

NEW ISSUE BOOK-ENTRY-ONLY

Rating (See “RATINGS” herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and rendered in reliance upon and assuming the material accuracy of representations and continuing compliance by the Authority with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Twenty-sixth Series Bonds (as hereinafter defined) is excludable from the gross income of the owners thereof for federal income tax purposes and will not be treated as a preference item for purposes of computing the federal alternative minimum tax for individuals and corporations however, with respect to certain corporations, such interest is taken into account in the calculation of adjusted current earnings for the purpose of the federal alternative minimum tax. Bond Counsel is also of the opinion that under current law, interest on the Twenty-sixth Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. 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 Twenty-sixth Bonds. See “TAX MATTERS” and Appendix D, “Form of Opinion of Bonds Counsel” herein.)

\$ __, __, 000

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
WATER SYSTEM REVENUE BONDS, TWENTY-SIXTH SERIES**

Dated: Date of Delivery

Due: August 1, as shown on inside cover

The South Central Connecticut Regional Water Authority (the “Authority”) Water System Revenue Bonds, Twenty-sixth Series (the “Twenty-sixth Series Bonds”) are general obligations of the Authority issued pursuant to Special Act No. 77-98 of the State of Connecticut, as amended (the “Act”) and the Water System Revenue Bond Resolution General Bond Resolution, adopted July 31, 1980, as amended and supplemented by all supplemental resolutions including the Twenty-sixth Series Supplemental Resolution (collectively, the “General Bond Resolution”). The Twenty-sixth Series Bonds are secured by a pledge of the Revenues of the Authority pursuant to the General Bond Resolution, which pledge is described herein, and all moneys and securities in all funds established by the General Bond Resolution. **The Authority has no taxing power. The Twenty-sixth Series Bonds are not a debt of the State of Connecticut, or any municipality thereof, and neither the State nor any municipality is liable thereon.**

Twenty-sixth Series Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository. Purchases of beneficial ownership interests in the Twenty-sixth Series Bonds will be made in book-entry-only form without certificates. Interest on the Twenty-sixth Series Bonds will be payable on February 1, 2012 and semiannually on each August 1 and February 1 thereafter to maturity at the interest rates shown on the inside front cover. Individual purchases of Twenty-sixth Series Bonds will be in the principal amount of \$5,000 or any integral multiple thereof. Principal and redemption price, if any, of and interest on the Twenty-sixth Series Bonds will be paid directly to DTC by U.S. Bank National Association, Boston, Massachusetts, the Trustee and Paying Agent. See “Book-Entry-Only System” herein.

The Twenty-sixth Series Bonds are subject to redemption prior to their stated maturity as more fully described herein.

Electronic bid proposals for the Twenty-sixth Series Bonds will be received by the Vice President Business Planning, Development and Finance of the Authority (as hereinafter defined) until 11:00 a.m., Eastern Time, July __, 2011 **electronically via Parity® in accordance with its Detailed Notice of Sale.**

Bond insurance may be purchased at the option of the Underwriter.

A detailed maturity schedule is set forth on the inside cover page hereof.

The Twenty-sixth Series Bonds are being issued to (i) finance or refinance various capital improvement projects of the Authority, (ii) provide money for deposit in certain funds held under the General Bond Resolution, as necessary, and (iii) pay costs of issuance. See “AUTHORIZATION AND PURPOSE” and “PLAN OF FINANCING” herein.

The Twenty-sixth Series Bonds are legal investments in Connecticut under the Act for all public officers and bodies of the State and all municipalities, all insurance companies and associations, and all banks, trust companies, savings banks and savings and loan associations. Under the Act, the Twenty-sixth Series Bonds are not eligible investments in Connecticut for funds of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees or other individual fiduciaries.

The Twenty-sixth Series Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Pullman & Comley, LLC, Bond Counsel, Hartford, Connecticut. It is expected that the Twenty-Sixth Series Bonds, in definitive form, will be available for delivery at DTC, or its custodial agent, in New York, New York on or about August 2, 2011 (the “Date of Delivery”).

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

July __, 2011

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the within described Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

\$ __, __, 000

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
WATER SYSTEM REVENUE BONDS, TWENTY-SIXTH SERIES**

Maturity Schedule

<u>Due (August 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP** No.</u>
2012	\$ 0	%	%	837227__
2013				837227__
2014				837227__
2015				837227__
2016				837227__
2017				837227__
2018				837227__
2019				837227__
2020				837227__
2021				837227__
2022				837227__
2023				837227__
2024				837227__
2025				837227__
2026				837227__
2027				837227__
2028				837227__
2029				837227__
2030				837227__
2031				837227__
2032				837227__
2033				837227__
2034				837227__

\$ __, __, 000 .__% Term Bond due August 1, 20__ Yield __. __% CUSIP: 837227__
\$ __, __, 000 .__% Term Bond due August 1, 2041 Yield __. __% CUSIP: 837227__

**A registered trademark of the American Bankers Association. CUSIP (Committee on Uniform Security Identification Procedure) data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The Authority and the Underwriters do not make any representation with respect to such numbers. The CUSIP numbers are subject to change after the issuance of the Twenty-sixth Series Bonds.

The purpose of this Official Statement is to provide certain financial information and supplementary economic and demographic data relevant to the South Central Connecticut Regional Water Authority (the "Authority") in connection with the sale of its \$ __, __, 000 Water System Revenue Bonds, Twenty-sixth Series (the "Twenty-sixth Series Bonds" dated the Date of Delivery).

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Twenty-sixth Series Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the foregoing.

The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof.

Set forth in Appendix B, "Audited Financial Statements of the Authority for Fiscal Years Ended May 31, 2010 and May 31, 2009," hereto is a copy of the report of Blum, Shapiro & Company, P.C., the independent auditors for the Authority with respect to the financial statements of the Authority included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period. Pursuant to the auditors' engagement letter, the inclusion of the report in Appendix B does not require that the Authority obtain prior permission from the auditors. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix B and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Neither Bond Counsel nor the Financial Advisor are passing upon or assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth in the opinion of Bond Counsel), and they make no representation that they independently have verified the same.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the Authority include, among others, changes in economic conditions, mandates from other governments, extreme weather conditions and various other events, conditions and circumstances, many of which are beyond the control of the Authority. Such forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN CONNECTION WITH THE OFFERING OF THE TWENTY-SIXTH SERIES BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE TWENTY-SIXTH SERIES BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$ __, __, 000

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY WATER SYSTEM REVENUE BONDS, TWENTY-SIXTH SERIES

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the South Central Connecticut Regional Water Authority (the “Authority”) of its \$ __, __, 000 Water System Revenue Bonds, Twenty-sixth Series (the “Twenty-sixth Series Bonds”) dated the Date of Delivery. The Twenty-sixth Series Bonds are authorized to be issued pursuant to Special Act No. 77-98, as amended (the “Act”), of the State of Connecticut (the “State”) and the Water System Revenue Bond Resolution, General Bond Resolution, adopted July 31, 1980, as amended and as supplemented by supplemental resolutions including the Twenty-sixth Series Supplemental Resolution adopted on _____, 2011 (collectively, the “General Bond Resolution”). See Appendix C hereto for “Summary of Certain Provisions of the General Bond Resolution”.

All references herein to the Act, the General Bond Resolution and the Twenty-sixth Series Bonds are qualified in their entirety by reference to the Act and the definitive documents. Capitalized terms used in this Official Statement but not defined herein have the meaning set forth in the General Bond Resolution and in Appendix C-1 - “Definitions of Certain Terms Defined in the General Bond Resolution” herein.

The General Bond Resolution constitutes a contract between the Authority and the holders of all bonds issued thereunder. Pursuant to the General Bond Resolution, all bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein, and all such bonds, including the Twenty-sixth Series Bonds, are herein called the “Bonds”.

The Authority currently owns and operates an extensive water supply and distribution system (the “Water System”), which serves customers in fifteen municipalities within the South Central Connecticut Regional Water District (the “District”).

The Twenty-sixth Series Bonds are being issued to (i) finance and refinance Water System Projects, (ii) finance as necessary deposits into certain funds held under the General Bond Resolution and (iii) pay costs of issuance. See “AUTHORIZATION AND PURPOSE” and “PLAN OF FINANCING” herein.

The Authority was created under the Act in 1977 for the purpose of assuring the provision of an adequate supply of pure water at a reasonable cost within the District and, to the degree consistent with the foregoing, of advancing the conservation and compatible recreational use of land held by the Authority. In 2002, the Connecticut General Assembly granted the Authority permission to provide wastewater services. To date, the Authority provides no such services. In 2008, the Authority acquired the stock of BIW Limited, a Connecticut corporation (“BIW” and hereinafter referred to as “Birmingham Utilities”). BIW subsidiaries owned and operated the water system and owned land in the towns of Ansonia, Derby and parts of Seymour, Connecticut. It also owned land in Beacon Falls and Woodbridge, Connecticut.

Under the Act, the District comprises the territories of the towns and cities of Ansonia, Bethany, Beacon Falls, Branford, Cheshire, Derby, East Haven, Guilford, Hamden, Killingworth, Madison, Milford, New Haven, North Branford, North Haven, Orange, Prospect, Seymour, West Haven and Woodbridge, Connecticut. The Act further provides for the establishment of a representative policy board (the “RPB” or the “Representative Policy Board”), composed of one member from each of the municipalities comprising the District and one member appointed by the Governor. The RPB is empowered, among other things, to appoint the five members of the Authority and to approve (i) the chief executive officer appointed by the Authority, (ii) the acquisition of any existing water system or wastewater system, (iii) the repair, improvement, construction, reconstruction,

The Twenty-sixth Series Bonds due on August 1, 2041 are subject to mandatory redemption in part at 100% of the principal amount thereof plus accrued interest to the date of redemption, from sinking fund payments which are required to be made in amounts sufficient to redeem on August 1 of each of the years set forth in the following table, the principal amount of the Twenty-sixth Series Bonds specified opposite each of such years:

<u>Year</u>	<u>Amount</u>
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2041*	
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* Final Maturity

Special Mandatory Redemption of Twenty-sixth Series Bonds

All Bonds are subject to mandatory redemption in whole at 100% of the principal amount thereof plus accrued interest to date of redemption (or, in the case of capital appreciation bonds, their accreted value on the date of redemption), if all or substantially all of the Water System is taken by the State or any municipality in the State with general governmental powers and duties. For purposes of this provision, “substantially all of the Water System” includes any part of the Water System the taking of which would cause a reduction in the Authority’s current water supply by twenty percent (20%) or more or would prevent water service to twenty percent (20%) or more of the customers of the Water System at the time of such taking, unless in the opinion of the Consulting Engineer (a) the remaining portion of the Water System is sufficient to serve the remaining customers of the Water System and (b) after adjustments for any rates adopted by the Authority and any adjustment in costs as a result of such taking, the Authority will be able to comply with the debt service coverage requirements of the General Bond Resolution.

Redemption Procedures for Twenty-sixth Series Bonds

When the Trustee receives notice of the Authority’s election to redeem Twenty-sixth Series Bonds or when redemption is required pursuant to the General Bond Resolution, the Trustee is required to give notice of such redemption, which must specify the maturities and CUSIP (Committee on Uniform Security Identification Procedure) numbers of the Twenty-sixth Series Bonds to be redeemed, the redemption date and the place or places where amounts due upon redemption will be payable. Such notice is to state that on such date Twenty-sixth Series Bonds to be redeemed shall become due and payable and thereafter interest thereon shall cease to accrue and be payable. Such notice will be given by publication once a week for at least two successive weeks in authorized newspapers of general circulation in New Haven, Connecticut and New York, New York, the first such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. A copy of such notice also will be mailed not less than twenty-five (25) days before the redemption date to the registered owners of any Twenty-sixth Series Bonds to be redeemed. So long as Cede & Co., as nominee of DTC (as hereinafter defined) is the registered owner of the Twenty-sixth Series Bonds, all notices of redemption with respect to the Twenty-sixth Series Bonds will be sent only to DTC. Notice need not be published if all the Twenty-sixth Series Bonds or portions of Twenty-sixth Series Bonds to be redeemed are registered Twenty-sixth Series Bonds and a notice in the form required for published notice is mailed, postage prepaid, to the registered owners of such Twenty-sixth Series Bonds at their last addresses appearing on the registry books of the Trustee.

Book-Entry-Only System for Twenty-sixth Series Bonds[NEEDS TO BE UPDATED]

Unless otherwise noted, the description that follows of the procedures and record-keeping with respect to beneficial ownership interests in the Twenty-sixth Series Bonds, payment of interest and other payments on the Twenty-sixth Series Bonds to DTC Participants or Beneficial Owners of the Twenty-sixth Series Bonds, confirmation and transfer of beneficial ownership interests in the Twenty-sixth Series Bonds and other bond-related transactions between DTC, the DTC Participants and Beneficial Owners of the Twenty-sixth Series Bonds is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, the Authority does not and cannot make any representations concerning these matters.

The Depository Trust Company ("DTC"), New York, New York, initially will act as securities depository for the Twenty-sixth Series Bonds. The Twenty-sixth Series 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 2010 Bond certificate will be issued for each maturity of the Twenty-sixth Series Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Twenty-sixth Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Twenty-sixth Series Bonds on DTC's records. The ownership interest of each actual purchaser of each 2010 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 Twenty-sixth Series 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 Twenty-sixth Series Bonds, except in the event that use of the book-entry system for the Twenty-sixth Series Bonds is discontinued.

To facilitate subsequent transfers, all Twenty-sixth Series 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 Twenty-sixth Series 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 Twenty-sixth Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Twenty-sixth Series 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 Twenty-sixth Series Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Twenty-sixth Series Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Twenty-sixth Series Bonds may wish to ascertain that the nominee holding the Twenty-sixth Series 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 Twenty-sixth Series 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 such other DTC nominee) will consent or vote with respect to the Twenty-sixth Series 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 Authority 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 Twenty-sixth Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Twenty-sixth Series 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 Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee 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, Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Authority or Trustee, 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 Twenty-sixth Series Bonds at any time by giving reasonable notice to the Authority or Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2010 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2010 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

THE AUTHORITY AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC, ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE TWENTY-SIXTH SERIES BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE TWENTY-SIXTH SERIES BONDS.

FOR SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE TWENTY-SIXTH SERIES BONDS, ALL REFERENCES HEREIN TO THE OWNER OF THE TWENTY-SIXTH SERIES BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN ANY BENEFICIAL OWNER OR BENEFICIAL OWNERS OF THE TWENTY-SIXTH SERIES BONDS NOR ANY PARTICIPANT OF DTC, UNLESS SPECIFIC EXCEPTION HAS BEEN EXPRESSED HEREIN.

BOND INSURANCE ON THE TWENTY-SIXTH SERIES BONDS

Bond insurance is a bidder’s option under the Detailed Notice of Sale.

SECURITY AND SOURCES OF PAYMENT FOR THE TWENTY-SIXTH SERIES BONDS

The Twenty-sixth Series Bonds are general obligations of the Authority payable from and secured by a pledge of all Revenues and all moneys and securities in all Funds established by the General Bond Resolution. Revenues include income derived from the payment of rates and charges for water service, the subsidy paid to the Authority from the United States Treasury pursuant to Section 54AA of the Code and from investment of moneys in the Funds established under the General Bond Resolution, other than the Construction Fund. Revenues do not include government grants and contributions for capital improvements. The Authority shall deposit all Revenues to the credit of the Revenue Fund and shall apply such Revenues, first, and free and clear of any lien or pledge of the General Bond Resolution, to the payment of Operating Expenses. Operating expenses do not include PILOT, as described below. The Authority has no taxing power. **The Twenty-sixth Series Bonds are not a debt of the State or any municipality thereof, and neither the State nor any municipality is liable thereon, nor shall the Twenty-sixth Series Bonds be payable out of any funds other than those of the Authority, as provided under the General Bond Resolution and the Act.**

The Act requires that the Authority make certain payments to the municipalities in which it owns property in lieu of real and personal property taxes (“Payments-in-Lieu-of-Taxes” or “PILOT”) but provides that the payment of debt service shall have priority over any claim for PILOT. Accordingly, requirements for PILOT are excluded from the definition of “Operating Expenses.”

Debt Reserve Fund

The Twenty-sixth Series Bonds additionally are secured by a pledge of moneys and securities held in the Debt Reserve Fund held by the Trustee which must be funded at an amount equal to, but not greater than, the least of (i) the maximum annual principal and interest requirements in the current or any succeeding Fiscal Year on the Bonds; (ii) 10% of the stated principal amount (or issue price, as provided in the Code) of the Bonds and (iii) 125% of the average annual principal and interest requirements of the Bonds (the “Debt Reserve Fund Requirement”). On the Date of Delivery, the Debt Reserve Fund will contain moneys in the aggregate amount of \$_____, including proceeds of the Twenty-sixth Series Bonds and unconditional and irrevocable Municipal Bond Debt Service Reserve Fund Policies issued by certain financial guarantors including Financial Guaranty Insurance Company in the amount of \$29,385,000 which will terminate August 1, 2033 (and which is subject to that certain Reinsurance Agreement by and between FGIC and MBIA, dated August 27, 2008, FGIC insured transactions carry MBIA’s S&P rating); MBIA Insurance Corporation (“MBIA”) in the amount of \$1,493,793 which will terminate on August 1, 2035 (MBIA was renamed National Public Finance Guaranty Corporation—“NPF”) and Financial Security Assurance, Inc. which has changed its name to Assured Guaranty Municipal Corporation (“Assured”) in the amount of \$6,803,894 which will terminate on August 1, 2038 which together equal or exceed the Debt Reserve Fund Requirement. As of the date hereof NPF, Assured and FGIC are rated as follows:

	<u>NPF</u>	<u>Assured</u>
Moody’s	Baa1	Aa3
S&P	BBB	AA+
Fitch	NR*	NR*

*Not Rated

Operating Reserve Fund and Capital Contingency Fund

The General Bond Resolution also established the Operating Reserve Fund and the Capital Contingency Fund, each of which is held by the Authority and maintained in amounts, respectively, equal to at least one-sixth of budgeted Operating Expenses and one percent of outstanding Bonds. Moneys in the Operating Reserve Fund and Capital Contingency Fund may be transferred to the Debt Service Fund if money in the Debt Service Fund is insufficient to pay debt service due or to become due in the next seven days on the Bonds. See “Flow of Funds” below and “Summary of Certain Provisions of General Bond Resolution” in Appendix C.

Rate Covenants

The Authority has covenanted in the General Bond Resolution that the rates and charges established for the Water System shall be at levels sufficient in each Fiscal Year during which any Bonds are outstanding to produce the greatest of:

(1) an amount so that Revenues shall at least equal all Operating Expenses and PILOT, all payments to the Debt Service Fund for debt service on the Bonds, all amounts necessary to maintain all reserve requirements under the General Bond Resolution (unless paid from Bond proceeds*), debt service payments on other indebtedness and any related reserve requirements (except payments scheduled to be made from sources other than Revenues), and any other obligations pertaining to the Water System (except to the extent paid from the General Fund or from the proceeds of Bonds, insurance, condemnation, sales of property or other debt);

(2) an amount so that Net Revenues (which is equal to Revenues, including amounts transferred from the Rate Stabilization Fund, minus Operating Expenses, PILOT and Depreciation Expense) shall equal at least 110%* of the principal, sinking fund and interest requirements coming due during such year on all outstanding Bonds less the amounts, if any, transferred from the Construction Fund to the Bond Interest Account during such Fiscal Year to pay interest becoming due in such Fiscal Year; and

(3) an amount so that Net Revenues plus PILOT shall equal at least 125% of the principal, sinking fund and interest requirements coming due during such year on all outstanding Bonds, less the amounts, if any, transferred from the Construction Fund to the Bond Interest Account during such Fiscal Year to pay interest becoming due in such Fiscal Year.

Depreciation Expense is defined as, from time to time, that amount for the last fiscal year reported on the Authority's last audited Financial Statements under “Statements of Revenue, Expenses and Changes in Fund Net Assets” labeled Depreciation (the “Depreciation”), provided, however, that in connection with the issuance of the first Series of Bonds after the Twenty-fifth Series Bonds and the 2010 Series A Bonds were issued, Depreciation Expense shall be no less than \$1,000,000 and no greater than 10% of the Depreciation and for each subsequent issuance of a Series of Bonds, Depreciation Expense shall increase by no less than \$1,000,000 and no greater than 10% of the Depreciation until the Depreciation Expense equals the Depreciation, provided, however, that such increase may be less than \$1,000,000 if an increase of \$1,000,000 would cause Depreciation Expense to exceed Depreciation.

* After the Date of Delivery of the Twenty-sixth Series Bonds, Depreciation Expense will be taken into account in the calculation of Net Revenue and 110% will be increased to 112%.

Flow of Funds

All Revenues received by the Authority are to be deposited promptly to the credit of the Revenue Fund, which is held by the Authority. After application of moneys in the Revenue Fund to payment of Operating Expenses, monthly transfers to the extent required are made in the following order:

Debt Service Fund. An amount equal to at least one-fifth of the aggregate amount of interest and Swap Payments on all outstanding Bonds coming due during the next six months is deposited in the Bond Interest Account of the Debt Service Fund, which is held by the Trustee. In addition, an amount equal to one-tenth of the aggregate amount of principal coming due on all outstanding Bonds during the next twelve months, including any required sinking fund payments, is deposited in the Bond Principal Account of the Debt Service Fund. No such deposits need be made if the Bond Interest Account and the Bond Principal Account already contain, respectively, interest and Swap Payments coming due in the next six months and principal and sinking fund payments coming due in the next twelve months. The monthly transfers must include any amounts previously due such accounts but not previously deposited. Currently, the Authority is not a party to any Swap Agreement.

Debt Reserve Fund. Any amount necessary to maintain the Debt Reserve Fund Requirement is to be transferred to the Trustee for deposit in the Debt Reserve Fund including any amounts necessary to make the Repayment Obligations.

Reimbursement of Bond Insurer and Bank. Any amounts due (on a parity among themselves) to (1) a bond insurer in reimbursement of amounts due under a policy and related interest amounts due under a bond insurer reimbursement agreement and (2) a Bank for payment of default interest due under a Liquidity Facility. Currently, no Liquidity Facility is outstanding in connection with the Bonds.

Subordinated Debt. Revenues shall be applied to debt service payments on Subordinated Debt issued for payment of Operating Expenses and limited at the time of issuance to 25% of the amount budgeted for Operating Expenses in the then current Fiscal Year.

