CHESTER WATER AUTHORITY

A RESOLUTION

WHEREAS, the Authority is a municipality authority incorporated pursuant to and existing under and is governed by the provisions of the Municipality Authorities Act, 53 Pa.C.S. Ch. 56, as amended (the "Act"), of the Commonwealth of Pennsylvania; and

WHEREAS, the Authority supplies water to approximately 200,000 individuals and businesses throughout southern Chester County, western Delaware County, and the City of Chester (the "City")

WHEREAS, the Authority has a massive infrastructure that is composed of, *inter alia*, 23 storage tanks, 22 booster stations, nearly 700 miles of buried water mains, and a 60-million gallon per day Octoraro Treatment Plant; and,

WHEREAS, it is critical that this infrastructure has regular maintenance so ratepayers are provided with reliable and safe drinking water and water for fire protection; and,

WHEREAS, the Authority's infrastructure maintenance is not only a matter of public safety, but is required to ensure compliance with federal and state water safety laws, regulations, and government permits issued to the Authority; and,

WHEREAS, because many of these projects are large, expensive, and complicated, the Authority regularly obtains financing to support its maintenance endeavors in accordance with prudent water supply practices; and,

WHEREAS, the Authority incurred indebtedness in the form of bonds for its capital projects in 2014 under and pursuant to a Trust Indenture dated December 1, 2014 (the "Original Indenture"), with Wells Fargo Bank, N.A, as Trustee (the "Original Trustee"), a portion of which remains outstanding thereunder, and under which Original Indenture, as supplemented as

hereinafter described (collectively, the "Senior Indenture"), Computershare Trust Company, N.A., is serving as successor trustee (the "Trustee"); and,

WHEREAS, the proceeds from those bonds were allocated to capital projects from 2014 to 2018; and,

WHEREAS, by 2019, it became necessary for the Authority to obtain new financing for maintenance needs that would be required from 2019 to 2021; and,

WHEREAS, in the first half of 2019 the Authority conducted a public process of securing necessary quotes and approvals for that financing; and,

WHEREAS, based upon the Authority's maintenance needs, it was determined that the 2019 financing should be in an amount of not less than $35 million, which was to be provided by Republic Bank and Malvern Bank; and,

WHEREAS, the Authority had completed all necessary steps and approvals to obtain the 2019 financing, when the City of Chester (the "City") commenced efforts to block said financing; and,

WHEREAS, the Authority was forced to seek emergency judicial relief in the Pennsylvania court system (the "Court") to stop certain actions of the City from impeding the financing; and,

WHEREAS, notwithstanding the Court's voiding certain of the City's actions, they caused concern among the interested lenders the Authority had originally lined up for the 2019 financing; and,

WHEREAS, as a result of the City's actions in 2019, the Authority was able to obtain only approximately $28 million in financing rather than the $35 million originally contemplated, as described in further detail below; and,

WHEREAS, the Authority, pursuant to powers vested in it by the Act, in 2019 undertook a capital project (the "2019 Capital Project") consisting of certain Capital Additions to the Water System (as both such capitalized terms are defined under the 2026 Indenture hereinafter defined); and,

WHEREAS, to obtain funds to finance a portion of the 2019 Capital Project, the Authority authorized and issued a series of water revenue bonds, *i.e.*, its $20,000,000 principal amount of Water Revenue Bond, Series of 2019 (the "2019 Bond") under and secured by the Senior Indenture, as amended and supplemented, in particular, by a Supplemental Trust Indenture, dated November 6, 2019 ("First Supplemental Indenture"), between the Authority and the Original Trustee, the proceeds from the sale thereof used, together with money and funds otherwise available for the purposes, for and toward payment of the costs of the 2019 Capital Project including the payment of the costs and expenses associated with the issuance of the 2019 Bond; and,

WHEREAS, to obtain additional funds to complete the 2019 Capital Project, the Authority issued an additional series of water revenue bonds, *i.e.*, its $8,000,000 principal amount of Water Revenue Bond, Series A of 2019 (the "2019A Bond"; together with the 2019 Bond, the "2019 Capital Project Bonds") under and secured by the Senior Indenture, as amended and supplemented, in particular, by a Second Supplemental Trust Indenture, dated December 31, 2019 (the "Second Supplemental Indenture"), between the Authority and the Original Trustee, the proceeds from the sale thereof used, together with other money available for the purposes, for and toward the payment of a portion of the costs of the 2019 Capital Project including the payment of the costs and expenses associated with the issuance of the 2019A Bonds; and,

WHEREAS, the 2019 Capital Project Bonds were privately placed with, *i.e.,* directly purchased by Republic Bank, and as of the date of the 2022 Financing Resolution hereinafter defined, were outstanding in the principal amount of $26,465,000; and,

