certain 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 the Financing Agreement in respect of the Series 2013 H Bonds have been pledged to the Trustee to secure solely such Series of Bonds and no other Series of Bonds.

The Borrower will not be responsible for the payment obligations of any other Borrower under the Prior Series nor will the General Obligation Pledge of the Borrower be available to satisfy the obligation of another Borrower under the Prior Series. A failure to pay an amount when due by the Borrower under the Financing Agreement in respect of the Series 2013 H Bonds would result in an intercept of the State Housing Aid and the Basic Education Aid relating to other bonds, notes or other evidence of indebtedness of the Borrower previously issued or subsequently issued in an amount required

to pay such deficiency. If the Borrower fails to pay amounts due under the Financing Agreement, the Corporation's sole recourse will be against the Borrower and no other Borrower. Further, upon the occurrence of such an event of default, none of the Corporation or the holders of the Bonds of such Series will have the right to accelerate the obligation of the Borrower under the Financing Agreement. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H BONDS – Payment of the Series 2013 H Bonds" herein.

The Series 2013 H Bonds will be secured by the pledge and assignment to the Trustee of payments due under the Financing Agreement, including Loan Repayments and all funds and accounts authorized by the Master Indenture and established by the Series 2013 H Series Indenture authorizing the Series 2013 H Bonds (with the exception of the Arbitrage Rebate Fund and the Administrative Fund). The 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 statutes to levy and collect *ad valorem* taxes on all its taxable property for such payment. The Corporation, as the holder of the Borrower Bonds, will have the right to remedies provided for by the State Constitution and applicable statutes to the holder of general obligation bonds, including a statutory lien on *ad valorem* taxes and general fund revenues. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H BONDS – Security for the Series 2013 H Bonds – *Statutory Lien Benefitting the Borrower Bonds*" herein.

To secure payment of all amounts due under the Financing Agreement, the Borrower has given its General Obligation Pledge to the Corporation. The Borrower, under the 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, as amended and restated on September 20, 2006 and further amended and restated on September 26, 2012 (the "MOU") and that after the occurrence of an event of default resulting from the failure to pay the amounts due under the Financing Agreement, State Housing Aid and Basic Education Aid relating to other bonds, notes and evidences of indebtedness may be intercepted and applied to the payment of the Series 2013 H Bonds. The School Aid Act authorizes an intercept mechanism under which the General Treasurer shall pay the State Housing Aid and Basic Education 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 2013 H BONDS – Security for the Series 2013 H Bonds."

The determination of the amount of State Housing Aid and Basic Education Aid and the apportionment of such State Housing Aid and Basic Education Aid are legislative acts and the General Assembly may amend or repeal the statutes relating to State Housing Aid and Basic Education Aid and the formulas which determine the amount of State Housing Aid and Basic Education Aid payable to the Borrower. Such amendments could result in the increase, decrease or elimination of the amount of the State Housing Aid and Basic Education Aid available for the payment of debt service on the Series 2013 H Bonds. The financial condition of the State may affect the amount of State Housing Aid and Basic Education 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, IF ANY, REDEMPTION PRICE OF OR INTEREST ON, THE SERIES 2013 H BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2013 H 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, IF ANY, AND

REDEMPTION PRICE OR INTEREST ON THE SERIES 2013 H BONDS. THE CORPORATION DOES NOT HAVE TAXING POWER.

The purchase of the Series 2013 H 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 2013 H Bonds, the Master Indenture, the Series 2013 H Series Indenture, the Financing Agreement, the Borrower Bonds and the MOU are qualified in their entirety by the definitive forms thereof. Copies of the documents will be made available by the Underwriter to any prospective purchasers upon request.

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

THE SERIES 2013 H BONDS

Description of the Series 2013 H Bonds

The Series 2013 H 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 2013 H Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2013 H Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2013 H Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2013 H Bonds, the Series 2013 H Bonds will be exchangeable for other fully registered Series 2013 H Bonds 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 2013 H BONDS - Book-Entry Only System" and APPENDIX E – "Summary of Certain Provisions of the Master Indenture and the Series Indenture" herein.

Interest on the Series 2013 H 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 Series 2013 H Bonds by wire transfer to the Holder of the Series 2013 H Bonds, each as of the close of business on the fifteenth day preceding an interest payment date. The principal or redemption price of the Series 2013 H Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of U.S. Bank National Association, the Trustee and Paying Agent. As long as the Series 2013 H Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "THE SERIES 2013 H BONDS - Book-Entry Only System" herein.

For a more complete description of the Series 2013 H Bonds, see APPENDIX E – "Summary of Certain Provisions of the Master Indenture and the Series Indenture".

Redemption Provisions

The Series 2013 H Bonds are subject to redemption as described below.

Optional Redemption. The Series 2013 H Bonds maturing on or before May 15, 2022 are not subject to optional redemption prior to maturity. The Series 2013 H Bonds maturing on or after May 15, 2025 are subject to redemption prior to maturity on or after May 15, 2023 in any order of maturity at the option of the Corporation, as a whole or in part at any time, at a redemption price equal to 100% of the principal amount of the Series 2013 H Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2013 H Bonds maturing on May 15, 2025 are 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 Series 2013 H Bonds specified for each of the dates show below:

Year	Principal Amount
2023	$520,000
2024	540,000
2025†	560,000

† Maturity

The Series 2013 H Bonds maturing on May 15, 2027 are 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 Series 2013 H Bonds specified for each of the dates show below:

Year	Principal Amount
2026	$580,000
2027†	610,000

† Maturity

The Series 2013 H Bonds maturing on May 15, 2030 are 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 Series 2013 H Bonds specified for each of the dates show below:

Year	Principal Amount
2028	$640,000
2029	665,000
2030†	695,000

† Maturity

The Series 2013 H Bonds maturing on May 15, 2034 are 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 Series 2013 H Bonds specified for each of the dates show below:

Year	Principal Amount
2031	$720,000
2032	750,000
2033	785,000
2034[††]	820,000

[††]Final Maturity

Notice of Redemption and Other Notices

So long as DTC or its nominee is the Bondowner, the Borrower, the Corporation and the Trustee 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 2013 H Bonds to be redeemed are Book-Entry Only Bonds, the Trustee shall give notice of redemption to DTC not less than thirty (30) days nor more than sixty (60) days prior to the redemption date 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 2013 H Bonds and their notice provisions for redemption see APPENDIX E – "Summary of Certain Provisions of the Master Indenture and the Series Indenture".

Book-Entry Only System

The information under this heading has been furnished by The Depository Trust Company ("DTC"), New York, New York. None of the Corporation, the Underwriter or the Borrower 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 2013 H Bonds. The Series 2013 H 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 the Series 2013 H Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, 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, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of AA+. 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.

Purchases of the Series 2013 H Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 H Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 H Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2013 H Bonds, except in the event that use of the book-entry system for the Series 2013 H Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 H 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 2013 H 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 Series 2013 H Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 H 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. Beneficial Owners of Series 2013 H Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 H Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2013 H Bonds may wish to ascertain that the nominee holding the Series 2013 H Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 H Bonds within an issue 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 Series 2013 H Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Series 2013 H Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and payments on the Series 2013 H 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 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 nor its nominee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2013 H Bonds at any time by giving reasonable notice to the Corporation. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION BELIEVES TO BE RELIABLE, BUT THE CORPORATION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE CORPORATION, THE BORROWER, THE UNDERWRITER, THE PAYING AGENT 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 2013 H BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2013 H BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2013 H BONDS.

Neither the Corporation, the Borrower, the Underwriter, 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 2013 H Bonds; (ii) the delivery to any Participant, Beneficial Owner of the Series 2013 H Bonds or other person, other than DTC, of any notice with respect to the Series 2013 H Bonds; (iii) the payment to any Participant, Beneficial Owner of the Series 2013 H Bonds or other person, other than DTC of any amount with respect to the principal of, premium, if any, or interest on, the Series 2013 H 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 2013 H Bonds are redeemed in part.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2013 H 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.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H 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 2013 H 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 2013 H Series Indenture, the Financing Agreement, the MOU and the Borrower Bonds for a more complete description of such provisions. Copies of the School Aid Act, the Master Indenture, the Series 2013 H Series Indenture, the Financing Agreement, the MOU and the Borrower Bonds are on file with the Corporation and/or the Trustee. See also APPENDIX D – "Summary of Certain Provisions of the Financing Agreement" and APPENDIX E – "Summary of Certain Provisions of the Master Indenture and the Series Indenture" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2013 H Bonds

The Series 2013 H Bonds will be special obligations of the Corporation. The principal, sinking fund installments, if any and redemption price of and interest on the Series 2013 H Bonds are payable solely from the Revenues pledged to the Series 2013 H Bonds. The Revenues consist of the payments paid by the Borrower under the Financing Agreement, including Loan Repayments, the State Housing Aid and the Basic Education 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 2013 H Bonds.

Loan Repayments in respect to the Series 2013 H Bonds are to be paid by the Borrower on the dates and in the amounts specified in the 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 2013 H Bonds and which amounts are scheduled to be sufficient to pay principal and interest on the Series 2013 H Bonds.

A failure to pay an amount when due by the Borrower under the Financing Agreement in respect to the Series 2013 H Bonds would result in an intercept of the State Housing Aid and Basic Education Aid of the Borrower in an amount required to pay such deficiency. If the Borrower fails to pay amounts due under the Financing Agreement, the Corporation's sole recourse will be against the Borrower and no other Borrower. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H BONDS – Security for the Series 2013 H Bonds" 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 such Borrower to meet such Borrower's payment obligations with respect to all such Series of Bonds, and (iii) the State Housing Aid and Basic Education Aid payable to such Borrower is insufficient to fully make up such deficiency, then the General Treasurer will intercept State Housing Aid and Basic Education Aid due to such 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 2013 H Bonds

The Series 2013 H Bonds will be secured by the pledge and assignment to the Trustee of all payments payable by the Borrower under the Financing Agreement, and all funds and accounts authorized by the Master Indenture and established by the Series 2013 H Series Indenture authorizing the Series 2013 H Bonds (with the exception of the Arbitrage Rebate Fund and the Administrative Fund), and the State Housing Aid and Basic Education Aid to the extent received by the Corporation in respect of the Series 2013 H Bonds; provided however, that certain earnings on amounts held in the Debt Service Fund will be released to the Borrower and prior to such release will secure the Series 2013 H Bonds. There is no debt service reserve fund securing the Series 2013 H Bonds. Pursuant to the terms of the Master Indenture, the funds and accounts established by the Series 2013 H Series Indenture authorizing the Series 2013 H Bonds secure only the Series 2013 H Bonds and do not secure any other Series of Bonds issued under the Master Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H BONDS – Issuance of Additional Bonds" herein.

Payments Under the Financing Agreement and Borrower Bonds. The Borrower will, pursuant to the Financing Agreement, deliver the Borrower Bonds to the Corporation to evidence its obligation to repay the Loan made by the Corporation to the Borrower. No Series 2013 H Bonds are secured by any interest in any real property of the Borrower. The Borrower Bonds are general obligations of the Borrower and State law provides a statutory lien on *ad valorem* taxes and general fund revenues of the Borrower to pay principal, interest on and redemption premium on the Borrower Bonds. The Borrower will pledge its full faith and credit to the payment of the principal of and interest on the Borrower Bonds 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. The Borrower's obligation to pay the amounts due under the Financing Agreement is absolute and unconditional without any right of set-off, recoupment or counterclaim against the Corporation. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H BONDS – Security for the Series 2013 H Bonds – *Statutory Lien Benefitting the Borrower Bonds*" herein.

The Corporation has covenanted for the benefit of the Holders of the Series 2013 H Bonds that it will not create or cause to be created any lien or charge upon the Revenues specifically pledged to secure the Series 2013 H Bonds, the proceeds of the Series 2013 H Bonds or the funds or accounts established under the Series 2013 H Series Indenture authorizing such Series 2013 H Bonds which is prior to the pledge made by the Master Indenture for such Series, except for the State Housing Aid and Basic Education 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"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 A (Pooled Issue) (the "Series 2007 A Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 B (Pooled Issue) (the "Series 2007 B Pool"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2007 C (Pooled Issue) (the "Series 2007 C Pool"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2007 D (City of Pawtucket Issue) (the "Series 2007 D Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2008 A (the "Series 2008 A Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2008 B (Pooled Issue) (the "Series 2008 B Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2009 A (Town of East Greenwich Issue) (the "Series 2009 A Issue"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2009 B (Foster Glocester Regional School District Issue) (the "Series 2009 B Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2009 C (Pooled Issue) (the "Series 2009 C Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2009 D (Pooled Issue) (the "Series 2009 D Pool"), its Public Schools Revenue

Bond Financing Program Revenue Bonds, Series 2009 E (City of Woonsocket Issue) (the "Series 2009 E Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 A (Pooled Issue) (the "Series 2010 A Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 B (City of Central Falls Issue) (the "Series 2010 B Issue"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2010 C (Town of North Smithfield Issue) (the "Series 2010 C Issue"), its Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2010 D (City of East Providence Issue) (the "Series 2010 D Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 E (City of East Providence Issue) (the "Series 2010 E Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 F (Town of East Greenwich Issue) (the "Series 2010 F Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2010 G (Pooled Issue) (the "Series 2010 G Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2011 A (Pooled Issue) (the "Series 2011 A Pool"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2011 B (Chariho Regional School District Issue) (the "Series 2011 B Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2011 C (Town of Westerly Issue) (the "Series 2011 C Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2012 A (Town of East Greenwich Issue) (the "Series 2012 A Issue), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2012 B (City of East Providence Issue) (the "Series 2012 B Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 (Town of North Kingstown Issue) (the "Series 2013 A Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 B (Town of Coventry Issue) (the "Series 2013 B Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 C (City of Newport Issue) (the "Series 2013 C Issue"), its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 D (City of Warwick Issue) (the "Series 2013 D Issue") and its Public Schools Revenue Bond financing Program Revenue Bonds, Series 2013 E (Town of Portsmouth Issue) (the "Series 2013 E Issue") (collectively, the "Prior Series"). Prior to the end of the 2013 calendar year, the Corporation also plans to issue its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 F (City of Pawtucket Issue) (the "Series 2013 F Issue") and its Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 G (City of Central Falls Issue) (the "Series 2013 G Issue").

State Housing Aid and Basic Education Aid. The Borrower under the 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 the Financing Agreement, State Housing Aid and Basic Education Aid relating to other bonds, notes and evidences of indebtedness may be intercepted and applied to the payment of the Series 2013 H Bonds. State Housing Aid and Basic Education 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 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 40% 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. Projects completed by June 30 of a fiscal year are eligible for reimbursement in the following fiscal year. 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 and Basic Education 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.

Prior to June 2012, the School Aid Act authorized 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 the 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. In June 2012, the General Assembly amended Section 16-7-41 of the School Aid Act to provide that in the event a Borrower fails to pay amounts due to the Corporation, the General Treasurer shall also intercept state operations aid authorized pursuant to Sections 16-7-15 through 16-7-34.3 of the Rhode Island General Laws ("Basic Education Aid") to become due to the Borrower in addition to State Housing Aid in an aggregate amount equal to the amount required to be paid by the Borrower to the Corporation with respect to the Borrower's allocable portion of a series of Bonds.

There can be no assurance that the amount of the Borrower's State Housing Aid and Basic Education Aid will be sufficient to pay the amount of any deficiency in Loan Repayments payable by the 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. See APPENDIX A – "Information Relating to the Borrower – State Aid."

Statutory Lien benefitting the Borrower Bonds. In July of 2011, the General Assembly enacted amendments to Section 45-12-1 of the Rhode Island General Laws to provide for a statutory lien on *ad valorem* taxes and general fund revenues for the benefit of general obligation debt of cities and towns such that the statutory lien has a priority in a bankruptcy. The Borrower Bonds delivered to the Corporation are general obligation bonds of the Town. The validity and propriety of the lien granted by Section 45-12-1 have not been adjudicated in any Chapter 9 proceeding. The amendments to Section 45-12-1 provide, in part, as follows:

The faith and credit and *ad valorem* taxes and general fund revenues of each city and town are pledged for the payment of principal of, premium and interest on all general obligation bonds and notes of the city or town, whether or not the pledge is stated in the bonds and notes or in the proceedings authorizing their issue and the pledge constitutes a first lien on such *ad valorem* taxes and general fund revenues. In addition, annual appropriations for payment of financing leases and obligations securing bonds, notes or certificates ("other financing obligations"), have a first lien on *ad valorem* taxes and general fund revenues commencing on the date of each annual appropriation. Amounts appropriated or added to the tax levy to pay principal of, premium and interest on general obligation bonds or notes and payments of other financing obligations are applied to the payment of such obligations. Any municipal employee or official who intentionally violates such provisions of Section 45-12-1 is personally liable to

the city or town for any amounts not expended in accordance with such appropriations. The superior court has jurisdiction to adjudicate claims brought by any city or town and to order such relief as the court may find appropriate to prevent further violations under such provisions of Section 45-12-1. Any municipal employee or official who violates such provisions of Section 45-12-1 is subject to removal.

Section 45-12-1 further provides, in part, that:

Notwithstanding any provision of any other law, including the Uniform Commercial Code, Title 6A of the Rhode Island General Laws: (1) the pledge of *ad valorem* taxes and general fund revenues to the payment of the principal, premium and interest on general obligation bonds and notes and payment of other financing obligations is valid and binding, and deemed continuously perfected from the time the bonds or notes or other financing obligations are issued; (2) no filing need be made under the Uniform Commercial Code or otherwise to perfect the first lien on general fund revenues; (3) the pledge of *ad valorem* taxes and general fund revenues is subject to the lien of the pledge without delivery or segregation, and the first lien on *ad valorem* taxes and general fund revenues is valid and binding against all parties having claims of contract or tort or otherwise against the city or town, whether or not the parties have notice thereof; and (4) the pledge shall be a statutory lien effective by operation of law and shall apply to all general obligation bonds and notes and financing obligations of cities, towns and districts and shall not require a security agreement to be effective.

The July 2011 amendments, described above, provide that *ad valorem* taxes and general fund revenues may be applied as required by the pledge without further appropriation except for financing obligations which are subject to annual appropriation.

Issuance of Additional Bonds

In addition to the Series 2013 H 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 such 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 such 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 2013 H 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, sinking fund installments or interest on its bonds or notes. See "THE CORPORATION" herein.

Defaults and Remedies under the Financing Agreement

Among the events which would constitute an "event of default" under the 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 the 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 and Basic Education Aid intercept mechanism authorized by the School Aid Act and implemented by the MOU of certain State Housing Aid and Basic Education Aid payable by the State to the Borrower. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H 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, if any, 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.

In no event may an "event of default" cause an acceleration of any Series 2013 H Bonds under the Series 2013 H 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. In 2007, the Corporation's powers were expanded to authorize the Corporation to issue bonds to refund any obligations issued by or for the benefit of a participating educational institution for a School Project. In 2008, the Corporation's powers were expanded to enable it to assist in financing non-profit clinical laboratories. In 2011, the list of eligible borrowers from the Corporation was expanded to include not only educational institutions and health care providers but also various entities controlled by such educational institutions and health care providers, as well as those engaged in public-private partnership agreements with educational institutions and health care providers.

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, IF ANY, REDEMPTION PRICE OF OR INTEREST THEREON, EXCEPT FROM REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2013 H 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, IF ANY, 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, 2016. Mr. Salome, a resident of Narragansett, Rhode Island, is President of Madison Components, LLC, a supplier of electronic and aviation components in Hampton, New Hampshire.

Mr. Ralph W. Ezovski, Vice Chairman. Term as member expires June 30, 2015. Mr. Ezovski, a resident of Barrington, Rhode Island, is a National Representative for the National Association of Government Employees (NAGE).

Mr. Terrance M. Biafore, Secretary. Term as member expires June 30, 2014. Mr. Biafore, a resident of South Kingstown, Rhode Island, is employed by Gallo Thomas Insurance Agency, an insurance and risk management firm in Warwick, Rhode Island.

Mr. Douglas C. Jeffrey, Sr., Assistant Treasurer. Term as member expired June 30, 2013*. Mr. Jeffrey, a resident of Johnston, Rhode Island, is President of Signature Properties, a Commercial/Residential Real Estate Brokerage in Providence, Rhode Island.

Mr. Richard Sinapi, Treasurer. Term as a member expires June 30, 2017. Mr. Sinapi, a resident of Cranston, Rhode Island, is the Principal Attorney and Managing Partner of Sinapi Law Offices, Ltd., a law firm in Cranston, Rhode Island.

*Directors serve until their successors are appointed and qualified.

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.

Public Financial Management, Inc., a financial and investment advisory firm, located in Providence, Rhode Island serves as financial advisor to the Corporation in connection with the issuance of the Series 2013 H Bonds and certain other financial matters.

Edwards Wildman Palmer LLP, of Providence, Rhode Island, is serving as Bond Counsel and will submit its approving opinion with regard to the legality of the Series 2013 H Bonds in substantially the form attached hereto as APPENDIX G - "Form of Approving Opinion of Bond Counsel."

Moses Afonso Ryan Ltd., of Providence, Rhode Island is serving as Counsel to the Corporation with respect to the issuance of the Series 2013 H Bonds.

O'Connor & Drew PC, of Braintree, Massachusetts, served as independent certified public accountants to the Corporation for the fiscal year ended June 30, 2013. Copies of the Corporation's financial statements and the auditor's report for the fiscal year ended June 30, 2013 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, 2013, the Corporation had 131 series of bonds and notes outstanding (excluding series secured by trust funds for future redemption) totaling $3,690,327,000 originally issued and $3,096,079,221 outstanding. See APPENDIX F - "Rhode Island Health and Educational Building Corporation Schedule of Indebtedness" herein.

The Corporation expects to issue subsequent series of bonds and notes for the purpose of financing and refinancing Project. 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 borrower for such series, and the general funds of the Corporation are not pledged to any bonds or notes. Each series of bonds and notes issued 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 F - "Rhode Island Health and Educational Building Corporation Schedule of Indebtedness" 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 Borrower, the Underwriter or any other person.

THE PROJECT

The proceeds from the sale of the Series 2013 H Bonds will be deposited in the Borrower's account in the Construction Fund and loaned to the Borrower pursuant to the Financing Agreement and used to finance the costs of the Project and to pay costs of issuance. See "ESTIMATED SOURCES AND USES OF FUNDS" herein and APPENDIX A – "Information Relating to the Borrower – THE TOWN OF LITTLE COMPTON – Education – *The Project.*"

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds

Par Amount of Bonds	$11,310,000.00
Net original issue premium	369,881.50
TOTAL SOURCES	$11,679,881.50

Estimated Uses of Funds

Deposit to Construction Fund	$1,745,801.00
Payment of Outstanding Bond Anticipation Notes	9,800,000.00
Total Underwriter's Discount	74,080.50
Costs of Issuance	60,000.00
TOTAL USES	$11,679,881.50

THE BORROWER

For a discussion of certain matters regarding the Borrower, see APPENDIX A – "Information Relating to the Borrower" and APPENDIX B - "Audited Financial Statements of the Borrower."