Debt Service Fund. At the option of the Authority, Revenues shall be applied to make additional deposits to the Debt Service Fund in order to provide sufficient funds to pay all interest, principal and sinking fund payments due on all outstanding Bonds during the remainder of the Fiscal Year and thereafter to a separate fund for the payment, in the following order of (i) principal, redemption price, sinking fund payments and interest payments on Subordinated Debt due or to become due in such Fiscal Year and (ii) amounts due to a Bond Insurer or a Bank.

PILOT Fund. An amount equal to at least one-twelfth of the amounts payable to municipalities in lieu of real and personal property taxes during the next twelve months must be deposited in the PILOT Fund held by the Authority, provided that no such deposit shall be necessary if the amount in the PILOT Fund equals or exceeds the PILOT Fund Requirement.

Construction Fund, Operating Reserve Fund, Capital Contingency Fund and Insurance Reserve Fund. At the option of the Authority, the Authority may contribute funds to the Construction Fund or, to the extent necessary to meet the respective requirements of the Operating Reserve Fund, the Capital Contingency Fund and the Insurance Reserve Fund.

Debt Service Fund for Bond Purchase or Redemption. The Authority may transfer remaining amounts at the end of each month to the Debt Service Fund for purchase or redemption of Bonds, but only if the respective requirements of the Operating Reserve Fund, Capital Contingency Fund and the Insurance Reserve Fund Requirements are met.

Following the end of each Fiscal Year and after making the monthly transfers described above, the Authority shall, to the extent moneys remain in the Revenue Fund at the end of each Fiscal Year, transfer, in the following order, such moneys to meet any deficiency in the Capital Contingency Fund and the Operating Reserve Fund for the next Fiscal Year and then to the Rate Stabilization Fund Variable Rate Sub-account the amount, if any, by which the amount of interest on variable rate bonds assumed for rate making purposes exceeded the interest and related costs actually paid on such bonds and to the Rate Stabilization Fund Surplus Sub-account the amount, if any, determined and directed by the Authority, of the excess of the debt service coverage tests for the prior Fiscal Year. Any remaining balance shall be transferred to the General Fund. Moneys in the General Fund may, at the

option of the Authority, be used and applied for any of the purposes related to the Water System for which the foregoing funds and accounts were established and for any other lawful purpose of the Authority.

The Authority shall transfer moneys in the Rate Stabilization Fund to the Revenue Fund to the extent required to make up deficiencies in any of the Funds established above. If all such Funds are maintained at or above their respective requirements, the Authority may at any time transfer any moneys in the Rate Stabilization Fund to the Revenue Fund, but only if each of the other funds are funded at or above their respective requirements.

Additional Bonds

Pursuant to the General Bond Resolution, additional bonds may be issued by the Authority having equal rank with all other Bonds of the Authority, including the Twenty-sixth Series Bonds offered hereby, for the purpose of meeting the capital costs of any Water System Project including the cost of acquiring an existing water system, to refund Bonds, to fund any of the Funds established by the General Bond Resolution, except the Revenue Fund and the General Fund, and to provide funds for Other Corporate Purposes, provided, however, that the aggregate amount of bonds issued for Other Corporate Purposes shall not exceed the greater of \$10,000,000 or 10% of the aggregate amount of the Authority's Outstanding Bonds. Except for bonds issued to refund Bonds and Completion Bonds (as defined below), and except as described below, no additional bonds may be issued unless:

Revenues during any historical period of twelve consecutive months out of the most recent 18 months, adjusted to reflect the effect of any rate increase adopted prior to the issue of the additional Bonds and adjusted to give effect to any transfers from the Rate Stabilization Fund to the Revenue Fund, are not less than 100% of all expenses and obligations of the Authority that the Authority estimates will be paid from Revenues during the twelve-month period after issuance of the additional bonds, including: (1) Operating Expenses, (2) PILOT, (3) required payments, including those necessary to maintain reserve requirements under the Resolution for all Bonds including the additional bonds, (4) the excess of interest costs on variable rate bonds assumed for rate making purposes over actual interest and related costs expected to be paid, (5) required payments, including those necessary to maintain reserve requirements under any authorizing resolution, for all Subordinated Debt, (6) Depreciation Expense and (7) payments from Revenues for all other obligations of the Authority;

Net Revenues as so adjusted, plus an amount specified by the Authority on deposit in the Rate Stabilization Fund Surplus Sub-account, which amount shall be no greater than 20% of maximum aggregate amount of Principal Installments and interest of the current Fiscal Year on Outstanding Bonds including the additional bonds, are not less than 112% of the maximum aggregate debt service for the current or any future Fiscal Year on Bonds including the additional bonds; and

Net Revenues as so adjusted, plus an amount specified by the Authority on deposit in the Rate Stabilization Fund Surplus Sub-account, which amount shall be no greater than 20% of maximum aggregate amount of Principal Installments and interest of the current Fiscal Year on Outstanding Bonds including the additional bonds, plus PILOT are not less than 125% of the maximum debt service for the current or any future Fiscal Year on Bonds including the additional bonds.

A certificate of a Consulting Engineer must also be filed with the Trustee stating that the Consulting Engineer has reviewed the assumptions used by the Authority to compute such estimates and that the assumptions and computations based thereon are reasonable. The Authority must also file a certificate with the Trustee which demonstrates that the Authority's Revenues during the historical twelve-month period were not less than 100% of all expenses and obligations of the Authority that were to be paid from Revenues during such period except those to be paid from the General Fund.

Completion bonds are Bonds issued to pay the costs of completing any Water System project for which Bonds have been previously issued (the "Completion Bonds"), but may be issued only to the extent such Completion Bonds exceed the amount of Bonds which was previously estimated to be needed to complete a particular project, as set forth in a certificate of an authorized officer of the Authority, delivered in connection

with the most recent issue of Bonds issued to finance such project. The Authority has issued no such Completion Bonds.

In case an existing water system within the Service Area is to be acquired from the proceeds of the additional bonds, the certificate of the Authority shall include the financial information relevant to the water system that the Authority proposes to acquire, provided that the computation of maximum debt service in any future Fiscal Year must include principal and interest on any obligations of the acquired system for which no other provision for payment has been made.

The General Bond Resolution provides that, whenever the Authority issues additional bonds, it shall establish, prior to such issuance, rates and charges with respect to the Water System that are sufficient to comply with the additional bonds test described above. Also, the General Bond Resolution requires that bond proceeds or other moneys be deposited in the Debt Reserve Fund, Capital Contingency Fund and Operating Reserve Fund sufficient to meet the respective requirements of such Funds, calculated immediately after the issuance of the additional bonds.

Water Revenues

Basic service charges for all metered customers are determined by the size of the meter. Consumption charges for water use vary only insofar as large volume users pay a lesser rate above a certain level of consumption. The increases in the Authority’s operating revenues from the Water System have been the result of revenue increases. The Authority obtained approval of the following revenue increases, including the __% increase to be effective on the date of issuance of the Twenty-sixth Series Bonds:

Amount Increase (%)	Effective Date
14.5	August, 1980
10.8	May, 1981
5.2	May, 1983
5.1	June, 1984
3.1	August, 1986
7.2	November, 1988
9.5	March, 1990
7.4	March, 1991
5.3	April, 1992
4.6	August, 1996
3.7	June, 1999
2.5	August, 2000
4.5	September, 2004
5.1	November, 2005
4.6	January, 2007
3.6	April, 2008
4.2	April, 2009
8.2	April, 2010
13.3*	August, 2011

* The increase effective August 2011 will result in a rate increase of 15.5% for the typical residential customer who was not a former customer of BIW. Pursuant to agreements with the Department of Public Utility Control, former customers of BIW, now paying higher rates than former Authority customers, will receive no rate increase until Authority rates have equaled the higher rates charged the former customers of BIW.

The following table sets forth the results of a comparison prepared by the Authority of its approved rates with the rates of other water utilities located in metropolitan areas in the State and in the Northeast.

COMPARISON OF TYPICAL QUARTERLY WATER BILLS^(a)

	Quarterly Water Consumption in Cubic Feet ^(b)					
	2,500	10,000	50,000	100,000	500,000	2,000,000
South Central Connecticut						
Regional Water Authority ^(c)	\$106.39	\$314.66	\$1,514.33	\$2,902.83	\$14,010.83	\$49,025.83
Authority: former customers of Birmingham Utilities ^(d)	126.93	405.18	1,875.44	3,477.44	16,293.44	64,353.44
Connecticut Municipal Water Utilities:						
Hartford Metropolitan District Commission						
Customers Within District	74.05	250.30	1,215.90	2,390.90	11,790.90	47,040.90
Customers Within District with Sewer Surcharge	100.30	355.30	1,740.90	3,440.90	17,040.90	68,040.90
Customers Outside District	87.22	263.47	1,273.14	2,448.14	11,848.14	47,098.14
New Britain Water Department						
Customers Within New Britain	81.55	290.20	1,496.00	2,887.00	14,015.00	53,118.50
Customers Outside New Britain	138.64	493.34	2,543.20	4,907.90	23,825.50	90,301.45
City of Waterbury	62.75	236.00	1,160.00	2,315.00	11,555.00	46,205.00
Investor-Owned Water Utilities located within Connecticut:						
Aquarion Water Company						
Eastern Division	129.47	412.22	2,013.59	2,941.15	10,360.76	38,184.66
Western Division	96.63	298.56	1,504.10	2,371.03	9,306.50	35,314.50
Connecticut Water Company	168.90	589.67	2,687.64	5,130.99	24,677.73	96,978.01
United Water Connecticut	135.17	445.99	2,229.95	4,302.05	20,878.84	83,041.79
Water Utilities in the Northeast:						
Boston, MA (Municipal)	102.23	435.14	2,340.79	4,778.29	24,934.41	100,639.41
New Jersey American Water ^(e)	132.81	441.24	2,296.22	4,352.43	20,802.15	82,488.50
United Water, New Jersey	107.47	374.52	1,920.51	3,700.86	17,943.66	71,354.16
Aqua America, PA ^(f)	213.02	723.85	2,463.65	4,533.27	21,260.91	76,580.07
Providence, RI (Municipal)	86.00	288.98	1,392.98	2,746.19	13,571.87	54,168.17
United Water, New York	139.07	638.56	3,128.99	6,242.03	31,146.31	124,537.37
Springfield, MA (Municipal)	62.00	225.50	1,101.49	2,191.49	10,911.49	43,611.49

(a) The information has been compiled by the Authority. Data as of April 1, 2011.

(b) Bills computed for 5/8 inch meter service for use up to 10,000 cubic feet and for two inch meter commercial service above 10,000 cubic feet where responding utilities make service class differentiation. Not all utilities have the same rate block structure.

(c) The Authority anticipates a 15.5% rate increase upon closing of its Twenty-sixth Series Bonds expected to be issued in August, 2011.

(d) Authority acquired Birmingham Utilities in January, 2008.

(e) Formerly known as Elizabethtown Water Company, NJ.

(f) Formerly known as Philadelphia Suburban Water Company, PA.

The Act gives the Authority the power to set just and equitable rates and charges free from review or approval by the Connecticut Department of Public Utility Control (the “DPUC”) or any successor board or commission, but subject to RPB approval. The Act provides that the RPB shall approve such rates and charges proposed by the Authority unless it finds that such rates and charges will provide funds insufficient for, or in excess of, the amounts required to meet all expenses of the Authority. Since 1980, the RPB has not failed to approve any rate increase, but there can be no assurance that future rate increases will be approved. The Act further provides that such rates or charges, if not paid when due, will constitute a lien upon the premises served and a charge against the owners thereof, which lien and charge will take precedence over all other liens or encumbrances except taxes and which may be foreclosed against the lot or building served in the same manner as a lien for taxes. (The Authority shares its position after taxes with the Greater New Haven Water Pollution Control Authority). The Authority’s uncollectible accounts in Fiscal Year 2009 and Fiscal Year 2010 were less than 1% of gross revenue. Municipalities served by the Authority are subject to the same rates and charges as other users of the Authority’s Water System.

The Act provides that PILOT is equal to taxes on property of the Authority that would otherwise be due, excluding improvements (other than water pipes or improvements to water pipes) made by the Authority after its acquisition of the property. Pursuant to the Act, PILOT is subordinate to and paid only after provision for debt service. The Act also provides that the Authority shall establish, and the RPB shall approve, rates and charges sufficient for PILOT. The Authority is one of the largest property owners in the majority of the municipalities represented on the RPB. In the event of the failure of the Authority to make PILOT, an aggrieved municipality or

holder of bonds or notes of the Authority may apply for a judicial order directing the Authority to increase appropriately its rates and charges.

AUTHORIZATION AND PURPOSE

On February 16, 2011 and on _____, 2011, the Authority adopted and on _____, 2011 the RPB approved resolutions to issue up to \$____,____,000 of Twenty-sixth Series Bonds to (i) finance or refinance Water System Projects, (ii) provide funds for deposit to the Capital Contingency Fund, Debt Reserve Fund and Operating Reserve Fund, as necessary, and in accordance with the General Bond Resolution and (iii) pay costs of issuance related to the Twenty-sixth Series Bonds.

PLAN OF FINANCING

A portion of the net proceeds of the Twenty-sixth Series Bonds will be deposited in the Construction Fund under the General Bond Resolution to finance Water System Projects through the later part of 2012 pursuant to the Authority’s Capital Improvement Program. See “CAPITAL IMPROVEMENT PROGRAM” herein.

SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of funds relating to the Twenty-sixth Series Bonds:

Sources:

Principal Amount	\$ _____
Net Premium (Discount)	
Total Sources	\$ _____

Uses:

Constuction Fund	\$ _____
Debt Reserve Fund	_____
Capital Contingency Fund	_____
Underwriter’s Discount	_____
Costs of Issuance *	_____
Total Uses	\$ _____

* Represents legal and consulting fees and expenses, *de minimus* expenditures and preliminary fees and expenses, printing costs and certain other costs and expenses incurred by the Authority in connection with the issuance of the Twenty-sixth Series Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the annual debt service requirements of the Authority for all Bonds outstanding, including the payments for the Twenty-sixth Series Bonds. Annual debt service payments are made in August and February.

Period Ending May 31	Current Debt Service	Twenty-sixth Series Bonds Principal	Twenty-sixth Series Bonds Interest	Twenty-sixth Series Bonds Debt Service	Aggregate Debt Service
2012	\$	\$	\$	\$	\$
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					

Note: Amounts may not total due to rounding.

DESCRIPTION OF THE AUTHORITY

General

The Authority is a public corporation that was created by the Connecticut General Assembly in 1977 as a public instrumentality and political subdivision of the State. The Authority was established for the primary and public purpose of providing and assuring the provision of an adequate supply of pure water and the safe disposal of wastewater at a reasonable cost within the District and, to the degree consistent with the foregoing, of advancing water conservation and the conservation and compatible recreational use of land held by the Authority. The Act provides specifically that the Authority may acquire, hold, develop and maintain real estate and waters for conservation and compatible active and passive recreational purposes and may levy charges for such uses.

The day-to-day management of Water System operations is conducted by its operating staff (the “Operating Staff”). The Authority’s budget presently allows for the employment of 276 full-time and two part-time persons.

The Authority consists of five members, which members are residents of the District, are not members of the RPB and are appointed without regard to political affiliation. Members are appointed by the RPB to serve for staggered five-year terms. Pursuant to the Act, the Authority members elect its chairperson for a two-year term; the Authority’s vice-chairperson, secretary and treasurer are elected by the Authority members for one-year terms.

The members of the Authority and certain information concerning them is set forth below:

<u>Name</u>	<u>Residence</u>	<u>Term Expires January 1</u>	<u>Affiliations</u>
Anthony DiSalvo Chairperson	Hamden	2014	Management Consultant; Adjunct Professor MBA Programs at Albertus Magnus College and Southern Connecticut State University; Director International Association of New Haven; Director, International Refugee and Immigrants Services; Past-President, New Haven Manufacturer’s Assoc.; former CEO Cello Ltd.; former CEO Viola Audio Labs; former Director, Greater New Haven Community Loan Fund; former faculty, Department of Psychiatry, Yale University.
Joseph A. Cermola Vice Chairperson	New Haven	2016	President and Principal-in-Charge, Cardinal Engineering Associates, Inc.; member of Connecticut Society of Professional Engineers; Connecticut Society of Civil Engineers; American Consulting Engineers Council; Water Pollution Control Federation; National Society of Professional Engineers; and Connecticut Association of Street and Highway Officials.
C. Anthony Edge Secretary/Treasurer	Cheshire	2012	Engineering Consultant; Retired, Director of Facilities Management, Northeast Utilities; Member, American Society of Heating, Refrigeration and Air Conditioning Engineers; Member, Sustainability Forum; Former Member, Executive Board of the Construction Institute, University of Hartford.
Richard G. Bell	Hamden	2013	Retired lawyer; Director and Vice President, Connecticut River Salmon Association; Director, Harbor Health Services, Inc.; President, CommunicCare, Inc.; President, The Watershed Fund, Inc.; Member, Town of Hamden Open Space and Conservation Commission; Fellow, American Bar Foundation, Connecticut Bar Foundation; Associate Fellow, Davenport College, Yale University.
R. Douglas Marsh	Branford	2015	Principal and CEO, Organization Dynamics, LLC, advisors to not-for-profit corporations since 1986; strategic planning, governance, operations, mergers and strategic alliances, executive search; Director, Branford Land Trust, Inc.; Member, Connecticut Society of Association Executives; Member, Advisory Board, Greater New Haven Leadership Center; Member, South Central Connecticut Regional Water District Representative Policy Board, 1991-2009 (chairperson,

<u>Name</u>	<u>Residence</u>	<u>Term Expires January 1</u>	<u>Affiliations</u>
			1998-2006).

The Authority's headquarters are located at 90 Sargent Drive, New Haven, Connecticut 06511 (203-562-4020). The Authority's website is www.rwater.com.

Principal members of the Operating Staff/Management are presented below:

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	<u>Background</u>
Larry L. Bingaman	President/Chief Executive Officer	2	Mr. Bingaman holds a Bachelor of Science degree from California State University and an Executive Master's degree in Business Administration from the University of New Haven, Connecticut. Prior to joining the Authority and beginning in 1990, he served in various capacities of increasing responsibilities at Aquarion Water Company, one of the ten largest investor-owned water utilities in the United States. From 2004, he was Senior Vice-President in charge of operations for the Massachusetts-New Hampshire division of Aquarion. Long active in community and associations of the water industry, Mr. Bingaman is a Board member of, and also sits on the Executive Committee of the Greater New Haven Chamber of Commerce, is a member of the Regional Leadership Council, is a board member of Regional Economic Xcelleration and is part of the President's Executive Council for Gateway Community College.
Thomas Chaplik	Vice President Water Quality and Outreach	32	Mr. Chaplik holds a Bachelor of Science degree in Agronomy from the University of Connecticut and a Master's degree in Environmental Science from the University of New Haven. He serves on the Boards of the CT Water/Wastewater Agency Response Network (chair), the Orange Economic Development Corporation, the CT Natural Heritage, Open Space/Watershed Land Acquisition Review Board, the CT Department of Public Health Drinking Water Emergency & Security Advisory Committee, and the CT Department of Emergency Management & Homeland Security private—Public Sector Collaborative Committee.
Linda M. Discepolo	Vice President Business Planning, Development and Finance	1	Ms. Discepolo holds a Bachelor of Science degree in Accounting from Quinnipiac University and a Master's degree in Business Administration, concentrating in Finance, from the University of New Haven. Prior to joining the Authority and beginning in 1979, she served in various capacities of increasing responsibility at Aquarion Water Company. Beginning in 2000, she was the Director of Rates and Regulation responsible for the financial affairs for each of Aquarion's three utility subsidiaries in CT, MA and NH. Ms. Discepolo was previously active with the National Association of Water Companies and is currently a member of the American Water Works Association.

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	<u>Background</u>
Edward O. (Ted) Norris III	Vice President Operations and Engineering	21	Mr. Norris holds a Bachelor's degree in Civil Engineering and is completing an Executive Masters degree in Business Administration, both from the University of New Haven. He is a registered Professional Engineer in the state of Connecticut. He is President of the Connecticut Water Works Association, Chair of the Advisory Board to the Tagliatela College of Engineering at the University of New Haven, Chairperson of American Water Works Association's Standards Committee No. 257—Pipe Rehabilitation, and is active in Water Research Foundation's activities related to distribution systems.
Janet S. Ryan	Vice President Services and Technology	9	Ms. Ryan holds a Bachelor's degree from the University of Connecticut. Prior to joining the Authority, she was the Director of Information Technology and Business Solutions for Customer Care Systems at SBC-SNET. Ms. Ryan serves on the Advisory Council at Gateway Community College and Literacy Volunteers of Greater New Haven. She is the Vice President of the APT Foundation's Board of Directors.

Approximately 138 non-management members of the Operating Staff are members of the United Steelworkers, Local Union 12160 and the United Public Service Employees Union Local 424—Unit UCOP3. The collective bargaining agreement for Local Union 12160 expires on April 15, 2013, while the initial agreement for Local Union 424 expires on June 30, 2013.

Members of the Operating Staff participate in professional organizations, including the Connecticut Section of the American Water Works Association and other related activities. The Authority provides reimbursement for tuition payments to employees for studies related to their professional responsibilities and conducts in-house technical and clerical training programs for all employees.

Powers of the Authority

The Act authorizes the Authority, among other things, (i) to acquire any existing water supply system situated within the District by means including the purchase of all the stock, assets and franchises of any existing water company and to succeed to all rights, powers and franchises of such company, (ii) to establish just and equitable rates or charges for use of the Water System to be paid by any customer and to change such rates or charges from time to time so as to provide revenues sufficient to pay the cost of maintaining, repairing and operating the Water System, the principal of and interest on bonds of the Authority when due, to meet other requirements of the General Bond Resolution authorizing such bonds, to make payments-in-lieu-of-taxes ("PILOT") and to provide for the maintenance, conservation and appropriate recreational use of land of the Authority, and (iii) to issue bonds for any of its corporate purposes and to secure their payment by a lien or pledge covering all or part of its contracts, earnings or revenues.

The Authority may not sell water to customers in any part of the District in which any other water company has a franchise, or in which a municipality operates a water system, without the consent of such company or municipality. The Authority may exercise the power of eminent domain in furtherance of its corporate purposes. However, it lacks the power to acquire by eminent domain property owned by the State, any municipality or any existing water supply system. In addition, the Authority has all of the powers granted by Connecticut law to stock corporations, except the power to issue stock.

In 2002, the Connecticut General Assembly amended the Act to permit the Authority to provide wastewater services. The revenues, expenses and liabilities of such wastewater services shall be kept separate and apart from

the revenues, expenses and liabilities of the water system. Currently, the Authority does not provide, nor does it contemplate providing such wastewater services.