WHEREAS, the terms of the 2019 financing included a balloon payment in the amount of $24,845,000, defined under the 2019 indenture as "Balloon Indebtedness," due December 1, 2024,

which terms were not part of the original structure the Authority had arranged and which the Authority was forced to accept as a direct result of the City's actions; and,

WHEREAS, if the Authority had not refinanced the outstanding 2019 Capital Project Bonds, customer rates would have to have been raised significantly to cover the Balloon Indebtedness; and,

WHEREAS, the Authority therefore determined to issue additional indebtedness to refinance the outstanding 2019 Capital Project Bonds to avoid the rate increase that would have resulted from the Balloon Indebtedness and to finance the costs of necessary capital improvements; and,

WHEREAS, of the proceeds of the financing authorized by the 2022 Financing Resolution the Authority used $26,174.784.73 to refinance the outstanding 2019 Capital Project Bonds and $18,625,315.27 for the capital maintenance and improvements comprising the Authority's 2019-2021 capital plan and for the 2022 component of the Authority's 2022-2024 capital plan (collectively, "the 2022 Water Revenue Bonds"); and,

WHEREAS, the 2022 Water Revenue Bonds were privately placed with, *i.e.,* directly purchased by Republic Bank; and,

WHEREAS, Republic Bank failed and was taken over by Fulton Bank and ownership of the 2022 Water Revenue Bonds was subsequently transferred to the Federal Deposit Insurance Corporation ("FDIC"), and,

WHEREAS, the 2022 Water Revenue Bonds had a balloon payment in the amount of $40,140,000 due December 1, 2026, and accordingly, without refinancing the outstanding 2022 Water Revenue Bonds, the Authority would have to have raised customer rates dramatically to pay said Balloon Indebtedness; and,

WHEREAS, the Authority therefore desired to initiate steps to refinance the outstanding 2022 Water Revenue Bonds to avoid the Balloon Indebtedness and the consequent rate increase and to finance the 2023 and 2024 components of the Authority's current (2022-2024) capital plan; and,

WHEREAS, to accomplish the refinancing of the 2022 Water Revenue Bonds and the financing of the remainder of the current capital plan, the Authority determined to issue its 2024 Water Revenue Bonds in the aggregate principal amount of $58 million (the "Proposed 2024 Bond Issue"); and

WHEREAS, the Authority intended to use approximately $43 million of the proceeds of the Proposed 2024 Bond Issue to refinance the outstanding 2022 Water Revenue Bonds and the remaining proceeds thereof, approximately $15 million, to cover the cost of capital maintenance and improvements for the completion of the remaining components in the Authority's then-current capital plan; and

WHEREAS, the capital improvements and maintenance intended to be financed by the Proposed 2024 Bond Issue were routine and necessary for public safety, system efficiency to maintain low rates, and compliance with governmental laws, regulations, and permits; and,

WHEREAS, any interference or delay in this critical capital maintenance and improvement could have decreased system reliability, increased costs, and risked violation of governmental laws, regulations, and permits; and,

WHEREAS, the Authority's ongoing comprehensive and ongoing maintenance and capital improvement plan regime has been very successful, as demonstrated by numerous awards and citation and the Authority's delivering efficient and cost-effective service, with water rates that are among the lowest in the region and far below the rates of Aqua Pennsylvania, Inc.; and

WHEREAS, the Proposed 2024 Bond Issue would have enabled the Authority to maintain its financial and operational stability; and,

WHEREAS, since 2019, the Authority has been embroiled in legal proceedings relating to, *inter alia,* the attempt by the City to terminate the existence of the Authority and to seize the Authority's assets and, most recently, in particular, the filing by the City of a municipal debt adjustment action under the United States Bankruptcy Code, the express purpose of which included "monetizing" the CWA by way of dissolution; and

WHEREAS, as a result of the Chester Bankruptcy Proceedings, on September 3, 2024, Moody's Investors Service, a national credit rating agency now known as "Moody's Ratings"), publicly announced that it had placed the "Aa2" rating applicable to the Authority's publicly offered Water Revenue Bonds under review for a possible downgrade (the "Moody's Rating Announcement"), specifically stating the uncertainty about the 2024 Bonds generated by the Chester Bankruptcy Proceedings, in particular, the Plan of Adjustment contemplating the termination of the Authority, transfer of its assets, and possible assumption of the Authority's debt by a less credit-worthy entity; and,

WHEREAS, after the Moody's Rating Announcement, the Authority received no viable responses from customarily solicited financial institutions to a request for proposals for the purchase of the revenue bonds comprising the Proposed 2024 Bond Issue (the "2024 Bonds RFP"); and,