RISK FACTORS

Purchase of the Series 2013 H 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 2013 H Bonds are an appropriate investment. Certain of the risks associated with the purchase of the Series 2013 H 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 2013 H Bonds. This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive. Prospective purchasers of the Series 2013 H 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, IF ANY, REDEMPTION PRICE OR INTEREST ON THE SERIES 2013 H BONDS EXCEPT FROM THE REVENUES UNDER THE MASTER INDENTURE AND THE SERIES 2013 H 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, IF ANY, REDEMPTION PRICE OR INTEREST ON THE SERIES 2013 H 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 SCHOOL DISTRICTS FOR THE COST OF BUILDING OR RENOVATING PUBLIC SCHOOLS ("SCHOOL HOUSING AID"). THE STATE ALSO PROVIDES BASIC EDUCATION AID TO MUNICIPALITIES AND SCHOOL DISTRICTS FOR SCHOOL OPERATIONS ("BASIC EDUCATION AID"), WHICH MAY BE INTERCEPTED TO PAY AMOUNTS DUE UNDER THE FINANCING AGREEMENT. PAYMENTS OF SCHOOL HOUSING AID AND BASIC EDUCATION 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 Borrower does not comply with certain covenants of the Borrower in the Financing Agreement or if certain representations made by the Borrower in the Financing Agreement or certain certificates of the Borrower are false or misleading, the interest payable on the Series 2013 H Bonds may become subject to federal income taxation retroactive to the date of issuance of the Series 2013 H Bonds, regardless of the date on which noncompliance or misrepresentation is ascertained. In the event that interest on the Series 2013 H Bonds should become subject to federal income taxation, the Master Indenture does not provide for the redemption of the Series 2013 H Bonds, the acceleration of the payment of debt service on the Series 2013 H Bonds, or an increase in interest paid on the Series 2013 H Bonds.

State Housing Aid

The School 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.

Default by the Borrower or the Corporation

No representations or assurances can be given that the Borrower or the Corporation will not default in performing their respective obligations under the Master Indenture, the Series 2013 H Series

Indenture, the Financing Agreement or any of the other financing documents. In certain circumstances, if an "event of default" occurs under the Master Indenture, then the Trustee may be empowered to pursue such suits, actions or special proceedings in equity or at law as the Trustee shall deem most effectual to protect and enforce its rights and the rights of the Series 2013 H Bondholders, including but not limited to an action for a writ of mandamus; provided, however, that the Trustee is not empowered to accelerate the maturity of the Series 2013 H Bonds upon the occurrence of an event of default under the Master Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2013 H BONDS – Defaults and Remedies under the Master Trust Indenture" and APPENDIX E – "Summary of Certain Provisions of the Master Indenture and the Series Indenture" herein.

Market Factors

The financial condition of the Borrower as well as the market for the Series 2013 H Bonds could be affected by a variety of factors, some of which are beyond the Borrower's control. There can be no assurance that an adverse event will not occur which might affect the market price of and the market for the Series 2013 H Bonds. If a significant event should occur in the affairs of the Borrower, the market for and the market value of the Series 2013 H Bonds could be adversely affected.

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

The Series 2013 H Bonds will be issued under and secured by the Master Indenture. Reference is made to the Master Indenture, the Series Indenture and the Financing Agreement for the complete details of the terms thereof. See APPENDIX D - "Summary of Certain Provisions of and the Financing Agreement" and APPENDIX E – "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 Agreement which should not be considered a full statement thereof.

TAX EXEMPTION

In the opinion of Edwards Wildman Palmer 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 2013 H 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 2013 H 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. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 H Bonds.

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 2013 H Bonds. Failure to comply with these requirements may result in interest on the Series 2013 H Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2013 H Bonds. The Corporation and the Borrowers have covenanted to comply with such requirements to ensure that interest on the Series 2013 H Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2013 H Bonds and any profit on the sale of the Series 2013 H Bonds are exempt from taxation by the State or any

political subdivision or other instrumentality of the State. Bond Counsel expresses no opinion regarding any other Rhode Island tax consequences arising with respect to the Series 2013 H Bonds. Prospective Bondowners should be aware, however, that the Series 2013 H Bonds may be included in the measure of Rhode Island estate taxes, and the Series 2013 H Bonds and the interest thereon may be included in the measure of certain Rhode Island corporate and business taxes. Bond Counsel has not opined as to the taxability of the Series 2013 H Bonds or the income thereon 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 G hereto.

To the extent the issue price of any maturity of the Series 2013 H Bonds is less than the amount to be paid at maturity of such Series 2013 H Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2013 H 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 2013 H Bonds which is excluded from gross income for federal income tax purposes and is exempt from Rhode Island income taxes. For this purpose, the issue price of a particular maturity of the Series 2013 H Bonds is the first price at which a substantial amount of such maturity of the Series 2013 H 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 2013 H Bonds accrues daily over the term to maturity of such Series 2013 H 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 2013 H Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2013 H Bonds. Bondowners should consult their own tax advisors with respect to the tax consequences of ownership of Series 2013 H Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2013 H Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2013 H Bonds is sold to the public.

Series 2013 H Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series 2013 H Bonds, or, in some cases, at the earlier redemption date of such Series 2013 H Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Rhode Island income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondowner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondowner. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Series 2013 H Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Series 2013 H Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Series 2013 H Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Series 2013 H Bonds is excluded from gross income for federal income tax purposes and is exempt from Rhode Island income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 H Bonds may otherwise affect a Bondowner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondowner or the Bondowner's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondowners should consult with their own tax advisors with respect to such consequences.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2013 H Bonds are subject to the approving opinion of Edwards Wildman Palmer LLP, Providence, Rhode Island, Bond Counsel to the Corporation, a form of which is attached as APPENDIX G - "Form of Approving Opinion of Bond Counsel." Copies of such opinion will be available at the time of delivery of the Series 2013 H 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 2013 H BONDS," "THE SERIES 2013 H BONDS" except for the portion under the subheading "Book-Entry Only System," "SUMMARY OF THE MASTER INDENTURE, THE SERIES INDENTURE AND THE FINANCING AGREEMENT," "TAX EXEMPTION," "STATE NOT LIABLE ON THE SERIES 2013 H BONDS" and "COVENANT BY THE STATE" and APPENDICES C, D, E and G. In addition, Edwards Wildman Palmer LLP, Providence, Rhode Island will deliver an opinion regarding the authorization and issuance of the Borrower Bonds as general obligations of the Borrower.

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

UNDERWRITING

The Series 2013 H Bonds are being purchased for reoffering by Roosevelt & Cross, Inc., or its successor in interest (the "Underwriter"). Subject to the terms and conditions set forth in the Bond Purchase Agreement among the Corporation, the Borrower and the Underwriter, the Underwriter has agreed to purchase the Series 2013 H Bonds at a price of $11,605,801.00 (which is equal to the par amount of the Series 2013 H Bonds, plus net original issue premium of $369,881.50 and less an Underwriter's discount of $74,080.50), and will offer the Series 2013 H Bonds for resale at the interest rates and prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time and the Series 2013 H Bonds may be offered and sold to dealers and others (including dealers depositing the Series 2013 H 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 Borrower has agreed, to the extent permitted by law, to indemnify the Underwriter against certain liabilities, including liabilities under applicable securities laws.

FINANCIAL ADVISOR

The Corporation has retained Public Financial Management, Inc. (the "Financial Advisor") to serve as its financial advisor in connection with the issuance of the Series 2013 H 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 2013 H Bonds is contingent upon the issuance and delivery of the Series 2013 H 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 proceeds of the 2013 Series H 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 2013 H Bonds and the Corporation will not provide any such information.

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Borrower has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide on an annual basis to the Corporation and the Municipal Securities Rulemaking Board (the "MSRB") as the sole recognized municipal securities information repository, and its Electronic Municipal Market Access System for municipal securities disclosures designated by the Securities and Exchange Commission in accordance with Rule 15c2-12, on or before 9 months after the end of each fiscal year of the Borrower, commencing with the fiscal year ending June 30, 2013, operating data and financial information of the type specified in APPENDIX A to this Official Statement (the "Annual Information"), together with the 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 Information for the Borrower will consist of the (a) operating data and financial information of the type specified in APPENDIX A to this Official Statement (only to the extent that this information is not included in the audited financial statements of the Borrower), together with (b) a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning the Borrower and in judging the financial and operating condition of the Borrower.

In addition, the Corporation has undertaken in the Continuing Disclosure Agreement, for the benefit of the Bondholders, to provide to the MSRB in a timely manner, not in excess of ten (10) business days after the occurrence thereof, notice of certain events required to be provided by Rule 15c2-12 and described below.

The notices to be provided by the Corporation include notice of any of the following events with respect to the Series 2013 H Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, IRS notices, determinations or events affecting the tax status of the Series 2013 H Bonds; (7) modifications to rights of the Holders of the Series 2013 H Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Series 2013 H Bonds, if material; (11) rating changes; (12) tender offers; (13) the bankruptcy, insolvency, receivership or similar event of the Corporation or the Borrower; (14) the consummation of a merger, consolidation, or acquisition of the Corporation or the Borrower or the sale or all or substantially all of the assets of the Corporation or the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (15) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The Borrower has undertaken to provide to the Corporation, in a timely manner, notices similar to the ones described above with respect to the Borrower Bonds.

The form of the Continuing Disclosure Agreement to be entered into by the Borrower and the Corporation is attached hereto as APPENDIX H. The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the Borrower and/or the Corporation, and no person, including any owner of the Series 2013 H Bonds, may recover monetary damages thereunder under any circumstances. The Corporation or the Borrower may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any owner of outstanding Series 2013 H Bonds or by the Trustee on behalf of the Holders of outstanding Series 2013 H 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 Series 2013 H 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 2013 H Bonds. A breach or default under the Continuing Disclosure Agreement will not constitute an Event of Default under the Master Indenture or any other financing document. 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 the 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. The Continuing Disclosure Agreement, however, may under certain circumstances be amended or modified without the consent of Holders of the Series 2013 H Bonds. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2013 H 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.

Little Compton

The Town of Little Compton became obligated to make annual disclosure of certain financial information by filing with each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission in an offering that took place in 2007. Due to an administrative oversight, certain required financial information and audited financial statements were not timely filed for the fiscal years ending June 30, 2008 through June 30, 2012. All required information has since been filed, as well as a notice of late filing. The Town has implemented procedures to ensure timely filing of all future financial information.

RATING

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the Series 2013 H Bonds a rating of "AAA." Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from the rating

agency furnishing the same. 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 Underwriter has undertaken no responsibility either to bring to the attention of the Holders of the Series 2013 H Bonds any proposed revision or withdrawal of the rating of the Series 2013 H Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Series 2013 H Bonds. Such rating should not be taken as a recommendation to buy or hold the Series 2013 H 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 2013 H Bonds or the application of the proceeds thereof toward the Cost of the Project, or in any way contesting or affecting the validity of the Series 2013 H 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 2013 H Bonds or the existence or powers of the Corporation.

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

STATE NOT LIABLE ON SERIES 2013 H 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, IF ANY, AND REDEMPTION PRICE OR INTEREST ON, THE SERIES 2013 H BONDS EXCEPT FROM THE REVENUES TO BE PROVIDED UNDER THE MASTER INDENTURE AND THE SERIES 2013 H 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, IF ANY, AND REDEMPTION PRICE OR INTEREST ON THE SERIES 2013 H 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 BORROWER. THE CORPORATION DOES NOT HAVE TAXING POWER.

COVENANT BY THE STATE

Under the Act, the State pledges and agrees with the Holders of the Series 2013 H Bonds that the State will not limit or alter the rights vested in the Corporation until such Series 2013 H 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 Holders of such Series 2013 H Bonds.

MISCELLANEOUS

The references to the Act, the School Aid Act, the Master Indenture, the Series 2013 H Series Indenture, the Financing Agreement and the MOU 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 2013 H Series Indenture, the Financing Agreement and the MOU for full and complete statements of such and all provisions. The agreements of the Corporation with the Holders of the Series 2013 H Bonds are fully set forth in the Master Indenture, and neither any advertisement of the Series 2013 H Bonds nor this Official Statement is to be construed as constituting an agreement with the holders of the Series 2013 H 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 Borrower or the Underwriter makes any representations or warranties whatsoever with respect to the information contained therein.

Attached to this Official Statement as APPENDIX A is a letter that contains certain information relating to the Borrower and the Project. While the information contained in APPENDIX A is believed to be reliable, the Corporation and the Underwriter make no representations or warranties whatsoever with respect thereto. Also attached to this Official Statement is APPENDIX B which contains the most recent audited financial statements of the Borrower, together with the independent auditors' reports thereon. The Corporation and the Underwriter have relied on the information contained in APPENDICES A and B.

APPENDIX C – "Definitions," APPENDIX D – "Summary of Certain Provisions of the Financing Agreement" and APPENDIX E – "Summary of Certain Provisions of the Master Indenture and the Series Indenture" have been prepared by Edwards Wildman Palmer LLP, Bond Counsel.

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

APPENDIX G – "Form of Approving Opinion of Bond Counsel" has been prepared by Edwards Wildman Palmer LLP, Bond Counsel.

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

The Borrower has reviewed the portions of this Official Statement under "THE BORROWER," "CONTINUING DISCLOSURE," the second paragraph of "LITIGATION" and in APPENDICES A and B, and to the extent they relate to the Borrower or the Project, "THE PROJECT," "RISK FACTORS" and "ESTIMATED SOURCES AND USES OF FUNDS." At the closing, the Borrower will certify that such portions of this Official Statement, and APPENDICES A and B, 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: November 19, 2013

By: /s/ James K. Salome
Chairman

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APPENDIX A

INFORMATION RELATING TO THE BORROWER

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LITIGATION 25

November 12, 2013

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 Little Compton (the "Town" or "Little Compton"). 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 2013 H (Town of Little Compton Issue) (the "Bonds"). Unless otherwise noted, all information, including statistics, is taken from Town and its 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 LITTLE COMPTON

Location

The Town is located in southeastern Rhode Island approximately 44 miles south of Boston, 32 miles southeast of Providence, and 12 miles south of Fall River, Massachusetts. It is in a rural part of the State, bordered on the north by the Town of Tiverton, on the east by the Town of Westport, Massachusetts, on the South by the Atlantic Ocean, and on the west by the Sakonnet River (approximately 13.5 miles of coastline). The Town encompasses an area of 23.2 square miles, of which 1.7 square miles are inland water.

Government

Established in 1682 and incorporated as a town in 1746, the Town utilizes the Town Council form of government. On November 8, 1994 the Town adopted the Little Compton Home Rule Charter to be effective in January 1995, which was ratified by the Rhode Island General Assembly in May, 1995. The Town Council consists of five 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 of managing the affairs of the Town and submits a detailed budget of its estimated expenditures and revenues for each fiscal year to the voters at an annual Financial Town Meeting held in May of each year.

The Council President performs duties similar to those of a Town Manager, which include the execution of laws and administration of the Town Government. The Town Council President is Robert L. Mushen. Mr. Mushen has been a member of the Town Council since 2004 and Council President for nearly nine years. He was most recently reelected for another two-year term in November, 2012.

The other Council members are:

Councilperson	Years Experience	Term Expires
Gary S. Mataronas	15	2014
Paul J. Golembeske	11	2014
Fredrick M. Bodington III	9	2014
Charles N. Appleton, Jr.	7	2014

The Town Treasurer is elected for a two-year term. The Treasurer's responsibilities include management of the Town's finances and tax collections. The Town Treasurer is Mary-Jane M. Harrington. Ms. Harrington has held this position since November 2004 and was most recently reelected to this position in November 2012.

The Project

The project consists of financing the costs of health, safety and fire-code related emergency repairs, alterations, renovations, improvements, landscaping, and equipping and furnishing of the Wilbur & McMahon Schools.

Government Services

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

Police Department

As of 6/30/13, the Police Department consists of 10 full-time policemen, including the Police Chief. There are also four full-time and two part-time public safety dispatchers who work under the supervision of the Police Department. For Fiscal Year ended June 30, 2013, the Fire Department expended $885,182 (unaudited). The Police Department's budget for the Fiscal Years 2014 is $948,927.

Fire Department

As of 6/30/13, the Fire Department employs nine full-time fighters, including the Fire Chief. In addition there are two volunteers that respond to all Fire Department emergency calls but receive no salary from the Town. The full-time fire fighters answer all incoming calls and respond with the lead vehicle to all Fire Department emergencies. They also take care of routine maintenance for the station and equipment. For Fiscal Year ended 2013, the Fire Department expended $714,612 (unaudited). The Department's budget for Fiscal Year ending 2014 is $699,446.

Emergency Medical Services

Emergency Medical Service is provided with ambulances operated by the Town Fire Department.

Sanitation

Rubbish, garbage and recyclable material collections are made by arrangements with private contractors to individual customers. Town residents may also take such items to the Town's Transfer Station. All materials are eventually sent to the State's solid waste management facility in Johnston, Rhode Island, or to specialized contractors for certain types of waste.

Sewers

The Town does not have a town wide municipal sewage system. It is presently serviced by individual septic systems.

Education

The general administration of the Town's school system is directed by a five-member elected School Committee. The School Committee determines and controls all policies affecting the administration, construction, maintenance, and operation of the public schools. The School Committee also appoints a superintendent of schools as its chief administrative agent and has the power to appoint and remove all other school employees. There are 42 full-time and 3 part-time employees, including teachers, in the school system.

The Town maintains and operates a single complex which houses the J.F. Wilbur School (grades K-5), and the K.B. McMahon School (grades 6-8). The capacity of the school is estimated at 350 students.

High school students (grades 9-12) attend the Town of Portsmouth High School. For Fiscal Year ended 2011-2012 the Town paid a tuition fee of $8,431 for each student who attends the Town of Portsmouth High School. Payments in the amount of $9,000 and $9,270 per student have been budgeted for out-of-district tuition for fiscal year 2013 and 2014, respectively.

The following is a summary of the actual and projected school enrollment data of the Town:

Actual School Year	K - 8	9 -12*	Projected School Year	K - 8	9 -12*
2009	309	115	2014	253	139
2010	305	113	2015	245	134
2011	293	125	2016	228	129
2012	277	130	2017	212	132
2013	266	143	2018	199	137

*Out of district

Note: Projections for 2014 through 2018 include 20 new Kindergarten students each year

Utilities

National Grid, which maintains a plant and offices in Providence, Rhode Island, provides electric power to the Town. Individual artesian or dug wells supply water to local residents. There is no piped natural gas supply within the Town. Residents using gas employ bottled liquefied propane available from local distributors.

Transportation

The Town has approximately 18 miles of state roads, 21 miles of town roads, and 60 to 70 miles of private roads. While there are no major highways through the Town, it is only a short distance to Rte. 24 and access to other connecting highways.

Air transportation is accessible through the Newport State Air Park located in the City of Newport, Rhode Island, which provides charter air service to all major airports in New England and New York, and the T.F. Green State Airport located in the City of Warwick, Rhode Island. Nationwide rail passenger service is offered through AMTRAK's Providence station. Freight transportation is provided by railroad, local and long distance trucking firms and bus lines.

ECONOMIC CHARACTERISTICS

Population

Little Compton currently ranks 38th in population among the 39 cities and towns in Rhode Island (calculated on a high to low basis).

Year	Population
1940	1,492
1950	1,556
1960	1,702
1970	2,385
1980	3,085
1990	3,339
2000	3,593
2010	3,492

Source: U.S. Bureau of the Census for 1940 to 2010

Median Family Income

	1960	1970	1980	1990	2000	2011
Little Compton	$ 5,146	$ 9,422	$ 21,130	$ 44,292	$ 62,750	$ 113,750
State	5,589	9,736	19,448	39,172	52,781	72,724
U.S.	5,660	9,590	19,917	35,225	50,046	64,293

Source: 1960-2000 U.S. Census Bureau; 2011 U.S. Census Bureau American Community Survey 5-year Estimate.

Income Levels

	Town	State
Per capita income	$ 46,929	$ 29,685
Median family income	113,750	72,724
Median household income	96,200	55,975
Percent of families below poverty level	2.00%	8.90%

Source: U.S. Census Bureau, 2007-2011 American Community Survey 5-year Estimate

Major Employers

The Town of Little Compton has no employers who employ 100 or more people.

Unemployment

	Annualized						
	2006	2007	2008	2009	2010	2011	2012
Little Compton	4.3%	4.5%	6.4%	9.4%	10.9%	10.2%	9.2%
Rhode Island	5.0	5.2	7.8	11.2	11.6	10.8	10.4
United States	4.6	4.6	5.8	9.3	9.6	8.9	8.1

Source: Rhode Island Department of Labor & Training
Not seasonally adjusted

	2013 Monthly							
	January	February	March	April	May	June	July	August
Little Compton	10.5%	9.5%	7.6%	6.9%	7.9%	7.3%	7.6%	7.4%
Rhode Island	10.5	9.8	9.5	8.8	9.2	8.5	9.3	9.4
United States	8.5	8.1	7.6	7.1	7.3	7.8	7.7	7.3

Source: Rhode Island Department of Labor & Training
Not seasonally adjusted

Employment

In 2012, private business and industrial firms in the Town paying employment security taxes had yearly payrolls totaling $13,783,634. The total average number of persons employed in the Town was 463 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 Labor and Training for the calendar year ended December 31, 2012.

	Total Wages	Number of Employers	Average Employment	% of Covered Employment
Agriculture, Forestry, Fishing & Hunting	$ 985,228	8	55	11.88%
Construction	4,649,983	31	105	22.68%
Manufacturing	*	2	*	*
Wholesale Trade	477,150	5	8	1.73%
Retail Trade	474,071	7	29	6.26%
Transportation & Warehousing	*	3	*	*
Information	*	2	*	*
Finance & Insurance	*	4	*	*
Real Estate & Rental & Leasing	463,644	3	4	0.86%
Professional & Technical Services	1,330,100	18	17	3.67%
Administrative Support & Waste Mgmt.	1,231,701	21	47	10.15%
Educational Services	*	1	*	*
Health Care & Social Assistance	444,831	5	11	2.38%
Arts, Entertainment, & Recreation	1,506,061	7	61	13.17%
Accommodation & Food Services	652,307	8	56	12.10%
Other Services Except Public Administratior	1,568,558	22	70	15.12%
Total	**$ 13,783,634**	**147**	**463**	**100.00%**

Source: RI Department of Labor & Training

Data compiled June 2013, subject to revision.

*Some data are not shown due to the possibility of identifying data of a specific employer.