Powers of the Representative Policy Board (“RPB”)

The RPB is composed of one member from each of the municipalities comprising the District, appointed by the chief elected official of such municipality and approved by its legislative body, and one member appointed by the Governor. Each member's voting power is weighted under a formula based upon each municipality's proportion of the District's total number of customers and Authority-owned land area. No member has more than 13 of the current total 101 weighted votes on the RPB. The Act provides that the RPB is empowered among other things, to appoint the five members of the Authority, and to approve (i) the chief executive officer appointed by the Authority, (ii) the acquisition of any existing water supply system or wastewater system, (iii) the repair, improvement, construction, reconstruction, enlargement or extension of any of the Authority's properties or systems costing more than \$2,000,000, (iv) the rates and charges established by the Authority and (v) the issuance of bonds.

Pursuant to the terms of the Act, the RPB has established an Office of Consumer Affairs to act as the advocate for consumer interests with regard to matters such as rates, water quality and supply. The expenses of the Office of Consumer Affairs are paid by the Authority. Attorney Jeffrey M. Donofrio with the law firm of Ciulla & Donofrio, LLP, in North Haven, Connecticut currently holds such office.

WATER SYSTEM SERVICE AREA

Service Area

As of May 31, 2010, the Water System serves approximately 118,600 customers, representing approximately 430,529 individuals in fifteen municipalities in the south central region of the State. This Service Area includes all or portions of Ansonia, Bethany, Branford, Cheshire, Derby, East Haven, Hamden, Milford, New Haven, North Branford, North Haven, Orange, Seymour, West Haven and Woodbridge, which have an aggregate population of approximately 490,514 persons. In addition, the Authority provides water to about 133 customers in the Town of Wolcott. The Authority also owns land in the District towns of Beacon Falls, Guilford, Killingworth, Madison and Prospect, but serves no customers in those municipalities. The Authority owns land in Durham and Haddam, as well. See the inside back cover of this Official Statement showing the map of the South Central Connecticut Regional Water District.

The Authority furnishes water pursuant to wholesale agreements with Aquarion Water Company providing for the sale of not less than 200 million gallons per year, with the City of Meriden providing for the sale of not less than 80 million gallons per year and with The Connecticut Water Company for a capacity reservation of one million gallons per day maximum in exchange for fourteen annual payments of \$75,000 each, as well as water at a wholesale rate. The Authority charges a wholesale rate of \$1,860 per million gallons. Based on these agreements, annual wholesale revenues are expected to be approximately \$595,800. Additionally, the Authority sells small quantities of wholesale water from its Ansonia Valley Area to two customers under a separate legacy rate structure as acquired from Birmingham Utilities in 2008.

Accessibility to the District is provided by Interstates 91 and 95, the Boston Post Road (U.S. 1), the rail lines of MetroNorth and Amtrak, and the Tweed New Haven Municipal Airport. New Haven Harbor is the largest commercial port on Long Island Sound, and the third busiest in New England.

The City of New Haven is the most populous municipality within the Service Area.

Yale New Haven Hospital, Inc., the Hospital of St. Raphael, the Veterans' Administration Healthcare System, the Milford Hospital and the Griffin Hospital form the nucleus of the medical and health care services available in the Service Area.

The Yale University complex of colleges, libraries, museums, theaters, Yale Bowl, and Woolsey Hall provides a wide range of facilities and services to the people of the region and employs approximately 13,200

people. The total compensation to its employees approximates \$1.6 billion annually. There are four other colleges and universities in the Service Area which, together with Yale University, have an aggregate student population of approximately 37,200.

The Service Area is served by four major utilities: AT&T, the United Illuminating Company, the Southern Connecticut Gas Company and the Authority. Smaller portions of the Service Area are served by other utilities.

In addition to the above-mentioned service institutions, the Service Area economy includes a diversified mix of industry and commerce.

The following table presents information on the number of employed persons who reside in the municipalities in the Service Area.

EMPLOYMENT OF RESIDENTS IN SERVICE AREA*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Ansonia	9,573	9,660	9,376	9,068	9,113
Bethany	2,972	3,026	2,977	2,963	2,966
Branford	16,847	16,939	16,509	16,253	16,234
Cheshire	14,372	14,375	13,912	13,717	13,819
Derby	6,632	6,689	6,497	6,294	6,321
East Haven	15,472	15,573	15,173	14,932	14,901
Hamden	29,871	30,021	29,149	28,669	28,732
Milford	30,457	31,078	30,498	29,824	30,301
New Haven	52,151	52,603	51,050	50,305	50,166
North Branford	8,043	8,159	7,998	7,861	7,839
North Haven	12,570	12,783	12,548	12,358	12,328
Orange	6,942	7,200	6,972	6,854	6,834
Seymour	8,844	8,974	8,812	8,563	8,634
West Haven	28,353	28,519	27,747	27,335	27,184
Woodbridge	<u>4,822</u>	<u>4,875</u>	<u>4,747</u>	<u>4,593</u>	<u>4,624</u>
Total	247,921	250,474	243,965	239,589	239,996
Percentage Change Over Prior Period	2.5%	1.0%	(2.6)%	(1.8)%	0.2%
Connecticut residents employed in Connecticut	1,786,200	1,803,700	1,758,900	1,711,900	1,721,800
Percentage Change Over Prior Period	2.6%	1.0%	(2.5)%	(2.7)%	0.6%

*Compiled and computed from reports by the Connecticut Department of Labor – Office of Research and the Connecticut Department of Economic and Community Development, Compliance Office and Planning/Program Support as of December of each year.

For certain other information concerning the municipalities in the Service Area, see the tables below.

POPULATION IN SERVICE AREA

City/Town	Estimated Population and Percentage Change in Period					Estimated Population Supplied and Percentage Change in Period			
	<u>1990^(a)</u>	<u>% Change</u>	<u>2000^(a)</u>	<u>% Change</u>	<u>2010^(b)</u>	<u>2000^(c)</u>	<u>% Change</u>	<u>2010^(d)</u>	
Ansonia	18,403	1	18,554	0%	18,514	17,700	0%	17,811	
Bethany	4,608	9	5,040	11	5,582	12	(33)	8	
Branford	27,559	4	28,683	1	29,014	26,878	2	27,439	
Cheshire	25,684	11	28,543	2	29,142	20,226	14	23,120	
Derby	12,199	0	12,184	2	12,385	11,100	12	12,393	
East Haven	26,143	8	28,189	1	28,572	26,760	4	27,913	
Hamden	52,434	9	56,913	2	58,119	51,315	7	54,915	
Milford	49,938	5	52,305	8	56,424	51,826	2	52,628	
New Haven	130,438	(5)	123,626	0	123,330	123,626	0	123,669	
North Branford	12,997	7	13,906	3	14,387	4,147	19	4,921	
North Haven	22,249	4	23,035	4	23,916	20,581	1	21,917	
Orange	12,831	3	13,233	4	13,772	9,057	13	10,270	
Seymour	14,288	8	15,454	6	16,320	800	(1)	793	
West Haven	54,004	(3)	52,360	1	53,007	52,360	0	52,366	
Woodbridge	7,925	13	8,983	2	9,188	966	41	1,366	
Total	471,700	2	481,008	2	491,672	417,354	3	431,529	

(a) U.S. Census Bureau.

(b) The State of Connecticut Department of Public Health estimate.

(c) Estimated by either the Authority or management of the former Birmingham Utilities.

(d) Estimated by the Authority

UNEMPLOYMENT AND PER CAPITA INCOME IN SERVICE AREA

City/Town	Unemployment ^(a)					Per Capita Income and Percentage Change in Period				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>1979^(b)</u>	<u>% Change</u>	<u>1989^(c)</u>	<u>% Change</u>	<u>1999^(d)</u>
Ansonia	4.2%	5.5%	8.0%	9.5%	10.6%	\$7,000	112%	\$14,833	38%	\$20,504
Bethany	2.4	3.8	4.7	5.8	5.9	8,992	153	22,722	38	31,403
Branford	2.8	3.7	5.4	6.7	7.1	9,188	146	22,642	43	32,301
Cheshire	2.8	3.5	4.6	6.1	6.6	9,220	152	23,204	46	33,903
Derby	4.3	4.8	7.5	10.3	10.1	7,785	116	16,819	37	23,117
East Haven	4.0	4.9	6.6	8.6	9.2	6,990	134	16,389	37	22,396
Hamden	3.4	4.3	5.7	7.5	8.2	8,528	127	19,383	34	26,039
Milford	3.1	3.8	5.5	8.2	7.9	8,246	132	19,099	51	28,882
New Haven	6.0	7.1	9.6	11.8	13.0	5,822	123	12,968	26	16,393
North Branford	3.2	3.8	5.4	7.3	7.7	7,975	143	19,408	47	28,542
North Haven	3.2	3.7	5.5	6.7	7.6	9,220	131	21,335	40	29,919
Orange	2.7	3.0	5.0	6.1	6.2	10,825	148	26,860	36	36,471
Seymour	3.7	4.5	6.2	8.2	8.0	7,548	139	18,031	33	24,056
West Haven	4.2	5.1	7.2	9.0	10.1	7,200	120	15,810	34	21,121
Woodbridge	2.1	2.8	3.6	4.4	5.6	14,876	155	38,008	29	49,049
State of Connecticut	3.7	4.5	6.6	8.5	8.6	14,262	42	20,189	42	28,766
United States	4.3	4.8	7.1	9.7	9.1	12,229	18	14,420	50	21,587

(a) Compiled from reports by the Connecticut Department of Labor—Office of Research and the Connecticut Department of Economic and Community Development, Compliance Office and Planning/Program Support as of December of each year.

(b) State Office of Policy and Management, based on 1980 Census.

(c) State Office of Policy and Management, based on 1990 Census.

(d) State of Connecticut, Department of Economic and Community Development, based on 2000 Census.

NUMBER OF NEW HOUSING UNITS IN SERVICE AREA*

	Net Gain of Housing Units				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Ansonia	11	5	13	4	0
Bethany	29	27	5	4	4
Branford	67	17	13	20	10
Cheshire	32	62	46	35	11
Derby	6	8	(3)	1	(6)
East Haven	67	18	9	3	13
Hamden	30	25	20	11	5
Milford	322	260	259	246	66
New Haven	41	209	(58)	(91)	(80)
North Branford	61	3	(5)	2	3
North Haven	126	27	8	4	(2)
Orange	7	6	4	1	9
Seymour	91	41	24	35	15
West Haven	24	22	7	3	12
Woodbridge	<u>13</u>	<u>5</u>	<u>2</u>	<u>3</u>	<u>9</u>
Total	927	735	344	281	69
Percentage Change Over Prior Period	8.4%	(20.7)%	(53.2)%	(18.3)%	(75.4)%
State of Connecticut	10,499	7,652	6,461	3,758	2,567
Percentage Change Over Prior Period	3.9%	(27.1)%	(15.6)%	(41.8)%	(34.4)%

Negative net gains are the result of demolitions exceeding housing starts.

*Source: State of Connecticut Department of Economic and Community Development.

Customers

As of May 31, 2010 the Water System provided water service to 118,596 customers. This represents increases of 9.7% over 2006, primarily as a result of the acquisition of Birmingham Utilities, and 0.2% over Fiscal Year 2009. (See table "WATER REVENUES, CONSUMPTION AND CUSTOMERS BY CLASS")

Customers of the Water System are classified according to the nature of their use of water. All homes, dormitories and apartment buildings are classified as residential, all manufacturing enterprises in which water is used as part of the manufacturing process are classified as industrial, and all business and institutional enterprises other than those classified industrial are classified as commercial. Water sales to governmental units are classified as sales to public authorities. Residential use during Fiscal Year 2010 accounted for approximately 68% of water consumption and approximately 68% of water revenues.

Excluding its wholesale customers the following table ranks the Authority's ten largest customers, based on their consumption. In Fiscal Year 2010, these ten customers represented 7.5% of the Water System's total consumption and 4.7% of its revenues.

TEN LARGEST CUSTOMERS IN SERVICE AREA

<i>Rank</i>	<i>Customer</i>	<i>Percentage of FY 2010 Consumption</i>	<i>Percentage of FY 2010 Revenues</i>
1	Yale University	2.9%	1.8%
2	Yale New Haven Hospital, Incorporated	0.8	0.5
3	State of Connecticut – Department of Corrections – Cheshire	0.9	0.5
4	Milford Power Company	0.6	0.3
5	VA Connecticut Healthcare System – West Haven Campus	0.5	0.3
6	Quinnipiac University	0.5	0.3
7	Covidien Ltd.	0.4	0.3
8	Southern Connecticut State University	0.4	0.3
9	Hospital of St. Raphael	0.3	0.2
10	PSEG Power CT LLC	0.2	0.2
	Total	7.5%	4.7%

The following table sets forth certain information concerning revenues and consumption by class of customer for each of the last five Fiscal Years. The consumption decrease in Fiscal Years 2010 and 2009 from Fiscal Year 2008 was primarily due to lower consumption during the summer months of 2008 and 2009 as a result of cool temperatures and wetter-than-normal weather as well as lower consumption by Milford Power which stopped using potable water in April 2008 for the purpose of cooling its power plant.

WATER REVENUES, CONSUMPTION AND CUSTOMERS BY CLASS

Revenues From Sales of Water : ^(a)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$42,273,372	\$40,854,529	\$46,209,938	\$48,283,640	\$50,071,744
Commercial	11,026,145	11,042,931	12,437,300	11,999,390	11,919,700
Industrial.....	3,095,209	3,028,663	2,697,945	1,809,730	1,558,925
Public Authority	2,598,349	2,472,298	2,774,375	2,797,584	2,776,439
Other Water Revenue ^(b)	6,307,500	6,691,642	7,164,798	7,281,541	7,706,492
Total	\$65,300,575	\$64,090,063	\$71,284,356	\$72,171,885	\$74,033,300
Gallons Sold (in thousands):					
Residential	10,280,034	9,653,707	10,149,071	10,068,529	9,827,959
Commercial	3,345,968	3,234,502	3,334,924	3,105,974	3,041,042
Industrial.....	1,271,641	1,163,157	938,074	541,820	435,283
Public Authority	875,079	782,647	854,353	799,829	755,884
Other ^(c)	1,001,071	996,182	760,950	248,372	300,153
Total	16,773,793	15,830,195	16,037,372	14,764,524	14,360,321
Number of Customers ^(d)					
Residential	98,123	98,356	106,939	107,463	107,588
Commercial	6,469	6,544	6,957	7,000	7,020
Industrial.....	216	215	254	251	247
Public Authority	581	567	633	625	592
Other ^(e)	2,712	2,955	3,071	3,064	3,149
Total	108,101	108,637	117,854	118,403	118,596

(a) Fiscal Year is June 1 through May 31.

(b) Includes private and public fire protection services, miscellaneous un-metered sales and wholesale sales.

(c) Includes miscellaneous un-metered sales and wholesale sales.

(d) Increase in FY2008 is primarily due to the acquisition of Birmingham Utilities.

(e) Includes private and public fire protection customers and wholesale customers.

Other Activities

The Authority provides various fee-based services on a regional or local basis that provide it with annual net revenue of approximately \$4 million. For example, it offers its customers two service protection plans, PipeSafe and PipeSafe Plus, the former covering the water line that runs from the curb to customer's residence and the latter covering the sanitary sewer line that runs from the sewer main to the customer's residence. In addition, the Authority provides laboratory testing services for other water utilities.

WATER SYSTEM

Supply and Facilities

The existing water supply for the Authority's Water System is obtained from watersheds that lie between the Housatonic River and the Connecticut River and extend from close to Long Island Sound to about 20 miles inland.

The total Safe Yield (the yield which can be reasonably expected in 99 out of 100 years) of all active sources is 79.3 million gallons per day ("MGD"). This is a 1.9 MGD, or 2.3%, reduction in the Safe Yield from the Authority's 2010 safe yield of 81.2 MGD. The 1.9 MGD reduction is the result of the Authority's decision to place its Mount Carmel well field to an inactive status. The Authority has identified treatment and distribution system limitations at some of its supply sources. The total Available Water for all Authority supplies, which is defined by the Connecticut Department of Public Health ("DPH") as the amount of water that the Authority can dependably supply, taking into account limitations on Safe Yield, is 76.7 MGD. The Authority's Available Water is approximately 15.8 MGD greater than the highest historical annual average daily draft in the Authority's service area of 60.9 MGD in 1988. The water supply is obtained from four active surface water supply systems, which provide approximately 85% of available water and seven well fields.

Each of the water supplies of the Water System is equipped with chlorination equipment, fluoridation equipment and corrosion control feeding equipment. In addition to the treatment supplied by this chemical feed equipment, water taken from the four surface water systems is treated by filtration plants, located within the District.

The treated water is delivered to customers through a system of pumping stations, storage tanks and connecting transmission and distribution mains, separated into 25 major distribution pressure systems. As of May 31, 2010, the Authority's distribution and transmission facilities included the following: 39 facilities with pumping equipment, 36 storage tanks including a covered reservoir and 1,728 miles of distribution mains.

The Water System has pumping equipment installed to pump water from reservoirs and wells through any necessary treatment facilities and throughout the distribution system. The water in the storage tanks serves as a reserve of treated water for fire protection to meet peak system demands and to maintain uniform pressure in the system.

Approximately 34% of the mains in the Water System are less than 40 years old, and approximately 62% of the mains are less than 60 years old. Since 1974, the Authority has extended its mains at an annual rate of approximately 9 miles, with the highest rate of extension occurring in 1986 when it added approximately 26 miles of main.

Because of the chemical characteristics of the Water System's water supply, the inside of the mains is exposed to a small amount of corrosive action that produces deterioration. Since 1956, the Authority has installed water mains in the Water System which have a factory-applied protective cement lining that prevents this deterioration. In addition, the Authority conducts an annual main rehabilitation program which lines, *in-situ*, certain of its existing transmission and distribution mains with protective cement. Approximately 69% of the Water System's mains are cement-lined, and approximately 6% are bitumastic-lined. Thus, approximately 75% of the Water System's mains do not require relining. The Authority plans to reline the remaining 25% of the Water System's mains over the next 55 years assuming that the remaining mains do not require replacement.

The Authority provides water for fire protection in the 15 municipalities that it serves, through the distribution system, delivered through fire hydrants, 64% of which are owned by the respective municipalities.

Assuming the completion of anticipated improvements and replacements, the Authority believes that the capacity and capability of the Water System to supply water is sufficient for the present and projected needs of its customers during the planning period of five years extending through May 31, 2016. Management will consider various improvements, as needed, to provide for additional customer demand.

Monitoring Facilities

The Authority reports and stores data showing standpipe water levels, well and pumping station status, system pressures and the status of pressure-reducing valve installations. Its operators control the flow and pressure of water in the system through use of computer commands to meet fluctuating customer requirements.

Maintenance

The Authority regularly “flow-tests” the system to determine its operating characteristics and capacity. This allows the Authority to identify systems and individual pipelines needing further testing. If a segment of pipeline is found to be flow-restricted, the Authority either rehabilitates it or replaces it.

In Fiscal Year 2010 gross unaccounted-for water, including water losses, amounted to 2.625 billion gallons, or 15.12% of water produced and admitted into the Water System. This represents a increase from the 3.374 billion gallons, or 18.32%, which were lost or unaccounted-for in Fiscal Year 2009. The Authority continues to pursue a program designed to reduce its unaccounted-for water. Since the Authority does not exclude from its gross unaccounted-for water reporting estimates of water lost due to leaks, main breaks, faulty meters, unauthorized hydrant use, flushing procedures and similar sources, its figures for gross unaccounted-for water will tend to exceed those of other water utilities using a different method of reporting. Excluding water used for such purposes, net unaccounted-for water was 13.91% for Fiscal Year 2010. The Authority tracks the annual rolling average of unaccounted-for water that it compiles on a monthly basis, thereby allowing it to identify trends in unaccounted-for water prior to the end of the year. The Authority believes that the Water System is in good repair and operating condition. See Appendix A “Consulting Engineer’s Report” under the heading “WATER SYSTEM”.

WATER CONSUMPTION DATA

(Figures in thousands)

	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>
Total Gallons Produced	19,872,012	18,910,002	19,183,751	18,424,886	17,366,720
Total Gallons Sold ^(a)	16,773,793	15,830,195	16,037,372	14,764,524	14,360,321
Gallons used by Utility	97,585	124,453	114,956	285,696	381,037
Total Gallons Unaccounted-for ^(b)	3,000,634	2,955,354	3,031,423	3,374,666	2,625,362
Percent Total					
Unaccounted-for	15.10%	15.63%	15.80%	18.32%	15.12%
Estimated Miscellaneous Usage ^(c)	258,747	264,187	232,022	194,496	210,408
Net Unaccounted-for Water ^(d)	2,741,887	2,691,167	2,799,401	3,180,170	2,414,954
Percent Net Unaccounted-for Water	13.80%	14.23%	14.59%	17.26%	13.91%

(a) The amount of gallons sold has been adjusted so that “Gallons Produced” and “Gallons Sold” figures are based on the same number of days.

(b) Includes public and private fire protection service.

(c) Includes estimated quantities of water used for flushing the distribution system, unmetered “bleeders,” cleaning standpipes, cleaning and lining water mains, etc.

(d) Calculated as “Total Gallons Unaccounted-for” less “Estimated Miscellaneous Usage”.

Conservation and Sale of Land

The Authority is charged with advancing the conservation and compatible recreational use of its land to the degree consistent with providing an adequate supply of pure water at reasonable cost. The Act requires the Authority to develop standards for determining the suitability of its real property for categories of land use, including real property that may be surplus with regard to the purity and adequacy of both present and future

water supply, that may be desirable for specified modes of recreation or open space, and that may be suitable for other uses.

After an extensive planning process, which took into account the benefits of owning land to protect water quality, the Authority adopted a land use plan (the “Plan”) in 1983 for its landholdings. Subsequent to the adoption of the Plan, the Authority implemented a number of uses consistent with the Plan, including a controlled-access passive recreation program. If located on a public drinking water supply watershed, these uses and the sale, lease or exchange of landholdings also require the approval of the Connecticut Department of Public Health (“DPH”) together with applicable town and city approvals.

In 1996, the Authority adopted an updated land use plan (the “Updated Plan”), which specified 1,490 acres of land not needed for long-term water supply. The Authority is working with local municipalities, the State of Connecticut, land trusts and other organizations committed to land conservation to find ways other than through the charging of water rates to recover the Authority’s cost of holding and maintaining the 1,490 acres. An example of this effort was the sale in December, 2006 of 66.5 acres of the Racebrook Property in Woodbridge as open space to the Town of Woodbridge for \$1,138,950.