WHEREAS, accordingly to gain access to the capital markets the Authority applied for the issuance of municipal bond insurance policies from Assured Guaranty and BAM Mutual, the two industry-recognized municipal bond insurers, to cover the debt service on the Proposed 2024 Bond Issue, which applications were both denied; and,

WHEREAS, accordingly, the Authority authorized its professionals, Kutak Rock LLP, bond counsel, and Acacia Financial Group, Inc., Financial Advisor, to contact a firm that specializes in public finance transactions which conventional financial institutions are reluctant to engage in; and,

WHEREAS, that firm, Saybrook Fund Advisors, LLC ("Saybrook"), after review of the 2024 Bonds RFP, submitted a proposal setting forth the proposed terms of a series of water revenue bonds that Saybrook would consider for purchase from the Authority in an arms-length transaction; and,

WHEREAS, Section 17.01 of the Original Indenture authorizes the amendment without the consent of the Bondholders by a supplemental indenture authorized by resolution of the Authority filed with the Trustee to, *inter alia*, "(b) cure any ambiguity or formal defect or omission in this Indenture, ... (m) to make any change that does not materially adversely affect the rights of the Bondholders or the Trustee.", and,

WHEREAS, Section 3.08 of the Original Indenture authorizes the issuance of subordinate indebtedness as set forth in a separate subordinate document; and

WHEREAS, accordingly, the Authority adopted a supplemental and subordinate indenture clarifying some ambiguities and authorizing the issuance of the 2025 Bonds hereinafter defined; and,

WHEREAS, on September 18, 2025, the Authority issued its $60,000,000 Aggregate Principal Amount, Subordinated Revenue Bonds, Series of 2025 consisting of $45,000,000, Senior Subordinated Bonds, Series 2025A and $15,000,000, Junior Subordinated Bonds, Series 2025B (the "2025 Bonds"); and,

WHEREAS, escrowed proceeds of the 2025 Bonds were applied, on November 25, 2025, via payment to the FDIC's custodian, to refund the 2022 Bonds; and,

WHEREAS, the 2025 Bonds mature December 1, 2030, and bear interest at an average rate of 8% per annum; and,

WHEREAS, accordingly, on September 18, 2025, the Authority authorized up to a 14% rate increase to assure compliance with the rate covenant set forth in the Section 7.02 of the Original Indenture; and,

WHEREAS, on January 21, 2026, the Pennsylvania Supreme Court issued its decision reversing the Commonwealth Court's prior ruling that the City had a general power under Section 5622 of the MAA to unilaterally dissolve the authority and cause it to convey the Water System to the City. The Supreme Court's decision also 1) conclusively resolved the City's declaratory judgment action, which claimed that Act 73 did not alter its claimed ability to dissolve the Authority and take its Water System, against the City and in favor of the Authority; and 2) confirmed that the City has no ownership interest in the Authority as it is an independent entity of the Commonwealth, and not a creature of the City. The Supreme Court's decision is expected to restore the Authority's access to the capital markets; and,

WHEREAS, on July 9, 2026, the Authority closed a twenty (20)-year $19,277,386 loan from the Pennsylvania Infrastructure Investment Authority ("PENNVEST"), subordinate to both the 2014 Bonds and the 2025 Bonds (the "2026 PENNVEST Loan"); and,

WHEREAS, the 2014 Bonds and the 2025 Bonds are currently subject to redemption prior to maturity; and,

WHEREAS, the Authority has received advice from its financial advisor, Acacia Financial Group, Inc., that it could realize significant debt service savings by refunding the 2014 Bonds and the 2025 Bonds, thereby both reducing the pressure on rates and providing the opportunity to employ a more modern trust indenture; and,

WHEREAS, under the terms of the 2026 PENNVEST Loan, PENNVEST must consent to the issue of additional parity indebtedness of the Authority; and,

WHEREAS, accordingly, the Authority has determined to consider the issuance of the 2026 Bonds hereinafter defined pursuant to a new trust indenture (the "2026 Indenture") in an amount sufficient to effect the refunding of the outstanding 2014 Bonds and the 2025 Bonds (the "2026 Financing"), subject to the approval of PENNVEST, and to give certain preliminary authorizations in connection therewith; and,

WHEREAS, the Authority has the legal power to enact this Resolution pursuant to, among other sources, (1) the Pennsylvania Municipality Authorities Act, (2) Article 1, Section 27 of the Pennsylvania Constitution, and (3) laws, regulations, and permits governing the delivery of safe and reliable water for drinking and fire protection; and,