Housing

According to the 2010 U.S. Census, there were a total of 2,367 housing units in the Town compared to 2,103 in 2000. This represents an increase of 264 housing units or 12.55%.

Rental and owner occupied housing units totaled 1,501 in 2010, an increase of 26 or 1.76% from the 1,475 occupied units reported in 2000. In 2010, 83.5% of the occupied housing units were owner-occupied. According to the 2007-2011 American Community Survey 5-year estimates, the median value of owner-occupied housing units was $543,500, compared to the State average of $270,600. The median selling price of existing homes in Little Compton was $468,000 ending FY2012, compared to $190,000 state-wide.

The following table sets forth authorized new single family housing units and median selling prices of existing homes in the Town from 2003 to 2012.

	Median Selling Price	
	Town	State
2003	$ 410,000	$ 230,000
2004	500,000	264,700
2005	595,000	282,900
2006	855,200	282,500
2007	588,000	275,000
2008	651,750	234,900
2009	462,500	199,400
2010	410,000	210,000
2011	507,500	195,000
2012	468,000	190,000

Source: Rhode Island State-wide Multiple Listing Service

Building Permits

Fiscal Year	Permits Issued	Value
2004	611	$ 17,423,584
2005	688	17,725,976
2006	877	19,568,551
2007	844	20,126,169
2008	875	28,123,254
2009	762	20,759,035
2010	620	17,545,964
2011	525	9,643,595
2012	567	12,922,929
2013	747	22,680,051

Source: Town Building Inspector

Comprehensive Plan

The Town continues to encourage and support its rural farming and fishing heritage. Its Agricultural Conservancy Trust purchases and preserves land parcels to protect overdevelopment. Sellers of property in Little Compton pay up to 4% to the Agricultural Trust to fund this purpose.

The Town restricts new residential lots to a minimum size of two acres, protecting its water supply and sewage disposal capability. This restriction also limits large tract development.

INDEBTEDNESS OF THE TOWN

General

All of the Town's general obligation debt now outstanding or authorized but unissued has been authorized pursuant to the General Laws of Rhode Island and approved by Financial Town Meeting. After Financial Town Meeting approval has been secured, the terms of the debt must be determined by resolution of the Town Council, or if not so determined by the Town Council, by the Town Treasurer.

The 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 its general obligation bonds and notes to the extent that monies therefor are not otherwise provided, and that if such sum is not appropriated, it shall nevertheless be added to the annual tax levy. In order to provide such amount, all taxable property in the Town is subject to *ad valorem* taxation by the Town without limitation as to rate or amount.

Claims for Payment Due

Rhode Island General Laws Section 45-15-5 permits any person who shall have any claim for money due from any town to present a demand for such claim to the town council and, if satisfaction of such claim is not made within forty (40) days, to commence an action against the town treasurer for recovery of the claim. If a judgment is obtained for such debt due and if the treasurer of the town does not have sufficient monies to pay the judgment, Rhode Island General Laws Section 45-15-6 authorizes the town treasurer to apply to any justice of the peace for an order requiring the town to hold a special meeting of the town council "for the speedy ordering and making a tax" to be collected for such purpose. If the town council shall fail to assess voluntarily a tax sufficient to satisfy judgment on a town debt, Rhode Island General Laws Section 45-15-7 authorizes the Superior Court to order the assessors of the town "to assess upon the ratable property thereof, and the collector to collect, a tax sufficient for the payment of the judgment, with all incidental costs and charges, and the expense of assessing and collecting the tax."

Statutory Lien

In July of 2011, the General Assembly enacted amendments to Section 45-12-1 of the Rhode Island General Laws to provide for a statutory lien on *ad valorem* taxes and general fund revenues for the benefit of general obligation debt of cities and for giving priority to general obligation debt in a bankruptcy. The validity and priority of the lien granted by Section 45-12-1 have not been adjudicated in any chapter 9 bankruptcy proceeding. The amendments provide, in part, as follows:

The faith and credit, *ad valorem* taxes and general fund revenues of each city and town are pledged for the payment of principal of, premium and interest on all general obligation bonds and notes of the city or town, whether or not the pledge is stated in the bonds and notes or in the proceedings authorizing their issue and the pledge constitutes a first lien on such *ad valorem* taxes and general fund revenues.

In addition, annual appropriations for payment of financing leases and obligations securing bonds, notes or certificates ("other financing obligations"), have a first lien on *ad valorem* taxes and general fund revenues commencing on the date of each annual appropriation. Amounts appropriated or added to the tax levy to pay principal of, premium and interest on general obligation bonds or notes and payments of other financing obligations are applied to the payment of such obligations. Any municipal employee or official who intentionally violates such provisions of Section 45-12-1 is personally liable to the city or town for any amounts not expended in accordance with such appropriations. The superior court has jurisdiction to adjudicate claims brought by any city or town and to order such relief as the court may find appropriate to prevent further violations under such provisions of Section 45-12-1. Any municipal employee or official who violates such provisions of Section 45-12-1 is subject to removal.

Section 45-12-1 further provides in part, that: notwithstanding any provision of any other law, including the uniform commercial code, Title 6A of the Rhode Island General Laws: (1) the pledge of *ad valorem* taxes and general fund revenues to the payment of the principal, premium and interest on general obligation bonds and notes and payment of other financing obligations is valid and binding, and deemed continuously perfected from the time the bonds or notes or other financing obligations are issued; (2) no filing need be made under the uniform commercial code or otherwise to perfect the first lien on ad valorem taxes and general fund revenues; (3) the pledge of *ad valorem taxes* or general fund revenues is subject to the lien

of the pledge without delivery or segregation, and the first lien on ad valorem taxes and general fund revenues is valid and binding against all parties having claims of contract or tort or otherwise against the city or town, whether or not the parties have notice thereof; and (4) the pledge shall be a statutory lien effective by operation of law and shall apply to all general obligation bonds and notes and financing obligations of cities, towns and districts and shall not require a security agreement to be effective.

The July 2011 amendments, described above, provide that *ad valorem* taxes and general fund revenues may be applied as required by the pledge without further appropriation except for other financing obligations which are subject to annual appropriation.

State Aid Intercept

Rhode Island General Laws § 45-12-32 creates a mechanism to enhance the creditworthiness of cities and towns in financial stress by providing for a state aid intercept mechanism to pay general obligation bonds and notes. Under the statute, the finance director is required to notify the mayor and the town council if it appears to the finance director that the town is likely to be unable to pay in whole or in part the principal or interest, or both, on any of its bonds, notes or certificates of indebtedness when due. If the mayor or town council, whether or not so notified, finds upon investigation that the payment cannot or is not likely to be made when due, he, she, or they is required to certify the inability or likely inability to the Director of Revenue of the State. The Town has never made such a certification. Upon receipt of the certificate, the Director of Revenue shall immediately investigate the circumstances and, if the Director finds that the town is, or in the Director's opinion will be, unable to make the payment when due, the Director shall forthwith certify the inability, the amount of the due or overdue payment and the name of the paying agent for the bonds, notes or certificates of indebtedness to the General Treasurer of the State.

Notwithstanding any provision of general or special law or any rules or regulations with respect to the timing of payment of state aid payments, not later than three (3) days after receipt of the certification from the Director of Revenue or one business day prior to the date on which the principal or interest, or both, becomes due, whichever is later, the General Treasurer of the State is required to pay to the paying agent the amount of the due or overdue payment certified to him/her to the extent of the sums otherwise then payable and the sums estimated to become payable during the remainder of the fiscal year, from the treasury, to the town. The amounts so paid to the paying agent are held in trust and exempt from being levied upon, taken, sequestered or applied for any purpose other than paying principal or interest, or both, on bonds, notes or certificates of indebtedness of the town.

For purposes of the statute, the sums otherwise payable from the treasury to a city and town shall be the funds made available to cities and towns: (i) as state aid pursuant to chapter 45-13 of the Rhode Island General laws, but specifically excluding reimbursements to cities and towns for the cost of state mandates pursuant to § 45-13-9 of the Rhode Island General Laws; (ii) as school housing aid pursuant to §§ 16-7-35 – 16-7-47 of the Rhode Island General Laws, but subject to any pledge to bonds issued to finance school projects by the Rhode Island Health and Educational Building Corporation, and specifically excluding school operations aid provided for in §§ 16-7-15 – 16-7-34.3 of the Rhode Island General Laws; (iii) in replacement of motor vehicle and trailer excise taxes pursuant to chapter 44-34.1 of the Rhode Island General Laws; (iv) from the public service corporation tax pursuant to chapter 44-13 of the Rhode Island General Laws; (v) from the local meal and beverage tax pursuant to § 44-18-18.1 and the hotel tax pursuant to § 44-18-36.1 of the Rhode Island General laws; and (vi) pursuant to all acts supplementing such chapters.

Enforceability of Town Obligations

Enforcement of a claim for payment of principal of or interest on a bond or note issued by the Town is subject to the applicable provisions of the federal bankruptcy laws and of statutes, if any, hereafter enacted by the federal government or the State of Rhode Island extending the time for payment of such obligations or imposing other constitutionally valid constraints upon such enforcement.

Judicial enforcement of statutes such as Rhode Island General Laws Sections 45-15-5 – 45-15-7 described above under the heading *"Claims for Payments Due"*, the statutory lien provided for in section 45-12-1 and state aid intercepts such as that provided for in Section 45-12-32 are within the discretion of a court. The status of these rights and remedies of owners of bonds and notes in a proceeding to restructure city or town debt under Chapter 9 of the Federal Bankruptcy Code, or pursuant to other subsequently enacted laws relating to creditors' rights has not been adjudicated.

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 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 $56,682,823 based on net assessed valuations of $1,889,427,435 as of December 31, 2012. As of June 30, 2013, the Town had no debt outstanding under the 3% debt limit provision or under the ministerial approval process leaving a debt capacity of $56,682,823. All other outstanding debt has been authorized by special act of the Rhode Island State Legislature and referenda approved by the Town electorate.

In addition to debt authorized within the 3% debt limit and debt authorized by special act 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 requested the State Director of Administration to authorize indebtedness of the Town under section 45-12-11.

Outstanding Bonded Debt

The outstanding general obligation debt of the Town (including bonds being refunded) for the fiscal years ended June 30, 2008 through 2012 was as follows:

	Fiscal Year Ended June 30,				
	2008	**2009**	**2010**	**2011**	**2012**
GO Bonds	$ 945,000	$ 730,000	$ 520,000	$ 315,000	$ 210,000
RIHEBC School Bonds	495,000	440,000	385,000	350,000	275,000
Total Debt	$ 1,440,000	$ 1,170,000	$ 905,000	$ 665,000	$ 485,000

Debt Ratios and Debt Per Capita

	Fiscal Years Ending June 30,				
	2008[2]	**2009**	**2010**	**2011[3]**	**2012**
Population[1]	3,492	3,492	3,492	3,492	3,492
Estimated Full Market Value	$2,004,450,610	$2,016,210,360	$2,032,454,725	$1,839,956,716	$1,868,749,676
Gross Bonded Debt	1,440,000	1,170,000	905,000	665,000	485,000
Ratio of Debt to EFMV	0.07%	0.06%	0.04%	0.04%	0.03%
Debt Per Capita	$ 412	$ 335	$ 259	$ 190	$ 139
Real Property Tax Rate	$4.62	$4.61	$5.33	$5.33	$5.38

(1) Source: U.S. Census
(2) Statistical update
(3) Revaluation

Actual Bonded Debt Service

The following table sets forth a schedule of debt service on outstanding bonds of the Town for the fiscal years ending 2013 through 2017.

Fiscal Year	Principal	Interest	Total
2013	$ 160,000	$ 21,820	$ 181,820
2014	160,000	15,000	175,000
2015	55,000	8,075	63,075
2016	55,000	5,650	60,650
2017	55,000	2,700	57,700
	$ 485,000	$ 53,245	$ 538,245

Authorized but Unissued Debt

Subsequent to this issue of Bonds, the Town will not have any authorized but unissued authority.

Capital Improvements Plan

The Town has a five-year capital plan which is adopted as part of the annual budget at the Town's Annual Financial Town Meeting. The Town approved $60,000 in Fiscal Year 2014 for pay-as-you-go capital projects.

Tax Anticipation Notes

Under State 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. 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 since 1982 and does not expect to borrow in anticipation of taxes in the near future.

Bond Anticipation Notes

The Town has outstanding Bond Anticipation Notes in the amount of $9,800,000, which will be paid off with a portion of the proceeds from the Bonds.

Overlapping Debt

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

TOWN FINANCES

Financial Reporting

The Town prepares its General Fund and Special Revenue Fund 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. Property taxes, interest and penalties are recognized as revenue when collected. Expenditures are recorded when liabilities are incurred.

The Town's financial statements for the year ended June 30, 2012 have been audited by LGC&D LLP.

Budgetary Procedures

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

Departments that are controlled by the Town Council submit their proposed budget annually to the Town Council. The Town Council then discusses the proposed budget with the department head and either forwards it on to the Town Clerk as submitted or as modified after the discussion with the department head.

All other departments, including the School Department, are required to submit their annual budgets to the Town Clerk by March 1st to be included in a warrant for Financial Town Meeting consideration.

All budgets are presented and reviewed by a Budget Committee consisting of five (5) persons elected bi-annually at the Financial Town Meeting. The Budget Committee meets with department heads and/or the Town Council or School Committee concerning any questions that they may have on the proposed budgets. After careful review the Budget Committee makes recommendations to the voters in the form of a report that is mailed to all registered voters. There is also a public hearing held prior to the Financial Town Meeting. The budget summary page is compiled after consultation with the Town Treasurer and Town Council.

The Town Council and Town Clerk also comply with all State Laws that apply to Financial Town Meetings and/or appropriation of funds.

Comparative Budgets (General Fund Only)

	Adopted Budget 2011/12[1]	Adopted Budget 2012/13	Adopted Budget 2013/14
Revenue			
General Property Tax	$ 10,004,741	$ 10,153,414	$ 10,418,865
Town Administration Fees	380,000	400,000	430,000
Town Beach Fees	180,000	180,000	195,000
Cell Tower Fees	36,618	33,500	33,500
Investment and Other Income	35,000	35,000	45,878
Newport Cty Regional Spec Ed Program	22,254	9,474	9,500
School Unrestricted	100,000	700,000	-
School Renovation Fund			268,076
Miscellaneous	182,663	175,904	274,065
General Fund Appropriation	-	17,345	-
State Housing Aid	20,903	36,206	36,206
Education Aid[2]	381,888	494,668	569,350
Total	$ 11,344,067	$ 12,235,511	$ 12,280,440
Expenditures			
Public Safety	$ 1,638,038	$ 1,699,649	$ 1,850,753
School Department	6,731,998	7,431,998	7,167,926
Town Administration	438,554	521,983	555,412
Public Works	491,265	557,195	581,972
Employee Benefits	1,314,417	1,317,651	1,324,983
Recreation and Services	325,372	298,976	326,115
General Operations	211,836	189,339	289,279
Debt Service	192,489	218,720	184,000
Total	$ 11,343,969	$ 12,235,511	$ 12,280,440

(1) Budgeted revenue exceeds expenses by $98.

(2) Includes Federal and State Aid.

State School Basic Education Aid

Pursuant to Rhode Island General Laws Sections 16-7-15 to 16-7-34 et seq., as amended, the State provides basic education aid to each municipality and school district in the State, subject to annual appropriation by the General Assembly. The statutes provide for reimbursement of school expenditures based on a formula which adjusts the reimbursement ratio based on the relative equalized valuation of property and median family income relative to the State as a whole. There are no assurances, however, that the Rhode Island General Assembly will continue this program or appropriate sufficient funds for its implementation. State School Basic Education Aid is subject to pro-rata reduction in accordance with State law. Under this program the Town's School Department received $301,177 in the fiscal year ended June 30, 2012. The Town budgeted $331,745 and $367,484 of such receipts for the fiscal years ending June 30, 2013 and 2014, respectively.

In 2012, the General Assembly amended the general laws to provide that basic education aid may be intercepted to pay debt service on bonds issued by the Rhode Island Health and Educational Building Corporation ("RIHEBC") for the benefit of a municipality in the event the municipality fails to make timely payments of debt service on school construction bonds issued for the municipality through RIHEBC.

State School Construction Aid

Pursuant to Rhode Island General Laws Sections 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. State aid reimbursement for school construction projects is based on the share ratio established for that year by the Rhode Island Department of Education. The recently enacted funding formula also raises the minimum reimbursement percentage to 35% for the fiscal year 2012 payments and 40% for the fiscal year 2013 payments and thereafter. For the fiscal year ending June 30, 2012 the Town's share ratio is approximately 48.3%. This ratio can vary from year to year.

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. School housing costs subject to State aid reimbursement shall not include bond issuance costs and demolition costs for buildings, facilities, or sites deemed surplus by the school committee. 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 Town received $56,693 for the fiscal year ended June 30, 2012. The Town expects to receive $36,206 and $36,206 for the fiscal years ended June 30, 2013 and 2014. The Town is currently near completion of its $11,310,000 school renovation project. It is expected that all but $100,000 of the project costs will be eligible for State School Construction aid.

Pursuant to Chapter 144 of the 2013 Rhode Island Public Laws, any net interest savings resulting from the issuance of refunding bonds issued by any local community in support of school housing projects for the community shall be allocated between the community and the State, by applying the applicable school housing aid ratio at the time of issuance of the refunding bonds, calculated pursuant to section 16-7-39, that would otherwise apply in connection with school housing projects of the community; provided however, that for any refundings that occur between July 1, 2013 and December 31, 2015, the community shall receive eighty percent (80%) of the total savings and the State shall receive twenty percent (20%). In connection with any refunding bond issue, school housing project costs shall include the cost of interest payments on such refunding bonds, if the cost of interest payments was included as school housing cost for the bonds being refunded. In addition, school housing projects costs in connection with any such refunding bond issue shall include bond issuance costs incurred in connection with the issuance. The benefits of this law are available only if the net present value savings resulting from the refunding is at least three percent (3%) of the refunded bond issue.

Other State Aid

Shown below is a summary of various state aid revenues credited to the Town's General Fund (excluding school operations and construction aid, which is accounted for in the Special Revenue Fund).

	2008	2009	2010	2011	2012
General Revenue Sharing[1]	$ 90,957	$ 40,956	$ -	$ -	$ -
Library	25,425	25,296	25,583	26,500	28,295
State and School Housing[2]	22,238	19,028	17,708	-	-
Telephone Tax	34,976	31,548	73,842	38,902	39,662
Excise Tax Phase Out	295,563	292,210	292,210	25,292	23,548
Hotel, Meal & Beverage Tax	31,846	28,789	53,246	27,577	40,300
Total State Aid	$ 501,005	$ 437,827	$ 462,589	$ 118,271	$ 131,805

(1) General Revenue Sharing eliminated by the State in 2010.
(2) Beginning in 2011 accounted for in Special Revenue Fund.

Employee Relations

As of June 30, 2013, the Town employs nine full-time and two part-time employees, exclusive of school, police and fire department employees.

These include three full-time maintenance persons and six full-time employees in the Town Hall (Offices of Town Clerk, Town Treasurer and Tax Collector, and Tax Assessors). The Town Clerk and Town Treasurer/Tax Collector are elected officials and are full-time employees. In addition, there are three elected Tax Assessors who work part-time.

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

Police Department	3 year contract, expires June 30, 2015
Fire Department	3 year contract, expires June 30, 2015
School Department non-certified	3 year contract, expires June 30, 2014
Teachers	3 year contract, expires June 30, 2014
Municipal Employees	3 year contract, expires June 30, 2015

Retirement Plans

The Town contributes to pension plans covering all of its employees as follows:

Town Employees Plan

The Retirement Plan for Employees of the Town (the Plan) is a single-employer, contributory defined benefit pension plan, which provides retirement, disability and death benefits to substantially all full-time employees of the Town except School Department personnel certified by the Rhode Island Department of Education (Certified Employees) who are eligible to participate in the Employees' Retirement System of the State of Rhode Island. The Plan is administered by a pension committee consisting of four members appointed annually by the Town Council, plus three members of the various unions. The pension committee can make minor changes while major changes require Financial Town Meeting approval. State law gives the Town Council authority to negotiate union contracts. The effective date of the Plan is January 1, 1972. The assets of the Plan are held in a Trust, which is reported as a fiduciary fund in the Town's financial statements. As of July 1, 2012, the date of the latest actuarial valuation, membership in the Plan was as follows:

Active participants	46
Vested terminations and inactive lives	6
Retirees	30
Total plan members	82

Over the past six years, the Town has made the following required contributions:

Town Pension Plan

Fiscal Year	Annual Required Contribution	Actual Contribution	Percent Contributed	Unfunded Liability[1]	Funded Ratio
2012	$ 336,738	$ 414,405	123.06 %	$ 1,098,999	86.69 %
2011	414,405	507,896	122.56	2,005,751	74.46
2010	507,896	424,375	83.56	2,766,918	64.33
2009	424,375	338,040	79.66	1,602,576	78.49
2008	338,040	358,331	106.00	815,940	88.20
2007	358,331	303,154	84.60	1,285,442	80.14

(1) For FY2007-2012 assumes asset appreciation of 7.5%. For FY07-10 assumes salary increased of 5.0% annually and salary increases of 4.0% annually for FY11-12.

Contributions in the amount of $336,738 and $420,236 have been budgeted for fiscal years 2013 and 2014, respectively. These contributions represent 100% of the annual required pension costs.

School Teachers' Retirement Plan

Town certified school personnel participate 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 Teacher's 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 by State statute. For fiscal year 2013, 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 (EAN) actuarial cost method. Valuations under this method assume a valuation date of June 30th of each plan year. This is the date as of which both the actuarial present value of future benefits and the actuarial value of assets are determined. 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 Employee's Retirement System of Rhode Island's website contains additional information (www.ersri.org).

The following are comparative highlights for 2008 through 2012 for the Teachers' Retirement System as a whole:

	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012
Active Participants	13,999	13,689	13,530	13,381	13,212
Pensioners & Benficiaries	9,337	9,749	10,213	10,347	10,622
Inactive Participants	2,410	2,466	2,521	2,689	2,808
Net Assets	$ 3,857,373,705	$ 2,962,026,384	$ 3,196,511,775	$ 3,626,646,745	$ 3,499,847,941
Employer Contributions	205,368,390	193,923,476	178,122,248	183,762,262	207,800,343
Member & Other Misc. Contributions	94,867,773	89,226,214	94,117,458	94,342,939	91,086,659
Total Contributions	$ 300,236,163	$ 283,149,690	$ 272,239,706	$ 278,105,201	$ 298,887,002
Investment Income	(240,377,537)	(765,400,473)	402,693,600	606,935,285	50,871,632
Total Income Available for Benefit Payments	$ 59,858,626	$ (482,250,783)	$ 674,933,306	$ 885,040,486	$ 349,758,634
Benefit Payments	(387,867,292)	(413,096,770)	(440,029,866)	(455,121,047)	(475,856,366)
Transfer and Other Adjustments	-	-	(418,049)	215,531	(701,072)
Excess of Income Over Expenses	$ (328,008,666)	$ (895,347,553)	$ 234,485,391	$ 430,134,970	$ (126,798,804)
Funded Ratio	61.80%	58.10%	48.40%	59.70%	58.80%

Compiled from Employee Retirement System of Rhode Island - Annual Reports 2008-2012

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.