In March, 2007, the Authority reviewed its significant landholdings and identified an additional 900 acres of land not needed for the operation, protection and maintenance of the water system. The Authority intends to sell these 900 acres in accordance with a statutory process in order to keep rates charged water customers as low as possible. An example of this effort was the sale in September 2009 of 7.4 acres off of Burnt Plains Road in Milford to the City of Milford for \$600,000. The Authority will use proceeds from the sale to purchase additional land on the watershed. The General Bond Resolution provides that proceeds from the disposition of land, up to the greater of \$10 million or 10% of the aggregate amount of Bonds then outstanding, may be used for non-water supply system capital improvements, acquisitions of real property or retirement of non-water system debt. All proceeds in excess of such amount must be used in connection with the Water System. Typically, the Authority will deposit proceeds from land dispositions into its Construction Fund.

Because of the Authority’s commitment to the multi-barrier approach for providing safe public drinking water sanctioned by the U.S. Environmental Protection Agency (“EPA”), it has acquired 2,203 acres of land on the public water supply watershed and protected 1,000 acres under conservation easements since 1996 to enhance its efforts to protect source water. As of March 14, 2011, the Authority’s land holdings totaled 27,286 acres. The Authority has committed to protect an additional 3,000 acres of land on the watershed.

Hazwaste Central

In order to promote the environmentally-safe disposal of hazardous substances that might otherwise contaminate the region’s environment, including its water supply, the Authority owns and operates from its headquarters a hazardous waste facility, as agent for the South Central Connecticut Regional Council of Governments, a regional center for the collection of household hazardous waste and hazardous waste from conditionally exempt small quantity generators (“CESQG”). Many substances commonly used around the house or at CESQG sites, such as oil-based paints, cleaners, oils and pesticides, contain substances regulated as “hazardous waste” under federal law. Homeowners and CESQG take their hazardous wastes to the center on designated days of operation for collection, temporary storage and transfer to a hazardous waste disposal facility.

The center is operated by a licensed hazardous waste management firm that is fully insured and bonded against environmental hazards. The program is financed by the 16 participating municipalities and CESQG. The center meets all regulations promulgated by the state of Connecticut Department of Environmental Protection (the “DEP”) and the U.S. Environmental Protection Agency for operation of this type of facility.

Security for the Water System

The Authority continues to implement and maintain improvements as identified in its “vulnerability assessment” completed in 2003, pursuant to Section 1433 of the Safe Drinking Water Act. In addition, the Authority periodically tests its alternative emergency operations center and tests its all-hazard (including the pandemic flu) emergency response plan by conducting “tabletop” emergency preparedness exercises, both in-house and with local, state and federal agencies and industry associations, as well as participating in other efforts

as part of regional emergency planning. In addition, the Authority participates in the Connecticut Water/Wastewater Agency Response Network (“CtWARN”) that provides emergency mutual aid and assistance to member organizations according to agreed upon standards.

CAPITAL IMPROVEMENT PROGRAM

Management of the Authority has prepared the prospective information set forth below concerning its program of capital improvements. In the view of the Authority’s management, this information was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Authority. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information.

Neither the Authority’s independent auditors, nor any other independent accountants, have compiled, examined, or performed procedures with respect to the prospective financial information contained herein, nor have they expressed an opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim association with, the prospective financial information.

Projects expected to be started or completed over the five-year period from Fiscal Years ending 2012 through 2016 and their estimated expenditures are summarized below. The Authority reviews its program of capital improvements annually, revising and updating it as conditions warrant. Capital projects costing more than \$2 million may not be undertaken without approval from the Representative Policy Board. The Authority annually prepares a projection of improvements, additions and renovations to the Water System, generally based on engineering recommendations. Most recently, the Authority revised its capital improvement program in May 2011, after re-evaluating priorities and adjusting schedules.

Information concerning the Authority's capital improvement program is shown in 2011 dollars in the following table:

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
5-YEAR PLAN OF CAPITAL IMPROVEMENTS
(Expressed in thousands of 2011 Dollars)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Natural Resources (a)						
Land Management	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 1,000
Watershed Protection	200	100	100	100	100	600
Improvements to Reservoir Intakes	525	975	4,100	4,600	—	10,200
Improvement to Reservoir Dams & Spillways	2,675	—	300	2,000	70	5,045
Bridge Refurbishments	—	400	—	400	300	1,100
Miscellaneous	285	436	77	40	10	848
Total	3,885	2,111	4,777	7,340	680	18,793
Pumping (b)						
Motor Control Center Replacements/Elec. Improv.	—	175	175	175	175	700
Pump Station Generator Replacement	—	—	—	300	75	375
Variable Frequency Drive Replacements	—	—	164	150	400	714
Lake Gaillard PS Electrical Improvements—Phase II	1,100	2,710	—	—	—	3,810
Ford St. (Ansonia) Pump Station Reconstruction	500	500	—	—	—	1,000
Miscellaneous	544	380	405	320	150	1,799
Total	2,144	3,765	744	945	800	8,398
Treatment (c)						
Lake Saltonstall WTP Improvements	510	100	425	100	100	1,235
Lake Gaillard WTP Improvements	860	200	200	200	350	1,810
Lake Gaillard WTP Generator Replacement	—	—	280	560	1,680	2,520
West River WTP Improvements	320	300	100	100	175	995
Lake Whitney WTP Improvements	205	50	50	50	385	740
Improvements to Groundwater Treatment Facilities	894	475	100	200	115	1,784
Miscellaneous	200	145	185	100	235	865
Total	2,989	1,270	1,340	1,310	3,040	9,949
Transmission & Distribution(d)						
Pipe and Transmission Main	6,821	7,197	6,625	4,500	4,250	29,393
Cleaning and Lining	470	3,000	3,000	3,000	3,000	12,470
Service Connections & Hydrants	2,200	2,600	2,875	3,125	3,125	13,925
Meters	600	100	100	100	100	1,000
Advanced Metering Infrastructure	70	2,000	2,000	2,000	2,000	8,070
Tank Painting & Improvements	2,545	—	490	750	100	3,885
Tank Construction/Replacement	130	2,500	5,100	1,000	2,000	10,730
New Haven Service Area Improvements—Phase I	—	—	100	815	3,000	3,915
Miscellaneous	723	590	210	1,130	270	2,923
Total	13,559	17,987	20,500	16,420	17,845	86,311
General Plant (e)						
Information Systems	1,030	2,200	2,040	2,137	6,640	14,047
Equipment	791	1,360	1,531	1,441	1,235	6,358
90 Sargent Drive	235	1,370	45	20	75	1,745
Total	2,056	4,930	3,616	3,598	7,950	22,150
CONTINGENCY	1,500	301	310	296	303	2,710
TOTAL	\$ 26,133	\$ 30,364	\$ 31,287	\$ 29,909	\$ 30,618	\$ 148,311
ESCALATED TOTAL(f)	\$ 26,133	\$ 31,275	\$ 33,192	\$ 32,682	\$ 34,461	\$ 157,743

Advanced Metering Infrastructure—Alternative Funding \$ — \$ 3,000 \$ 3,000 \$ 3,000 \$ 3,000 \$ 12,000

See following page for footnotes.

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- (a) Projects required to provide for present and future water requirements, as well as protection of existing water supplies.
 - (b) Projects required to modify pumping facilities.
 - (c) Projects which are necessary to maintain compliance with all federal and state regulations as well as provide an adequate supply for future expansion of water demand.
 - (d) Projects necessary to correct deficiencies in the existing system and provide for current and future demands needed for both consumption and fire protection.
 - (e) Expenditures for specific items including information systems, equipment, vehicles and plant modifications.
 - (f) Escalated at 3% per year.

The Authority expects to finance capital projects for the period through at least January 31, 2013 from the proceeds of the Twenty-sixth Series Bonds issued in August, 2011, together with interest accruing on moneys in the Construction Fund. The Consulting Engineer has concluded that the projects included in the Authority's capital improvement program should allow the Water System to continue to meet the present federal and state requirements of the Safe Drinking Water Act and the Clean Water Act. See "Appendix A – Consulting Engineer's Report" attached hereto.

ENGINEERING AND ENVIRONMENTAL MATTERS

Engineering Evaluation

In connection with the acquisition of its predecessor, the New Haven Water Company, in 1980, and the issuance of its first series of Bonds, the Authority engaged SAIC Energy, Environment & Infrastructure, LLC ("SAIC") (formally R. W. Beck, Inc.) as Consulting Engineer to prepare a report on the Water System and on certain other matters. Since then, SAIC has reported on the Water System and related matters for each of the Authority's bond issues; with few exceptions, it has prepared these reports on an annual basis. In them, SAIC has concluded that: (i) the Water System has the capacity and the capability to supply water sufficient for the present and projected needs of its customers during the planning period; (ii) the Water System has been maintained and operated in accordance with generally accepted engineering standards; (iii) the Water System is in good repair and operating condition, assuming the completion of certain improvements and replacements included in the capital improvement program; (iv) the capital improvement program is adequate, when completed, to allow the Water System to meet the then current federal and state requirements of The Safe Drinking Water Act (the "SDWA") and the Clean Water Act; and (v) the Authority has developed and implemented a well-managed program designed to identify and, to the extent the Authority determined to be appropriate or necessary, to take remedial action with respect to the Authority's dams pursuant to the inspection program under the National Dam Inspection Act and coordinated with the Connecticut Department of Environmental Protection. The most recent report of SAIC, dated May 31, 2011 confirms these conclusions. See "Appendix A – Consulting Engineer's Report" attached hereto.

Environmental Regulation

Water utilities, including political subdivisions such as the Authority, are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of water utilities are subject to change. These changes may arise from legislative, regulatory or judicial action regarding such standards and procedures. Consequently, there is no assurance that the Authority's current facilities will be in compliance with future regulation or will be able to obtain all future required operating permits. Future environmental standards and procedures could result in reduced operating levels, reduced water availability, significantly increase the cost of operations and require significant additional capital expenditures to bring the Authority into compliance with such standards and procedures. For example, stream flow regulations originally proposed in 2009 but not yet promulgated are estimated with certain assumptions to reduce overall water source safe yield approximately eight percent (8%) and require additional capital expenditures of less than \$5 million spread over a twelve year period.

Safe Drinking Water Act

The SDWA empowers the administrator of the U.S. Environmental Protection Agency (“EPA”) to establish maximum contaminant levels or treatment techniques for each contaminant that may have an adverse effect on the health of persons. The EPA has promulgated primary drinking water standards and treatment techniques pursuant to the SDWA. Pursuant to the SDWA and to legislation of the State of Connecticut, the State has adopted standards for the treatment and quality of drinking water. Federal and state regulations establish standards for, among other things, certain chemicals, turbidity, microbiological contaminants, radioactivity, odor and color. Additionally, plans for new water supply systems or enlargement of the existing Water System must be submitted to the DPH for approval.

The Authority is in full compliance with the regulations except for recommendations made in a Sanitary Survey Report, prepared by the Connecticut Department of Public Health (the “DPH”) and received by the Authority in September 2009. In October 2009, the Authority submitted a multi-year plan of action to address the items outlined in the Sanitary Survey Report. In May, 2010 an update was provided to DPH on the status of the items. Another update to DPH is planned for May, 2011.

The Authority’s capital and operating budgets include money to plan for and comply with new and anticipated regulations.

As allowed by federal regulation, the U.S. EPA has delegated its authority to the DPH. As a result, the DPH has developed the State’s drinking water standards which are equal to or are more stringent than the federal standards that require, among other things, that substantially all surface water reservoirs of water systems in the State have filtration or other extensive treatment prior to use as a source of drinking water. The Authority has such filtration plants in operation at all of its active surface water supply systems.

Clean Water Act

The federal Clean Water Act requires permits for discharge of effluent into navigable waters and requires that all discharges of pollutants comply with federally approved state water quality standards. The Connecticut Department of Environmental Protection (the “DEP”) has adopted, and the federal government has approved, water quality standards for receiving waters in the State. A joint federal and state permit system has been established to insure that applicable effluent limitations and water quality standards are met in connection with the construction and operation of facilities which affect or discharge into state or interstate waters. The Authority is currently operating with the necessary discharge permits with respect to its water treatment facilities.

Connecticut Inland Wetlands and Watercourses Act and Water Diversion Policy Act

While the construction of dams, reservoirs and other facilities necessary to the impounding, storage and withdrawal of water in connection with public water supplies is a permitted use under Connecticut’s Inland Wetlands and Watercourses Act, the Authority is required, pursuant to other statutory provisions, to obtain permits from the DEP Commissioner for the location, construction or alteration of any dam or reservoir, and to secure the approval of the DEP Commissioner for the diversion and use of water from any river for public use. Various criteria must be satisfied under the respective statutes and regulations of the DEP in order to obtain such permits or approvals, and the DEP Commissioner has the power to impose such conditions as he deems reasonably necessary in connection with such permits or approvals in order to assure compliance with such statutes. For actions taken to date, the Authority has applied and/or obtained all such requisite permits or approvals.

OPERATIONS, REVENUES AND EXPENSES

Summary: Revenues, Expenses and Changes in Net Assets

	Fiscal Year Ended May 31		
	2009	2010	2011*
	(In thousands of dollars)		
Operating Revenues:			
Water Revenues	\$ 72,093	\$ 73,989	
Other	<u>9,253</u>	<u>9,426</u>	
Total Operating Revenues	81,346	83,415	
Operating Expenses:			
Operating and Maintenance	39,423	38,457	
Expenses Associated with "Other" Revenue	4,013	3,449	
Depreciation	16,385	16,427	
Payments in Lieu of Taxes ("PILOT")	<u>5,652</u>	<u>5,716</u>	
Total Operating Expenses	<u>65,473</u>	<u>64,049</u>	
Operating Income	15,873	19,366	
Non-operating Income and Expenses:			
Interest Expense--Net	(21,454)	(22,948)	
Gain/(Loss) on Disposal of Assets	(213)	1,025	
Realized and Unrealized (Losses)/Gains on Investments	(239)	552	
Amortization of Bonds Discount, Premium, Issuance			
Costs and Deferred Refunding Losses	<u>(2,693)</u>	<u>(2,691)</u>	
Total Non-operating Revenues and Expenses	<u>(24,599)</u>	<u>(24,062)</u>	
Gain (Loss) Before Contributions	(8,726)	(4,696)	
Capital Contributions	<u>4,381</u>	<u>2,881</u>	
Change in Net Assets	<u>\$ (4,345)</u>	<u>\$ (1,815)</u>	

*The financial data as of May 31, 2011 has been derived from the unaudited internal records of the Authority. The Authority's independent auditors, Blum Shapiro & Company P.C., have not compiled, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

Summary of Fiscal Year 2009, Fiscal Year 2010 and Projected Fiscal Year 2011 Authority Operations

Water revenues for Fiscal Year 2009 were under budget due to cool temperatures and wetter-than-normal weather during the summer months of 2008. Operating and maintenance expenses for Fiscal Year 2009 were under budget because management deferred non-essential expenses to offset the lower revenues. For further details, see "Management's Discussion and Analysis" in Appendix B.

Water revenues for Fiscal Year 2010 were under budget due to cool temperatures and wetter-than-normal weather during the summer months of 2009. To offset the anticipated lower revenues management took the following steps: In September 2009, management instituted a \$2,000,000 cost reduction program that included downsizing of the workforce by 8.4% from 297 employees to 271 employees; reduction of overtime; elimination of non-essential training; deferral of non-essential maintenance and the negotiation of lower electricity prices. Finally, the Authority also completed a staff reorganization to increase efficiency of the Authority's activities.

The Authority's General Bond Resolution requires it to calculate debt service coverage on the basis of revenues collected, rather than accrued, including amounts transferred from the Rate Stabilization Fund to the Revenue Fund, and expenses as incurred. While the net income shown in the Authority's financial statements includes the full effect of water consumed, the receipt of this revenue will not be available for operations or considered in the coverage tests until the Authority completes its billing and collection process. To date, the Authority has successfully made its cash transfers and is in compliance with all rate covenants and other requirements of its General Bond Resolution. Coverage before PILOT for Fiscal Years 2008, 2009 and 2010 was 1.29, 1.27 and 1.26, respectively, each of which exceeded the 1.25 coverage required by the General Bond Resolution. Presented below is a summary of debt service coverage results for Fiscal Years 2008, 2009 and 2010

and as projected for Fiscal Year 2011, calculated in accordance with the requirements of the General Bond Resolution.

**DEBT SERVICE COVERAGE FOR LAST THREE YEARS AND
PROJECTED FOR FISCAL YEAR 2011**
(Thousands of Dollars)

	<i>Fiscal Years</i>			<i>Projected 2011</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>	
Revenues (collected)				
Revenues from Utility Operations	\$76,655	\$80,630	\$80,303	
Allocation from Rate Stabilization Fund	—	1,400	3,205	
Interest Income (collected)	<u>1,464</u>	<u>1,189</u>	<u>436</u>	
Total Revenues	\$78,119	\$83,219	\$83,944	
Less:				
Operating and Maintenance Expenses (incurred)	41,120	40,647	39,185	
PILOT(A)	<u>5,321</u>	<u>5,652</u>	<u>5,716</u>	
Total Expenses	\$46,441	\$46,299	\$44,901	
Net Revenues (B)	\$31,678	\$36,920	\$39,043	
Debt Service Paid on the Bonds (C)	\$28,755	\$33,560	\$35,492	
Coverage After PILOT (B + C)	1.10	1.10	1.10	
Coverage Before PILOT ([A + B] + C)	1.29	1.27	1.26	

In June 2010, the Authority had no funds remaining in the Revenue Fund for transfer to the General Fund after completing its year-end disposition, per the General Bond Resolution. The balance in the Contingency Account of the General Fund was \$95,700 as of June 30, 2010.

Pension Plans

The Authority is the administrator of two noncontributory single employer defined benefit pension plans (the “Plans”) which it administers under a master trust agreement, one for salaried employees and one for bargaining unit employees. The Plans provide retirement, disability and death benefits to the Plans’ members and their beneficiaries. Cost of living adjustments are not provided to members and beneficiaries but may be made at the discretion of the Authority. The Authority establishes and amends benefit provisions of the Plans. The salaried employees plan is closed to new employees hired on or after January 1, 2011 and the bargaining unit plan is closed to new employees hired after April 15, 2010.

The Authority has received from its actuarial firm, The Pension Service Inc., actuarial valuation reports with respect to the Plans. In addition, The Pension Service, Inc. made additional calculations to determine the Plans’ actuarial accrued liabilities as of January 1, 2011 which are not reported in the actuarial valuation reports. The reports and the additional calculations provided that, as of January 1, 2011, the actuarial accrued liability of the future Plans benefits under the entry age normal cost method was \$48,757,498 and the Plans Assets at market value were \$30,121,256 leaving an unfunded actuarial accrued liability of \$18,636,242 with respect to the Plans. Assumptions include an 8.25% annual investment return as well as assumptions for rates of termination (turnover rates per T-5 Table from the Pension Actuary’s Handbook), mortality (per 1994 Group Annuity Mortality table), retirement rates (estimated number per thousand employees based on Plan rules), and disability (estimated by actuary); using the aggregate cost method, the reports determine the Authority’s actuarial calculated contributions payable to the Plans for fiscal year ending 2012 will be \$2,277,420. The Authority’s actuarial calculated contributions payable to the Plans for fiscal years 2010 and 2011 were \$1,740,986 and \$1,983,130, respectively. In fiscal years ending 2010 and 2011 the Authority made contributions of the actuarial recommended amounts of \$1,716,202 and \$1,983,130, respectively, to the Plans. The Authority has budgeted plan contributions of \$2,277,420 for fiscal year ending 2012.

See also Appendix B Audited Financial Statements of the Authority for Fiscal Years Ended May 31, 2010 and May 31, 2009 – Note 10: Defined Benefit Pension Plans and Required Supplementary Information following the notes.

Other Post Employment Benefits

The Authority's other post employment benefits ("OPEB") include health benefits for retirees and qualifying dependents as well as a death benefit of \$10,000 per retiree. Medical coverage for retirees and spouses 65 and over is provided by an indemnity plan. Medical and dental coverage for retirees and dependents under 65 is provided by the Authority's self-insurance plan. Death benefits are pay-as-you-go. Authority employees eligible for retiree benefits are as follows: 65 years old with 10 years of service or the sum of age and service (at least 10 years) is 80. Requirements for contributions by union plan members are negotiated with the union. Retiree contribution requirements vary depending on retirement date and hire date. Non-union retirees hired on or after January 1, 2005 and union retirees hired on or after January 1, 2006 are entitled to continue in the group health coverage by paying the entire monthly cost for the appropriate coverage based on their age.

In January 2008, the Authority acquired Birmingham Utilities, Inc. thereby assuming the Birmingham Utilities, Inc. Retired Employees' Welfare Benefit Trust (the "Trust"). In September 2008 the Trust was renamed the South Central Connecticut Regional Water Authority Retired Employees' Contributory Welfare Trust. The Trust covers all eligible employees for OPEB. Beginning in 2008 the Authority makes annual contributions to the Trust. On October 9, 2008, the Authority transferred \$160,000 to the Trust as its initial funding adding to the \$564,462 balance from the Birmingham Utilities Retiree Trust. The Authority has received from its actuarial firm, The Pension Services, Inc. an actuarial report with respect to the Trust, dated March 22, 2011. The report provided that the Trust has a 2011 unfunded actuarial liability in the amount of \$13,877,760. Based on an 8.25% annual investment return assumption using the frozen entry age actuarial cost method, an 8.75% healthcare cost inflation trend and a 27 year funding period, the report provided that the Authority's actuarial calculated contribution payable to the Trust for fiscal year ending 2012 was \$1,427,435. In fiscal year ending 2011, the Authority made contributions to the Trust of \$1,330,500 as recommended by its actuary. The Authority has budgeted plan contributions of \$1,427,435 for fiscal year ending 2012.

See also Appendix B Audited Financial Statements of the Authority for Fiscal Years Ended May 31, 2010 and May 31, 2009 – Note 12: Other Post Employment Benefits – Retiree Health Care and Required Supplementary Information following the notes.

Planning and Budgets, Financial Controls, Accounting and Billing Procedures

As discussed and described under the heading "CAPITAL IMPROVEMENT PROGRAM" herein, the Authority annually prepares a five-year projection of improvements, additions and renovations to the Water System based on engineering recommendations and regulatory requirements. Such projection is based upon an analysis of actual operating performance of the Water System, augmented by detailed evaluations, reports and recommendations prepared by the Consulting Engineer.

Pursuant to such projections, management prepares a one-year capital improvement budget within the context of a five-year Capital Improvement Program, annually identifying major projects, together with recurring plant additions and renovations, including a program to replace plant and equipment that wears out in the normal course of operation. The Authority develops a schedule of expenditure, and from this, prepares a financing budget using available funds or external sources of funds, as required.