WHEREAS, the Authority must carry out its mandate to, *inter alia*, "exercise all powers necessary or convenient for the carrying out of the purposes set forth in the Municipality Authorities Act" including, the provision of waterworks, water supply works and water distribution systems. *See* 53 Pa.C.S. § 5607(a)(10), (d). The Authority is expressly obligated to "determine by itself exclusively the services and improvements required to provide adequate, safe and reasonable service, including extensions thereof, in the areas served." 53 Pa.C.S. § 5607(d)(9); and,

NOW, THEREFORE, BE IT RESOLVED by the Board of the Authority, as follows:

1. **Preliminary Authorization of 2026 Financing; Negotiated Sale; Bond Purchase Agreement; Preliminary Official Statement; Continuing Disclosure Agreement; Applications to Rating Agencies and Bond Insurers.** It is contemplated that:

(a) The 2026 Bonds shall be issued in an aggregate principal amount not to exceed $100,000,000, shall have a maturity date not later than the final date of the term of existence

of the Authority as set forth in its Articles of Incorporation, as amended, as then in effect, and bear interest as set forth in the 2026 Indenture (the "2026 Bonds") at rates which shall result in a true interest cost of not greater than seven percent (7%) on the entire issue;

(b) The 2026 Bonds shall be sold on a negotiated basis pursuant to a subsequent resolution of the Board, in accordance with a Bond Purchase Agreement between the Authority and Stifel (the "Underwriter"), in customary form, subject to review by the Authority Solicitor and Bond Counsel, containing terms and provisions consistent with this Resolution and the 2026 Indenture (the "Bond Purchase Agreement");

(c) The Authority hereby authorizes the preparation by or on behalf of the Underwriter of a Preliminary Official Statement, in form to be deemed final on behalf of the Authority in accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), setting forth certain information relating to the Authority, the 2026 Financing and the 2026 Bonds in such form as may be acceptable to the Authority, the Authority Solicitor and Bond Counsel;

(d) It is hereby determined that it is necessary and appropriate pursuant to Rule 15c2-12 for the Authority to execute and deliver a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the holders from time to time of the 2026 Bonds, in order to enable the Underwriter to comply with the requirements of Rule 15c2-12. The Continuing Disclosure Agreement shall be in such form as shall be recommended by Bond Counsel with the approval of the Authority Solicitor; and

(e) The submission by appropriate professional advisors and/or Authority officers and staff, on behalf of the Authority, of applications to one or more bond rating agencies of certain information concerning the Authority and the 2026 Bonds, for the purpose of obtaining

ratings on the 2026 Bonds and/or qualifying the 2026 Bonds for bond insurance or other credit enhancement, are hereby authorized and approved.

2. **Security.** The 2026 Bonds shall be secured by the 2026 Indenture, to the extent and in the manner provided therein; solicitation(s) to obtain an appropriate financial institution to act as trustee under the 2026 Indenture and to act as registrar and paying agent for the 2026 Bonds, are hereby authorized and approved. Preparation of the 2026 Indenture by Kutak Rock LLP, bond counsel, with advice from Acacia Financial Group, Inc., financial advisor, is hereby authorized.

3. **Ratification of Prior Actions.** The Authority approves, ratifies, and confirms all action heretofore taken by Authority officers and staff and professional advisors on behalf of the Authority in connection with the undertakings herein contemplated.

4. **Additional Authorization.** (a) Appropriate Authority officers and staff are authorized and directed to proceed promptly with the undertakings herein contemplated and deemed to be necessary or appropriate and to take any and all actions necessary or desirable to prepare for the authorization, issuance and sale of the 2026 Bonds and the undertaking of the 2026 Financing, including, *inter alia*, solicitation of the consent of PennVest.

(b) The Authority officers are authorized and directed to execute, to deliver, implement and/or approve such other documents, instruments, certificates or policies and to do such other things and to take such other actions as may be necessary to carry out the terms and provisions of this Resolution.

5. **Professional Appointments.** The Authority confirms its appointments of Kutak Rock LLP, as its bond counsel, and Acacia Financial Group, Inc., as its financial advisor in connection with the authorization and issuance of the 2026 Bonds and related matters.

6. **Severability.** In the event any provision, section, sentence clause or part of this Resolution shall be held to be invalid, such invalidity shall not affect or impair any remaining

provision, section, sentence, clause or part of this Resolution, it being the intent of the Authority that such remainder shall be and shall remain in full force and effect.

7. **Effective Date; Repeals.** This Resolution shall become effective immediately. All resolutions or parts of resolutions inconsistent herewith are hereby repealed and rescinded.

DULY ADOPTED, this 20th day of August, 2026, by the Board of Chester Water Authority, in lawful session duly assembled.

CHESTER WATER AUTHORITY

By: _____
(Vice Chairperson)

[SEAL]

Attest: _____
(Assistant) Secretary