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 was on a pay-as-you-go basis.

Over the past five years, the School District has made the following required contributions:

Fiscal Year	Annual Required Contribution	Actual Contribution	Percent Contributed
2012	$ 287,000	$ 287,000	100.00 %
2011	244,089	244,089	100.00
2010	261,795	261,795	100.00
2009	204,112	204,112	100.00
2008	269,065	269,065	100.00

Contributions in the amount of $298,214 and $283,610 have been budgeted for fiscal year 2013 and 2014, respectively.

Rhode Island Retirement Security Act

A number of unions representing state employees and teachers filed a lawsuit in State Court in May 2010 challenging pension reforms made by the Rhode Island General Assembly in 2009 and 2010. The defendant State officials filed a Motion for Summary Judgment on the claims set forth in the Amended Complaint which was heard on July 18, 2011. On September 13, 2011, the Superior Court issued its decision in which it ruled that pension plan participants have a contractual right based on an implied-in-fact contract theory, but consistent with a stipulation of the parties, the Court did not decide whether that contract had been impaired or whether any such impairment was legally justified. The defendants State officials have publicly stated that they believe the Superior Court's ruling was not legally justified. On October 3, 2011, defendants filed a Petition for Issuance of a Writ of Certiorari and Supporting Memorandum of Law with the Rhode Island Supreme Court. On November 22, 2011, the Supreme Court denied the petition for Writ of Certiorari. On January 2, 2013, the Court ordered the parties to participate in mediation, which is ongoing. The parties are scheduled to report back to the court on November 12, 2013.

In addition, in June 2012, certain unions, active employees, retired state employees and associations of retired state and municipal employees who maintain they are current beneficiaries of Employees Retirement System of Rhode Island commenced five separate lawsuits in State court challenging the Retirement Security Act. The five cases are: *Rhode Island Public Employees' Retirement Coalition v. Chafee,* C.A. No. 12-3166; *Bristol/Warren Regional School Employees, Local 581, AFSCME, Council 94 v. Chafee,* C.A. No. 12-3167; *Rhode Island Council 94, AFSCME, AFL-CIO, et al v. Chafee,* C.A. No. 12-3168 and *Woonsocket Fire Fighters, IAFF Local 732, AFL-CIO v. Chafee,* C.A. No. 12-3579. In each of the five cases, the plaintiffs alleged that the Retirement Security Act violates the Contract Clause, the Takings Clause and the Due Process Clause of the Rhode Island Constitution. In addition, in *Rhode Island Public Employees' Retirement Coalition v. Chafee,* C.A. No. 12-3166 case, the plaintiffs also allege counts for promissory estoppel and breach of contract. The State has indicated that it intends to vigorously contest the lawsuits.

On August 17, 2012, the defendants filed a motion to dismiss the *Rhode Island Public Employees' Retirement Coalition v. Chafee,* C.A. No. 12-3166 case on the ground that Rhode Island's pension legislation does not create a contact with ERSRI participants and that general contract principles, such as implied contracts, cannot be used to determine whether a state statute creates a contract. In the remaining four cases, the defendants filed motions for more definite statements in which they argue that it is not clear from the plaintiffs' pleadings what purported contract or contract(s) plaintiffs allege have been impaired. The defendants also moved in the alternative and asked the Court to dismiss the remaining four cases if the Court concluded that the plaintiffs' purported contracts derive from Rhode Island's pension legislation. A hearing on defendants' motions was held in December 2012. The parties have not yet received a decision on those motions. On January 2, 2013, the Court ordered parties to participate in mediation which is ongoing. The parties are scheduled to report back to the court on November 12, 2013.

An adverse judgment to the State rendered in the litigation could significantly increase the Town's Annual Required Contribution. If there were to be a significant increase in the ARC, the Town may be required to (i) raise additional revenue, (ii) reduce Town services, (iii) implement a combination of the foregoing, or (iv) take any other measures as necessary.

Locally Administered Pension Plans Experience Study

As a result of legislation passed by the Rhode Island General Assembly in 2011, cities and towns were required to complete an experience study of any locally administered pension plan by April 1, 2012. The Town's experience study was completed for the Town Plan and was submitted to the State pursuant to this legislation. Due to the fact that the Town Plan was determined not to be in critical status (unfunded ratios below 60%), the Town was not required to submit a Funding Improvement Plan.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and/or life insurance benefits. The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits.

The Town and School Department provide postemployment health insurance benefits, or compensation in lieu of postemployment health insurance benefits, to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available health care coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. During the year ended June 30, 2012, postemployment benefits totaling $126,282 were received by eleven participants. Over the past three years, the Town has made the following required contributions:

Other Postemployment Benefits

Fiscal Year	Annual Required Contribution	Actual Contribution	Percent Contributed	Unfunded Liability[1]	Funded Ratio
2012	$ 266,076	$ 126,282	47.46 %	$2,629,923	0.00 %
2011	258,326	114,670	44.39	2,629,923	0.00
2010	224,867	119,000	52.92	1,954,239	0.00

(1) Assumes discount rate of 4% and health care cost trend rates of 8% declining to 4.5% annually.

Contributions in the amount of $150,882 and $129,766 have been budgeted for fiscal year 2013 and 2014, respectively. The actual contributions are based on an alternative calculation method allowed by GASB based on the small number of plan participants.

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 annually as of December 31 and the levy thereon may be paid in full or quarterly without penalty, at the taxpayer's option. In Little Compton, the Fiscal Year begins July 1 with taxes for the prior December 31 assessment payable in full on September 15 or quarterly on September 15, December 15, March 15 and June 15. No discount is allowed by the Town for advance payment of taxes. There is a 12 percent per annum late payment charge on all delinquent taxes including quarterly payments when not made in 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. For fiscal year 2013 and thereafter, the tax levy cap is four percent (4.00%) in excess of the prior year levy.

Any levy 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 or, 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 shall also approve the excess.

Section 44-5-2 makes it clear that nothing contained therein 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 Excise Tax

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 which was subsequently restored as part of the State 2010 Supplemental Budget. The earlier legislation required cities and towns to exempt a specified value on all motor vehicles subject to taxation and contemplated a full phase out over a period of time.

To offset State budget deficits, commencing in 2002, the General Assembly amended this legislation to extend this phase-out period and increased the exemption amount. The exemption for fiscal year 2010 was $6,000. However, the State fiscal 2010 Supplemental Budget reduced a portion of the fourth quarter motor vehicle tax reimbursement to cities and towns. The loss to the Town was approximately $266,918 for the fiscal year ending June 30, 2010. In addition, the FY2011 State budget reduced the exemption from $6,000 to $500 starting in fiscal year 2011 and thereafter. Furthermore, cities and towns may provide an additional exemption of any amount above $500. Any additional exemption above $500 that is provided by cities and towns shall not be subject to reimbursement by the State. Reimbursement to cities and towns is ratably reduced to an annual appropriation. The Town received $23,548 in fiscal year 2012, as compared to $25,292 in fiscal year 2011 and approximately $292,210 in fiscal year 2010. The Town's 2013 and 2014 budgets maintain the exemption at $6,000.

Assessed Valuation

The following table indicates assessed valuations of taxable real and personal property for the years 2008-2012:

	12/31/2008 (FY2010)	12/31/2009[1] (FY2011)	12/31/2010 (FY2012)	12/31/2011 (FY2013)	12/31/2012[2] (FY2014)
Real Estate	$1,987,918,097	$1,794,167,067	$1,816,073,967	$1,820,657,467	$1,854,608,167
Motor Vehicles	35,049,234	36,537,566	43,057,212	45,543,630	44,503,908
Tangible Personal	9,487,394	9,252,083	9,618,497	9,691,899	9,785,154
Total	$2,032,454,725	$1,839,956,716	$1,868,749,676	$1,875,892,996	$1,908,897,229
Less Exemptions	(28,674,837)	(31,615,762)	(35,755,047)	(35,715,960)	(34,905,654)
Net Total	$2,003,779,888	$1,808,340,954	$1,832,994,629	$1,840,177,036	$1,873,991,575
Full Value Ratio of Assessment	100.00%	100.00%	100.00%	100.00%	100.00%
Estimated Full Value	$2,032,454,725	$1,839,956,716	$1,868,749,676	$1,875,892,996	$1,908,897,229

(1) Revaluation.

(2) Statistical Update.

Principal Taxpayers

The following table sets forth the principal taxpayers of the Town and the assessed valuation of property held by such taxpayers as of December 31, 2012:

Taxpayer	Nature of Business	Assessed Valuation	% of Total Valuation
Sakonnet Golf Club	Golf Course	$ 10,546,300	0.56%
Higgins, Robert J & Mary D	Residential	8,054,300	0.43
Wagner, Ellen S TTEE	Residential	7,521,800	0.40
Merriman, David W	Residential	7,509,800	0.40
Wattles, Guardon B	Residential	7,380,900	0.39
ADK LLC	Residential	7,134,700	0.38
Carpenter, Benjamin & Leigh Worcester	Residential	6,997,600	0.37
Johannessen, Siguard W	Residential	6,445,800	0.34
Conaway, D Allen ET AL	Residential	6,406,300	0.34
O'Connor, Stephen L & Lucy C	Residential	6,083,100	0.32
TOTAL			**3.93%**

Analysis of Property

The following table shows an analysis of taxable real and personal property in the Town, assessed as of December 31, 2009 and as reflected in the Tax Rolls for the fiscal year ended June 30, 2011:

	% of Total Assessed Valuations	
	Town	State
Residential	95.57 %	75.29 %
Commercial/Industrial	2.86	17.43
Tangible	0.51	3.29
Motor Vehicle	1.05	3.99
	100.00 %	100.00 %

Schedule of Tax Rate, Property Tax Levy and Collections

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 Little Compton, the Fiscal Year begins July 1, with taxes on the prior December 31 assessment payable in full on the following September 15 or quarterly on September 15, December 15, March 15 and June 15. The following is a schedule of tax rate, levy and collected taxes as of June 30 of the indicated years:

	Current and Prior Year Collections[1]				
Years Ended June 30	Assessments	Total Collections	Percent Collected	Balance Due	Delinquent Taxes Owed Percent of Current Assessments
2013	$ 10,153,414	$ 10,328,064	101.72 %	$ 266,826	2.63 %
2012	10,004,516	9,955,494	99.51	561,492	5.61
2011	9,850,654	9,831,938	99.81	539,403	5.48
2010	9,441,514	9,277,232	98.26	501,500	5.31
2009	9,458,376	9,418,651	99.58	333,601	3.53
2008	9,001,274	8,908,561	98.97	320,609	3.56
2007	8,568,543	8,501,708	99.22	257,312	3.00
2006	8,170,104	8,113,730	99.31	227,275	2.78
2005	7,550,740	7,494,865	99.26	267,667	3.54
2004	6,862,648	6,848,923	99.80	235,235	3.43

(1) Includes interest on deliquent taxes.

Comparative Financial Statements

Set forth below are comparative financial statements for fiscal years 2008 through 2012, which were prepared from audited financial statements:

	Fiscal Years Ended June 30,				
	2008	2009	2010	2011	2012
Assets					
Cash and investments	$ 1,725,921	$ 1,648,513	$ 1,267,038	$ 1,391,379	$ 1,346,877
Receivables					
Property taxes	320,609	333,601	478,113	516,016	538,105
Intergovernmental	-	-	47,935	-	-
Agricultural trust	-	-	-	-	19,514
Other	15,104	15,104	17,593	100,407	51,859
Prepaid expenses	-	-	-	15,104	1,909
Inventory	22,632	26,715	1,660	13,546	21,975
Due from other funds	50	19,555	243,257	343,257	182,796
Total assets	$ 2,084,316	$ 2,043,488	$ 2,055,596	$ 2,379,709	$ 2,163,035
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued expenses	$ 38,774	$ 35,931	$ 24,442	$ 64,958	$ 105,716
Due to federal and/or state governments	1,809	1,809	-	-	-
Due to other funds	42,985	42,985	150,335	142,985	5,288
Deferred revenue	211,567	218,471	281,277	355,496	302,050
Other liabilities	15,259	8,946	30,290	28,568	-
Total Liabilities	$ 310,394	$ 308,142	$ 486,344	$ 592,007	$ 413,054
Fund Balance:					
Nonspendable	$ -	$ -	$ -	$ 28,650	$ 23,884
Committed	-	-	-	60,000	60,000
Assigned	-	-	-	313,854	297,590
Unassigned	-	-	-	1,385,198	1,368,507
Reserved for encumberances	-	-	37,597	-	-
Reserved for next year's appropriations	-	196,904	-	-	-
Unreserved	1,773,922	1,538,442	1,531,655	-	-
Total fund balance	$ 1,773,922	$ 1,735,346	$ 1,569,252	$ 1,787,702	$ 1,749,981
Total liabilities and fund balance	$ 2,084,316	$ 2,043,488	$ 2,055,596	$ 2,379,709	$ 2,163,035

	Fiscal Years Ended June 30,				
	2008	2009	2010	2011	2012
Revenues:					
General property taxes and penalties	$ 8,922,601	$ 9,462,457	$ 9,398,104	$ 9,882,570	$ 10,086,270
Intergovernmental	475,580	414,532	412,610	445,983	144,765
Donation revenues	-	-	-	175,000	-
Departmental and other revenue	-	-	-	154,110	137,185
Licenses, permits, and fees	417,618	401,634	316,811	256,917	322,430
Beach receipts	164,931	137,680	161,860	159,954	172,351
Investment income	64,520	50,469	12,352	3,468	2,418
Miscellaneous	12,763	26,924	12,011	8,476	14,293
Total revenue	$ 10,058,013	$ 10,493,696	$ 10,313,748	$ 11,086,478	$ 10,879,712
Expenditures:					
General government	$ 1,412,144	$ 1,454,532	$ 1,572,663	$ 1,765,120	$ 1,750,585
Financial administration	192,674	217,138	206,976	214,547	227,614
Public safety	1,436,678	1,518,072	1,515,117	1,902,005	1,814,328
Public works	296,149	302,890	243,627	525,301	248,230
Transfer station	161,258	187,782	160,932	148,591	122,681
Public welfare	3,600	4,800	3,600	5,000	-
Health and human services	35,017	42,379	44,939	43,768	-
Culture and recreation	231,404	249,446	265,808	276,934	-
Capital outlay	27,937	66,561	65,000	-	-
Miscellaneous	6,778	574	-	-	-
Parks, recreation, and other services	-	-	-	-	297,275
Debt service:					
Principal payments	270,000	270,000	265,000	260,000	160,000
Interest and fiscal charges	50,569	61,664	50,997	37,479	28,864
Administrative charges	1,759	2,831	-	-	-
Total expenditures	$ 4,125,967	$ 4,378,669	$ 4,394,659	$ 5,178,745	$ 4,649,577
Excess (deficiency) of revenues over expenditures	$ 5,932,046	$ 6,115,027	$ 5,919,089	$ 5,907,733	$ 6,230,135
Other financing sources (uses):					
Transfers between funds	(5,932,251)	(6,164,695)	(6,141,626)	(6,150,706)	(6,267,856)
Excess of expenditures and other uses over revenues and other financing sources	$ (205)	$ (49,668)	$ (222,537)	$ (242,973)	$ (37,721)
Fund balance, beginning of year, as restated	1,774,127	1,785,014	1,791,789	2,030,675	1,787,702
Fund balance, end of year	$ 1,773,922	$ 1,735,346	$ 1,569,252	$ 1,787,702	$ 1,749,981

Reporting Requirements of Municipalities and School Districts

In June 2003, the Rhode Island General Assembly passed new financial reporting requirements for municipalities in order to ensure that municipalities and school districts monitor their financial operations on an ongoing basis and to prevent potential budget deficits (Rhode Island General Laws § 45-12-22 (the "Financial Reporting Act")).

Reporting

- The chief financial officer of the municipality must submit monthly reports to the municipality's chief executive officer, each member of the city or town council, and school district committee certifying the status of the municipal budget, including the school department budget or regional school budget.

- The chief financial officer of the municipality must also submit quarterly reports to the State Office of Municipal Affairs certifying the status of the municipal budget. The chief financial officer of the school department or school district shall certify the status of the school district's budget and shall assist in the preparation of these reports.

- If any reports project a year-end deficit, the chief financial officer of the municipality must submit a corrective action plan, providing for the avoidance of a year-end deficit, to the State Office of Municipal Affairs no later than thirty (30) days after completion of his or her monthly budget analysis.

- If, at the end of the fiscal year, the chief financial officer determines that it is likely that the city or town's general fund or combined general fund and unrestricted school special revenue fund will incur a deficit, the municipality must immediately develop a plan to eliminate the accumulated year-end deficit by annual appropriation over no more than five (5) years. This plan must be submitted to the State Auditor General for approval.

Restrictions and Requirements

- No municipality can sell long-term bonds in order to fund a deficit without prior approval by the Rhode Island Auditor General and the Director of the Rhode Island Department of Administration.

- No municipality can incur expenditures or obligate the municipality to expend unbudgeted amounts in excess of $100,000 without first notifying the city or town council of the proposed expenditure and identifying the source of funding. Any such expenditure must be included in the chief financial officer's monthly report.

- No school committee or school department can incur accumulated unbudgeted expenditures in excess of $100,000 without notifying the chief financial officer of the municipality of the proposed expenditure and identifying the source of funding. Any such expenditure must be included in the chief financial officer's monthly report.

- School committees, boards or regional school districts that are independent government entities within a municipality must cooperate in providing to the chief financial officer all information needed to formulate his or her reports and the deficit elimination plan.

Remedies

- If a municipality does not comply with the requirements of the Financial Reporting Act, the State Auditor General or State Office of Municipal Affairs, through the Director of Administration, may elect any or all of the following remedies:

  - Petition the Superior Court for mandatory injunctive relief seeking compliance with the provisions of the Financial Reporting Act;

- In the event a municipality fails to provide a year-end deficit elimination plan, implement a financial review commission pursuant to Rhode Island General Laws Section 45-9-3; or

- Withhold State Aid.

- If a school committee or board fails to cooperate with the municipality or provide all information requested by the chief financial officer needed to formulate a plan:

  -The Auditor General or the Director of Administration may petition the Superior Court to order the school committee or board to cooperate; and

  -The Director of Administration may also direct the Rhode Island Controller and General Treasurer to withhold state aid from a school committee until the school committee or board cooperates in the formulation of the plan.

The Town has not been advised by the Auditor General or Director of Administration that it is not in compliance with the Financial Reporting Act.

State Oversight

On June 11, 2010, the Rhode Island General Assembly enacted "An Act Relating to Cities and Towns—Providing Financial Stability" the purposes of which are (1) to provide a mechanism for the State to work with cities and towns undergoing financial distress that threatens the fiscal well-being, public safety and welfare of such cities and towns, or welfare of other cities and towns or the state, and (2) to provide stability to the municipal credit markets for Rhode Island and its cities and towns through a predictable, stable mechanism for addressing cities and towns in financial distress.

The Financial Stability Act prohibits municipalities from filing for judicial receivership and clarifies that the Superior Court has no jurisdiction to hear such matters.

The Financial Stability Act gives the State, acting primarily through the department of revenue, the power to exercise varying levels of support and control depending circumstances. It creates three levels of State oversight and control: Level 1--Fiscal Overseer, Level II-- Budget Commission, and Level III -- Receiver. The State director of revenue, in consultation with the auditor general, may skip fiscal overseer and budget commission by appointing a receiver in a fiscal emergency.

Fiscal Overseer (Level 1)

A fiscal overseer may be appointed by request of the municipality, or the State director of revenue may appoint a fiscal overseer if the director finds, in his or her sole discretion, that any <u>two</u> of the following events have occurred whereby the city or town:

- Projects a deficit in the municipal budget in the current fiscal year and again in the upcoming fiscal year
- Has not filed its audits with the auditor general by the deadlines required by law for two (2) successive fiscal years (not including extensions authorized by the auditor general)
- Has been downgraded by one of the nationally recognized statistical rating organizations
- Otherwise unable to obtain access to credit markets on reasonable terms
- Does not promptly respond to requests made by the director of revenue, or the auditor general, or the chairpersons of the house or senate finance committees for financial information

The director of revenue may also appoint a fiscal overseer for failure to comply with the financial reporting and action plan requirements relating to budget deficits. A fiscal overseer acts in an advisory capacity to municipal officials, approves budgets and reports to State officials regarding progress.

Budget Commission (Level II)

A budget commission may be established by request of a municipality or without such a request, if the fiscal overseer reports to the State director of revenue that the city or town is unable to present a balanced municipal budget, faces a fiscal crisis that poses an imminent danger to the safety of the citizens of the city or town or their property, will not achieve fiscal stability without the assistance of a budget commission, or the tax levy of the fiscal year should not be approved, or otherwise determines that a budget commission should be established. A budget commission is composed of five (5) members: three (3) designees of the director of revenue, the elected chief executive officer of the city, and the president of the city or town council (or in cities or towns in which the elected chief executive officer is the president of the city or town council, then the appointed city or town manager). A budget commission has more significant powers over financial matters, including but not limited to the power to:

- Amend, formulate and execute annual and supplemental municipal budgets and capital budgets;
- Reorganize, consolidate or abolish municipal departments, commissions, authorities, boards, offices or functions;
- Issue bonds, notes or certificates of indebtedness to fund a deficit of the city or town, to fund cash flow and to finance capital projects.

Receiver (Level III)

The State director of revenue may appoint a receiver if the budget commission recommends appointment of a receiver after concluding that its powers are insufficient to restore fiscal stability to the city or town. A receiver may exercise any function or power of any municipal officer, employee, board or commission and has the power to file on behalf of a city or town for bankruptcy in federal bankruptcy court.

The Town is not currently subject to the Financial Stability Act.

LITIGATION

The Town has several lawsuits pending. In the opinion of Town Officials, 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.

TOWN OF LITTLE COMPTON

Mary Jane Harrington

By: /s/ Mary-Jane Harrington

Treasurer

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE BORROWER

TOWN OF LITTLE COMPTON, RHODE ISLAND

YEAR ENDED JUNE 30, 2012

LGCD

A Limited Liability Partnership
10 Weybosset Street, Suite 700, Providence, RI 02903 • (p) 401.421.4800 • 1.800.927.LGCD • (f) 401.421.0643 • www.lgcd.com

TOWN OF LITTLE COMPTON, RHODE ISLAND

YEAR ENDED JUNE 30, 2012

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TOWN OF LITTLE COMPTON, RHODE ISLAND

YEAR ENDED JUNE 30, 2012

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LGCD
CPAs/Business Advisors

Independent Auditors' Report

The Honorable President and Members of the Town Council
Town of Little Compton, Rhode Island
Little Compton, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Little Compton, Rhode Island (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Little Compton, Rhode Island as of June 30, 2012, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Independent Auditors' Report (Continued)

The Honorable President and Members of the Town Council
Town of Little Compton, Rhode Island

Accounting principles generally accepted in the United States require that Management's Discussion and Analysis on pages 3 through 13, the budgetary comparison schedules on pages 57 through 59 and the historical pension and OPEB information on pages 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary schedules on pages 63 through 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

LGC & D LLP

December 28, 2012

TOWN OF LITTLE COMPTON, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

As management of the Town of Little Compton, Rhode Island (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2012 (FY 2012) and 2011 (FY 2011). We encourage readers to consider the information presented here in conjunction with additional information found within the financial statements.

Financial Highlights

- The General Fund assets of the Town exceeded its liabilities as of June 30, 2012 and 2011 by $1,749,981 and $1,787,702, respectively.

- The School Department assets exceeded its liabilities as of June 30, 2012 and June 30, 2011 by $663,858 and $1,384,414, respectively.

- The Town's total bonded debt as of June 30, 2012 was $485,000, consisting of General Obligation Bonds of $210,000 and $275,000 of revenue bonds related to the Wastewater Treatment Facility. During 2012, $160,000 was paid in principal and $28,864 was paid in interest on the bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the fiscal year.

The government-wide financial statements include two statements:

Statement of net assets – Presents all of the government's assets and liabilities, with the difference reported as *net assets*. The amount of net assets is widely considered a good measure of the Town's financial health as increases and decreases in the Town's net assets serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

Government-wide statements (continued)

Statement of activities – Presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions and activities that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the Town include the broad functions of general government; public safety; education; public works; parks, recreation and other services; and the major services provided within each category. The Town has no business-type activities to report.

In the statement of activities, the operations of the Town are presented in a format that reports the net of expenses and revenues of its individual functions – the objective being to report the relative burden of each of the Town's functions to the taxpayers. Revenues offsetting related functional expenses are separated into three categories: charges for services, operating grants and contributions, and capital grants and contributions.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements Traditional users of governmental financial statements will find the fund financial statement presentation to be most familiar. A *fund* is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities. The Town uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements.

All of the Town's funds can be divided into two categories as follows:

Governmental funds Most of the basic services provided by the Town are financed through governmental funds. *Governmental funds* are used to account for the same functions reported as governmental activities in the government-wide financial statements. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The focus is also on the balances left at the end of the fiscal year available for spending. These statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Fund financial statements (continued)

Governmental funds (continued)

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare such information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The Town maintains thirty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and School Department, which are considered to be major funds. Data for the other governmental funds are combined into a single aggregated presentation.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been provided for the General Fund and School Department to demonstrate compliance with budgets and are presented on pages 57-59 of this report.

The individual governmental funds are summarized into two types of funds – major and nonmajor, consisting of the following:

Major Fund – General Fund – this fund reports all financial resources except those required to be reported as School funds.

Major Fund – School Department – this fund reports all financial resources that are committed to be incurred for educational purposes.

Nonmajor Governmental Funds – these funds report the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Includes financial resources used for the construction and or acquisition of major capital projects and permanent funds that are legally restricted to the extent that only earnings may be used for purposes that support the Town's programs.

Fund financial statements (continued)

Fiduciary funds

Such funds are used to account for resources held for the benefit of parties outside the Town government. *Fiduciary funds* are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The full accrual basis of accounting is used for fiduciary funds. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Town maintains the following two types of fiduciary funds:

1. Pension Trust Fund – these funds consist of all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

2. Agency funds (i.e., Student Activity Fund) – these funds report resources held in a purely custodial capacity for individuals, private organizations, or other governments.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-56 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes a schedule detailing the Town's progress in funding its pension and other postemployment benefit obligations, as well as budgetary comparison schedules for the General Fund and the School Department to demonstrate compliance with their respective budgets. Required supplementary information can be found on pages 57-62 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $6,723,227 and $7,121,308 as of June 30, 2012 and 2011, respectively. This decrease was primarily due to a decrease in program revenues and increases in public safety and education operating expenses.

At June 30, 2012, one of the largest portions of the Town's total net assets (64%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, infrastructure, building and improvements, office equipment, computer equipment and software, vehicles, machinery and equipment, and textbooks and library books), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its residents; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (continued)

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Town of Little Compton's Net Assets – Primary Government

	2012	2011
Assets:		
Current and other assets	$ 3,920,888	$ 4,674,311
Capital assets	4,960,454	4,557,473
Total assets	8,881,342	9,231,784
Liabilities:		
Other liabilities	1,194,137	954,878
Long-term liabilities	963,978	1,155,598
Total liabilities	2,158,115	2,110,476
Net assets:		
Invested in capital assets, net of related debt	4,270,570	3,661,997
Restricted	583,104	682,396
Unrestricted	1,869,553	2,776,915
Total net assets	$ 6,723,227	$ 7,121,308

As of June 30, 2012 and 2011, cash and investments totaled $2,852,751 and $3,753,943, respectively, for the primary government.

At the end of fiscal year 2012 and 2011, the Town is able to report positive balances in all categories of net assets.

Component unit. The assets of the Town's Component Unit, the Agricultural Trust, exceeded its liabilities by $17,486,992. Net assets invested in capital assets, net of related debt, comprises $15,843,014, or 91% of total net assets. The remaining balance of net assets of the Agricultural Trust, totaling $1,643,978, is unrestricted.

Town of Little Compton's Changes in Net Assets – Primary Government

	2012	2011
Revenues:		
Program revenues:		
Charges for services	$ 751,463	$ 561,856
Operating grants and contributions	924,316	1,115,883
Capital grants and contributions	45,173	492,379
General revenues:		
Real estate and property taxes	10,039,095	9,929,200
Motor vehicle phase-out	23,665	23,059
Realty transfer tax/fee	103,953	56,883
General state aid	25,360	12,131
State aid school housing	56,692	56,227
Telephone tax	2,722	39,304
Meal tax and hotel tax	37,877	47,400
Earnings on investments	3,723	14,080
Other	19,613	5,269
Total revenues	12,033,652	12,353,671
Expenses:		
General government	711,992	794,934
Financial administration	294,508	286,918
Public safety	3,045,334	2,763,411
Education	7,317,006	6,987,233
Public works	349,230	327,057
Transfer station	122,681	148,591
Parks, recreation and other services	567,259	734,497
Interest on debt	23,723	30,337
Total expenses	12,431,733	12,072,978
Increase (decrease) in net assets	(398,081)	280,693
Net assets, beginning of year	7,121,308	6,840,615
Net assets, end of year	$ 6,723,227	$ 7,121,308

The Town's net assets decreased by $398,081 in 2012 and increased by $280,693 in 2011.

The majority of general revenues are tax collections from the Town's taxpayers, which represents 83% and 80% of total revenues for fiscal years 2012 and 2011, respectively.

The Town's most significant expense is education, which in 2012 represented 59% of total expenses, followed by public safety at 24%.

Financial Analysis of Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of June 30, 2012, the Town's governmental funds reported combined fund balances of $3,145,790; approximately $1,350,000 constitutes unassigned fund balance, which is available for spending at the Town's discretion. Approximately $1,184,000 constitutes committed and assigned fund balance, which has been designated by the Town Council for specific purposes. Approximately $573,000 is restricted by outside parties to be used for specific purposes. The remainder of the fund balance is nonspendable, representing amounts legally required to be maintained intact, unexpendable inventory or prepaid items. As of June 30, 2011, the governmental funds reported combined fund balances of $4,075,857.

The General Fund had a fund balance of $1,749,981 and $1,787,702 at June 30, 2012 and 2011, respectively.

The School Fund balance is $663,858 and $1,384,414 at June 30, 2012 and 2011, respectively. The decrease is primarily a result of initial costs related to the school renovation project.

The fund balance of the Nonmajor Governmental Funds is $731,951 and $903,741 as of June 30, 2012 and 2011, respectively.

General Fund Budgetary Highlights

The Town finalizes its original budget at the Town Meeting in May of each year. Various transfers are authorized throughout the year as needed.

For 2012, the actual charges to appropriations (expenditures) were in excess of the final budgeted amounts by $192,006 and $948,782 for the General Fund and School Department, respectively. For 2011, the actual charges to appropriations (expenditures) were $678,189 and $199,101 in excess of the final budgeted amounts for the General Fund and School Department, respectively.

General Fund Budgetary Highlights (continued)

For 2012, revenues were $139,787 and $351,853 in excess of the budgeted amounts for the General Fund and School Department, respectively. For 2011, revenues were $464,735 and $380,163 in excess of the budgeted amounts for the General Fund and School Department, respectively.

Expenditures in the General Government were approximately $169,000 over appropriations primarily due to reporting certain expenditures as General Government that were budgeted in Financial Administration. Expenditures in the Public Safety department were approximately $289,000 over appropriations. Approximately $208,000 of these expenditures were unbudgeted, as prior to FY2011 they were reported in special revenue funds. In FY2011, the Town implemented GASB 54 which resulted in certain expenses and revenues that were associated with special revenue funds in prior reporting periods being included in the General Fund. This was partially offset by approximately $130,000 of related unbudgeted revenue. The FY2012 budget did not incorporate the impact of GASB 54. Commencing with the 2014 budget, the Town will take into effect the impact of GASB 54 requirements on budget appropriations.

The General Fund is the chief operating fund of the Town.

General Fund Actual Comparisons (GAAP Basis)

	2012	2011	% Change
Revenues:			
General property and tax penalties	$ 10,086,270	$ 9,882,570	2.1%
Intergovernmental	144,765	445,983	(67.5)%
Licenses, permits and fees	322,430	256,917	25.5%
Beach receipts	172,351	159,954	7.8%
Donations	-	175,000	(100.0)%
Department revenues	137,185	154,110	(11.0)%
Investment income	2,418	3,468	(30.3)%
Miscellaneous	14,293	8,476	68.6%
Total revenues	$ 10,879,712	$ 11,086,478	(1.9)%
Expenditures:			
General government	$ 1,750,585	$ 1,765,120	(0.8)%
Financial administration	227,614	214,547	6.1%
Public safety	1,814,328	1,902,005	(4.6)%
Debt service	188,864	297,479	(36.5)%
Transfer station	122,681	148,591	(17.4)%
Public works	248,230	525,301	(52.7)%
Parks, recreation and other services	297,275	325,702	(8.7)%
Total expenditures	$ 4,649,577	$ 5,178,745	(10.2)%

General Fund Budgetary Highlights (continued)

Compared to prior year revenues, general property taxes and penalties increased by approximately $204,000, intergovernmental revenue decreased by approximately $301,000; licenses, permits and fees increased by approximately $66,000 and donations decreased $175,000. In addition, compared to prior year expenditures, public safety decreased by approximately $88,000 and public works decreased by approximately $277,000.

Capital Asset Administration

Capital assets The Town's investment in capital assets for governmental activities as of June 30, 2012 amounts to $4,960,454, net of accumulated depreciation. The following is a summary of capital assets, net of accumulated depreciation where applicable, as of June 30, 2012 and 2011.

	2012	2011
Primary government:		
Land	$ 548,179	$ 548,179
Construction in progress	496,171	
Land improvements	21,563	22,615
Buildings and improvements	2,281,834	2,346,488
Infrastructure	402,691	411,118
Machinery and equipment	729,428	709,892
Office equipment	14,445	20,237
Computer equipment and software	119,751	133,335
Vehicles	268,045	254,348
Textbooks and library books	78,347	111,261
Total	$ 4,960,454	$ 4,557,473
Component unit	$ 15,843,014	$ 12,424,513

Additional information on the Town's capital assets may be found starting on page 37 of the notes to the financial statements.

Factors Bearing on the Town's Future

The Town continues to experience a challenging budgeting environment due to the rising cost of education, health care, and pension benefits which must be funded while facing a limited ability to generate additional revenue. The State of Rhode Island (State), in an effort to balance its own budget, continues to reduce and/or eliminate both State and school aid. In addition, the State has mandated a cap for property tax increases of 4.25% in FY2012 and 4.0% in future years. The combination of rising costs of certain expenditures and the ability to raise additional revenue creates difficulties in addressing new or unexpected expenditures.

Factors Bearing on the Town's Future (continued)

Key issues for the Town's future are an increased focus on defining/planning for long-term needs and reducing reliance on tax-based revenues. Mitigating the increase in health care costs, proper funding of other postemployment benefits (OPEB) and modifying the Town and School Union contracts are of primary concern and must be addressed in order to implement measures to balance revenues and expenses without tax rate increases. In response, the Town Council, in concert with the Business Manager and the Department heads, has included these matters as primary among its duties. The Police, Fire and Municipal Employees contracts were renegotiated for the period from July 1, 2012 through June 30, 2015 and include employee pension contributions of 7% of salary for those employees hired after July 1, 2012.

The Town Council, the School Committee and the Budget Committee have continued to work together effectively. Efforts include continuing to investigate new sources of revenue and analyzing the Town's current revenue streams to ensure the Town capitalizes on every opportunity available. The Budget Committee has reformed its budgeting process to require:

- establishing written goals very early in the new budget cycle,
- long-term financial and capital planning,
- analysis of budget to actual by expense categories,
- report generation explaining budget requests,
- mailings to the electors of the Town, and
- supplemental hearings to get voter input and explain the Budget Committee's thinking.

The Town Council, Budget Committee and School Committee have worked successfully to earn grants and low-interest loans to help fund needed capital improvements, which provide a direct benefit to the Town's tax rates.

The Business Manager and Budget Committee are focusing on:

- using budget expenditures by category to permit closer tracking of cost drivers which are enabling economies of scale,
- increased attention on fund balances/trends, including capital funding, which has a direct impact on the Town's long-term capability to meet citizen needs,
- providing increased visibility to the Town on overall financial performance as a key input for future planning and establishing budgets for the next fiscal year;
- increasing the use of the MUNIS system in the budgeting process, including potential use of its web-based portal, and
- researching other available accounting systems, subject to cost and budget constraints, that are more efficient and flexible, supporting ad hoc reporting and providing the necessary financial information (including trends) in order that the Town can leverage its level of staffing to maximize its efficiency.

Factors Bearing on the Town's Future (continued)

During FY2012, the School Committee, the School Building Committee and the Town Council approved the construction/renovation of the Wilbur & McMahon School (the Project). The electors of the Town, at a referendum on May 1, 2012, approved the issuance of not more than $11,310,000 in bonds/notes to finance the Project. It is anticipated that the bond term will be 20 years at an interest rate of less than 5% with the State reimbursing 40% of principal and interest over the term of the bond. On December 13, 2012, the Town issued a Bond Anticipation Note (BAN) for $9,800,000 in order to cover construction costs until such time as a bond is issued through Rhode Island Health and Educational Building Corporation (RIHEBC) for the cost of the Project. The School Committee engaged the services of architect for the design of the Project at an estimated cost of $750,000, of which approximately $423,000 was expended at June 30, 2012. The Town and School Committee are currently negotiating the terms of the construction contract with the successful bidder, with an estimated cost of $10,100,000. Additionally, the School Department will utilize approximately $1,100,000 of its accumulated surplus to fund nonconstruction-related costs such as temporary classroom costs, etc. During FY2012, construction is anticipated to start in January 2013. Also refer to Note 7 of the financial statements on page 50.

Keeping the level of services responsive to Town needs as the State continues to reduce the amount of aid will require some combination of property tax increases, cost reduction and/or supplemental non-property tax methods of revenue generation. The Town has proactively taken steps to ensure that it is dealing with this problem on an ongoing basis.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions on this report or need additional financial information, your inquiries should be addressed to:

Treasurer and Tax Collector
Town of Little Compton
P.O. Box 226
40 Commons
Little Compton, RI 02837

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government	Component Unit
	Governmental Activities	Agricultural Trust
ASSETS		
Cash	$ 2,817,970	$ 1,694,635
Investments	34,781	
Receivables, net:		
Personal property taxes, less allowance for doubtful accounts of $23,387	538,105	
Intergovernmental	222,910	
Departmental and other	259,074	
Agricultural Trust	19,514	
Prepaid expenses	6,275	
Inventories	22,259	
Capital assets not being depreciated	1,044,350	15,843,014
Capital assets being depreciated, net	3,916,104	
Total assets	8,881,342	17,537,649
LIABILITIES		
Accounts payable and accrued expenses	429,964	31,143
Due to primary government		19,514
Pension obligation, net	375,092	
OPEB obligation, net	389,081	
Long-term obligations:		
Due within one year	225,401	
Due in more than one year	738,577	
Total liabilities	2,158,115	50,657
Commitments and contingencies (Note 7)		
NET ASSETS		
Invested in capital assets, net of related debt	4,270,570	15,843,014
Restricted for:		
Non-expendable bequests	10,000	
Expendable bequests	122,047	
Special revenue	451,057	
Unrestricted	1,869,553	1,643,978
Total net assets	$ 6,723,227	$ 17,486,992

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

			Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
						Primary Government	Component Unit
Functions	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Agricultural Trust
Governmental activities:							
General government	$ 1,892,326	$ (1,180,334)	$ 228,843		$ 40,437	$ (442,712)	
Financial administration	227,614	66,894				(294,508)	
Public safety	2,105,160	940,174	266,855	$ 60,183		(2,718,296)	
Education	7,317,006		35,920	760,802		(6,520,284)	
Public works	277,589	71,641				(349,230)	
Transfer station	122,681		27,929			(94,752)	
Parks, recreation and other services	465,634	101,625	191,916	103,331	4,736	(267,276)	
Interest on debt	23,723					(23,723)	
Total primary government	12,431,733	-	751,463	924,316	45,173	(10,710,781)	
Component unit, Agricultural Trust	118,042		1,291,036		1,655,100		$ 2,828,094
Total	$ 12,549,775	$ -	$ 2,042,499	$ 924,316	$ 1,700,273	$ (10,710,781)	$ 2,828,094

(continued)

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2012

	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government	Component Unit
	Governmental Activities	Agricultural Trust
General revenues:		
Real estate and personal property, net of reserve for abatements	$ 10,039,095	
Motor vehicle phase-out	23,665	
Realty transfer tax/fee	103,953	
General state aid	25,360	
State aid school housing	56,692	
Telephone tax	2,722	
Meal tax	37,877	
Earnings on investments	3,723	$ 2,236
Miscellaneous	19,613	4,300
Total general revenues	10,312,700	6,536
Changes in net assets	(398,081)	2,834,630
Net assets, beginning of year	7,121,308	14,652,362
Net assets, end of year	$ 6,723,227	$ 17,486,992

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2012

	Major Funds			
	General	School	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 1,346,877	$ 765,468	$ 705,625	$ 2,817,970
Investments			34,781	34,781
Receivables:				
Property taxes, less allowance for doubtful accounts of $23,387	538,105			538,105
Intergovernmental		205,004	17,906	222,910
Agricultural trust	19,514			19,514
Other	51,859	207,054	161	259,074
Prepaid expenses	1,909	4,366		6,275
Inventories	21,975	284		22,259
Due from other funds	182,796		24,140	206,936
Total assets	$ 2,163,035	$ 1,182,176	$ 782,613	$ 4,127,824
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	$ 105,716	$ 299,102	$ 6,941	$ 411,759
Due to other funds	5,288	158,445	43,203	206,936
Deferred revenue	302,050	60,771	518	363,339
Total liabilities	413,054	518,318	50,662	982,034
Fund balances:				
Nonspendable:				
Legally required			10,000	10,000
Inventory and prepaids	23,884	4,650		28,534
Restricted			573,104	573,104
Committed	60,000			60,000
Assigned	297,590	659,208	166,972	1,123,770
Unassigned	1,368,507		(18,125)	1,350,382
Total fund balances	1,749,981	663,858	731,951	3,145,790
Total liabilities and fund balances	$ 2,163,035	$ 1,182,176	$ 782,613	$ 4,127,824

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total governmental fund balances		$ 3,145,790
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,960,454
Some taxes and grants will be collected after year-end but are not available soon enough to pay off the current period expenditures; therefore, they are reported as deferred revenue in the funds.		363,339
Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the funds:		
Bonds and notes payable	$ (485,000)	
Compensated absences	(274,094)	
Capital leases	(204,884)	
Pension obligation, net	(375,092)	
OPEB obligation, net	(389,081)	
Accrued interest	(18,205)	(1,746,356)
Net assets of governmental activities		$ 6,723,227

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	Major Funds			
	General	School	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes and penalties	$ 10,086,270			$ 10,086,270
Intergovernmental	144,765	$ 520,384	$ 350,441	1,015,590
Donation revenues			4,736	4,736
Departmental and other revenue	137,185	35,920	48,862	221,967
Licenses, permits and fees	322,430			322,430
Beach receipts	172,351			172,351
Investment income	2,418		1,305	3,723
State contribution to teachers' pension plan		195,371		195,371
Miscellaneous	14,293	4,320	1,000	19,613
Total revenue	10,879,712	755,995	406,344	12,042,051
Expenditures:				
General government	1,750,585		147,987	1,898,572
Financial administration	227,614			227,614
Public safety	1,814,328		316,404	2,130,732
Education		7,704,407		7,704,407
Public works	248,230			248,230
Transfer station	122,681			122,681
Parks, recreation and other services	297,275		153,743	451,018
Debt service:				
Principal payments	160,000			160,000
Interest and fiscal charges	28,864			28,864
Total expenditures	4,649,577	7,704,407	618,134	12,972,118
Excess (deficiency) of revenues over expenditures	6,230,135	(6,948,412)	(211,790)	(930,067)
Other financing sources (uses), transfers between funds	(6,267,856)	6,227,856	40,000	-
Excess of expenditures and other uses over revenues and other financing sources	(37,721)	(720,556)	(171,790)	(930,067)
Fund balance, beginning of year	1,787,702	1,384,414	903,741	4,075,857
Fund balance, end of year	$ 1,749,981	$ 663,858	$ 731,951	$ 3,145,790

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net change in fund balances for governmental funds	$	(930,067)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		402,981
Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differs between the two statements. This amount represents the net change in deferred revenue.		(8,399)
Change in OPEB obligation, net is recorded in the statement of activities but not in the governmental funds		(141,445)
Change in pension obligation, net is recorded in the statement of activities but not in the governmental funds		82,088
The issuance of long-term debt (e.g., bonds and capital leases) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net assets.		
Principal repayment on long-term debt		205,592
Expenditures of a noncurrent nature are not reported in the statement of activities as expenditures. Compensated absences are not reported as such and, accordingly, this amount represents the increase in this liability over the prior year.		(13,972)
Change in accrued interest reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.		5,141
Change in net assets of governmental activities	$	(398,081)

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

	Pension Trust Fund	Agency Funds, Student Activity Funds	Total
Assets:			
Cash		$ 8,592	$ 8,592
Investments:			
Mutual funds	$ 2,635,938		2,635,938
Collective funds	4,308,372		4,308,372
Total assets	$ 6,944,310	$ 8,592	$ 6,952,902
Liabilities:			
Deposits held in custody		$ 8,592	$ 8,592
Total liabilities		8,592	8,592
Net assets held in trust for pension benefits	$ 6,944,310		6,944,310
Total net assets	6,944,310		6,944,310
Total liabilities and net assets	$ 6,944,310	$ 8,592	$ 6,952,902

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2012

	Pension Trust Fund
Additions:	
Contributions, employer	$ 414,405
Net investment income:	
Dividends and interest	54,365
Net appreciation in fair value of investments	222,038
Capital gains (losses)	(144,557)
Total investment income	131,846
Less investment expenses	42,528
Net investment income	89,318
Total additions	503,723
Total deductions, retirement benefits	303,946
Change in net assets	199,777
Net assets, beginning of year	6,744,533
Net assets, end of year	$ 6,944,310

See notes to financial statements.

1. Summary of significant accounting policies:

The accompanying basic financial statements of the Town of Little Compton, Rhode Island (the Town) are presented in conformity with accounting principles generally accepted in the United States applicable to governmental entities. In certain circumstances, summaries of the Town's significant accounting policies have been presented throughout the notes to the financial statements in conjunction with the other disclosures to which they relate.

Financial reporting entity:

The Town was incorporated in 1682. On November 8, 1994, the Town adopted the Little Compton Home Rule Charter to be effective in January 1995, which was ratified by the Rhode Island General Assembly in May 1995. In some matters the Town is governed by the general laws of the State of Rhode Island (State). The Town operates under a Town Council form of government.

The Town financial statements include all funds, agencies, boards, commissions, and authorities over which the Town exercises oversight responsibility. Oversight responsibility is determined on the basis of the activity's scope of operations, financial interdependency and fiscal responsibility, selection of governing authority and ability to significantly influence operations.

Component unit:

The Little Compton Agricultural Conservancy Trust (Agricultural Trust) is considered a component unit of the Town and meets the criteria as established under Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." The Agricultural Trust is governed by a seven-member board of trustees, five of which are appointed by the Town Council. The purpose of this trust is to acquire development rights to agricultural property within the Town and to preserve open space, fresh and saltwater marshes, estuaries and adjoining uplands, groundwater recharging areas, land providing access to the ocean, land for bicycle paths and land for future public recreational facilities and use. This component unit is reported in a separate column to emphasize that it is legally separate from the Town, but is included because the Town is financially accountable for and is able to impose its will on the organization. Unless otherwise indicated, the notes to the basic financial statements pertain to the primary government because certain disclosures of the component unit are not significant relative to the primary government.

1. Summary of significant accounting policies (continued):

Basic financial statements – government-wide statements:

These financial statements present the Town's primary government and component unit.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major and other funds). Both the government-wide and fund financial statements are required to categorize primary activities as either governmental or business-type. The Town's public safety, parks, library and recreation, education, public works, transfer station and general and financial administrative services are classified as governmental activities. The Town does not have any activities classified as business-type activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide statement of activities reports both the gross and net cost of each of the Town's functions (public safety, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with functions (public safety, public works, community and economic development, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

1. Summary of significant accounting policies (continued):

Basic financial statements – fund financial statements:

Governmental funds are used to account for operations of the Town that supply basic government services.

Financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balances, revenues and expenditures/expenses. The various funds are reported by general classification within the financial statements.

Separate financial statements are provided for governmental funds and fiduciary funds. However, fiduciary funds are not included in government-wide statements since these assets are held for the benefit of private parties and pension participants, and cannot be used to satisfy obligations of the primary government. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are reported in the aggregate in a separate column in the fund financial statements.

A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

(a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and

(b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

Fund types used by the Town and a description of the funds comprising each are as follows:

Governmental funds:

Governmental funds are used to account for operations that supply basic government services. The Town uses the following governmental funds:

General Fund:

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

1. Summary of significant accounting policies (continued):

Basic financial statements – fund financial statements (continued):

Governmental funds (continued):

Special revenue funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Town's major special revenue fund is the School Department, which provides primary education to the Town's children.

Capital projects funds:

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The Town's capital project funds are all nonmajor funds.

Permanent funds:

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs. The Town's permanent funds are all nonmajor funds.

Fiduciary funds:

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. The following fiduciary funds are used by the Town:

Pension Trust:

The Pension Trust Fund accounts for contributions made by the Town and its participating employees to provide retirement benefits to participating employees.

Agency:

Agency funds are established when the Town holds assets in custody for others in an agency capacity.

1. Summary of significant accounting policies (continued):

Measurement focus and basis of accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual. Susceptibility occurs when revenues are both measurable and available for liquidating liabilities of the current period. "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 (sixty days). Revenues not considered to be available are recorded as deferred revenues. Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

Those revenues susceptible to accrual are property taxes, special assessments, federal impact aid, state aid, meals taxes collected by the State on behalf of the Town, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash; therefore, they are recognized when received.

Recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made provided they are collected during the year or within 60 days subsequent to year-end. Prior to expenditure, proceeds are recorded as deferred revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

1. Summary of significant accounting policies (continued):

Measurement focus and basis of accounting (continued):

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

Use of estimates:

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition. Under Rhode Island General Law, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of the deposits which are time deposits with maturities greater than 60 days. Any institution not meeting certain minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of the deposits, regardless of maturities.

Investments:

Investments are reported at fair value, based on quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. The State does not have pertinent laws regarding investments that apply to cities and towns. The Town does not have an investment policy for custodial credit risk or other risks other than those relating to its pension trust fund. The Town's Pension Trust Fund Investment Advisory Committee is responsible for the supervision of the investment of the fund's investments with the objective of preserving capital and investing with care to minimize the risk of large losses.

1. Summary of significant accounting policies (continued):

Property taxes:

Real and personal property taxes are based on assessed values as of December 31st and a tax rate based on an approved levy at the annual town meeting in May. Once levied, these taxes are recorded as receivables, net of estimated uncollectible amounts. In the governmental fund financial statements, property tax revenues have been recorded using the modified accrual basis of accounting. Under the modified accrual basis, real estate, personal property and other excise taxes levied are recorded as receivables in the fiscal year of the levy and as revenue when collected within the current year or expected to be collected within 60 days after the end of the current year. Taxes not collected within this time period are classified as deferred revenue. Deferred revenues are those where asset recognition has been met for which revenue criteria have not been met. The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated abatements and exemptions.

For 2012, Rhode Island General Law restricts the Town's ability to increase its total tax levy by more than 4.25% over that of the preceding fiscal year. The rate will decrease by .25% to 4.00% in 2013.

Farm, forest and open space:

Certain taxpayers can file for reclassification of land assessments in accordance with farm, forest and open space guidelines. Subsequent land use changes within a ten-year period for farm or fifteen-year period for forest or open space result in the assessment of a land use change tax.

Intergovernmental:

Various federal and state grants for operating and capital purposes are applied for and received annually. For nonexpenditure-driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure-driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible; therefore, the Town has not reported an allowance for uncollectible grants.

1. Summary of significant accounting policies (continued):

Capital assets:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Net interest costs related to construction projects are capitalized during the construction period. Such costs were not considered material during fiscal 2012.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in capital assets.

Capital assets acquired by governmental funds are accounted for as capital outlay expenditures.

Depreciation on all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The ranges of estimated useful lives by type of asset are as follows:

	Years
Building and improvements	40
Machinery and equipment	5-10
Office equipment	5-10
Computer equipment and software	5-10
Vehicles	5
Library and textbooks	3-10

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year-end are reported in fund balance as either restricted, committed, or assigned.

1. Summary of significant accounting policies (continued):

Compensated absences:

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

In the governmental fund financial statements, vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Long-term obligations:

In the government-wide financial statements, long-term debt and long-term compensated absences are reported as liabilities in the statement of net assets.

In the governmental fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums are reported as other financing uses while discounts are reported as other financing sources.

Fund equity:

Government-wide financial statements:

Net assets:

The Town's net assets have been segregated into the following three components:

Invested in capital assets, net of related debt – represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

1. Summary of significant accounting policies (continued):

Fund equity (continued):

Government-wide financial statements (continued):

Net assets (continued):

Restricted – those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

Unrestricted – a residual category for the balance of net assets.

Governmental fund financial statements:

The Town's fund balance is reported in the following categories:

Nonspendable – amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact

Restricted – amounts that have been restricted to specific purposes either by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation

Committed – amounts constrained to specific purposes by the Town, using its highest level of decision-making authority

Commitments will only be used for specific purposes pursuant to formal action of the Town Council. A majority vote is required to approve, modify, or rescind a fund balance commitment.

Assigned – amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed

The Town Council delegates to the Business Manager the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned – amounts available for any purpose

1. Summary of significant accounting policies (continued):

Governmental fund financial statements (continued):

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where both restricted and unrestricted amounts are *available*, restricted amounts will be considered to have been spent first (as allowed and in compliance with stated and specified terms or requirements) followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

Interfund transactions:

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no eliminations made between or within funds. Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Interfund receivables and payables are classified as "due from other funds" or "due to other funds."

Indirect expense allocation:

It is the policy of the Town to allocate indirect expenses (i.e., insurance and pension expenses) to the functions as listed in the government-wide financial statements on the basis of salaries by function.

2. Compliance and accountability:

Budget requirements, accounting and reporting:

The General Fund and the School Department are subject to an annual operating budget. The annual operating budgets' appropriation amounts are supported by revenue estimates and can be amended by either a special financial Town meeting or at the next annual financial Town meeting.

2. Compliance and accountability (continued):

Budget requirements, accounting and reporting (continued):

Actual revenue and expenditures in the budgetary basis statements of revenues and expenditures for the General Fund and the School Department are presented on the budgetary basis which includes the net effect of not budgeting for certain other items. Thus, the actual revenues and expenditures differ from those in the governmental fund financial statements which are presented in accordance with accounting principles generally accepted in the United States.

Interfund transactions:

Interfund transfers during 2012 were as follows:

Transferred to:	Transferred from:	Amount
School	General Fund	$ 6,227,856
Nonmajor Governmental Funds	General Fund	40,000

The transfers between funds were to fund revenues related to annual meeting votes, and to fund and utilize funding for operations in the School Department funds.

Interfund receivables and payables:

Interfund receivable and payable balances at June 30, 2012 are as follows:

	Due from other funds	Due to other funds
Governmental funds:		
General Fund	$ 182,796	$ 5,288
School		158,445
Nonmajor governmental funds	24,140	43,203
	$ 206,936	$ 206,936

For the government-wide financial statements, all interfund transactions were eliminated except for those with fiduciary funds (considered payable to/from external parties).

2. Compliance and accountability (continued):

Interfund receivables and payables (continued):

The Town utilizes the interfund loan accounts as a short-term vehicle to expedite the payment of vouchers from a consolidated vendor checking account.

3. Deposits and investments:

Cash and cash equivalents:

Deposits are in various financial institutions and are carried at cost, or fair value in the case of pooled deposits for trust funds.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2012, the carrying amount of the Town's deposits, including the component unit, was $4,521,197 and the bank balance was $5,019,080. Of the bank balance, $336,207 was uninsured and uncollateralized and $1,690,534 was uninsured and collateralized with securities held by the pledging financial institution, but not in the Town's name.

At June 30, 2012, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Total bank balance	Carrying amount
Deposits:			
Demand deposits	$ 2,992,339	$ 3,328,546	$ 2,840,451
Money market		1,690,534	1,680,746
	$ 2,992,339	$ 5,019,080	$ 4,521,197

3. Deposits and investments (continued):

Investments:

The majority of investment activities are conducted through a contracted investment management firm; such investments are held in a pooled trust fund account in the Town's name.

Investment type	Carrying amount	Maturities
Primary government:		
Stock	$ 4,389	N/A
Certificate of deposit	12,569	11/20/12
Certificate of deposit	17,823	12/27/12
	$ 34,781	

Investment type	Carrying amount
Pension Trust Fund:	
Mutual funds	$ 2,635,938
Collective funds	4,308,372
	$ 6,944,310

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value rates.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2012, the Town's investments were unrated.

3. Deposits and investments (continued):

Investments (continued):

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The investments listed below represent 5% or more of total investments, as well as investments that represent 5% or more of the Pension Trust Fund's net assets available for benefits.

Wilmington Trust PIMCO Total Return A	$ 1,223,853
Wilmington Trust Thornburg International Value	407,946
Wilmington Trust Large Company Domestic Growth	859,862
Wilmington Trust Large Company Value	882,952
Wilmington Trust S&P 500 Index	656,135
Wilmington Trust Strategic Bond	1,176,153
Wilmington Trust First Eagle Sogen	765,722

4. Capital assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning balance	Increases	Ending balance
Governmental activities:			
Capital assets not being depreciated:			
Land	$ 548,179		$ 548,179
Construction in progress		$ 496,171	496,171
Total capital assets not being depreciated	548,179	496,171	1,044,350
Capital assets being depreciated:			
Land improvements	26,297		26,297
Buildings and improvements	4,059,456	29,360	4,088,816
Infrastructure	421,352		421,352
Machinery and equipment	1,310,347	129,074	1,439,421
Office equipment	97,681		97,681
Computer equipment and software	452,947	28,711	481,658
Vehicles	532,292	58,975	591,267
Textbooks and library books	381,815	4,346	386,161
Total capital assets being depreciated	7,282,187	250,466	7,532,653

(continued)

4. Capital assets (continued):

	Beginning balance	Increases	Ending balance
Governmental activities (continued):			
Capital assets being depreciated (continued):			
Less accumulated depreciation:			
Land improvements	$ 3,682	$ 1,052	$ 4,734
Buildings and improvements	1,712,968	94,014	1,806,982
Infrastructure	10,234	8,427	18,661
Machinery and equipment	600,455	109,538	709,993
Office equipment	77,444	5,792	83,236
Computer equipment and software	319,612	42,295	361,907
Vehicles	277,944	45,278	323,222
Textbooks and library books	270,554	37,260	307,814
Total accumulated depreciation	3,272,893	343,656	3,616,549
Total capital assets being depreciated, net	4,009,294	(93,190)	3,916,104
Governmental activities, capital assets, net	$ 4,557,473	$ 402,981	$ 4,960,454

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 5,390
Public safety	171,336
Parks and recreation	18,414
Public works	29,359
Education	119,157
	$ 343,656

	Beginning balance	Increases	Ending balance
Component unit:			
Capital assets not being depreciated, land	$ 12,424,513	$ 3,418,501	$ 15,843,014

5. Pension plans:

The Town contributes to pension plans covering substantially all of its employees as follows:

Teachers' Plan

Plan description:

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple-employer public employee retirement system administered by the State. The Teachers' Plan covers all school department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. Total covered payroll under the Teachers' Plan for the year ended June 30, 2012 was approximately $2,261,000.

The Teachers' Plan provides a two-tier benefit structure referred to as Schedules A benefits and B benefits.

Schedule A Benefits:

Schedule A benefits are available to members who possessed ten years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.70% of earnings for each of the first ten years of service; 1.90% for each of the next ten years of service; 3.00% for each of the next fourteen years; and 2.00% for the 35th year. Joint and survivor options are available, as well as an option that provides for the payment of a larger benefit before the attainment of age 62. The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members who are at least age 60 with ten years of credited service, or after 28 years of service at any age. Benefits for all employees are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

On the third January after retirement, a cost-of-living increase of 3.00% (compounded annually) is provided. The Teachers' Plan also provides nonservice-connected disability benefits after five years of service; service-connected disability benefits with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump-sum death benefits.

5. Pension plans (continued):

Teachers' Plan (continued)

Plan description (continued):

Schedule B Benefits:

Schedule B benefits are provided to members who had less than ten years of contributory service on or before July 1, 2005. Schedule B provides unreduced benefits of 1.60% of earnings for each of the first ten years of service; 1.80% for each of the next ten years; 2.00% for years 21 through 25 inclusive; 2.25% for years 26 through 30 inclusive; 2.50% for years 31 through 37 inclusive; and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of the average highest three years of compensation after 38 years of service. Such benefits are available to members who are at least age 65 with 10 years of service, or at least age 59 with 29 years of service. Actuarially reduced retirement is available at age 55 with 20 years of service; the benefit is reduced actuarially for each month that the age of the member is less than 65 years.

On the month following the third anniversary date of retirement, and on the month following the anniversary date of each succeeding year, a benefit increase is provided for Schedule B members, consisting of the lesser of a cost-of-living increase of 3.00% (compounded annually) or the percentage increase in the Consumer Price Index, determined as of September 30 of the prior calendar year.

Rhode Island General Law relating to state employees and teachers' benefits was amended during the fiscal year ended June 30, 2009. Members eligible to retire as of September 30, 2009 are not affected by the changes. The legislation established a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility remains age 65 with a minimum of ten years of service credit. For affected state employees and teachers, the law provides a proportional downward adjustment of the minimum retirement age based on the years of service credit of a member at September 30, 2009, a final average salary based on the five consecutive highest years of salary and a cost-of-living adjustment.

This legislation also amended the disability retirement provision for state employees and teachers. Effective for applications filed after September 30, 2009, accidental disability will be available at 66 2/3% for members who are permanently and totally disabled. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%.

5. Pension plans (continued):

Teachers' Plan (continued)

Plan description (continued):

Sweeping pension system reform was passed by the Rhode Island General Assembly on November 17, 2011 and will be implemented effective July 1, 2012. The Rhode Island Retirement Security Act of 2011 (RIRSA) makes substantial changes to the Teachers' Plan pension benefits, adds a defined contribution element, and creates a hybrid plan as opposed to the current defined benefit plan.

Rhode Island General Law relating to state employees and teachers benefits were amended during the fiscal year ended June 30, 2010. Members eligible to retire as of June 12, 2010 are not affected by the legislation. The legislation modifies the Cost of Living Adjustment (COLA). The COLA now applies to the first $35,000 of retirement allowance, indexed annually, and shall commence upon the retiree's third anniversary of the date of retirement or when the retiree reaches age 65, whichever is later. The $35,000 limit will increase annually by the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year or 3%, whichever is less.

Funding policy:

Rhode Island General Law sets the contribution rates of participating employees at 9.5% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 2010 over 25 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. The Town participates in the optional Teachers Survivor Benefits Fund whereby the employer and the employee each contribute 1% of the first $9,600 of each participating employee's salary for survival benefits.

As prescribed by Rhode Island General Law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2012, actuarial required contributions were 12.55% of participants' salary (21.19% for federally reimbursed salary), which resulted in a contribution rate paid by the State on behalf of Town teachers of 8.64%. The Town's required and actual contributions to the Teachers' Plan for fiscal years 2012, 2011 and 2010 were approximately $287,000, $244,000 and $262,000, respectively.

5. Pension plans (continued):

Town Employees, Other than Certified Teachers

Plan description:

The Retirement Plan for Employees of the Town (the Plan) is a single-employer, contributory defined benefit pension plan which provides retirement, disability and death benefits to substantially all full-time employees of the Town except School Department personnel certified by the Rhode Island Department of Education (Certified Employees) who are eligible to participate in the Employees' Retirement System of the State of Rhode Island. The Plan was established in accordance with the Town Charter and State Statutes. The Plan is administered by a pension committee consisting of four members appointed annually by the Town Council, plus three members of the various unions. The pension committee can make minor changes while major changes require Financial Town Meeting approval. State law gives the Town Council authority to negotiate union contracts. The effective date of the Plan is January 1, 1972. The assets of the Plan are held in a Trust which is reported as a fiduciary fund in the Town's financial statements.

For the Plan year ended June 30, 2012, covered payroll under the Plan totaled $1,784,706.

As of July 1, 2011, the date of the latest actuarial valuation, membership in the Plan was as follows:

Active participants	48
Vested terminations and inactive lives	6
Retirees	29
Total Plan members	83

Benefit provisions:

Plan participation commences on the first day of the month coincident with or following the date of hire, if the employee chose to participate in the Plan. Members of the Town Council and Certified Employees of the School Department are not eligible to participate in the Plan. The normal form of the benefit is a life annuity.

The normal retirement date for police and fire employees is upon completion of twenty-five years of credited service. Any police officer hired after July 1, 1994 must have also attained age 55. The normal retirement date for all other employees is their 62nd birthday.

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

Benefit provisions (continued):

The normal retirement benefits are a product of 1.65% of the employee's average compensation and the years of service. Compensation is defined as the basic rate of pay in effect on July 1 of each Plan year, exclusive of overtime pay and bonuses. Average compensation is compensation averaged over the three consecutive years out of the last ten years producing the highest average prior to termination of employment. For members of the fire and police departments, the annualized rate of pay in effect in the last year of employment is used.

- Effective July 1, 1992, members of the police and fire departments may retire after 25 years of service at 50 percent of their highest annual salary, regardless of age.

- Effective July 1, 1997, members of the police and fire departments will receive an additional 2% of salary for each year of service in excess of 25 years, subject to a maximum of five additional years.

- The minimum annual benefit is $100 multiplied by the number of years of service.

- Effective July 1, 2000, participants in pay status receive an annual cost-of-living increase of 2%.

Employees who have reached age 50 and have 20 years of service may retire and receive an early retirement benefit. The amount of the early retirement benefit equals 1.25% of the average compensation times the years of service. Alternatively, the participants may elect to defer payment of the accrued benefit until their normal retirement date.

The Plan includes disability benefits for members who have been credited with ten or more years of service and become totally and permanently disabled; such members shall be entitled to payment of the accrued benefit.

If a participant who is a member of the fire or police departments separates from service by reason of occupational disability, the participant is entitled to a monthly benefit equal to 68% of the participant's compensation at the time of occupational disability. A participant receiving an occupational disability is not eligible for the cost-of-living increases.

All employees with ten years of credited service have a nonforfeitable right to the accrued benefit as of the date of termination of employment payable at their normal retirement date. Notwithstanding this vesting schedule, a participant becomes 100% vested upon reaching the normal retirement date.

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

Funding policy and contributions:

Contribution requirements are established and may be amended by Town Council ordinance or union contract.

Employees are required to contribute to the Plan as follows:

- Commencing July 1, 1995 and ending June 30, 1997, participants who were members of the fire department (other than the Fire Chief) contributed to the Plan an amount equal to 4.5% of their compensation.

- Effective July 1, 1997, employee contributions for the fire department members were no longer required.

- Commencing July 1, 1994 and ending June 30, 2001, police officers hired after July 1, 1994 were required to contribute 2.5% of their base annual compensation.

- Effective July 1, 2001, employee contributions for the police department members were no longer required.

The Town is required to contribute an amount determined in accordance with an actuarial valuation.

Actuarial methods and significant assumptions:

Pension assets are valued at fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for the Plan are performed annually as of July 1.

The valuation reflects an early retirement window, which credited an extra four years of benefit accrual service to members of the fire department who had attained age 50 with at least 25 years of service and retired between August 1, 2003 and August 31, 2003.

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

Actuarial methods and significant assumptions (continued):

The most recent actuarial valuation, performed as of July 1, 2011, utilizes the entry age normal cost method to determine both the actuarial accrued liabilities and annual required contributions to the Plan. The normal cost is the sum of the normal costs for all active participants who have not reached the assumed retirement age. For each such participant, the individual normal cost is the participant's normal cost accrued rate multiplied by the participant's current compensation. The normal cost accrued rate equals (a) the actuarial present value of future benefits as of the participant's entry age divided by (b) the actuarial present value of future compensation as of the participant's entry age. For other participants, the normal cost equals zero.

The accrued liability is the sum of the individual accrued liabilities for all participants. The individual accrued liability is equal to the actuarial present value of future benefits less the normal cost accrued rate multiplied by the actuarial present value of future compensation.

The actuarial assumptions include:

a. 7.5% investment rate of return
b. Use of the RP-2000 Combined (Male/Female) Mortality Table
c. Projected salary increases of 4.0%
d. A withdrawal rate of none
e. Assumed retirement ages as follows:

- members of the fire and police departments are assumed to retire at the earlier of age 62 or the completion of 30 years of service. Members of the police department hired after July 1, 1994 are assumed to retire at the earlier of age 62 or the completion of 30 years of service, but in no event prior to age 55.
- participants who are not members of the fire and police departments are assumed to retire at age 62
- participants who are beyond their assumed retirement ages are assumed to retire immediately

f. expenses are assumed to be paid by the Town

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

Annual pension costs and net benefit obligation:

A summary of annual pension costs, contributions and net pension obligation, without amortization of the unfunded actuarial liability over the preceding three years, is as follows:

	2012	2011	2010
Actuarially Required Contribution (ARC)	$ 336,738	$ 414,405	$ 507,896
Interest on Net Pension Obligation (NPO)	34,289	41,704	35,786
Adjustment to ARC	(38,710)	(47,081)	(40,400)
Annual pension cost	332,317	409,028	503,282
Contribution made	(414,405)	(507,896)	(424,375)
Increase (decrease) in NPO	(82,088)	(98,868)	78,907
NPO, beginning of year	457,180	556,048	477,141
NPO, end of year	$ 375,092	$ 457,180	$ 556,048
% of annual pension cost contributed	124.70%	124.17%	84.32%

Funded status and funding progress:

As of July 1, 2011, the Plan was 86.7% funded. The actuarial accrued liability for benefits was $8,257,937 and the actuarial value of assets was $7,158,938, resulting in an unfunded actuarial accrued liability (UAAL) of $1,098,999. The covered payroll (annual payroll of active employees covered by the Plan) was $1,784,706 and the ratio of the UAAL to the covered payroll was 61.6%.

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

Funded status and funding progress (continued):

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

6. Other postemployment benefits:

In addition to pension benefits, the Town and School Department provide, under the provisions of various union contracts and other employment agreements, postemployment health insurance benefits, or compensation in lieu of postemployment health insurance benefits, to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available health care coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. During the year ended June 30, 2012, postemployment benefits totaling $126,282 were received by eleven participants.

As of June 30, 2012, the latest available membership census is as follows:

Active employees	52
Retirees	11
Total	63

Annual OPEB cost and net OPEB obligation:

The Town's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Town. In prior years, the Town engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a closed period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost, the amount actually contributed to the plan for the year ended June 30, 2012, and the Town's net OPEB obligation as of June 30, 2012.

6. Other postemployment benefits (continued):

Annual OPEB cost and net OPEB obligation (continued):

Annual OPEB Cost	
Annual Required Contribution (ARC)	$ 266,076
Interest on net OPEB obligation (NPO)	9,905
Adjustment to ARC	(8,254)
Annual OPEB cost	267,727
Contributions made during the year	126,282
Increase in NPO	141,445
NPO, beginning of year	247,636
NPO, end of year	$ 389,081

Funded status and funding progress:

As of July 1, 2010, the funded status and funding progress were as follows:

Funded ratio	0%
Actuarial accrued liability for benefits	$ 2,629,923
Actuarial value of assets	$ -
Unfunded actuarial accrued liability (UAAL)	$ 2,629,923
Covered payroll	$ 2,623,416
UAAL to covered payroll	100.25%

Actuarial methods and assumptions:

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

6. Other postemployment benefits (continued):

Actuarial methods and assumptions (continued):

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Some key assumptions are as follows:

- Measurement date – July 1, 2010
- Funding method – Projected Unit Credit Cost Method
- Discount rate – 4.0%
- Participation – All eligible retirees are assumed to elect medical and/or dental coverage if available
- Health care trend rates – 8.0% per year graded off .5% per year to an ultimate rate of 4.5% per year

7. Commitments and contingencies:

Various lawsuits and claims are pending against the Town and the Agricultural Trust. A number of lawsuits are being defended by the Town's insurers and the claims are within the limits of coverage; therefore, they pose no risk of loss. The outcome of the remaining lawsuits and claims cannot be evaluated at this time and, accordingly, the Town and the Agricultural Trust have not established a reserve for loss contingencies.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal expenditures received by the Town (including the component unit) totaled approximately $1,970,000 for the year ended June 30, 2012.

7. Commitments and contingencies (continued):

School construction project:

During 2012, the School Committee, the School Building Committee and the Town Council approved the construction/renovation of the Wilbur & McMahon School (the Project). The electors of the Town, at a referendum on May 1, 2012, approved the issuance of not more than $11,310,000 in bonds/notes to finance the Project. It is anticipated that the bond term will be 20 years at an interest rate of less than 5%, with the State reimbursing 40% of principal and interest over the term of the bond. On December 13, 2012, the Town issued a Bond Anticipation Note (BAN) for $9,800,000 to cover construction costs until such time as a bond is issued through Rhode Island Health and Educational Building Corporation (RIHEBC) for the cost of the Project.

During 2012, the School Committee engaged the services of an architect to design the Project. The estimated cost of these services is approximately $715,000, of which the amount paid or accrued at June 30, 2012 was approximately $423,000. The balance of this contract will be expended in 2013. It is anticipated that construction will commence in January 2013 and be completed within twelve months. The Town Council and the School Committee issued requests for proposals for construction contractors for the Project and, as a result of this competitive bid process, have agreed upon a construction contractor for the Project. They are presently negotiating the terms of the contract with the successful bidder. The contract is expected to be approximately $10,100,000.

During the construction, the students, teachers and administrators will be displaced and housed in temporary portable buildings erected on a site adjacent to the School's present location. The cost of these portable buildings, including site preparation, set-up, monthly rent, take-down expenditures and the installation of the necessary utilities, will be approximately $1,100,000. The School Committee has committed to utilizing $1,100,000 of its accumulated surplus to fund these nonconstruction-related costs.

8. Long-term obligations:

Changes in the long-term obligations of governmental activities during the year ended June 30, 2012 were as follows:

	Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012	Due within one year
Bonds payable:					
General obligation bonds	$ 315,000		$ 105,000	$ 210,000	$ 105,000
Revenue bonds	330,000		55,000	275,000	55,000
Total bonds payable	645,000		160,000	485,000	160,000
Capital leases	250,476		45,592	204,884	47,886
Accrued compensated absences	260,122	$ 13,972		274,094	17,515
Total long-term obligations	$ 1,155,598	$ 13,972	$ 205,592	$ 963,978	$ 225,401

Compensated absences have typically been liquidated in the General and School Department governmental funds.

General obligation bonds:

At a Special Financial Town Meeting on October 27, 1998, the Town approved the issuance of $3,010,000 of general obligation bonds. The bonds, dated January 1, 1999, are due January 1, 2000 to January 1, 2014. The bonds provide for a varying interest rate with a yield of 4.13%. Interest is due semiannually on January 1st and July 1st.

8. Long-term obligations (continued):

General obligation bonds (continued):

At a Special Financial Town Meeting in fiscal year 2007, the Town approved the issuance of $550,000 of revenue bonds. The bonds, dated May 16, 2007, are due October 1, 2008 to June 30, 2017. The bonds provide for a varying interest rate with a yield of 4.00%. Interest is due semiannually on October 1st and April 1st.

	Date issued	Maturity date	Amount issued	Interest rate	Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012	Interest paid
General obligation bonds	01/01/99	01/01/14	$ 3,010,000	4.13%	$ 315,000	$ - 0 -	$ 105,000	$ 210,000	$ 14,289
Revenue bonds	05/16/07	06/30/17	550,000	4.00%	330,000		55,000	275,000	14,575
					$ 645,000	$ - 0 -	$ 160,000	$ 485,000	$ 28,864

Maturities of bonds, to be paid by the general fund, are as follows:

Year	Principal	Interest	Total
2013	$ 160,000	$ 21,820	$ 181,820
2014	160,000	15,000	175,000
2015	55,000	8,075	63,075
2016	55,000	5,650	60,650
2017	55,000	2,700	57,700
	$ 485,000	$ 53,245	$ 538,245

8. Long-term obligations (continued):

Capital leases:

The Town's obligation for capital leases is recorded in the government-wide financial statements. Changes in the Town's capital leases during the year ended June 30, 2012 were as follows:

Capital leases payable	Date issued	Amount issued	Interest rate	Maturities		Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012	Due within one year	Interest paid
				Amounts	Dates						
Fire engine stainless steel pumper and 2008 pierce pumper fire truck	12/01/08	$339,855	4.55%	$ 47,342	07/01/12	$249,387	$ - 0 -	$ 45,047	$204,340	$ 47,342	$ 12,708
				49,755	07/01/13						
				52,290	07/01/14						
				54,953	07/01/15						
Ricoh Copier	07/01/08	2,723	0.00%	544	06/30/13	1,089		545	544	544	
						$250,476	$ - 0 -	$ 45,592	$204,884	$ 47,866	$ 12,708

8. Long-term obligations (continued):

Capital leases (continued):

The following is a schedule of capital leases outstanding and future minimum lease payments under capital leases:

Year ending June 30,	Amount
2013	$ 58,300
2014	57,755
2015	57,755
2016	57,755
Minimum lease payments for all capital leases	231,565
Less amount representing interest	26,681
Total principal portion due	$ 204,884

The gross amount of assets capitalized under capital leases is $ 519,538.

9. Fund deficit:

Individual funds had the following deficit fund balances at June 30, 2012:

Basketball court	$ 13,070
Assistance to firefighters	5,055
	$ 18,125

The above deficits will be funded through an administrative plan.

10. Risk management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (the Trust) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. The School Department purchases commercial insurance for all of its risks of loss. There were no significant reductions in insurance coverage during the year ended June 30, 2012.

The Town also participates in the Health Pool (the Pool), a non-profit, public entity risk pool which provides programs of liability, workers' compensation, and health insurance coverage to Rhode Island cities, towns and other governmental units. Upon joining the Pool, members execute a member agreement. That document, pursuant to which the Pool was established and operates, outlines the rights and responsibilities of both the members and the Pool. Members of the Pool participate in the Pool's health insurance plan administered through the Trust and Blue Cross Blue Shield of Rhode Island (BCBSRI). Using the rate calculations prepared by BCBSRI, the Pool sets annual contribution rates for the subscribers of each member for each program offered. The Pool agreement requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the Pool. The contributions of each member are deposited into the General Fund and are used to pay for claims, reinsurance and all administrative expenses.

11. Joint venture:

The Little Compton School Department (LCSD), in conjunction with three other member school departments, participates in a joint venture entitled the Newport County Regional Special Education Program (NCRSEP). NCRSEP was formed to provide services to qualified special needs students in the four towns. Each town is assessed its share of the NCRSEP annual operating budget based on each town's share of total students in the region averaged with each town's share of students in the special education program. NCRSEP also administers the federally funded IDEA Part B program for each of the towns. Each town pays salaries and employee benefits directly to the teachers and aides on their respective payroll that work directly for the program; such amounts are deducted from the gross annual assessment. LCSD's net assessment for 2012 was approximately $490,000. The towns have no equity interest in the net assets of NCRSEP, which totaled approximately $104,000 at June 30, 2012.

At June 30, 2012, a total of approximately $207,000 in Medicaid reimbursements due to the LCSD has been recorded as a liability of NCRSEP. This amount represents Medicaid reimbursements received by NCRSEP over a number of years in excess of the budgeted receipts for Little Compton.

Separately audited financial statements of NCRSEP are available at Newport County Regional Special Education Program, Oliphant Lane, Middletown, RI 02842.

TOWN OF LITTLE COMPTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2012

	Budget As Adopted	Less amounts Budgeted For Other Funds	Total General Fund Budget	Actual	Variance Favorable (Unfavorable)
Revenues:					
General property taxes and penalties	$ 10,004,741		$ 10,004,741	$ 10,086,270	$ 81,529
Intergovernmental revenue	485,454	$ (381,888)	103,566	144,765	41,199
Licenses, permits and fees	416,618		416,618	459,615	42,997
Interest on investments	2,500		2,500	2,418	(82)
Beach receipts	180,000		180,000	172,351	(7,649)
Other revenue	122,254	(122,254)	-		-
Miscellaneous income	32,500		32,500	14,293	(18,207)
Total revenues	11,244,067	(504,142)	10,739,925	10,879,712	139,787
Expenditures:					
General government	401,586		401,586	570,251	(168,665)
Financial administration	441,161		441,161	294,508	146,653
Public safety	2,565,595	(100,000)	2,465,595	2,754,502	(288,907)
Capital projects and debt service	207,489		207,489	188,864	18,625
Education	6,731,998	(6,731,998)	-		-
Transfer station	165,456		165,456	122,681	42,775
Public works	399,312		399,312	374,271	25,041
Parks, recreation and other services	431,372		431,372	398,900	32,472
Total expenditures	11,343,969	(6,831,998)	4,511,971	4,703,977	(192,006)
Excess (deficiency) of revenues over expenditures	(99,902)	6,327,856	6,227,954	6,175,735	(52,219)
Other financing sources (uses):					
Reappropriated fund balance	100,000	(100,000)	-		
Transfers between funds		(6,227,856)	(6,227,856)	(6,267,856)	40,000
Total other financing sources (uses)	100,000	(6,327,856)	(6,227,856)	(6,267,856)	40,000
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	$ 98	$ -	$ 98	(92,121)	$ (92,219)
Adjustment of budgetary basis to U.S. GAAP basis				54,400	
Excess of expenditures and other financing uses over revenues and other financing sources, U.S. GAAP basis				(37,721)	
Fund balance, beginning of year				1,787,702	
Fund balance, end of year				$ 1,749,981	

See notes to required supplementary information.

TOWN OF LITTLE COMPTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SCHOOL DEPARTMENT

YEAR ENDED JUNE 30, 2012

	Budget As Adopted	Actual	Variance Favorable (Unfavorable)
Revenues:			
Funds received State RI – unrestricted	$ 257,047	$ 325,491	$ 68,444
Federal aid – Entitlements, Grants and Restricted Funds	124,841	178,027	53,186
State contribution to teachers' pension plan	-	195,371	195,371
Miscellaneous receipts	22,254	57,106	34,852
Total revenues	404,142	755,995	351,853
Expenditures:			
Salaries	2,807,996	3,076,541	(268,545)
Fringe Benefits	1,051,744	1,280,283	(228,539)
Technical and Professional Services	254,824	271,396	(16,572)
Purchased Property Services	149,600	118,475	31,125
Purchased Other Services	1,973,076	2,090,678	(117,602)
Materials and Supplies	264,458	249,598	14,860
Capital Outlay	221,500	580,705	(359,205)
Other Operating Expenses	8,800	13,104	(4,304)
Total expenditures	6,731,998	7,680,780	(948,782)
Excess of expenditures over revenues	(6,327,856)	(6,924,785)	(596,929)
Other financing sources:			
Reappropriated fund balance	100,000	100,000	
Transfer Town appropriations	6,227,856	6,227,856	-
Total other financing sources	6,327,856	6,327,856	-
Excess of expenditures over revenues and other financing sources, budgetary basis	$ -	(596,929)	$ (596,929)
Adjustment of budgetary basis to U.S. GAAP basis		(123,627)	
Excess of expenditures over revenues and other financing sources, U.S. GAAP basis		(720,556)	
Fund balance, beginning of year		1,384,414	
Fund balance, end of year		$ 663,858	

See notes to required supplementary information.

Budget preparation and budgetary basis of accounting:

In accordance with the Town's Charter, the Town has formally established budgetary accounting control for its General Fund and the School Department. The General Fund and School Department are subject to an annual operating budget legally adopted at the annual Financial Town Meeting. The annual operating budget's appropriation amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the reappropriation of accumulated surpluses to the extent necessary. The General Fund and School Department annual operating budgets are in conformity with the legally enacted budgetary basis. The legally enacted budgetary basis differs from accounting principles generally accepted in the United States (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include reappropriations from fund equity previously recognized under U.S. GAAP. Budgetary expenditures and expenses are recognized when legally binding orders (encumbrances) are placed.

Adjustments from the budgetary basis to the U.S. GAAP basis of accounting are as follows:

	General Fund	School Department
Reappropriated fund equity		$ (100,000)
Change in reserve for encumbrances	$ 54,400	(23,627)
Total adjustments	$ 54,400	$ (123,627)

Budget compliance:

Costs of operations for all departments, offices and agencies established within the Town Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Department and budgetary control is legally enforced at the department level. Appropriation transfers between departments require approval by the Town Council.

TOWN OF LITTLE COMPTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
			Pension Plan			
7/1/2011	$ 7,158,938	$ 8,257,937	$ 1,098,999	86.69%	$ 1,784,706	61.58%
7/1/2010	5,847,475	7,853,226	2,005,751	74.46%	1,707,439	117.47%
7/1/2009	4,990,643	7,757,561	2,766,918	64.33%	1,730,883	159.86%
7/1/2008	5,849,516	7,452,092	1,602,576	78.49%	1,945,970	82.35%
7/1/2007	6,121,508	5,927,448	(194,060)	103.27%	1,826,625	-10.62%
7/1/2006	5,185,900	6,471,342	1,285,442	80.14%	1,660,654	77.41%
			OPEB Plan			
7/1/2010	-	2,629,923	2,629,923	0%	2,623,416	100.25%

TOWN OF LITTLE COMPTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED JUNE 30, 2012

Pension Plan

Fiscal Year	Annual Required Contribution	Percentage Contributed
2007	$ 358,331	84.60%
2008	338,040	106.00%
2009	424,375	79.66%
2010	507,896	83.56%
2011	414,405	122.56%
2012	336,738	123.06%

OPEB Plan

Fiscal Year	Annual Required Contribution	Percentage Contributed
2011	$ 258,326	44.39%

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

The information presented in the required supplementary schedule was determined as part of the annual actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Pension Plan

Valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	30 years
Remaining amortization period	Unknown
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5% per annum
Projected salary increases	4.0% per annum

OPEB Plan

Valuation date	July 1, 2010
Actuarial cost method	Projected unit credit
Asset valuation	Not applicable; unfunded
Actuarial assumptions:	
Discount rate	4.0% per annum
Health care cost trend rates	8.0% per year graded off 0.5% per year to an ultimate rate of 4.5% per year
Participation	All eligible retirees are assumed to elect medical and/or dental coverage if available

TOWN OF LITTLE COMPTON, RHODE ISLAND

SUPPLEMENTARY INFORMATION

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2012

Real estate and personal property taxes receivable:

Tax Roll Year	Balance July 1, 2011	Assessment	Abatements/ adjustments	Amount to be collected	Collections	Balance June 30, 2012
2011	$ -	$ 10,004,516	$ (19,301)	$ 9,985,215	$ 9,603,469	$ 381,746
2010	370,541		10,030	380,571	310,434	70,137
2009	73,337		42	73,379	22,337	51,042
2008	42,563		(1,705)	40,858	8,830	32,028
2007	20,696		(2,993)	17,703	4,658	13,045
2006	12,988		(3,711)	9,277	2,400	6,877
2005	7,967		(3,273)	4,694	2,193	2,501
2004	4,123		(3,360)	763	-	763
2003	2,025		(1,239)	786	27	759
2002	1,554		(849)	705	49	656
2001	929		(217)	712	92	620
2000 and Prior	2,680		(634)	2,046	728	1,318
	$ 539,403	$ 10,004,516	$ (27,210)	$ 10,516,709	$ 9,955,217	561,492
				Less allowance for doubtful accounts		(23,387)
						$ 538,105

TOWN OF LITTLE COMPTON, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)

YEAR ENDED JUNE 30, 2012

Schedule of property taxes levied and collected- cash basis:

Year Ended June 30	Assessments	Total Collections	Percent Collected	Balance Due June 30, 2012	Delinquent Taxes Owed Percent of Current Assessments
2012	$ 10,004,516	$ 9,955,217	99.51%	$ 561,492	5.61%
2011	9,850,654	9,831,693	99.81%	539,403	5.48%
2010	9,441,514	9,277,113	98.26%	501,500	5.31%
2009	9,458,376	9,418,790	99.58%	333,601	3.53%
2008	9,001,274	8,908,704	98.97%	320,609	3.56%
2007	8,568,543	8,502,067	99.22%	257,312	3.00%
2006	8,170,104	8,114,040	99.31%	227,275	2.78%
2005	7,550,740	7,495,171	99.26%	267,667	3.54%
2004	6,862,648	6,849,177	99.80%	235,235	3.43%
2003	6,290,531	6,303,584	100.21%	213,742	3.40%
2002	6,190,736	5,919,804	95.62%	242,006	3.91%
2001	5,686,882	5,658,481	99.50%	265,092	4.66%

TOWN OF LITTLE COMPTON, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)

YEAR ENDED JUNE 30, 2012

Schedule of net assessed property value by category:

Description of property	Valuations	Levy
Real property	$ 1,816,073,967	$ 9,679,674
Motor vehicles	43,057,212	598,495
Tangible personal	9,618,497	102,533
Total	1,868,749,676	10,380,702
Exemptions	35,755,047	376,186
Current year assessment	$ 1,832,994,629	$ 10,004,516

Reconciliation of current year property tax revenue:

Current year collections	$ 9,955,217
Revenue collected within 60 days subsequent to year ended June 30, 2012	258,007
	10,213,224
Prior year revenue received in current year	(188,143)
Current year real estate and personal property tax revenue	$ 10,025,081

APPENDIX C

DEFINITIONS

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APPENDIX C

DEFINITIONS

The following are definitions of certain of the terms defined in the Master Indenture or the Agreement 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, (viii) with respect to State Basic Education Aid, the amounts payable to the Corporation on account of a Borrower, and (ix) 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 Agreement, 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, as it may be amended from time to time, 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, and providing for the intercept of State Basic Education Aid payable pursuant to 16-7-15 through 16-7-34.3 of the General Laws, and any future legislation providing for such housing aid and basic education aid payments.

"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; (vi) Investment Agreements that are fully collateralized by Permitted Collateral; and (vii) Ocean State Investment Pool created pursuant to Section 35-10.2-1 through 35-10.2-11 of the Rhode Island General Laws.

"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 "project" as defined in the Act and described in the Agreement and may include costs that are not eligible for reimbursement under Rhode Island General Laws Chapter 16-7.

"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 the Applicable Agreement, which includes amounts payable by each Borrower under the Applicable Borrower Bonds, (ii) the Applicable State Housing Aid, to the extent received by the Corporation with respect to Applicable Borrower Bonds, (iii) Applicable State Basic Education Aid, to the extent received by the Corporation to pay Applicable Borrower Bonds, and (iv) 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 May 15 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 Basic Education Aid" shall mean aid for the basic education program provided by the State pursuant to Sections 16-7-15 through 16-7-34.3 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 Basic Education Aid Subaccount" shall mean the subaccount established in the Debt Service Account established with respect to a Borrower into which the Trustee shall deposit State Basic Education Aid received to pay Borrower Bonds issued to secure the Corporation's Bonds of a Series.

"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, the Applicable State Basic Education 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.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF
THE FINANCING AGREEMENT

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a brief summary of certain provisions of the Financing Agreement to be executed by the Borrower. 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 C 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 and State Basic Education 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 and State Basic Education 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) any 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 Agreement 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, unless waived by the Corporation or a successor holder of the Borrower Bonds.

(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 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 direct the Trustee to pay to the Borrower semi-annually the excess amounts (as determined by the Corporation) in the Borrower Payment Subaccount 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, Chapters 7 and 7.2 of the Rhode Island General Laws includes conditions of, and restrictions, on the receipt of State Housing Aid and State Basic Education 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 and State Basic Education 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, and State Basic Education Aid, 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 would cause the Corporation's 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 and Basic Education 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 and, if applicable, State Basic Education 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. **(Section 8.4)**

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 E

SUMMARY OF CERTAIN PROVISIONS OF THE
MASTER INDENTURE AND THE SERIES INDENTURE

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APPENDIX E

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 C 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, the applicable State Basic Education 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, the applicable State Basic Education 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, the applicable State Basic Education 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. Pending application hereunder State Housing Aid received by

the Trustee pursuant to the Memorandum of Understanding shall be deposited in the State Payment Account and the State Basic Education Aid received by the Trustee pursuant to the Memorandum of Understanding shall be deposited in the State Basic Education Aid Subaccount. 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 retain any balance remaining in the State Basic Education Aid Subaccount to be credited toward the Borrower's obligation to pay its 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, a State Payment Subaccount and a State Basic Education Aid 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. The Trustee shall retain any balance remaining in the State Basic Education Aid Subaccount to be credited toward the Borrower's obligation to pay its portion of the next succeeding Borrower Bond Debt Service. Except as provided in the previous sentence, 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 if permitted by law, 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 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. The Trustee may request an opinion of counsel to the effect that the Permitted Collateral being delivered to or held by the Trustee satisfies the conditions set forth in the Master Indenture.

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 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, the Applicable State Basic Education 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 and shall pay over available State Basic Education Aid, all 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 authorize, 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)**

APPENDIX F

RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION SCHEDULE OF INDEBTEDNESS

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RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2013

HEALTH CARE	PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
Lifespan Obligated Group Series 1996 Dated December 1, 1996	214,585,000	51,885,000
Roger Williams Hospital Series 1998 Dated December 1, 1998	19,115,000	11,615,000
Newport Hospital Series 1999 Dated February 1, 1999	30,000,000	21,985,000
St. Joseph Health Services Series 1999 Dated March 1, 1999	23,145,000	17,185,000
Roger Williams Realty Corporation Series 1999 Dated November 15, 1999	8,580,000	6,540,000
Memorial Hospital Series 2003 Dated December 1, 2003	25,000,000	10,955,000
Lifespan Obligated Group Series 2006 A Dated February 14, 2006	192,135,000	159,830,000
South County Hospital Series 2006 A Dated February 23, 2006	52,000,000	37,280,000
Kent County Memorial Hospital Master Lease 2006 Dated August 30, 2006	3,520,000	287,379
Child and Family Services of Newport County Series 2006 Dated December 1, 2006	12,000,000	10,060,000
NRI Community Services, Inc. Series 2007 Dated June 1, 2007	3,200,000	2,940,000
St. Antoine Residence Series 2007 Dated December 1, 2007	9,080,000	7,725,000
Home & Hospice Care of RI Series 2008 Dated February 1, 2008	12,600,000	9,859,500
Care New England Health System Series 2008 A & B Dated February 1, 2008	84,940,000	68,845,000
Lifespan Obligated Group Series 2009 Dated March 15, 2009	114,985,000	114,985,000
St. Antoine Residence Series 2009 A Dated November 12, 2009	9,135,000	6,405,000
Kent County Memorial Hospital Master Lease 2009 Dated December 30, 2009	4,425,000	1,871,562
Thundermist Health Center Series 2010 Dated August 1, 2010	4,135,000	3,549,208
J. Arthur Trudeau Memorial Center Series 2010 Dated December 7, 2010	2,500,000	2,410,000
The Providence Community Health Centers Series 2010 Dated December 23, 2010	12,115,000	11,493,477
Care New England Health System Series 2010 Dated December 30, 2010	12,000,000	10,930,064
Tockwotton Home Series 2011 Dated May 1, 2011	41,900,000	41,900,000
Blackstone Valley Community Health Care, Inc. Series 2011 A Dated August 2, 2011	6,450,000	6,361,341

HEALTH CARE	PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
Care New England Health System Series 2011 Dated August 12, 2011	16,000,000	15,090,757
Steere House Series 2011 Dated August 31, 2011	5,340,000	5,193,000
Ocean State Assisted Living Series 2011 Dated October 3, 2011	11,010,000	10,615,000
Tamarisk, Inc. Series 2011 Dated November 30, 2011	10,375,000	9,995,000
The Providence Center, Inc. Series 2012 Dated February 1, 2012	2,600,000	2,524,800
Seven Hills Rhode Island Series 2012 A Dated May 31, 2012	3,555,000	3,530,000
Rhode Island Blood Center Series 2012 Dated June 29, 2012	9,000,000	9,000,000
Care New England Health System Master Lease 2012 Dated September 28, 2012	10,000,000	9,319,438
South County Hospital Series 2012 Dated October 1, 2012	11,710,000	11,710,000
The Kent Center Series 2012 Dated October 12, 2012	4,750,000	4,683,989
Scandanavian Home Series 2013 Dated April 1, 2013	5,000,000	5,000,000
Lifespan Obligated Group Master Lease 2013 Dated June 14, 2013	50,000,000	50,000,000
Seven Hills Rhode Island Series 2013 Dated June 21, 2013	1,655,000	1,655,000
TOTALS	**$1,038,540,000**	**$755,214,515**

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2013

EDUCATION	PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
Johnson & Wales University Series 1996 Dated April 1, 1996	9,500,000	6,045,000
University of Rhode Island Series 1997 Dated September 1, 1997	2,125,000	1,225,000
Johnson & Wales University Series 1999 Dated March 1, 1999	44,535,000	36,480,000
Moses Brown School Series 2000 Dated February 1, 2000	10,000,000	7,275,000
Board of Governors for Higher Education Series 2002 Dated November 15, 2002	7,975,000	5,145,000
Paul Cuffee School Series 2002 Dated December 15, 2002	3,000,000	2,465,000
Johnson & Wales University Series 2003 Dated April 1, 2003	48,345,000	20,230,000
Board of Governors for Higher Education Series 2003 A Dated May 1, 2003	3,100,000	400,000
Board of Governors for Higher Education Series 2003 B & C Dated July 1, 2003	33,950,000	22,955,000
La Salle Academy Series 2003 Dated July 1, 2003	10,500,000	4,850,000
International Institute of RI Series 2003 Dated August 1, 2003	2,600,000	1,940,000
Providence College Series 2003 A Dated August 1, 2003	65,495,000	47,725,000
St. George's School Series 2003 Dated October 1, 2003	18,000,000	13,440,000
Brown University Series 2003 A & B Dated October 15, 2003	91,425,000	84,120,000
Roger Williams University Series 2003 Dated November 1, 2003	32,000,000	24,660,000
Pennfield School Series 2004 Dated March 1, 2004	5,000,000	4,350,000
Brown University Series 2004 Dated April 1, 2004	22,835,000	16,535,000
The Groden Center Series 2004 A & B Dated October 1, 2004	4,400,000	3,505,000
Times^2 Academy Series 2004 Dated November 1, 2004	18,625,000	11,760,000
Board of Governors for Higher Education Series 2004 A Dated December 1, 2004	33,935,000	25,265,000
Board of Governors for Higher Education Series 2005 Dated April 1, 2005	2,740,000	1,645,000
Catholic School Pool Program Series 2005 Dated April 1, 2005	23,100,000	19,140,000
Meeting Street School Series 2005 Dated May 15, 2005	17,000,000	9,070,000

EDUCATION	PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
Board of Governors for Higher Education Series 2005 B Dated June 30, 2005	2,000,000	1,455,000
Paul Cuffee School Series 2005 Dated October 1, 2005	1,400,000	420,000
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	71,975,000
Roger Williams University Master Lease 2005 Dated December 29, 2005	3,700,000	1,054,215
Public Schools Revenue Bonds Series 2006 A Dated June 15, 2006	18,285,000	11,980,000
Catholic School Pool Program Series 2006 A Dated July 1, 2006	17,500,000	15,395,000
Providence Public Building Authority Series 2006 A Dated September 1, 2006	60,000,000	48,430,000
Roger Williams University Series 2006 B Dated October 1, 2006	17,200,000	15,815,000
Public Schools Revenue Bonds Series 2007 A Dated May 1, 2007	38,450,000	29,555,000
Brown University Series 2007 Dated June 1, 2007	90,010,000	90,010,000
Public Schools Revenue Bonds Series 2007 B Dated August 1, 2007	19,615,000	15,530,000
CVS/Highlander Charter School Series 2007 Dated September 1, 2007	7,000,000	3,815,000
Public Schools Revenue Bonds Series 2007 C Dated October 1, 2007	13,460,000	9,685,000
Providence Public Building Authority Series 2007 A & B Dated October 15, 2007	91,470,000	74,500,000
Providence Public Building Authority Series 2007 C Dated December 15, 2007	75,000,000	63,875,000
Public Schools Revenue Bonds Series 2007 D Dated December 19, 2007	4,760,000	3,930,000
The Learning Community Charter School Series 2008 Dated February 1, 2008	4,000,000	3,662,000
Rhode Island School of Design Series 2008 A & B Dated March 1, 2008	93,780,000	85,030,000
Bryant University Series 2008 Dated April 1, 2008	50,420,000	48,895,000
Providence College Series 2008 Dated April 1, 2008	18,200,000	16,455,000
Public Schools Revenue Bonds Series 2008 A Dated May 1, 2008	91,920,000	78,230,000
Roger Williams University Series 2008 A Dated July 1, 2008	22,935,000	17,560,000
New England Institute of Technology Series 2008 Dated July 1, 2008	16,120,000	13,315,000
Public Schools Revenue Bonds Series 2008 B Dated July 15, 2008	24,675,000	20,205,000

EDUCATION	PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
Roger Williams University Series 2008 B Dated August 1, 2008	38,000,000	36,510,000
Board of Governors for Higher Education Series 2008 A & B Dated November 1, 2008	37,935,000	37,935,000
Public Schools Revenue Bonds Series 2009 A Dated February 15, 2009	6,000,000	4,710,000
Public Schools Revenue Bonds Series 2009 B Dated April 15, 2009	940,000	620,000
Public Schools Revenue Bonds Series 2009 C Dated May 1, 2009	24,910,000	21,345,000
Board of Governors for Higher Education Series 2009 A & B Dated June 15, 2009	28,520,000	27,060,000
Public Schools Revenue Bonds Series 2009 D Dated June 15, 2009	16,100,000	14,250,000
Brown University Series 2009 A Dated September 15, 2009	70,795,000	70,795,000
Public Schools Revenue Bonds Series 2009 E Dated November 1, 2009	74,000,000	70,070,000
Providence Public Building Authority Series 2009 A Dated December 15, 2009	22,320,000	17,880,000
Board of Governors for Higher Education Series 2010 A Dated February 1, 2010	24,005,000	23,070,000
New England Institute of Technology Series 2010 A Dated May 15, 2010	40,000,000	38,510,000
Board of Governors for Higher Education Series 2010 B Dated May 15, 2010	42,695,000	42,000,000
Public Schools Revenue Bonds Series 2010 A Dated June 15, 2010	12,575,000	12,575,000
Public Schools Revenue Bonds Series 2010 B Dated June 29, 2010	4,250,000	3,300,000
Public Schools Revenue Bonds Series 2010 C Dated September 2, 2010	3,550,000	3,375,000
Public Schools Revenue Bonds Series 2010 D Dated October 5, 2010	3,955,000	3,527,000
Public Schools Revenue Bonds Series 2010 E Dated November 3, 2010	7,777,000	6,939,000
Public Schools Revenue Bonds Series 2010 F & G Dated November 16, 2010	24,100,000	24,100,000
Providence Public Building Authority Series 2010 A & B Dated December 1, 2010	21,945,000	21,945,000
St. George's School Series 2010 Dated December 29, 2010	4,000,000	3,700,000
St. George's School Line of Credit Note 2010 Dated December 29, 2010	4,000,000	855,000
St. Andrew's School Series 2010 Dated December 30, 2010	6,955,000	6,625,000
Public Schools Revenue Bonds Series 2011 A Dated February 1, 2011	6,700,000	6,240,000
Roger Williams University Series 2011 Dated June 2, 2011	26,410,000	23,505,000

EDUCATION	PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
Public Schools Revenue Bonds Series 2011 B & C Dated June 1, 2011	25,585,000	24,000,000
The Compass School Series 2011 A, B & C Dated June 28, 2011	2,000,000	1,790,000
Brown University Series 2011 A Dated August 1, 2011	70,600,000	66,950,000
Portsmouth Abbey School Series 2011 Dated October 3, 2011	6,100,000	5,830,000
Bryant University Series 2011 Dated November 1, 2011	23,255,000	22,470,000
Roger Williams University Series 2011 B Dated November 8, 2011	12,025,000	11,105,000
Salve Regina University Series 2011 Dated December 19, 2011	32,980,000	29,955,000
Providence College Series 2012 Dated January 1, 2012	38,940,000	38,345,000
Public Schools Revenue Bonds Series 2012 A Dated February 1, 2012	35,640,000	35,100,000
Rhode Island School of Design Series 2012 Dated March 1, 2012	28,340,000	27,680,000
Immaculate Conception School Series 2012 Dated March 16, 2012	6,500,000	6,093,750
Rocky Hill School, Inc. Series 2012 Dated April 27, 2012	3,200,000	3,103,741
St. Andrew's School Series 2012 Dated June 1, 2012	9,500,000	9,500,000
Brown University Series 2012 Dated June 15, 2012	118,240,000	118,240,000
Rhode Island School of Design Series 2012 B Dated August 1, 2012	51,815,000	51,815,000
Public School Revenue Bonds Series 2012 B Dated October 1, 2012	15,000,000	15,000,000
Providence College Series 2012 B & C Dated November 1, 2012	44,725,000	44,725,000
Bryant University Series 2013 Dated February 19, 2013	7,825,000	6,770,000
Public School Revenue Bonds Series 2013 A Dated April 15, 2013	7,655,000	7,655,000
Public School Revenue Bonds Series 2013 B Dated April 15, 2013	12,520,000	12,520,000
Board of Education Series 2013 A, B, C & D Dated June 1, 2103	51,405,000	51,405,000
Public School Revenue Bonds Series 2013 C & D Dated June 20, 2013	32,870,000	32,870,000
TOTALS	**$2,651,787,000**	**$2,340,864,706**

APPENDIX G

FORM OF APPROVING OPINION OF BOND COUNSEL

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EDWARDS WILDMAN

EDWARDS WILDMAN PALMER LLP
2800 FINANCIAL PLAZA
PROVIDENCE, RI 02903
+1 401 274 9200 main +1 401 276 6611 fax
edwardswildman.com

APPENDIX G

[Date of Delivery]

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

$11,310,000
RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
PUBLIC SCHOOLS REVENUE BOND FINANCING PROGRAM
REVENUE BONDS,
SERIES 2013 H (TOWN OF LITTLE COMPTON 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 2013 H 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 November 1, 2009, as amended by a First Supplemental Indenture dated as of April 15, 2013 (as amended, the "Master Indenture"), as further amended by that certain Series Indenture dated December 10, 2013 (the "Series Indenture" and collectively with the Master Trust Indenture, the "Indenture"), among the Corporation and U.S. Bank, National Association, 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 Borrower and others, without undertaking to verify the same by independent investigation.

The Series 2013 H 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 2013 H Bonds, the Corporation has entered into a Financing Agreement dated November 19, 2013 (the "Financing Agreement"), with the Town of Little Compton, Rhode Island (the "Borrower") providing, among other things, for a loan to the Borrower for the purposes permitted thereby and by the Master Trust Indenture and the Series Indenture. Pursuant to the Financing Agreement, the Borrower is required to make payments scheduled to be sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Series 2013 H 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 2013 H Bonds. The Series 2013 H Bonds are payable solely from funds to be provided under the Financing Agreement by the Borrower pursuant to the Indenture. Under the Financing Agreement, the Borrower has agreed to make payments sufficient to pay when due the principal (including sinking fund installments) and redemption price of and interest on the Series 2013 H 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 2013 H Bonds. The Series 2013 H Bonds are payable from the Revenues.

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We express no opinion herein with respect to compliance by the Borrower with applicable legal requirements in connection with the construction or operation of the Project (as defined in the Indenture) being financed by the Series 2013 H Bonds.

In such connection, we have reviewed the Indenture, the Financing Agreement, the Tax Certificate of the Corporation dated as of the date hereof (the "Corporation Tax Certificate"), the Tax Certificate of the Borrower dated as of the date hereof (the "Borrower Tax Certificate"), the bond of the Borrower delivered to the Corporation to secure the obligations of the Borrower under the Financing Agreement, opinions of counsel to the Corporation, the Trustee and the Borrower, certificates of the Corporation, the Trustee, the Borrower 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 Agreement and to issue the Series 2013 H Bonds.

(2) The Indenture and the Financing Agreement 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 2013 H 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 2013 H 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 and other funds provided therefor in the Indenture.

(4) Interest on the Series 2013 H Bonds is excluded from the gross income of the owners of the Series 2013 H Bonds for federal income tax purposes. In addition, interest on the Series 2013 H 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 Borrower with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2013 H Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Borrower has covenanted in the Financing Agreement and, to the extent necessary, the Corporation has covenanted in the

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Indenture to comply with all such requirements. Failure by the Corporation or the Borrower to comply with certain of such requirements may cause interest on the Series 2013 H Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013 H Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2013 H Bonds.

(5) The Series 2013 H 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 2013 H Bonds or any tax consequences arising with respect to the Series 2013 H 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 2013 H Bonds and the enforceability of the Series 2013 H 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.

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APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

THIS AGREEMENT, dated December ____, 2013 (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.

"Bonds" shall mean the Rhode Island Health and Educational Building Corporation Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 H (Town of Little Compton Issue).

"Borrower" shall mean the Town of Little Compton, Rhode Island.

"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 dated as of November 1, 2009, as amended by the First Supplemental

Indenture dated as of April 15, 2013, 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, or any successor thereto or to the functions, the MSRB contemplated by this Agreement. Filing Information relating to the MSRB is set forth in the Exhibit A attached hereto.

"Outstanding" shall mean Outstanding within the meaning of the Indenture.

"Rating Agency" shall mean S&P, Moody's or any other nationally recognized rating service which has assigned a rating to the Bonds.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement.

"Trustee" shall mean U.S. Bank National Association, 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 nine (9) months after the end of each of its fiscal years, commencing with the fiscal year ending June 30, 2013, with the Corporation and with the MSRB, 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 with the Corporation and with the MSRB, when they become available. In addition, the Borrower shall immediately notify in writing the Corporation and the Trustee of the occurrence of any of the fifteen events listed in Section 2(ii) hereof upon gaining actual knowledge of the occurrence of any such event. Upon the Trustee's receipt of such written notice from the Borrower, it will provide a copy of the notice to the Corporation. The fact that the Trustee or any affiliate thereof may have any fiduciary or banking relationship with the Borrower or the Corporation apart from the relationship created by the Rule shall not be construed to mean that the Trustee has actual knowledge of any event or condition except as may be provided by written notice from the Borrower or the Corporation.

The Borrower will also notify the Corporation and the Trustee in a timely manner of such Borrower's final expenditure of its portion of the Available Project Proceeds (the "Final Expenditure Notice").

(ii) Obligations of the Corporation. The Corporation hereby undertakes, for the benefit of Holders, to file the following:

with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notice of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) a substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds;

(g) modification to rights of Holders of the Bonds, if material;

(h) bond calls, if material;

(i) defeasances;

(j) release, substitution, or sale of property securing repayment of the Bonds;

(k) rating changes;

(l) tender offers;

(m) bankruptcy, insolvency, receivership or similar event of the Corporation or the Borrower[1];

(n) the consummation of a merger, consolidation, or acquisition involving the Corporation or the Borrower or the sale of all or substantially all of the assets of the Corporation or the Borrower, other than in the ordinary course of business, the entry into a definitive

[1] As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Corporation or the Borrower in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation or the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation or Borrower.

agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(o) appointment of a successor or additional trustee or the change of name of a trustee, if material

with the MSRB, 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 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) hereof.

(vi) Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

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 A 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 with 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, if any, 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 with the MSRB.

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.

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By:_____
Name:
Title:

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION, Issuer

By:_____
Name: James K. Salome
Title: Chairperson

TOWN OF LITTLE COMPTON, RHODE ISLAND

By:_____
Name: Mary-Jane M. Harrington
Title: Treasurer

By:_____
Name: Robert L. Mushen
Title: President of the Town Council

EXHIBIT A

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board
http://emma.msrb.org

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