In early 2009, the Authority developed and implemented a five-year Strategic Plan (the "Plan") which incorporates the principals of the Balanced Scorecard management system, and follows four perspectives: Customer/Constituent; Employee Learning and Growth; Financial; and Internal Business Processes. In 2011, the Plan incorporates 10 strategies and 15 goals which delineate the Authority's priorities for the next five years. Key performance indicators have been identified to monitor business performance. The Authority will review and update the Plan annually and will develop capital and operating and maintenance budgets that support the Plan's initiatives.

The Authority is required by the General Bond Resolution to prepare an annual operating budget on the basis of monthly requirements. For each month, the budget shows projected Operating Expenses and PILOT and projected amounts to be deposited in and withdrawn from each of the Funds created under the General Bond Resolution, as well as the Revenues and other moneys projected to be available. Revenues are calculated based on consumption by customers during the prior year, adjusted for known changes, multiplying such consumption by actual rates in effect. If such calculation indicates a short-fall between projected revenues and revenue requirements at existing rates, the Authority must adjust its rates and submit the proposed increase to the Representative Policy Board for approval.

The Authority maintains its books and accounts in accordance with generally accepted accounting principles. The Authority maintains additional records to provide information required by the General Bond Resolution regarding covenants associated with the setting of rates and the issuance of additional Bonds.

Each month, management prepares an operating summary for review by the Authority which compares operating results with budgeted amounts and provides an explanation of deviations and their significance. It follows the same procedure with respect to the capital budget and the requirements of the General Bond Resolution considering rate covenants and additional Bonds tests. The Authority reviews monthly narratives from management regarding operations, engineering, land, and administration.

The Authority bills its residential and commercial customers quarterly while billing large industrial, institutional, and wholesale customers monthly. Fire protection charges are billed to municipalities every six months in arrears. The provision for uncollectible accounts as of May 31, 2008, 2009 and 2010 was \$371,388, \$363,300 and \$310,000, respectively. The Authority places liens on property for unpaid water service and charges interest on bills unpaid thirty days after the billing date. Such liens take precedence over all other liens or encumbrances except taxes and may be foreclosed against the property in the same manner as a lien for taxes.

STATUTORY REMEDIES

The Authority or any person who is aggrieved by a decision of the Representative Policy Board (“RPB”) with respect to the establishment of rates or charges, the establishment of land use standards and disposition policies, the sale or other transfer or change of use of real property, the location of purification or filtration plants, the commencement of any project costing more than \$2 million to repair, improve, construct, reconstruct, enlarge or extend any of the properties or systems of the Authority or the acquisition by purchase, lease or otherwise of any existing water supply system is entitled to judicial review by the Superior Court under the Act by filing an appeal within 45 days of publication of such decision. Holders of the Bonds or of any other bonds or notes of the Authority and any trustee acting on behalf of such holders are deemed aggrieved persons with respect to any decision of the RPB that violates any covenant or other provision of the General Bond Resolution authorizing such bonds or notes. The reviewing court shall affirm the decision of the RPB, unless the court finds that the substantial rights of the aggrieved persons have been prejudiced. If the court finds such prejudice, it shall sustain the appeal, modify the RPB decision, or remand for further proceedings. The filing of an appeal under the Act does not by itself constitute a stay of any rate increase or other action approved by the RPB.

LITIGATION

At the date of this Official Statement there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Twenty-sixth Series Bonds or in any way contesting or affecting the existence of the Authority or the validity of the Twenty-sixth Series Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof. In addition, there is no controversy or litigation pending or threatened to restrain or enjoin or in any way contesting or affecting use of the proceeds of the Twenty-sixth Series Bonds or the pledge or application of any moneys or security provided for the payment of the Twenty-sixth Series Bonds or the powers of the Authority related to the issuance of the Twenty-sixth Series Bonds.

The Authority has reviewed the status of pending lawsuits affecting the Authority generally and believes that such pending litigation will not be finally determined so as to result individually or in aggregate in a final

judgment against the Authority which would materially adversely affect sources for payment of principal of or interest on the Twenty-sixth Series Bonds.

TAX MATTERS

Federal Taxes

In the opinion of Pullman & Comley, LLC, Bond Counsel to the Authority, under existing law, interest on the Tax Exempt Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations however, with respect to certain corporations subject to the federal alternate minimum tax, such interest is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on such corporations.

Bond Counsel's opinion with respect to the Twenty-sixth Series Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the Authority with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Twenty-sixth Series Bonds in order that interest on the Twenty-sixth Series Bonds be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Twenty-sixth Series Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Twenty-sixth Series Bonds irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the Twenty-sixth Series Bonds, the Authority will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Tax Exempt Bond proceeds and certain other matters. Bond Counsel will not independently verify the accuracy of these representations. The opinion of Bond Counsel delivered on the date of issuance of the Twenty-sixth Series Bonds is conditioned upon compliance by the Authority with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Twenty-sixth Series Bonds.

Original Issue Discount

The initial public offering prices of the Twenty-sixth Series Bonds of certain maturities may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the Twenty-sixth Series Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity is sold will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for such Twenty-sixth Series Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the Twenty-sixth Series Bonds are sold. Under existing law, original issue discount on the Twenty-sixth Series Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the Twenty-sixth Series Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in a Twenty-sixth Series Bond purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such bond and will be added to the owner's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such a bond.

Prospective purchasers of Twenty-sixth Series Bonds at an original issue discount should consult their own tax advisors as to the calculation of accrued original issue discount, the accrual of original issue discount in the

case of Bondowners purchasing such Twenty-sixth Series Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such Twenty-sixth Series Bonds.

Original Issue Premium

The initial public offering prices of certain maturities of the Twenty-sixth Series Bonds may be more than their stated principal amounts. An owner who purchases a Tax Exempt Bond at a premium to its principal amount must amortize bond premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Tax Exempt Bond for federal income tax purposes. Amortizable bond premium is not deductible from gross income for federal income tax purposes. Prospective purchasers of the Twenty-sixth Series Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

Withholding

Interest paid on Tax Exempt obligations such as the Twenty-sixth Series Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if an owner of the Twenty-sixth Series Bonds fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified an owner of the Twenty-sixth Series Bonds as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Twenty-sixth Series Bonds from gross income for federal tax purposes.

Other Federal Tax Matters

Prospective purchasers of the Twenty-sixth Series Bonds should be aware that ownership of the Twenty-sixth Series Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Twenty-sixth Series Bonds (for certain bonds issued during 2009 and 2010, the Recovery Act modifies the application of those rules as they apply to financial institutions). Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Twenty-sixth Series Bonds should consult their tax advisors regarding collateral federal income tax consequences.

State Taxes

In the opinion of Bond Counsel, under existing statutes, interest on the Twenty-sixth Series Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Twenty-sixth Series Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on a Twenty-sixth Series Bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the Twenty-sixth Series Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such Twenty-sixth Series Bonds.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax exempt status of interest on the Twenty-sixth Series Bonds under federal or state law and could affect the market price for, or the marketability of, the Twenty-sixth Series Bonds.

General

The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement their opinions to reflect any facts or circumstances that may come to their attention or any changes in law that may occur after the date of their opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service (the "IRS") or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the Twenty-sixth Series Bonds. Prospective owners of the Twenty-sixth Series Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Twenty-sixth Series Bonds.

The proposed form of Bond Counsel opinion is included as Appendix D hereto.

TWENTY-SIXTH SERIES BONDS AS LEGAL INVESTMENTS

The Twenty-sixth Series Bonds are securities in which all public officers and bodies of the State and all municipalities, all insurance companies and associations, and all banks, trust companies, savings banks and savings and loan associations in the State may properly and legally invest funds in their control. The Twenty-sixth Series Bonds are not eligible investments in the State for funds of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees or other individual fiduciaries.

AGREEMENT OF THE STATE OF CONNECTICUT

Pursuant to the Act, the State of Connecticut has pledged and agreed with the holders of any bonds and notes issued under the Act, including the Twenty-sixth Series Bonds, that it will not limit or alter the rights vested in the Authority to acquire, construct, maintain, operate, reconstruct and improve its properties, to establish and collect its revenues, rates, rentals, fees and other charges, and to fulfill the terms of any agreements made with the holders of the bonds or notes, or in any way impair the rights and remedies of the bondholders or noteholders until the bonds or notes together with interest thereon, interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders or noteholders are fully met and discharged.

INDEPENDENT AUDITORS

The financial statements of the Authority as of May 31, 2010 and 2009 are included in Appendix B and have been audited by Blum, Shapiro & Company, P.C., independent auditors, as set forth in their report dated August 30, 2010. The auditors have not been asked nor have they given their permission to print the financial statements in this Official Statement.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services ("Standard & Poor's") have assigned their municipal bond ratings of ["Aa3"] and ["A+"], respectively, for the Twenty-sixth Series Bonds.

Each such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agency, if in the judgment of such agency circumstances so warrant. A downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Twenty-sixth Series Bonds.

UNDERWRITING

_____ has agreed, subject to certain conditions, to purchase from the Authority the Twenty-sixth Series Bonds described on the inside cover page of this Official Statement at an aggregate purchase price of \$ __, __, __. __ and to reoffer such Twenty-sixth Series Bonds at the public offering prices or yields set forth on the inside cover page hereof. The Twenty-sixth Series Bonds may be offered and sold to certain dealers (including dealers depositing the Twenty-sixth Series Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriter. The Underwriter's obligations is subject to certain conditions precedent, and it will be obligated to purchase all the Twenty-sixth Series Bonds if any Twenty-sixth Series Bonds are purchased.

CONTINUING DISCLOSURE

The Authority will enter into a Continuing Disclosure Agreement for the benefit of the owners and beneficial owners of the Twenty-sixth Series Bonds to provide certain financial information and operating data relating to the Authority no later than 120 days following the end of the Authority's Fiscal Year (the "Annual Report"), commencing with the report for the Fiscal Year ended May 31, 2011, and to provide notices of the occurrence of certain material events, and to provide notice of failure to file Annual Reports.

The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in "Appendix E - Form of Continuing Disclosure Agreement" and will be filed to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The Annual Report, notices of material events and notices of failure to file Annual Reports will be filed by the Authority or by a dissemination agent (the "Dissemination Agent") or by the Trustee on behalf of the Authority in accordance with the requirements of the Rule. The Authority has never failed to comply with any previous undertaking made by the Authority under the Rule.

FINANCIAL ADVISOR

John S. Dey Municipal Consultants of Chatham, New Jersey, serves as financial advisor to the Authority regarding the issuance of the Twenty-sixth Series Bonds. The financial advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Twenty-sixth Series Bonds and has provided other advice. The financial advisor, however, does not assume responsibility for the adequacy of the statements made herein and makes no representation that it has independently verified the same.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Twenty-sixth Series Bonds are subject to the approval of Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel to the Authority. The opinion of Bond Counsel will be substantially in the form attached as Appendix D to this Official Statement.

In the opinion of Bond Counsel, the enforceability of the Bonds and the General Bond Resolution may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

DOCUMENTS ACCOMPANYING DELIVERY OF TWENTY-SIXTH SERIES BONDS

Absence of Litigation

Upon delivery of the Twenty-sixth Series Bonds, the Authority shall furnish a certificate of the Authority dated the Date of Delivery of the Twenty-sixth Series Bonds to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Twenty-sixth Series Bonds or in any way contesting or affecting the existence of the Authority or the validity of the Twenty-sixth Series Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or in any way contesting or affecting the validity or enforceability of the General Bond Resolution.

Opinion of Bond Counsel

Delivery of the Twenty-sixth Series Bonds will be subject to the approving opinion, dated the date of delivery of the Twenty-sixth Series Bonds, of Pullman & Comley, LLC, Bond Counsel to the Authority, in substantially the form attached as Appendix D to the Official Statement.

Authority's Certificate

Upon delivery of the Twenty-sixth Series Bonds, the Authority shall furnish a certificate dated the date of delivery of the Bonds, to the effect that (i) the Preliminary Official Statement, as supplemented or amended to the sale date, and the Official Statement, as supplemented or amended to the date of delivery of the Twenty-sixth Series Bonds, did not, as of the sale date and do not as of the date of delivery of the Twenty-sixth Series Bonds, respectively, contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) there has been no material adverse change in the financial condition or operations of the Authority from that set forth in or contemplated by the Preliminary Official Statement, as amended or supplemented to the sale date, and the Official Statement, as supplemented and amended to the date of delivery of the Twenty-sixth Series Bonds.

OTHER MATTERS

Additional information, including copies of the General Bond Resolution, may be obtained from the Authority's financial advisor, John S. Dey Municipal Consultants, 202 Washington Avenue, Chatham, New Jersey 07928 (973/635-8359) or from the Authority at its offices at 90 Sargent Drive, New Haven, Connecticut 06511 (203/562-4020).

Information contained in this Official Statement has been authorized for use in connection with the offering of the Twenty-sixth Series Bonds by the Authority. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Twenty-sixth Series Bonds.

The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication or permit any inference that there has been no change in the affairs of the Authority since the date hereof. Certain projections contained herein are based upon assumptions as to future events and facts, including projections as to future water needs, and such projections may not be realized. While assumptions of facts appeared reasonable when made, there is no warranty expressed or implied that they will be realized in fact.

The execution and delivery of this Official Statement has been authorized by the Twenty-sixth Series Supplemental Resolution adopted on _____, 2011. The Authority deems such Official Statement final as of its date for purposes of the U.S. Securities and Exchange Commission Rule 15c 2-12 but it is subject to revision or amendment.

SOUTH CENTRAL CONNECTICUT
REGIONAL WATER AUTHORITY

ANTHONY DISALVO
Chairperson

LARRY L. BINGAMAN
President/Chief Executive Officer

LINDA M. DISCEPOLO
Vice President Business Planning,
Development and Finance

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APPENDIX A – Consulting Engineer’s Report

**APPENDIX B – Audited Financial Statements for the Fiscal Year Ended
May 31, 2010 and Fiscal Year Ended May 31, 2009**

APPENDIX C – Summary of Certain Provisions of the General Bond Resolution

The Water System Revenue Bond Resolution, General Bond Resolution, adopted July 31, 1980, as amended and as supplemented by various supplemental resolutions including the Twenty-sixth Series Supplemental Resolution (the “General Bond Resolution” or the “Resolution”), contains various covenants and security provisions, certain of which are summarized below. Capitalized terms used in this section but not defined herein have the meaning set forth in the General Bond Resolution, some of which are defined in Appendix C-1 to this Official Statement. The summary should not be regarded as a full statement of the document or of certain sections of the document.

DEFINITIONS AND INTERPRETATION

Interpretation (*Resolution, Section 103*)

If, at any time, while any Bonds are Outstanding which have been issued pursuant to Section 54AA of the Code, an opinion of Bond Counsel is required by the General Bond Resolution to the effect that such action will have no effect on the tax exemption of the Bonds, such opinion also shall be required that such action will have no effect on the eligibility of the Authority to receive the refundable credit under Section 54AA of the Code.

AUTHORIZATION AND ISSUANCE OF THE BONDS

Resolution to Constitute a Contract and Trust Indenture (*Resolution, Section 202*)

The General Bond Resolution shall constitute a contract between the Authority and the Holders from time to time of the Bonds, and the pledge made in the General Bond Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds regardless of the time or times of issue or the date of maturity. The General Bond Resolution shall constitute a trust indenture by and between the Authority and the Trustee.

Authorization of Bonds (*Resolution, Section 203*)

The Authority is authorized to issue Bonds from time to time without limitation as to amount except as provided in the General Bond Resolution or as limited by law to provide funds to fund the Construction Fund in any amount for any Water System Project or to fund in any amount any of the other Funds established by the General Bond Resolution except the Revenue Fund and the General Fund. Bonds may also be issued to provide funds for any Other Corporate Purpose, provided that no Bonds may be issued to provide funds for any Other Corporate Purpose if immediately following their issuance the aggregate amount of the Bonds issued to provide funds for Other Corporate Purposes (including any prior issues) would exceed the greater of Ten Million Dollars (\$10,000,000) or ten percent (10%) of the aggregate amount of the Authority’s then Outstanding Bonds.

The Bonds shall be issued subject to the terms, conditions and limitations established by the General Bond Resolution, may be Fixed Rate Bonds or Variable Rate Bonds, provided, however, that at no time shall the amount of Outstanding Variable Rate Bonds not subject to a Swap Agreement that complies with the terms of the General Bond Resolution exceed twenty percent (20%) of the aggregate amount of the Authority’s then Outstanding Bonds.

In connection with the issuance or carrying of the Bonds, the Authority may enter into contracts to provide credit enhancement, including letters of credit and bond insurance, Swap Agreements, contracts to provide liquidity, and contracts limiting the Authority’s interest rate exposure and otherwise providing protection against future interest rate levels.

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

The Pledge Effected by the Resolution (*Resolution, Section 401*)

There is pledged for the payment of the principal and Redemption Price of, and interest and Swap Payments on, the Bonds in accordance with their terms and the provisions of the General Bond Resolution, subject only to the provisions of the General Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Bond Resolution, (i) all Revenues, and (ii) all moneys and securities in all Funds established by the General Bond Resolution. The Bonds will be general obligations of the Authority and the full faith and credit of the Authority are pledged to the payment of the principal and Redemption Price, if any, of and interest and Swap Payments on the Bonds. **The Bonds will not be a debt of the State or of any municipality in the State, and neither the State nor any municipality in the State shall be liable therefor, nor shall the Bonds be payable out of any funds other than those of the Authority.**

Establishment of Funds and Accounts (*Resolution, Section 402*)

The General Bond Resolution establishes the following Funds which are to be held by the Trustee:

- Construction Fund
- Debt Service Fund
- Debt Reserve Fund

The General Bond Resolution also establishes the following Funds which are to be held by the Authority:

- Revenue Fund
- PILOT Fund
- Operating Reserve Fund
- Capital Contingency Fund
- Insurance Reserve Fund
- Rate Stabilization Fund
- General Fund

The Authority shall deposit in such Funds any moneys or securities required to be deposited therein by the General Bond Resolution, and may deposit in any such Fund any other moneys or securities of the Authority. Except to the extent limited by the General Bond Resolution, the Authority may establish or cause the Trustee to establish separate accounts in any Fund.

Construction Fund (*Resolution, Section 403*)

The proceeds of insurance maintained pursuant to the General Bond Resolution against physical loss of or damage to a Water System Project, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall be paid into the Construction Fund.

The Authority shall submit to the Trustee a requisition setting forth the amount expected to be paid in the following month from the Construction Fund, together with a certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn pursuant to such requisition is a proper charge thereon. Promptly thereafter the Trustee shall advance to the Authority moneys in the amount shown in such requisition. All moneys so received by the Authority shall be applied to the payment of the costs of a Water System Project.

The Trustee shall, upon written instruction of an Authorized Officer, transfer any amount of the proceeds of Bonds remaining in the Construction Fund to the Debt Service Fund for the purchase or redemption of Bonds, but only upon receipt of the certificate of an Authorized Officer stating that all costs theretofore incurred in connection with the Water System Project for which such Bonds were issued have been paid or duly provided for. In lieu of making such transfer, the Authority may direct the Trustee to apply such funds to the Debt Reserve Fund or any other Fund but only with an opinion of Bond Counsel.

Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available, therefor, amounts in the Construction Fund may be applied to the payment of principal, redemption Price, if any, and interest on Bonds when due.

Revenue Fund (*Resolution, Section 404*)

All Revenues shall be deposited promptly by the Authority to the credit of the Revenue Fund. The Authority shall apply the moneys in the Revenue Fund, free and clear of any lien or pledge created by the General Bond Resolution, to the payment of Operating Expenses. The Authority shall, on or before the last day of each month, apply moneys in the Revenue Fund to the extent required as follows and in the following order:

1. To the Debt Service Fund, for deposit in the Bond Interest Account, an amount together with any amounts transferred from the Construction Fund or to be transferred from the Debt Reserve Fund pursuant to the written direction of an Authorized Officer at least equal to one-fifth of the aggregate amount of interest and Swap Payments becoming due and payable on all Outstanding Bonds during the next ensuing (6) months plus any such amounts previously due but not deposited in the Bond Interest Account, provided however, that the amount so deposited on account of interest and Swap Payments in each month after the delivery of any Series of Bonds up to and including the month immediately preceding the first interest payment date thereafter of the Bonds of such Series shall be that amount which when multiplied by the number of such deposits will be equal to the amount of interest and Swap Payments payable on such Bonds on such first interest payment date less the amount of any accrued interest paid on such Bonds and deposited with the Trustee to the credit of the Debt Service Fund.

2. To the Debt Service Fund, for deposit in the Bond Principal Account, an amount together with any amounts to be transferred from the Debt Reserve Fund pursuant to the written direction of an Authorized Officer as provided in the Resolution, at least equal to the sum of (a) one-tenth of the aggregate amount of principal becoming due and payable on the Outstanding Bonds (except to the extent that previously deposited Sinking Fund Installments are available in the Bond Principal Account to pay such principal) during the next ensuing twelve (12) months, (b) one-tenth of any Sinking Fund Installment required to be made during the next ensuing twelve (12) months, and (c) any such amounts previously due but not deposited in the Bond Principal Account, provided, however, that the amount so deposited on account of principal and Sinking Fund Installments in each month after the delivery of any Series up to and including the month immediately preceding the first principal or Sinking Fund Installment payment date thereafter of the Bonds of such Series shall be that amount which when multiplied by the number of such deposits will be equal to the amount of principal and Sinking Fund Installments payable on such Bonds on such first principal or Sinking Fund Installment payment date.

3. To the extent required as follows and in the following order:

- (a) to the Debt Reserve Fund any amounts necessary to maintain the Debt Reserve Fund Requirement including any amounts necessary to make the Repayment Obligations; and

(b) thereafter to the payment or to a separate fund or funds held by the Authority for the payment, on a parity among themselves, of (1) amounts due to a Bond Insurer in reimbursement of amounts paid under a policy and related interest amounts accrued under a Bond Insurer Reimbursement Agreement; and (2) amounts due to the Bank for payment of default interest due under any Liquidity Facility entered into between such Bank and the Authority with respect to unpaid amounts of principal and interest due under this General Bond Resolution.

4. To the payment of principal, redemption price, Sinking Fund Installment or interest due on Subordinated Debt.

5. At the option of the Authority:

(a) first to the Debt Service Fund any amounts which are necessary, together with amounts already in the Debt Service Fund and available therefore, to pay all interest, principal and Sinking Fund Installments due on all Outstanding Bonds during the current Fiscal Year, and

(b) thereafter to the payment or to a separate fund held by the Authority for the payment, of the following amounts in the following order:

(i) principal, redemption price, Sinking Fund Installment or interest due or to become due on Subordinated Debt issued before the date of the Supplemental Resolution;

(ii) the following amounts on a parity among themselves: (A) amounts due to a Bond Insurer under a Bond Insurer Reimbursement Agreement; and (B) amounts due to a Bank under a Liquidity Facility;

(iii) the following amounts on a parity among themselves: (A) principal, (B) redemption price, (C) Sinking Fund Installment, (D) interest and (E) any other payments due or to become due during the current Fiscal Year as Subordinated Debt.

6. To the PILOT Fund an amount at least equal to one-twelfth of the PILOT Fund Requirement, plus any such amounts previously due but not deposited in the PILOT Fund and any amounts withdrawn from the PILOT Fund, plus all such additional amounts, if any, which would have been due during the preceding eleven months if the Authority had been notified at the time transfers were made to the PILOT Fund in such months of the actual amount of PILOT payments due or to become due during the twelve months from the date of such transfer. No deposit shall be necessary if the PILOT Fund Requirement has been satisfied.

7. At the option of the Authority, any amounts which the Authority determines shall be deposited (a) in the Construction Fund, (b) in the Operating Reserve Fund, the Capital Contingency Fund or the Insurance Reserve Fund to the extent necessary to maintain the Operating Reserve Fund Requirement, the Capital Contingency Fund Requirement or the Insurance Reserve Fund Requirement, respectively, or (c) after payments in accordance with clause (b) in the Debt Service Fund to the Redemption Account for the purchase or redemption of Bonds.

The Authority shall, before the last day of the first month of each Fiscal Year, apply any moneys remaining in the Revenue Fund on the last day of the previous Fiscal Year in the following order:

1. To the Capital Contingency Fund the amount, if any, necessary for such Fund to equal the Capital Contingency Fund Requirement; and

2. To the Operating Reserve Fund the amount, if any, necessary for such Fund to equal the Operating Reserve Fund Requirement for the current Fiscal year; and

3. To the Rate Stabilization Fund Variable Rate Bonds Sub-account the amount, if any, by which the Interest Requirement on Variable Rate Bonds for the previous Fiscal Year exceeded the

amount of interest and related costs actually paid on such Bonds during such year; and to the Rate Stabilization Fund Surplus Sub-account the amount, if any, which the Authority shall determine and direct which shall not exceed an amount equal to the lesser of (i) the amount by which Net Revenues from the previous Fiscal Year exceed the requirements specified in the Resolution, or (ii) the amount by which Net Revenues from the previous Fiscal Year plus PILOT payments payable during such prior Fiscal Year exceed the requirement specified in the Resolution.

4. To the General Fund any remaining moneys or securities.

Debt Service Fund (*Resolution, Section 405*)

Established in the Debt Service Fund is the Bond Interest Account, the Bond Principal Account and the Redemption Account. Moneys in the Bond Interest Account shall be applied by the Trustee solely for the purpose of paying the interest and Swap Payments on the Bonds as they shall become due and payable (including accrued interest on any bonds purchased or redeemed prior to maturity). Moneys in the Bond Principal Account shall be applied solely for the purpose of paying the principal of the Bonds as they become due and payable or for the purchase or redemption of Bonds prior to their stated maturity. Moneys in the Redemption Account shall be applied by the Trustee solely for the purpose of purchasing or redeeming Bonds prior to their stated maturity including any accrued interest.

The amount, if any, deposited in the Debt Service Fund from the proceeds of each Series of Bonds shall be set aside in such Fund and applied to the payment of interest on the Bonds of such Series (or Refunding Bonds issued to refund such Bonds) as the same becomes due and payable.

Whenever the moneys in the Debt Service Fund and the Debt Reserve Fund are insufficient to pay the interest, principal or Sinking Fund Installments due or to become due in the next seven (7) days on the Bonds, the Authority, upon written requisition from the Trustee, shall transfer amounts necessary to make up such deficiency from any of the following Funds as selected by the Authority: the PILOT Fund, the Operating Reserve Fund, the Capital Contingency Fund or the General Fund.

At least three Business Days prior to the date that principal and interest becomes due and payable on the Bonds, the Trustee shall ascertain whether it will need to make a claim on the Reserve Policy and shall, at least two Business Days prior to the date such payments are due, provide notice of such claim to the Credit Facility Provider.

PILOT Fund (*Resolution, Section 406*)

On or before the last day of each month, the Authority shall apply moneys to the credit of the PILOT Fund to the payment of such PILOT payments as shall have become payable to municipalities in such month.

Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, principal and Sinking Fund Installments due or to become due in the next seven (7) days on the Bonds, the Authority may transfer from the PILOT Fund to the Trustee for deposit in the Debt Service Fund the amount necessary to make up such deficiency.

Debt Reserve Fund (*Resolution, Section 407*)

Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, principal and Sinking Fund Installments due on Bonds, the Trustee shall apply amounts from the Debt Reserve Fund to the extent necessary to make good the deficiency.

Whenever, after the payment of the principal, Redemption Price, Sinking Fund Installment or interest on any Bond, the Debt Reserve Fund requirement would be reduced, the Trustee, at the written direction of an Authorized Officer, shall apply moneys in the Debt Reserve Fund to the Debt Service Fund on the date such payment is due for application to all or any part of such payment, provided that

following such payment the moneys and securities remaining in the Debt Reserve Fund shall not be less than the Debt Reserve Fund Requirement.

Upon delivery of a certificate of an Authorized Officer to the Trustee, any amount in the Debt Reserve Fund in excess of the Debt Reserve Fund Requirement on all Outstanding Bonds on any valuation date shall be (A) transferred to the Debt Service Fund and credited against the payments next in respect of the principal of and redemption premium, if any, or interest on the Bonds, or (B) applied as may be specified in such certificate if such certificate is accompanied by an opinion of Bond Counsel to the effect that such application will not cause interest on any Series of Bonds to be includable in gross income for federal income tax purposes.

Upon the substitution of a Credit Facility for money or securities in the Debt Reserve Fund, any money or securities on deposit in the Debt Reserve Fund which, when added to the face amount of the Credit Facility, exceed the Debt Reserve Fund Requirement on all Outstanding Bonds, shall be applied as specified in a certificate of an Authorized Officer to the Trustee if such certificate is accompanied by an opinion of Bond Counsel to the effect that such application will not cause interest on the Outstanding Bonds or any Series of Bonds to be includable in gross income for federal income tax purposes. Thereafter, the Credit Facility shall be considered a part of the Debt Reserve Fund and the amount available thereunder shall be included in any calculation of the amount required to be retained in the Debt Reserve Fund, (A) if the sum of the amount available under the Credit Facility and the amount of moneys on deposit in the Debt Reserve Fund exceeds the Debt Reserve Fund Requirement, the Authority shall be permitted to (i) cause the amount available under the Credit Facility to be reduced by an amount equal to such excess, or (ii) direct that the excess moneys be applied as permitted above under the General Bond Resolution, and (B) only if the Credit Facility then on deposit in the Debt Reserve Fund is in the form of a letter of credit, if such letter of credit is not extended, renewed or replaced at least six (6) months prior to its scheduled expiration or termination date, the Trustee shall, not later than fifteen (15) days prior to such termination date, draw on such letter of credit for the full amount thereof.

Operating Reserve Fund (*Resolution, Section 408*)

Moneys to the credit of the Operating Reserve Fund may be applied to Operating Expenses to the extent moneys are not otherwise available therefor.

Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, principal and Sinking Fund Installments due or to become due in the next seven (7) days on the Bonds, the Authority may transfer from the Operating Reserve Fund to the Trustee for deposit in the Debt Service Fund the amount necessary to make up such deficiency.

Whenever the moneys and securities in the Operating Reserve Fund shall exceed the Operating Reserve Fund Requirement, the Authority may transfer the amount then exceeding such Requirement to the Debt Reserve Fund, if and to the extent necessary to make the amount in such Fund equal to the Debt Reserve Fund Requirement, and any balance to the General Fund.

Capital Contingency Fund (*Resolution, Section 409*)

Moneys to the credit of the Capital Contingency Fund may be applied to the cost of Water System Projects not provided for in the current Capital Improvements Budget and made necessary by emergency or other unforeseen circumstances or events.

Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, principal and Sinking Fund Installments due or to become due in the next seven (7) days on Bonds, the Authority may transfer from the Capital Contingency Fund to the Trustee for deposit in the Debt Service Fund the amount necessary to make up such deficiency.

Whenever the moneys and securities in the Capital Contingency Fund shall exceed the Capital Contingency Fund requirement, the Authority may transfer the amount then exceeding such Requirement to the Construction Fund or to any other Fund provided the Authority has secured an opinion from Bond Counsel to the effect that such application will not cause interest on any Outstanding Bonds or Series of Bonds to be includable in gross income for federal income tax purposes.

General Fund (*Resolution, Section 410*)

Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, Swap Payments, principal or Sinking Fund Installments due or to become due in the next seven (7) days on Bonds, the Authority may transfer from the General Fund to the Trustee for deposit in the Debt Service Fund the amount necessary to make up such deficiency.

The Authority may apply any moneys or securities in the General Fund to any lawful purpose of the Authority.

Insurance Reserve Fund (*Resolution, Section 413*)

The Authority may create an Insurance Reserve Fund and shall maintain the Fund at the Insurance Reserve Fund Requirement.

Rate Stabilization Fund (*Resolution, Section 414*)

Established in the Rate Stabilization Fund are the Variable Rate Bond Sub-account and the Surplus Sub-account. Before the last day of the first month of each Fiscal Year, should any Moneys be remaining in the Revenue Fund on the last day of the prior fiscal year, the Authority will deposit in the Rate Stabilization Fund Variable Rate Bonds Sub-account the amount by which the Interest Requirement on Variable Rate Bonds for the previous Fiscal Year exceeded the amount of interest and related costs actually paid on such Bonds during the year. The Rate Stabilization Fund Surplus Sub-account shall be funded initially in an amount determined and specified in a written certification of the Authority, which amount shall be transferred from the General Fund.

The Authority shall transfer moneys in the Rate Stabilization Fund to the Revenue Fund to the extent required to make up deficiencies in any of the Funds established under the Resolution. If all such Funds are maintained at or above their respective requirements, the Authority may at any time transfer any moneys in the Rate Stabilization Fund to the Revenue Fund, but only if each of the other Funds established under the Resolution are funded at or above their respective requirements.

Deposit and Investments of Moneys in Funds (*Resolution, Section 411*)

All moneys held by the Trustee or the Authority in any of the Funds established pursuant to the General Bond Resolution shall be invested in Investment Securities except that the Trustee or the Authority may, in lieu of such investment, place amounts on demand or on time deposit with banks or trust companies which are members of the Federal Deposit Insurance Corporation. In computing the amount in any Fund, investments shall be valued at the fair market value thereof and shall include accrued but unpaid interest on each investment, and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such Funds. All Plain Par Investments and all other investments that mature within six (6) months of any valuation date or are payable on demand shall be valued at par plus any accrued and unpaid interest.

Holding of Special Deposits (*Resolution, Section 412*)

The money held by or for the account of the Authority in connection with the Water System which are required to be applied under the terms of an agreement to the construction or alteration of a facility which is the subject of the agreement (including, without limitation, any moneys received by the

Authority for such purpose under any grant or loan agreement with the United States or the State or any agency or instrumentality of either) or which are subject to refund by the Authority or held for the account of others or subject to refund to others, including, without limitation, any amounts deducted by the Authority from wage and salary payments to its employees, any amounts contributed by the Authority to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the Authority, any amounts held as deposits, including customers' service deposits, guaranteed revenue contract deposits, unexpended developers' deposits under construction loan contracts, minimum revenue deposits and unexpended jobbing deposits, together with any investments of such moneys and interest and profits thereon to the extent such interest and profits are also held for the account of others or subject to refund to others, and any moneys held by or for the account of the Authority in connection with any Other Corporate Purposes, together with any investment of such moneys and interest and profits thereon, may be held by the Authority outside of the various Funds established by the General Bond Resolution and, notwithstanding anything herein to the contrary, shall not be subject to the pledge created by the General Bond Resolution or be considered Revenues under the General Bond Resolution while so held.

PARTICULAR COVENANTS OF THE AUTHORITY

Powers as to Bonds and Pledge (*Resolution, Section 605*)

The Authority is duly authorized under the Act and all applicable laws to authorize and issue the Bonds and to adopt the General Bond Resolution and to pledge the Revenues, and other moneys, securities and funds purported to be pledged by the General Bond Resolution, in the manner and to the extent provided in the General Bond Resolution. The Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the General Bond Resolution, except to the extent expressly permitted by the General Bond Resolution, and all corporate or other action on the part of the Authority to that end has been or will be duly and validly taken.

Indebtedness and Liens (*Resolution, Section 607*)

The Authority is not permitted to issue any bonds, notes or other evidences of indebtedness, other than the Bonds secured by a pledge of the Revenues and other moneys held by the Authority or the Trustee under the General Bond Resolution or to create or cause to be created any lien or charge on such Revenues or other moneys, except as to Swap Payments authorized pursuant to the General Bond Resolution and as follows:

(a) Subordinated Debt for the Payment of Operating Expenses which Subordinated Debt is payable out of or secured by a pledge of amounts available therefor pursuant to the General Bond Resolution, provided that (a) any such pledge shall in all respects be subordinate to the provisions of the General Bond Resolution and the pledge created by the General Bond Resolution, and (b) the aggregate principal amount of such Subordinated Debt outstanding at any one time in a Fiscal Year shall not exceed twenty-five percent (25%) of the Operating Expenses budgeted for the Fiscal Year in which such Subordinated Debt is issued.

(b) Subordinated Debt issued for any purpose of the Authority, which Subordinated Debt is payable out of or secured by a pledge of amounts available therefor pursuant to the General Bond Resolution, provided that any such pledge will in all respects be subordinate to the provisions of the General Bond Resolution and the pledge created by the General Bond Resolution.

(c) Bonds, notes or other evidences of indebtedness which are payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues created by the General Bond Resolution has been discharged;

(d) Debt issued to finance the acquisition, construction, replacement, extension or operation of an Additional Water System, and which are secured by the revenues, receipts or moneys derived by the Authority from the ownership or operation of such Additional Water System; or

(e) Variable Rate Bonds accompanied by a put or other repurchase obligation which is secured by a letter of credit or other credit enhancement device which requires repayment more rapidly than the Bonds secured thereby.

Sale, Lease or Encumbrance of Property (*Resolution, Section 608*)

Except as provided in this Section, the Authority covenants that no part of the Water System shall be sold, mortgaged, leased or otherwise disposed of or encumbered. The Authority may sell or exchange or otherwise dispose of any property or facilities which are worn out, obsolete or no longer useful in the operation of the Water System but only if such disposition will not impair the ability of the Authority to satisfy the rate covenant as to Net Revenues established pursuant to of the General Bond Resolution. Any proceeds of any such disposition not used to replace the property so disposed of shall be deposited by the Authority, to the extent of any deficiency therein, in the Debt Service Fund, the Debt Reserve Fund, the Operating Reserve Fund, and the Capital Contingency Fund and thereafter, at the direction of the Authority, to the Debt Service Fund for redemption of Bonds or to the Construction Fund for any Water System Project. Such proceeds may also be used for the acquisition of real property, any Capital Improvements to the Authority's properties or the retirement of other indebtedness of the Authority including Subordinated Debt, provided that the total aggregate amount of such proceeds applied for such purposes since the date of the General Bond Resolution may not exceed the greater of \$10,000,000 or ten percent (10%) of the aggregate amount of the Authority's Bonds then outstanding. The Authority may lease real or personal property as lessee. The Authority may also lease, as lessor, any part of the Water System if such lease will not impede operation of the Water System.

Operation, Maintenance and Reconstruction (*Resolution, Section 609*)

The Authority shall operate or cause to be operated, the Water System properly and in a sound, efficient and economical manner and shall maintain preserve and keep the same or cause the same to be maintained, preserved, and kept in good repair and operating condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that the operation of the Water System may be properly and advantageously conducted, and, if any useful part of the Water System is damaged or destroyed or taken through the exercise of eminent domain, the Authority shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part so as to restore the same to use and the replacement of such part so taken, provided, however, the Authority shall not be required to operate any part of the Water System if abandonment of such part is economically justified.

Rates and Charges (*Resolution, Section 610*)

The Authority shall fix reasonable rates for each class of service rendered by the Water System in accordance with the Act.

So long as any Bonds are Outstanding, the Authority shall at all times maintain rates, fees, rentals and other charges with respect to the Water System and the Authority's Other Corporate Purposes, and any contracts entered into by the Authority for the sale or distribution of water shall contain rates, fees, rentals or other charges, so as to provide funds sufficient in each Fiscal Year, together with other available moneys to pay (1) all Operating Expenses, (2) all payments of Principal Installments of and interest on the Bonds and of principal, redemption prices, Sinking Fund Installments and interest on all other bonds, notes or other evidences of indebtedness or obligations of the Authority, (3) all PILOT payments, (4) the amounts necessary to maintain the Debt Reserve Fund Requirement, the Operating

Reserve Fund Requirement, the Capital Contingency Fund Requirement, and any other reserves or fund requirements hereafter required by the terms of the Resolution and any other resolution authorizing the issue of bonds, notes or other evidences of indebtedness or obligations of the Authority, (5) all necessary repairs, replacements and renewals of the Water System and other properties of the Authority, (6) all expenses for the operation, maintenance, conservation and appropriate recreational use of the properties of the Authority, and (7) all other amounts which the Authority may by law or contract be obligated to pay.

So long as any Bonds are Outstanding, the Authority shall at all times maintain rates, fees, rentals and other charges with respect to the Water System at levels sufficient so that in each Fiscal Year Revenues are at least one hundred percent (100%) of the total of (1) all Operating Expenses, (2) all PILOT payments, (3) all payments for debt service on the Bonds required to be made by Section 404 C(1) and (2) and all amounts (in addition to funds available from proceeds of Bonds) to maintain any reserves required by the Resolution, (4) all payments for debt service or to maintain reserves required by any resolution authorizing the issue of Subordinated Debt (except to the extent that at the time of issuance of such Subordinated Debt such payments are scheduled to be made from sources other than Revenues), and (5) any other obligations of the Authority pertaining to the Water System and due in such Fiscal Year (except to the extent such obligations are paid from the General Fund or from proceeds of Bonds, insurance, condemnation, sales of property or other bonds, notes or evidences of indebtedness of the Authority).

Without limiting the generality of the foregoing, the Authority shall establish and maintain rates, fees, rentals and other charges with respect to the Water System at levels sufficient so that in each Fiscal Year during which Bonds are Outstanding:

1. Net Revenues shall equal at least one hundred ten percent (110%)* of the amount of the Debt Service Requirement calculated as of the first day of such Fiscal Year on Bonds Outstanding on such day, less the amounts, if any, transferred from the Construction Fund to the Bond Interest Account during such Fiscal Year, to pay interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year, and

2. Net Revenues plus the amount of the PILOT payments payable during such Fiscal Year shall equal at least (a) one hundred twenty-five percent (125%) of the Debt Service Requirement calculated as of the first day of such Fiscal Year on Bonds Outstanding on such day, less the amounts, if any, transferred from the Construction Fund to the Bond Interest Account during such Fiscal Year to pay interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year.

The Authority shall review the adequacy of its rates, fees, rentals and other charges with respect to the Water System and the Authority's Other Corporate Purposes to satisfy the requirements of this section for the next succeeding Fiscal Year. If the review shows that the rates, fees, rentals and other charges are likely to be insufficient to meet the requirements of this section, the Authority shall promptly take such steps as permitted by law and as are necessary to cure or avoid the deficiency.

If, after any Fiscal Year, the Authority has not satisfied the requirements of the prior Fiscal Year then the Authority shall take corrective steps to comply with the requirements during the then current Fiscal Year.

Insurance and Condemnation (*Resolution, Section 611*)

The Authority shall (a) keep all property which is part of the Water System and which is of an insurable nature and of the character usually insured by water utility systems similar to the Authority

* After the Date of Delivery of the Twenty-sixth Series Bonds 110% will be increased to 112%.

insured against loss or damage or (b) maintain the Insurance Reserve Fund at the Insurance Reserve Fund Requirement.

All proceeds of insurance insuring the properties and facilities of the Water System against loss or damage shall be applied to the restoration, replacement or reconstruction of the property or facility lost or damaged or to the Capital Contingency Fund or the Operating Reserve Fund to the extent that the costs of such restoration, replacement or reconstruction were paid from the Capital Contingency Fund or the Operating Reserve Fund, unless the Authority determines in accordance with the General Bond Resolution not to restore, replace or reconstruct such property or facilities.

If any property or facility compromising part of the Water System shall be taken through the exercise of the power of eminent domain, the Authority shall apply the proceeds of any award received on account of such taking to the replacement of the property or facility so taken or to the Capital Contingency Fund or the Operating Reserve Fund, unless the Authority determines in accordance with the General Bond Resolution not to replace such property or facility.

Free Service (*Resolution, Section 617*)

No free service shall be furnished by the Water System to any town, city, district, or other governmental agency or political subdivision or to any person, firm, or corporation, as long as any Bonds are outstanding. Any service rendered by the Water System to any such town, city, district or other governmental agency or political subdivision or person, firm, or corporation shall be charged at the same rate and in the same manner in which any other consumer, within the same classification, is or would be charged for similar service.

Non-Payment of Rates (*Resolution, Section 618*)

The Authority shall take steps to collect delinquent rates or charges, and to enforce liens for non-payment of rates or charges, in a practicable and timely manner.

Issuance of Bonds (*Resolution, Section 619*)

The Authority shall not issue additional Bonds unless the following requirements are satisfied. If an existing water system is to be acquired from the proceeds of the additional Bonds, the following requirements must be met in connection with the water system to be acquired and calculated in accordance with the methods of computing such information under the General Bond Resolution.

(a) the amount of Revenues adjusted to give effect to any increases in rates adopted prior to the issuance of additional Bonds, amounts transferred from the Rate Stabilization Fund and the refundable credit expected to be received from the federal government for such additional Bonds pursuant to Section 54AA of the Code are not less than One Hundred Percent (100%) of the amount of projected expenses and obligations;

(b) Net Revenues adjusted in compliance with this section are not less than One Hundred Twelve Percent (112%) of the maximum aggregate amount of Principal Installments and interest becoming due in the current or any future Fiscal Year on Outstanding Bonds, including the additional Bonds;

(c) Net Revenues adjusted in compliance with this section plus PILOT payments are not less than One Hundred Twenty-Five Percent (125%) of the maximum aggregate amount of Principal Installments and interest becoming due in the current or any future Fiscal Year on Outstanding Bonds, including the additional Bonds; and

(d) for the historical (12) month period, the Revenues of the Authority were sufficient to comply with the requirements for determining the rates and charges of the Authority.

DEFAULTS AND REMEDIES

Events of Default (*Resolution, Section 701*)

It is an “Event of Default” if:

- (a) the Authority defaults in the payment of principal or Redemption Price on any Bonds when due;
- (b) the Authority defaults in the payment of any installment of interest when due on any Bond, or in making of any Sinking Fund Installment, and such default continues for thirty days;
- (c) the Authority defaults in the performance or observance of any other covenant, agreement or condition on its part contained in the General Bond Resolution or in the Bonds and such default continues for a period of sixty days after written notice thereof to the Authority by the Trustee or to the Trustee by the holders of not less than a majority in principal amount of the outstanding Bonds; or
- (d) the Authority files a petition or otherwise seeks relief under any federal or state bankruptcy or similar law.

Application of Revenues and Other Moneys After Default (*Resolution, Section 703*)

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (1) forthwith, all moneys, securities and funds then held by the Authority in any Fund or account pledged under the General Bond Resolution, and (2) subject to application pursuant to the General Bond Resolution, all Revenues as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and Revenues and the income therefrom as follows and in the following order:

1. to the payment of the reasonable and proper charges and expenses of the Trustee and of the Consulting Engineers;
2. to the payment of the amounts required for reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the Water System necessary to prevent loss of Revenues, as certified to the Trustee by the Consulting Engineers;
3. to the payment of the interest and principal or Redemption Price then due on the Bonds, subject to the provisions of the Resolution, as follows:
 - (a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

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

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

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

4. to the payment of any Subordinated Debt;
5. to the payment of the amounts required for PILOT payments.

Proceedings Brought by Trustee (*Resolution, Section 704*)

If a Default occurs the Trustee may proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the General Bond Resolution by a suit or suits in equity or at law. The Trustee shall also be entitled to obtain the appointment of a receiver of the moneys, securities and funds then held by the Authority in any Fund under the General Bond Resolution and of the Revenues and the whole or any part of the Water System, with all such powers as the court making such appointment shall confer. All rights of action under the General Bond Resolution may be enforced by the Trustee without the possession of any of the Bonds or coupons. The Holders of a majority in principal amount of the Bonds Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee. The Trustee, however, has the right to decline to follow the direction on advice from their counsel.

SUPPLEMENTAL RESOLUTIONS

Supplemental Resolutions Effective Upon Filing With Trustee (*Resolution, Section 901*)

The Authority may at any time adopt a resolution supplementing the General Bond Resolution for any one or more of these purposes:

1. to close the General Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Bond Resolution on, the original issuance of Bonds;
2. to add to the covenants and agreements of the Authority in the General Bond Resolution, other covenants and agreements thereafter to be observed by the Authority for the purpose of further securing the Bonds;
3. to add to the limitations and restrictions in the General Bond Resolution, other limitations and restrictions thereafter to be observed by the Authority which are not contrary to or inconsistent with the General Bond Resolution as theretofore in effect;
4. to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the General Bond Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the General Bond Resolution;

5. to authorize Bonds of a Series, subject to such approvals as may be required by the Act, and, in connection therewith, specify and determine any matters and things relative to such Bonds which are not contrary to or inconsistent with the General Bond Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

6. to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the General Bond Resolution of the Revenues or of any other moneys, securities or funds;

7. to modify any of the provisions of the General Bond Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of bonds issued in exchange therefor or in place thereof (except coupon Bonds held by the Trustee and issued in exchanges pursuant to Section 307); and

8. to grant such rights and remedies and make such other covenants subject to this General Bond Resolution (including any prior Supplemental Resolution) as may be necessary for the issuance of a Credit Facility, a Swap Agreement or Swap Facility so long as such rights, remedies and covenants are not contrary to or inconsistent with this General Bond Resolution as theretofore in effect.

Supplemental Resolutions Effective Upon Consent of Trustee (Resolution, Section 902)

The Authority may at any time adopt a resolution supplementing the General Bond Resolution for any one or more of these purposes:

1. to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the General Bond Resolution; or

2. to insert such provisions clarifying matters or questions arising under the General Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the General Bond Resolution as theretofore in effect; or

3. to provide for additional duties of the Trustee.

Supplemental Resolutions Effective With Consent of Bondholders (Resolution, Section 903)

The Authority may adopt a resolution supplementing the General Bond Resolution, at any time, subject to the consent of the Bondholders.

General Provisions

Nothing contained in this General Bond Resolution shall affect or limit the right or obligation of the Authority to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the General Bond Resolution or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in the General Bond Resolution it is provided shall be delivered to the Fiduciary. (*Resolution, Section 904*)

While the Reserve Policy is in effect, the General Bond Resolution may not be supplemented or amended without the prior written consent of the Credit Facility Provider. (*Resolution, Section 905*)

AMENDMENTS

Powers of Amendment (*Resolution, Section 1002*)

Any modification or amendment of any provision of the General Bond Resolution or of the rights and obligations of the Authority and of the holders of the Bonds and coupons may be made by a Supplemental General Bond Resolution with the written consent given as provided in the General Bond Resolution (1) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (2) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected, or (3) in case the modification or amendment changes the terms of any sinking fund payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such sinking fund payment; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment may 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 may 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.

DEFEASANCE

Defeasance (*Resolution, Section 1101*)

If the Authority shall pay or cause to be paid to the holders of all Bonds and coupons, the principal and interest or Redemption Price, if any, to become due, at the time and in the manner stipulated in the General Bond Resolution, then the pledge of any Revenues and other moneys and securities pledged by the General Bond Resolution and all other rights granted by the General Bond Resolution shall be discharged and satisfied.

Bonds or coupons or interest installments for the payment or redemption of which moneys have been set aside and held in trust by the Fiduciaries (through deposit by the Authority of funds for such payment or redemption or otherwise) whether at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Some or all Outstanding of any Series and all coupons appertaining to such Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid with the effect expressed above if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the General Bond Resolution, notice of redemption on said date of such Bonds, (2) there shall have been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or redemption price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Authority has given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an authorized newspaper a notice to the holders of such Bonds and coupons that the deposit required by (2) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest

payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and any interest earned from such reinvestments, and any surplus after the making of the payments for which such Investment Securities or moneys were held, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge.

MISCELLANEOUS

Agreement of the State (*Resolution, Section 1201*)

The Bondholders shall have the benefit of the State's pledge and agreement contained in Section 24 of the Act as in effect on the date hereof: "The State of Connecticut does pledge to and agree with the holders of the bonds or notes of the authority that the state will not limit or alter the rights vested in the authority to acquire, construct, maintain, operate, reconstruct and improve the properties, to establish and collect the revenues, rates, rentals, fees and other charges referred to in sections 1 to 33, inclusive, of special act 77-98, and to fulfill the terms of any agreements made with the holders of the bonds or notes, or in any way impair the rights and remedies of the bondholders or noteholders until the bonds or notes together with interest thereon, interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders or noteholders are fully met and discharged.

APPENDIX C-1 – DEFINITIONS OF CERTAIN TERMS DEFINED IN THE GENERAL BOND RESOLUTION

The definitions set forth below are definitions of certain terms used in the General Bond Resolution.

“*Additional Water System*” means any water system which serves customers outside the Service Area.

“*Annual Budget*” means the Annual Budget, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in Section 613 of the General Bond Resolution.

“*Authority*” means (i) the South Central Connecticut Regional Water Authority, the public corporation created and existing under the Act, (ii) RWA21, Ltd., a wholly owned subsidiary of the South Central Connecticut Regional Water Authority, which was organized to own and operate the water system in Ansonia, Derby and parts of Seymour and its wholly owned subsidiaries Birmingham H2O Services, Inc. and Birmingham Utilities, Inc. and its wholly owned subsidiary Eastern Connecticut Regional Water Company, Inc. and (iii) any body, board, authority, agency, political subdivision or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of (i) or (ii) above, other than any municipality having general governmental powers and duties.

“*Authorized Officer*” means the Chairman, the Vice-Chairman, the Treasurer or the Secretary of the Authority, or any other officer or employee of the Authority authorized by resolution of the Authority to perform specific acts or duties.

“*Bank*” means any issuer of a Liquidity Facility for Bonds issued under this General Resolution.

“*Bond or Bonds*” means any bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Resolution.

“*Bond Counsel*” means a firm of attorneys selected by the Authority experienced in the matters covered by the opinion and whose opinions are regularly accepted nationally in the field of municipal finance.

“*Bond Holder or Holder of Bonds*” or any similar term means any person who shall be the bearer of any coupon Bond or Bonds or the registered owner of any Bond or Bonds without coupons.

“*Bond Insurer*” means any issuer of a policy insuring principal and interest on Bonds issued under this General Bond Resolution.

“*Bond Insurer Reimbursement Agreement*” means any agreement entered into between a Bond Insurer and the Authority provided however, this shall not be construed to include a Bond Insurance Policy.

“*Capital Costs*” means and includes all costs of acquisition, construction, improvement, or completion of any part of the Water System, including acquisition of the stock or assets of and payment of the bonds and other obligations and liabilities of the New Haven Water Company or of any other water company or of any municipal or other publicly or privately owned or operated water system, payment of any costs or liabilities which may result from the acquisition of such stock or assets or payment of such bonds or obligations or liabilities, payments of any obligations of the Authority and interest thereon

issued to provide working capital and organization funds for the Authority which are outstanding on the date the first Series of Bonds is issued, Costs of Issuance, the costs of any demolitions or relocations necessary in connection therewith and any extensions, renewals, replacements, alterations, improvements, additions, machinery, equipment, betterments, paving, grading, excavation, blasting or removals and of all or any property, rights, easements and franchises deemed by the Authority to be necessary or useful or convenient therefor and may include, to the extent properly attributable to such acquisition, construction, improvement or completion:

(a) liabilities incurred for labor and materials and payments made to contractors, builders and materialmen in connection with construction or acquisition or improvement or completion of any part of the Water System, and for the restoration of property damaged or destroyed in connection with such construction, acquisition, improvement or completion;

(b) fees and expenses of the Trustee during such acquisition, construction, improvement or completion, the cost of surety bonds, PILOT payments (if any), and premiums on insurance (if any) during such construction, acquisition, improvement or completion;

(c) fees and expenses for studies, surveys and reports, engineering, borings, testings, estimates of costs and revenues, preparation of plans and specifications and inspecting or supervising construction, acquisition, improvement or completion as well as for the performance of all other duties of engineers or architects in connection with the acquisition, construction, improvement or completion, or with the proposed acquisition, construction, improvement or completion, of the Water System or as required by this Resolution;

(d) expenses of administration properly chargeable to the acquisition, construction, improvement or completion of the Water System, including legal expenses and fees, financing charges, costs of audits and fiscal advice and all other items of expense not elsewhere in this definition specified, incident to the acquisition, construction, improvement or completion of the Water System, including the acquisition of real estate, franchises and rights-of-way therefor, including abstracts of title and title insurance, and including interest accruing on any Bonds or other obligations of the Authority to and including a date six months following the completion of any acquisition, construction, improvement or completion of the Water System financed by such Bonds or other obligations of the Authority and any charges with respect to the payment of such interest and reserves with respect to such Bonds;

(e) the cost and expense of acquiring by purchase or condemnation or by leasing such property, lands, rights-of-way, franchises, easements, and other interests in land as may be deemed necessary or convenient for the acquisition, construction, improvement or completion of any part of the Water System and options and partial payments thereon, and the amount of any damages incident to or consequent upon the same; and

(f) any obligation or expense heretofore or hereafter expended or incurred by the Authority, including the refunding of Bonds and other obligations, and any amounts heretofore or hereafter advanced by the Authority, for any of the foregoing purposes.

“*Capital Contingency Fund*” means the Capital Contingency Fund established by Section 402 of the General Bond Resolution.

“*Capital Contingency Fund Requirement*” means, as of any day of calculation, an amount equal to one percent (1%) of the Outstanding Bonds.

“*Capital Improvements Budget*” means the Capital Improvements Budget and related information, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in Section 614 of the General Bond Resolution.

“*Construction Fund*” means the Construction Fund established by Section 402 of the General Bond Resolution.

“*Consulting Engineer*” means one or more engineers or engineering firms or corporations at the time retained by the Authority pursuant to Section 612 of the General Bond Resolution to perform the acts and carry out the duties provided for such Consulting Engineer in the Resolution.

“*Credit Facility*” means a surety bond issued by a financial guaranty insurer with a financial strength rating within the highest rating category from Moody’s Investors Service, Inc. and Standard & Poor’s Corporation or (ii) an unconditional, irrevocable letter of credit from a banking institution having a credit rating on its long-term unsecured debt within the two highest rating categories from Moody’s Investors Service, Inc. and Standard & Poor’s Corporation.

“*Credit Facility Provider*” means Financial Guaranty Insurance Company (“FGIC”), having an address of 115 Broadway, New York, New York 10006.

“*Debt Reserve Fund*” means the Debt Reserve Fund established by Section 402 of the General Bond Resolution.

“*Debt Reserve Fund Requirement*” means as of any date of calculation, an amount equal to, but not greater than, the least of (i) the maximum annual principal and interest requirements in the current or any succeeding fiscal year on the Bonds; (ii) 10% of the stated principal amount (or issue price, as provided in the Code) of the Bonds and (iii) 125% of the average annual principal and interest requirements of the Bonds, provided, however, that in no event shall the Debt Reserve Fund Requirement be funded with in excess of 10% of the proceeds of the sale of any Series of Bonds or as otherwise limited by Federal tax law regarding the tax exemption of the Bonds. In the case of Variable Rate Bonds, interest shall mean the Interest Requirement on Variable Rate Bonds.

In lieu of cash or securities, the Authority may satisfy the Debt Reserve Fund Requirement in part or in whole by depositing a Credit Facility therein, which Credit Facility makes funds available to the Trustee for the same purpose, for the same period of time, and subject to the same conditions as such cash or securities would be available. Credit Facilities shall be subject to such other conditions as may be prescribed by Supplemental Resolution.

“*Debt Service Fund*” means the Debt Service Fund established by Section 402 of the General Bond Resolution.

“*Debt Service Fund Requirement*” means the aggregate amount of interest and Principal Installments becoming due and payable on all Outstanding Bonds in the twelve (12) month period from the day of calculation provided however that with respect to Variable Rate Bonds, interest means the Interest Requirement on Variable Rate Bonds.

“*Depreciation Expense*” means , from time to time, that amount for the last fiscal year reported on the Authority's last audited Financial Statements under “Statements of Revenue, Expenses and Changes in Fund Net Assets” labeled Depreciation (the “Depreciation”), provided, however, that in connection with the issuance of the first Series of Bonds after the Twenty-fifth Series Bonds and the 2010 Series A Bonds were issued, Depreciation Expense shall be no less than \$1,000,000 and no greater than

10% of the Depreciation and for each subsequent issuance of a Series of Bonds, Depreciation Expense shall increase by no less than \$1,000,000 and no greater than 10% of the Depreciation until the Depreciation Expense equals the Depreciation, provided, however, that such increase may be less than \$1,000,000 if an increase of \$1,000,000 would cause Depreciation Expense to exceed Depreciation.

“*Event of Default*” shall have the meaning given to such term in Section 701 of the General Bond Resolution.

“*Fiduciary*” means the Trustee and any Paying Agent, or any or all of them as may be appropriate.

“*Fiscal Year*” means any calendar year or any other annual period adopted by the Authority as its fiscal year.

“*Fixed Rate Bonds*” means any bond or bonds authenticated and delivered under and pursuant to the Resolution and bearing a fixed rate of interest.

“*General Fund*” means the General Fund established by Section 402 of the General Bond Resolution.

“*Insurance Reserve Fund*” means the Insurance Reserve Fund established by Section 402 of the General Bond Resolution.

“*Insurance Reserve Fund Requirement*” means the amount recommended to the Authority by a Consulting Engineer or an insurance consultant as necessary to adequately reserve against risks for which the Authority does not currently maintain insurance in compliance with Section 611 of the General Bond Resolution.

“*Interest Requirement on Variable Rate Bonds*” means the interest which the Authority annually projects would be paid if such Variable Rate Bonds had been initially issued two weeks prior to such projection at a fixed interest rate or, if lower, the maximum amount of interest payable under an interest rate limitation contract (a “Cap Agreement”) acquired by the Authority in connection with the sale of the Bonds or, if higher, the regularly scheduled payments to a swap provider under a contract entered into for the purpose of reducing the Authority’s risk of interest rate changes (a “Swap Agreement”), which Cap Agreement and/or Swap Agreement and the provider(s) thereof shall comply with the requirements of Exhibit A of the General Bond Resolution.

“*Investment Securities*” means and includes any of the following securities, to the extent the same are at the time legal for investment of funds of the Authority under the Act or under other applicable law:

1. Direct obligations of the United States of America, or obligations on which the punctual payment of interest, principal and Sinking Fund Installments if any are unconditionally guaranteed by the United States of America or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause 1;

2. Bonds, debentures, participation certificates, notes or other evidences of indebtedness issued by any of the following: Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Farm Credit System; Government National Mortgage Association; Federal Financing Bank; Farmers Home Administration; Federal Home Loan Mortgage Corporation; United States Postal Service; Tennessee Valley Authority; or any other agency or corporation which has been or may hereafter be created by or pursuant to an act of the

Congress of the United States as an agency or instrumentality thereof, the bonds, debentures, participation certificates, notes or other evidences of indebtedness of which are unconditionally guaranteed by the United States of America or any other evidences of ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause 2;

3. Any other obligation of the United States of America or any Federal agency now existing or hereafter created which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State;

4. Public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

5. Direct and general obligations of or obligations guaranteed by any state of the United States of America or of any agency, instrumentality or political subdivision of any such state, to the payment of the principal of and interest on which the full faith and credit of such state, agency, or political subdivision is pledged, but only if such obligations are rated in either of the two highest categories by Moody's Investors Service Inc. and Standard & Poor's Corporation;

6. Deposits in interest-bearing time or demand deposits, or certificates of deposit, secured by obligations described in clauses (1), (2), (3), (4) or (5) above;

7. Repurchase agreements or other similar banking arrangements relating to securities of the type specified in clauses (1), (2) or (5) above provided that such securities in an amount at least equal to the face value of such agreements shall be delivered as security for such agreements to the account of the Trustee to be held therein during the term of the agreements;

8. Participation certificates of the short term investment fund administered by the State Treasurer pursuant to Section 3-27a of the General Statutes of the State, as amended from time to time; and

9. Negotiable or non-negotiable certificates of deposit issued by any bank, trust company or national banking association (including the Trustee) which is a member of the Federal Reserve System. Such certificates of deposit shall be continuously secured by direct obligations of or obligations guaranteed by the United States of America which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificate of deposit; provided, however, that any such funds may be invested without any such security in certificates of deposit of any bank, trust company or national banking association whose deposits are insured by the Federal Deposit Insurance Corporation, but only to the extent of such insurance.

10. Investment agreements with, or guaranteed by, institutions which have at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt issue or a claims paying ability rated not lower than "Aa3" by Moody's Investor Service and "AA-" by Standard & Poor's Ratings Group, or investment agreements fully secured or collateralized by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States, provided the Trustee has a perfected first lien security interest in the collateral and that such collateral is held free and clear of claims by third parties.

11. Any other obligation which is approved in writing by Moody's Investor Service and Standard & Poor's Ratings Group.

“*Liquidity Facility*” means a standby bond purchase agreement, letter of credit or other contract providing funds for the purchase price of Bonds tendered by Bondholders pursuant to the terms of such Bonds.

“*Net Revenues*” means, for any Fiscal Year or other period of time, the Revenues during such period, including any amounts transferred from the Rate Stabilization Fund to the Revenue Fund, less Operating Expenses and PILOT payments for such period [and Depreciation Expense at the beginning of such Fiscal Year and prorated to add any adjustments made during such Fiscal Year from the effective date of such adjustments][†].

“*Notional Amount*” means the non-payable or the theoretical amount with reference to which Swap Payments and Swap Receipts are calculated, as specified as such for each Swap Agreement in the documentation applicable thereto.

“*Operating Expenses*” means the Authority’s current expenses incurred for operation, maintenance or repairs of the Water System of a non-capital nature, and shall include without limiting the generality of the foregoing, source of supply expenses, pumping expenses, water-treatment expenses, transmission and distribution expenses, customer accounts expenses, administrative and general expenses, insurance premiums, lease rentals, legal and engineering expenses, payments to pension, retirement, group life insurance, health and hospitalization funds or other employee benefit funds, which are properly chargeable to current operations, interest on customers’ deposits, payroll tax expenses and any other expenses required to be paid by the Authority under the provisions of the Resolution or by law or permitted by standard practices for public utility systems similar to the properties and business of the Authority (adjusted to reflect public ownership) and applicable in the circumstances, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Resolution, and to the extent properly attributable to the Water System, and all reasonable and necessary expenses of the Authority and the RPB as required or permitted by the Act. Operating Expenses shall not include any costs or expenses incurred for PILOT, or for Capital Costs for a Water System Project, or any allowance for depreciation, or any costs, expenses or obligations for any Other Corporate Purpose, or any Principal Installments, Redemption Price or purchase price of, or interest or Swap Payments on, the Bonds or any principal, redemption price or purchase price of, or interest or Swap Payments on any Subordinated Debt or Termination Payments or other obligations of the Authority.

“*Operating Reserve Fund*” means the Operating Reserve Fund established by Section 402 of the General Bond Resolution.

“*Operating Reserve Fund Requirement*” means, as of any day of calculation, an amount equal to one-sixth of the amount budgeted in the Annual Budget at the beginning of the Fiscal Year for Operating Expenses in the current Fiscal Year.

“*Other Corporate Purposes*” means the acquisition, construction, improvement or completion of any real or personal property by the Authority (other than a Water System Project), or the payment of any costs, expenses or obligations of the Authority incurred for any corporate purpose of the Authority authorized by the Act (other than for the Water System).

“*Outstanding*” when used with reference to Bonds, means, as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered under the Resolution except (a) any Bond canceled at or before said date, (b) any portion of a Bond which has been paid or redeemed, (c) any Bond (or portion of a Bond) for the payment or redemption of which moneys, equal to the principal amount or

[†] After the Date of Delivery of the Twenty-sixth Series Bonds, the bracketed language will be added to the definition of New Revenues.

Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall have theretofore been deposited with one or more of the Fiduciaries in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article V or provision satisfactory to the Trustee shall have been made for the giving of such notice, (d) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article III or Section 506 or Section 1006 of the General Bond Resolution, and (e) any Bond deemed to have been paid as provided in subsection B of Section 1101 of the General Bond Resolution.

“*PILOT Fund*” means the PILOT FUND established by Section 402 of the General Bond Resolution.

“*PILOT Fund Requirement*” means, as of any day of calculation, an amount equal to the aggregate amount of PILOT payments due or to become due during the twelve month period beginning on the day of calculation. If the Authority has not been notified as of the day of calculation of the amount of any such PILOT payment due or to become due during such twelve month period, such amount shall be based on the greater of (a) the amount included in the Authority’s Annual Budget for such PILOT payment, or (b) the amount of such PILOT payment which was due one year prior to such due date.

“*Plain Par Investment*” means an investment that is an obligation that (i) is issued with original issue discount or premium (or if acquired on a date other than the issue date, acquired with market discount or premium) equal to not more than two (2) percent of the stated redemption price at maturity, (ii) is issued for a price that does not include accrued interest other than pre-issuance accrued interest, (iii) bears interest from the issue date at a single stated fixed rate or is a variable rate obligation under Code Section 1275 of the General Bond Resolution, in either case, that pays interest, unconditionally payable, at least annually, and (iv) has a lowest stated redemption price not less than its outstanding stated principal amount.

“*Principal Installment*” means, as of any date of calculation and with respect to a particular Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, plus (ii) the amount of any Sinking Fund Installments due on such certain future date for Bonds of such Series.

“*Rate Stabilization Fund*” means the Rate Stabilization Fund established by 402 of the General Bond Resolution.

“*Redemption Price*” means, with respect to any Bond or a portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

“*Refunding Bond*” means any Bond authenticated and delivered on original issuance pursuant to Section 205 of the General Bond Resolution, or thereafter authenticated and delivered in lieu of or in substitution for such Bond pursuant to Article III or Sections 506 or 1006 of the General Bond Resolution.

“*Repayment Obligations*” means the Authority’s obligations to reimburse the Credit Facility Provider for draws on the Reserve Policy.

“*Reserve Policy*” means a Credit Facility, more particularly that certain Municipal Bond Debt Service Reserve Fund Policy dated December 12, 2001 issued by the Credit Facility Provider in the

amount of \$29,385,000, which amount represents the Debt Reserve Fund Requirement as of December 12, 2001.

“*Revenues*” means (a) all rates, fees, charges, rents, grants for the payment of current expenses, and other income and receipts received by the Authority from the ownership or operation of the Water System, (b) the proceeds received on insurance relating to the Water System which insures against loss of Revenues, (c) interest received on any moneys or securities held pursuant to the Resolution and paid into the Revenue Fund under the Resolution, (d) the moneys and securities of any water company acquired by the Authority and deposited in the Revenue Fund to the extent such moneys are applied to pay liabilities incurred by the water company prior to the date of acquisition; (e) Swap Receipts and Termination Receipts from Swap Agreements entered into in connection with Bonds and (f) the refundable credit paid to the Authority pursuant to Section 54AA of the Code. Revenues does not include (y) the proceeds for any insurance pertaining to loss or damage to persons and the property of others or to loss or damage to the Water System, or the proceeds of condemnation or the sale or other disposition of any part of the Water System, except to the extent any such proceeds are applied by the Authority to pay Operating Expenses, or (z) any amount received or receivable from the United States or the State (or any agency of either thereof) or from any other source as or on account of a grant or contribution for or with respect to (i) the construction, acquisition, improvement, extension, renewal or other development of any part of the Water System or (ii) the financing of any of the foregoing except a permitted by (f) above.

“*RPB*” means the Representative Policy Board of the District created and existing under the Act.

“*Revenue Fund*” means the Revenue Fund established by Section 402 of the General Bond Resolution.

“*Series*” means all Bonds authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 506 or 1006 of the General Bond Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

“*Sinking Fund Installment*” means, as of any particular date of calculation, and with respect to Bonds of a particular Series, the amount of money required by the Supplemental Resolution relating to such Series to be paid by the Authority 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 Authority by reason of the redemption of Bonds at the election of the Authority. If the Bonds of any Series and maturity, for which Sinking Fund Installments shall have been established, shall have been purchased or redeemed other than by application of Sinking Fund Installments, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited proportionately toward the Sinking Fund Installments and the principal of such Bonds for which no Sinking Fund Installments have been established.

“*State*” means the State of Connecticut.

“*Subordinated Debt*” shall mean any bond, note or other evidence of debt and renewals thereof of the Authority referred to in, and complying with the provisions of, Subsections B or C of Section 607 of the General Bond Resolution.

“*Supplemental Resolution*” means any resolution of the Authority amending or supplementing the Resolution adopted and becoming effective in accordance with the terms of Article IX of the General Bond Resolution.

“*Surplus Sub-Account*” means the Surplus Sub-account established by Section 414 of the General Bond Resolution.

“*Swap Agreement*” means any financial arrangement (i) that is entered into by the Authority with an entity that is a Swap Provider at the time the arrangement is entered into; (ii) (a) which provides that the Authority shall pay to such entity an amount based on the interest accruing at a fixed rate on the Notional Amount equal to all or part of the outstanding principal amount of a Series of Bonds issued hereunder, and that such entity shall pay to the Authority an amount based on the interest accruing on the Notional Amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in (ii)(c) hereof with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; (b) which provides that the Authority shall pay to such entity an amount based on the interest accruing on the Notional Amount equal to all or part of the outstanding principal amount of a Series of Bonds issued hereunder, at a variable rate of interest computed according to a formula set forth in such arrangement and that such entity shall pay to the Authority an amount based on the interest accruing at a fixed rate on the Notional Amount (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in (ii) (c) hereof, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; or (c) which is included as part of or covered by the financial transaction described in (ii)(a) or (ii)(b) above or is separately executed and which is a cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated) or any combination thereof or any option with respect thereto executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise pursuant to the Act, as amended; and (iii) which has been designated in writing to the Trustee by an Authorized Officer and authenticated or otherwise registered by the Trustee hereunder as a Swap Agreement with respect to a Series of Bonds. “*Swap Agreement*” shall also include any such financial arrangement described in clauses (ii) and (iii) above entered into by the Authority with a Swap Provider, as a replacement of a Swap Agreement that has been terminated and which has been so designated in writing to the Trustee by an Authorized Officer with respect to a Series of Bonds.

“*Swap Payment*” means the net amount required to be paid by the Authority under a Swap Agreement that is applicable to the interest rate exchange effected thereunder, but not any (a) fees, expenses or similar other charges or obligations thereunder (which shall be Costs of Issuance or Operating Expenses, as applicable) or (b) any Termination Payment or other payments by the Authority on account of termination of the Swap Agreement.

“*Swap Provider*” means a financial institution whose long term debt obligations, or whose obligations under a Swap Agreement are fully covered by a Swap Facility whose long term debt obligations are in compliance with the Swap Provider Guidelines.

“*Swap Receipt*” means the net amount required to be paid to the Authority under a Swap Agreement, but shall not include any Termination Receipt.

“*Termination Payment*” means with respect to a Swap Agreement an amount required to be paid by the Authority to the Swap Provider or related Swap Facility as a result of the termination of the Swap Agreement or required to be paid by the Authority into a collateral account as security for any termination.

“*Termination Receipt*” means with respect to a Swap Agreement an amount required to be paid by the Swap Provider or related Swap Facility as a result of the termination of the Swap Agreement.

“*Trustee*” means the trustee appointed pursuant to Article VIII of the General Bond Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

“*Variable Rate Bonds*” means any bond or bonds authenticated and delivered under and pursuant to the Resolution and bearing a variable rate of interest.

“*Variable Rate Bond Sub-Account*” means the Variable Rate Bonds Sub-account established by Section 414 of the General Bond Resolution.

“*Water System*” means the plants, structures and other real and tangible personal property acquired, constructed or operated or to be acquired, constructed or operated by the Authority for the purpose of supplying water to the Service Area, including land, reservoirs, basins, dams, canals, aqueducts, standpipes, conduits, pipelines, mains, pumping stations, water distribution systems, compensating reservoirs, waterworks or sources of water supply, wells, purification or filtration plants or other plants and works, connections, rights of flowage or diversion and other plants, structures, conveyances, real or tangible personal property or rights therein and appurtenances necessary or useful and convenient for the accumulation, supply, treatment or distribution of water. Water System includes all the real and tangible personal property of the New Haven Water Company, or of any other water company or of any municipal or other publicly or privately owned or operated water system, acquired by the Authority in connection with the acquisition by the Authority of the New Haven Water Company, or of any such other water company or water system whose service area is included by the Authority in the Service Area. Water System does not include cash, money, accounts receivable, securities or other similar property.

“*Water System Project*” means the acquisition, construction, improvement or completion of any part of the Water System the costs of which are Capital Costs.

APPENDIX D – Form of Legal Opinion for the Twenty-sixth Series Bonds

August __, 2011

South Central Connecticut Regional Water Authority
90 Sargent Drive
New Haven, CT 06511

**Re: South Central Connecticut Regional Water Authority
\$ _____ Water System Revenue Bonds
Twenty-sixth Series**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of \$ _____ Water System Revenue Bonds, Twenty-sixth Series (the “Twenty-sixth Series Bonds”) dated _____, 2011 of the South Central Connecticut Regional Water Authority (the “Authority”), a public corporation constituting a public instrumentality and political subdivision of the State of Connecticut (the “State”), organized and existing under the laws of the State. Any defined terms used herein but not defined herein shall have the meanings set forth in the General Bond Resolution (as hereinafter defined).

In connection therewith, we have examined the law and such other materials as we have deemed necessary in order to render this opinion. We have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the Authority and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the conformity to original documents of documents submitted as certified or photo static copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents. As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the certified proceedings of the Authority, including the Tax Compliance Certificate and Agreement (the “Agreement”) and other certifications received from the Authority, all dated as of _____, 2011, without undertaking to verify the same by independent investigation.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Twenty-sixth Series Bonds (except the matters set forth as our opinion in the Official Statement) and we express no opinion relating thereto.

The Twenty-sixth Series Bonds are authorized to be issued under and pursuant to Connecticut Special Act No. 77-98, as amended (the “Act”), the Water System Revenue Bond Resolution, General Bond Resolution adopted July 31, 1980, as amended and as supplemented to date (the “Resolution”), including the Twenty-sixth Series Supplemental Resolution, adopted on _____, 2011, (the “Twenty-sixth Series Supplemental Resolution” and together with the Resolution, the “General Bond Resolution”), and other proceedings duly held and taken in accordance therewith.

The Twenty-sixth Series Bonds are secured by a pledge of certain revenues (the “Revenues”) of the Water System and the moneys and securities in the Funds established by the General Bond Resolution, subject only to the provisions thereof permitting the application thereof for the purposes and on the terms and conditions set forth in the General Bond Resolution.

Based on the foregoing, under existing law, we are of the opinion that:

1. The Authority validly exists as a public corporation constituting a public instrumentality and political subdivision of the State, with good, right and lawful authority under the Act to adopt the Twenty-sixth Series Supplemental Resolution and issue the Twenty-sixth Series Bonds and to perform its obligations under the terms and conditions of the General Bond Resolution.

2. The Twenty-sixth Series Supplemental Resolution has been duly adopted by the Authority.

3. The General Bond Resolution is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms.

4. All approvals by governmental agencies necessary to authorize the Twenty-sixth Series Bonds have been obtained.

5. The Twenty-sixth Series Bonds have been duly authorized and issued by the Authority and are valid and binding obligations of the Authority enforceable in accordance with their terms and the terms of the General Bond Resolution and entitled to the benefits of the General Bond Resolution and the Act.

6. The General Bond Resolution creates the valid pledge which it purports to create on (i) all Revenues and (ii) all amounts and securities on deposit in the Funds established by the General Bond Resolution, subject only to the provisions thereof permitting the application thereof for the purposes and on the terms and conditions set forth in the General Bond Resolution.

7. The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Twenty-sixth Series Bonds in order that interest on the Twenty-sixth Series Bonds be excludable from gross income under Section 103 of the Code. We have examined the General Bond Resolution and the Agreement, which in our opinion contain provisions under which such requirements can be met. The Authority has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Twenty-sixth Series Bonds to ensure that interest on the Twenty-sixth Series Bonds shall not be included in the gross income of the owners thereof for federal income tax purposes under the Code including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Twenty-sixth Series Bonds. Failure to comply with certain of such requirements may cause interest on the Twenty-sixth Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Twenty-sixth Series Bonds.

In rendering the following opinion, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Authority with the covenants set forth in the Agreement and with requirements of the Code as to such tax matters.

Under existing law, interest on the Twenty-sixth Series Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, however, with respect to certain corporations subject to the federal alternative minimum tax, such interest is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on such corporations.

8. Under existing statutes, interest on the Twenty-sixth Series Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trust and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trust and estates subject to the federal alternative minimum tax.

We express no opinion regarding other tax consequences of ownership or disposition of, or receipt or accrual of interest income on, the Twenty-sixth Series Bonds not specifically described herein.

It is to be understood that the rights of the holders of the Twenty-sixth Series Bonds and the enforceability therefore may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein including the adoption of federal tax legislation. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Twenty-sixth Series Bonds may affect the tax status of interest on the Twenty-sixth Series Bonds.

Very truly yours,

PULLMAN & COMLEY, LLC

APPENDIX E – Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, is made as of the ___ of _____, 2011 (the “Agreement”) by the South Central Connecticut Regional Water Authority (the “Authority”) and U. S. Bank National Association, as Dissemination Agent and as Trustee (the “Dissemination Agent”), in connection with the issuance of the Authority’s \$ _____ Water System Revenue Bonds, Twenty-sixth Series (the “Bonds”). The Bonds are authorized to be issued pursuant to Connecticut Special Act No. 77-98, as amended (the “Act”) and the Water System Revenue Bond Resolution, General Bond Resolution adopted July 31, 1980 as amended and as supplemented by various supplemental resolutions including the Twenty-sixth Series Supplemental Resolution adopted on _____ (such resolutions collectively the “General Bond Resolution”). For valuable consideration, the receipt of which is acknowledged, the Authority and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Agreement

This Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the beneficial owners from time to time of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions

In addition to the definitions set forth in the General Bond Resolution, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“Disclosure Representative” means the Chief Executive Officer or the Vice-President Business Planning, Development and Finance of the Authority or his or her designee, or such other person as the Authority shall designate in writing to the Dissemination Agent and the Trustee from time to time.

“Dissemination Agent” means U. S. Bank National Association acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access System as described in the 1934 Act Release #59062 and maintained by the Municipal Securities Rulemaking Board for the purposes of the Rule and as further described in Section 13 hereof.

“GAAP” means generally accepted accounting principles, consistently applied.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Participating Underwriters” means any or all of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

“Trustee” means the trustee under the General Bond Resolution.

SECTION 3. Provision of Annual Reports

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Authority's fiscal year, commencing with the fiscal year ending May 31, 2011, provide the MSRB an

Annual Report which is consistent with the requirements of Section 4 of this Agreement. Not later than fifteen (15) days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) together with either (i) a letter authorizing the Dissemination Agent to file the Annual Report with the MSRB, or (ii) a certificate confirming that the Authority has provided the Annual Report to the MSRB and confirming the names of the service portal provided by the MSRB and the date the Annual Report was provided to the MSRB. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Rule. The Authority shall promptly notify the Dissemination Agent of any change in the Authority's Fiscal Year.

(b) If by fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Authority and the Trustee of such fact.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to (i) the Authority and (ii) the MSRB regarding the failure by the Authority to file its Annual Report.

(d) The Dissemination Agent shall:

(i) determine each year at least 30 days prior to the date for providing the Annual Report to the MSRB as provided in Section 9 of this Agreement and the name and address of the MSRB; and

(ii) file a report with the Authority and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Authority has filed a report (directly or through the Dissemination Agent) purporting to be an Annual Report pursuant to this Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports

The Authority's Annual Report shall contain or incorporate by reference the following:

(a) the Authority's audited financial statements, prepared in accordance with GAAP in effect from time to time or mandated state statutory principles as in effect from time to time; and

(b) to the extent not included in the financial statements described in (a) above, material historical quantitative data (including financial information and operating data within the meaning of the Rule) on the Authority and revenues, expenditures financial operations and indebtedness generally found in the Authority's official statements.

Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to the MSRB, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB's website, EMMA.

The Authority reserves the right (i) to provide financial statements which are not audited if audited financial statements are no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated statutory accounting principles as in effect from time to time, provided that the Authority agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Neither the Dissemination Agent nor the Trustee shall have any obligation to examine the contents of a report purporting to be any Annual Report in order to verify compliance with this Section 4.

SECTION 5. Reporting of Material Events

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (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, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability by the IRS, Notices of Proposed Issue (IRS Forms 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Bond defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes on the Bonds;
- (12) bankruptcy, insolvency, receivership or similar event of any Obligated Person;
- (13) the consummation of a merger, consolidation or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of any Obligated Person, 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
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

(b) If a Listed Event occurs, the Authority shall provide, within five Business Days, a Material Event Notice to the Dissemination Agent. The Dissemination Agent shall provide each such Material Event Notice to the MSRB within five Business Days of its receipt thereof from the Authority but no later than ten days from the occurrence of the Listed Event. Such notice must be filed in a timely manner, not in excess of ten Business Days after the occurrence of such event.

(c) In order to assist the Authority in complying with its undertaking in this Section 5, the Dissemination Agent shall promptly after obtaining actual knowledge of the occurrence or possible occurrence of any Listed Event notify the Disclosure Representative in writing. If the Listed Event is an event as described in Sections 5(a)(2), (7), (8), (10), (13) or (14) above, the Dissemination Agent shall notify the Disclosure Representative in writing of such event and request that the Disclosure Representative determine whether such event is material and thus whether the Dissemination Agent should report such Listed Event.

(d) Upon any legal defeasance of the Bonds, the Dissemination Agent shall provide notice of such defeasance to the MSRB which notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

(e) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent or otherwise, the Authority shall promptly notify the Dissemination Agent and provide a form of notice in writing by fax or hand delivery or other prompt communication method. The determination of whether any such occurrence is material, as applicable, shall be a determination to be made by the Authority and not the Dissemination Agent. Upon receipt from the Authority of the form of notice, the Dissemination Agent shall in a timely manner file the notice of such occurrence in the form provided by the Authority with the MSRB, with a copy to the Authority but such filing shall not be in excess of ten (10) days from the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligation

(a) The Authority's and Dissemination Agent's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

(b) In addition, this Agreement, or any provision hereof, shall be null and void in the event that (1) the Authority delivers to the Trustee and the Dissemination Agent an opinion of a nationally recognized bond

counsel or counsel expert in federal securities laws, addressed to the Trustee and the Dissemination Agent, to the effect that those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Dissemination Agent promptly delivers copies of such opinion to the (i) MSRB and (ii) the Trustee.

SECTION 7. Dissemination Agent

(a) The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

(b) The Dissemination Agent, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than sixty (60) days written notice to the Authority and the registered owners of the Bonds, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the date a successor shall have been appointed by the Authority.

(c) In case the Dissemination Agent, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Dissemination Agent or of its property shall be appointed, or if any public officer shall take charge of control of the Dissemination Agent, or of its property or affairs, the Authority shall forthwith appoint a new Dissemination Agent to act. The Authority shall give or cause to be given written notice of any such appointment to the Trustee (if the Trustee is not the Dissemination Agent).

(d) Any company into which the Dissemination Agent may be merged or with which it may be consolidated or any company resulting from any merger or consolidation to which it shall be a party or any company to which such Dissemination Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Dissemination Agent, without any further act or deed.

SECTION 8. Amendment; Waiver

Notwithstanding any other provision of this Agreement, the Authority may amend this Agreement (and the Dissemination Agent shall agree to any amendment not modifying or otherwise affecting its duties, obligations or liabilities in such a way as they are expanded or increased), and any provision of this Agreement may be waived, if all of the following conditions are satisfied: (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Authority, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, (iii) the Authority shall have delivered an opinion of counsel, addressed to the Authority, the Dissemination Agent and the Trustee, to the same effect as set forth in clause (ii) above, and (iv) the Authority shall have delivered to the Trustee and the Dissemination Agent either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or consent by the holders of the Bonds pursuant to the same procedures as are required for amendments to the General Bond Resolution with consent of the owners of the Bonds as in effect on the date of this Agreement. A copy of any such amendment or waiver will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating or financial information provided.

SECTION 9. Additional Information

The Authority shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is

specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default

In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Agreement, the Dissemination Agent may (and, at the request of the holders of at least 25% in aggregate principal amount of Outstanding Bonds who have provided the Dissemination Agent with security and indemnity deemed reasonably acceptable to the Dissemination Agent, shall), or any party who can establish beneficial ownership of any of the Bonds, or any Bondholder may, after providing 15 days written notice to the Authority to give the Authority opportunity to comply with such 15-day period, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default or an Event of Default under the General Bond Resolution or the Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with this Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement. To the extent that the Dissemination Agent is required under the terms of this Agreement to report any information, it is only required to report information that it receives from the Authority in the form in which it is received, and the Dissemination Agent shall be under no responsibility or duty with respect to the accuracy and content of the information which it receives from the Authority, provided, however, if the form of the information is deficient on its face, the Dissemination Agent shall so inform the Authority, and the Authority shall cure any such deficiency as to form. The Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) Unless otherwise provided by contract with the Dissemination Agent, the Authority shall pay or cause to be paid to the Dissemination Agent after reasonable notice to the Authority in light of the reimbursement sought to be received, reasonable reimbursement for its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys, agents, and employees, incurred in and about the performance of its powers and duties hereunder. The Authority shall indemnify and save the Dissemination Agent harmless against any expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or default. None of the provisions contained in this Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The obligations of the Authority under this Section to compensate the Dissemination Agent, to pay or reimburse the Dissemination Agent for expenses, disbursements, charges and counsel fees and to indemnify and hold harmless the Dissemination Agent shall survive the termination of this Agreement.

SECTION 12. Beneficiaries

This Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Miscellaneous

(a) This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(b) This Agreement shall be governed by the laws of the State of Connecticut and by applicable federal laws.

(c) To the extent filings or notices are required to be made to the MSRB under this Agreement, the Authority shall transmit such filings or notices in an electronic format to the continuing disclosure service portal provided through MSRB's EMMA (<http://emma.msrb.org/>) or any similar system that is acceptable to the SEC.

SOUTH CENTRAL CONNECTICUT
REGIONAL WATER AUTHORITY

By: _____

Name: Linda M. Discepolo
Title: Vice President Business Planning,
Development and Finance

U. S. BANK NATIONAL ASSOCIATION, AS
DISSEMINATION AGENT

By: _____

Name:
Title: