
INDENTURE OF TRUST

by and between the

COACHELLA WATER AUTHORITY

and

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

Dated as of [February][May] 1, 2022

Relating to the

\$ _____

Coachella Water Authority

Water Revenue Refunding Bonds, [2022A][2022B] Series

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS; RULES OF CONSTRUCTION; EQUAL SECURITY	3
Section 1.01. Definitions	3
Section 1.02. Rules of Construction	17
Section 1.03. Equal Security	17
ARTICLE II THE BONDS.....	18
Section 2.01. Authorization of the Bonds	18
Section 2.02. Terms of the Bonds	18
Section 2.03. Form of Bonds	19
Section 2.04. Execution of Bonds	19
Section 2.05. Transfer of Bonds	19
Section 2.06. Exchange of Bonds.....	20
Section 2.07. Temporary Bonds	20
Section 2.08. Bond Registration Books.....	20
Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen	20
Section 2.10. Book-Entry System	21
ARTICLE III ISSUE OF BONDS; APPLICATION OF PROCEEDS; COSTS OF ISSUANCE FUND	23
Section 3.01. Application of Proceeds of Bonds and Other Moneys	23
Section 3.02. Establishment and Application of Costs of Issuance Fund	23
Section 3.03. [Establishment and Maintenance of Project Fund.....	23
Section 3.04. Validity of Bonds	24
Section 3.05. Rate Stabilization Account.....	25
ARTICLE IV REDEMPTION OF BONDS	26
Section 4.01. Terms of Redemption	26
Section 4.02. Selection of Bonds for Redemption	27
Section 4.03. Notice of Redemption.....	27
Section 4.04. Partial Redemption of Bonds.....	28
Section 4.05. Effect of Redemption	28
ARTICLE V GROSS REVENUES; NET REVENUES	30
Section 5.01. Pledge of Net Revenues.....	30
Section 5.02. Receipt, Deposit and Application of Revenues and Net Revenues; Rate Stabilization Account.....	31
Section 5.03. Application of Interest Account	32
Section 5.04. Application of Principal Account.....	32
Section 5.05. Reserved	33
Section 5.06. Application of Redemption Fund	33
Section 5.07. Investment of Moneys in Funds and Accounts	34

ARTICLE VI COVENANTS OF THE AUTHORITY; SPECIAL TAX COVENANTS	36
Section 6.01. Punctual Payment	36
Section 6.02. Extension of Payment of Bonds	36
Section 6.03. Discharge of Claims	36
Section 6.04. Operation of Enterprise in Efficient and Economical Manner	36
Section 6.05. Against Encumbrance	36
Section 6.06. Records and Accounts	37
Section 6.07. Rates and Charges	37
Section 6.08. Limitations on Future Obligations Secured by Net Revenues	38
Section 6.09. Further Assurances	39
Section 6.10. Waiver of Laws	40
Section 6.11. Private Activity Bond Limitation	40
Section 6.12. Private Loan Financing Limitation	40
Section 6.13. Federal Guarantee Prohibition	40
Section 6.14. Rebate Requirement	40
Section 6.15. No Arbitrage	40
Section 6.16. Maintenance of Tax-Exemption	40
Section 6.17. Continuing Disclosure	40
Section 6.18. Assumption of Obligations Upon Termination of the Lease Agreement	40
ARTICLE VII MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION	41
Section 7.01. Maintenance and Operation of the Enterprise	41
Section 7.02. Taxes, Assessments, Other Governmental Charges and Utility Charges	41
Section 7.03. Public Liability and Property Damage Insurance	41
Section 7.04. Casualty Insurance	41
Section 7.05. Insurance Net Proceeds; Form of Policies	42
Section 7.06. Eminent Domain	42
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS	43
Section 8.01. Events of Default	43
Section 8.02. Acceleration of Maturities	43
Section 8.03. Application of Net Revenues and Other Funds After Default	44
Section 8.04. Trustee to Represent Owners	45
Section 8.05. Owners' Direction of Proceedings	45
Section 8.06. Limitation on Owners' Right to Sue	46
Section 8.07. Absolute Obligation of Authority	46
Section 8.08. Termination of Proceedings	46
Section 8.09. Remedies Not Exclusive	47
Section 8.10. No Waiver of Default	47
ARTICLE IX THE TRUSTEE	48
Section 9.01. Appointment of Trustee; Duties, Immunities and Liabilities of Trustee	48
Section 9.02. Merger or Consolidation	49
Section 9.03. Liability of Trustee	49

Section 9.04.	Right of Trustee to Rely on Documents	53
Section 9.05.	Preservation and Inspection of Documents	53
Section 9.06.	Compensation of Trustee.....	53
Section 9.07.	Indemnification.....	53
ARTICLE X MODIFICATION OR AMENDMENT OF THE INDENTURE		54
Section 10.01.	Amendments Permitted	54
Section 10.02.	Effect of Supplemental Indenture.....	55
Section 10.03.	Endorsement of Bonds; Preparation of New Bonds.....	55
Section 10.04.	Amendment of Particular Bonds	56
ARTICLE XI DEFEASANCE		57
Section 11.01.	Discharge of Indenture	57
Section 11.02.	Discharge of Liability on Bonds.....	57
Section 11.03.	Deposit of Money or Securities with Trustee.....	58
Section 11.04.	Payment of Bonds After Discharge of Indenture	58
ARTICLE XII PROVISIONS RELATING TO THE BOND INSURER AND THE BOND INSURANCE POLICY		60
Section 12.01.	Bond Insurance Provisions	60
ARTICLE XIII MISCELLANEOUS		66
Section 13.01.	Liability of Authority Limited to Net Revenues	66
Section 13.02.	Successor Is Deemed Included in All References to Predecessor.....	66
Section 13.03.	Limitation of Rights to Parties and Owners	66
Section 13.04.	Waiver of Notice	66
Section 13.05.	Destruction of Bonds.....	66
Section 13.06.	Entire Agreement; Severability of Invalid Provisions.....	66
Section 13.07.	Notices.....	67
Section 13.08.	Evidence of Rights of Owners.....	67
Section 13.09.	Disqualified Bonds	68
Section 13.10.	Money Held for Particular Bonds.....	68
Section 13.11.	Funds and Accounts	68
Section 13.12.	Article and Section Headings and References.....	68
Section 13.13.	Waiver of Personal Liability	68
Section 13.14.	Execution in Several Counterparts	69
Section 13.15.	Governing Law	69
EXHIBIT A—FORM OF BOND		
EXHIBIT B—COMPONENTS OF THE PROJECT		

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, is dated as of [February][May] 1, 2022, by and between the COACHELLA WATER AUTHORITY, a joint exercise of powers authority organized and existing under the constitution and laws of the State of California (the “Authority”), and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created (the “Trustee”);

WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of December 1, 2003, by and between the City of Coachella (the “City”) and the Coachella Redevelopment Agency (the “Agency” and, with the City, the “Members”), and under the provisions of Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”), and is authorized pursuant to Article 4 of the Act to borrow money for the purpose of financing and refinancing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities, including the Members, and to provide financing for public capital improvements of public entities, including the Members;

WHEREAS, the Authority is authorized pursuant to the provisions of section 6584 of the Act (the “Bond Law”), to issue its revenue bonds for the purpose of financing and refinancing facilities for the production, storage, transmission, or treatment of water;

WHEREAS, payment of the principal of and interest on the revenue bonds will be secured by a pledge of net revenues received by the Authority from the operation of its water system (the “Enterprise”);

WHEREAS, the Authority, after due investigation and deliberation, has determined that it is in the interests of the Authority at this time to provide for the issuance of bonds under the Bond Law to (a) refund certain prior obligations of the Authority, [(b) finance certain improvements to the Enterprise], and (c) pay the costs of issuance of such bonds;

WHEREAS, to that end, the Authority has determined to issue its revenue bonds, to be designated as the Coachella Water Authority Water Revenue Refunding Bonds, [2022A][2022B] Series, in the principal amount of \$_____ (the “Bonds”), to be secured by a pledge of the net revenues derived from the operation of the Enterprise;

WHEREAS, in order to provide for the authentication and delivery of the Bonds from time to time and in such series as may be established by the Authority, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and premium (if any) and of the interest thereon, the Board of Directors of the Authority has authorized the execution of this Indenture;

WHEREAS, all Bonds issued under this Indenture will be secured by a pledge of the Net Revenues, as defined herein, and certain other moneys and securities held by the Trustee hereunder; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and premium (if any) and interest on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture and of any Supplemental Indenture and of any certificate, opinion, request or other documents herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“*Act*” means Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code.

[“*Acquisition,*” “*Acquire*” or “*Acquired*” means, with respect to the Project, the acquisition of an ownership interest in the Project, or the financing, construction or ownership of the Project.]

[“*Acquisition Costs*” with respect to the Project mean the contract price paid or to be paid to the contractors therefor upon acquisition, construction, refinancing, improvement, repair, modification or delivery of any portion of the Project and related equipment, in accordance with the purchase order or contract therefor. Acquisition Costs include the costs of site preparation necessary for the installation of any improvements to the Project, including engineering costs. Acquisition Costs also include costs incurred by the City, the Authority and the contractors in connection with the acquisition, delivery and installation of the Project.]

“*Additional Revenues*” means, with respect to the issuance of any Bonds or Parity Obligations, an allowance for Net Revenues (i) arising from any increase in the charges made for service from the Enterprise adopted prior to the incurring of such Bonds or Parity Obligations and effective within eighteen (18) months following the date of incurring such Bonds or Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the Authority, and (ii) arising from any increase in service connections to the Enterprise prior to the incurring of such Bonds or Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such connections had been in existence during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the Authority, all as shown by the certificate or opinion of an Independent Financial Consultant.

[“*Alternate Project*” means an alternate project designated by the Authority pursuant to Section 3.03 hereof.]

“*Authority*” means the Coachella Water Authority, a joint exercise of powers authority organized and existing under the constitution and laws of the State, and any successor thereto.

“*Authorized Representative*” means, with respect to the Authority, its President, Vice President, Executive Director, Treasurer, Chief Financial Officer, Secretary or any other person

designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by the Executive Director of the Authority and filed with the Trustee.

“*Board of Directors*” means the Board of Directors of the Authority.

“*Bond Fund*” means the fund by that name established pursuant to Section 5.02.

“*Bond Law*” means section 6584 of the Act, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“*Bond Registration Books*” means the books maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

“*Bond Year*” means any twelve-month period commencing on August 2 in a year and ending on the next succeeding August 1, both dates inclusive; *provided, however*, that the first Bond Year shall commence on the Closing Date relating to the Bonds and shall end on August 1, 2022.

“*Bonds*” means the Authority’s Water Revenue Refunding Bonds, [2022A][2022B] Series, issued and at any time Outstanding hereunder.

“*Bond Insurance Policy*” means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment, of principal of and interest on the Bonds when due.

“*Bond Insurer*” means _____ or any successor thereto or assignee thereof.

“*Bond Insurer Default*” means (a) the Bond Insurer shall be in payment default under the Bond Insurance Policy and such failure shall continue for three business days, or (b) any material provision of the Bond Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested by the Bond Insurer.

“*Business Day*” means a day of the year which is not (a) a Saturday, Sunday or legal holiday as set forth by the Federal Reserve Bank of Los Angeles, (b) a day on which banks or trust companies in Los Angeles, California, Wilmington, Delaware, New York, New York or the city where the principal corporate trust office of the Trustee is located are not required or authorized by law, regulation or executive order to remain closed, or (c) a day on which The New York Stock Exchange is not closed.

“*Certificate*,” “*Statement*,” “*Request*,” “*Requisition*” and “*Order*” of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative of the Authority. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“*Certificate of Completion*” means a certificate of an Authorized Representative of the Authority certifying that all equipment and other property constituting the Project has been

acquired, constructed, installed and accepted by the Authority, and that all Acquisition Costs for the Project have been paid.

“*City*” means the City of Coachella, a general law city and municipal corporation organized and existing under the constitution and laws of the State, and any successor thereto.

“*City Council*” means the City Council of the City.

“*Closing Date*” means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the original purchasers thereof.

“*Code*” means the Internal Revenue Code of 1986 as in effect on the Closing Date, or as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

“*Completion Date*” means the date certified by an Authorized Representative of the Authority that all equipment and other property constituting the Project has been acquired, installed and accepted by the Authority, and that all Acquisition Costs for such Project have been paid.

“*Continuing Disclosure Agreement*” means that certain Continuing Disclosure Agreement executed by the Authority and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“*Costs of Issuance*” means all expenses directly or indirectly payable by the Authority and related to the authorization, issuance, sale and delivery of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, compensation, fees and expenses of the Authority, the Trustee and its respective counsel, compensation to any financial consultants or underwriters, legal fees and expenses, rating agency fees, bond insurance fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

“*Costs of Issuance Fund*” means the fund so designated and established pursuant to Section 3.02.

“*Debt Service*” means, for any period of calculation, the sum of:

(a) the interest accruing during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(b) those portions of the principal amount of all outstanding serial Bonds maturing in such period;

(c) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period; and

(d) those portions of the Parity Obligations that are required to be paid during such period (except to the extent that the interest that is evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Parity Obligations;

provided that, as to any such Bonds or Parity Obligations bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to be a fixed rate equal to the higher of: (1) the then-current variable interest rate borne by such Bonds or Parity Obligations plus 1%; and (2) the highest variable rate borne over the preceding 3 months by outstanding variable rate debt issued by the City or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Parity Obligations have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Parity Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Parity Obligations or portions thereof which bear no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Parity Obligations or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that if the Bonds or Parity Obligations constitute interest rate swap agreements or other paired obligations, the interest rate on such Bonds or Parity Obligations shall be the resulting linked rate or the effective fixed interest rate to be paid by the City with respect to such paired obligations; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Parity Obligations for which such debt service reserve fund was established and, to the extent that the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

“*Defeasance Obligations*” means (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Bond Insurer, securities eligible for “AAA” defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Bond Insurer otherwise approves.

“*Enterprise*” means the properties and assets, real and personal, tangible and intangible, of the City, now or hereafter existing, used or pertaining to the generation, transmission, distribution and sale of water, including all additions, expansions, improvements and betterments thereto and equipping thereof.

[“*Escrow Agent*” means _____, as escrow agent under the Escrow Agreement.]

[“*Escrow Agreement*” means the Escrow Agreement, dated as of May 1, 2022, by and between the Authority and the Escrow Agent.]

[“*Escrow Fund*” means the fund by that name created under the Escrow Agreement.]

“*Event of Default*” means any of the events of default described in Section 8.01.

“*Federal Securities*” means (a) cash (fully insured by the Federal Deposit Insurance Corporation), (b) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“U.S. Treasury Obligations”), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations describe above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligator and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“*Fiscal Year*” means the period commencing on July 1 of each year and terminating on the next succeeding June 30.

“*Governmental Loan*” means a loan from the State or the United States of America, acting through any of its agencies, to finance improvements to the Enterprise, and the obligation of the Authority to make payments to the State or the United States of America under the loan agreement memorializing said loan on a parity basis with the payment of Debt Service payments.

“*Indenture*” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“*Independent Accountant*” means any certified public accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom:

- (a) is in fact independent and not under domination of the Authority;
- (b) does not have any substantial interest, direct or indirect, with the Authority; and
- (c) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority.

“*Independent Financial Consultant*” means any financial consultant or firm of such consultants of national reputation generally recognized to be well qualified in financial matters relating to systems similar to the Enterprise, appointed and paid by the Authority, and who, or each of whom:

- (a) is in fact independent and not under the control of the Authority;
- (b) does not have a substantial financial interest, direct or indirect, in the Authority; and
- (c) is not connected with the Authority as a board member, officer or employee of the Authority or City, but may be regularly retained to make reports to the Authority or City.

“*Information Services*” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may specify in a certificate to the Trustee and as the Trustee may select.

“*Insurance and Condemnation Proceeds Fund*” means the fund by that name established pursuant to Section 7.04.

“*Insurance Consultant*” means a person (which may be the Authority’s insurance agent or broker) having experience and a favorable reputation in consulting on the insurance requirements of water utilities in the State of the general size and character of the Enterprise, selected by the Authority.

“*Interest Account*” means the account by that name in the Bond Fund established pursuant to Section 5.02.

“*Interest Payment Date*” means February 1 and August 1 in each year, beginning _____, and continuing so long as any Bonds remain Outstanding.

“*Lease Agreement*” means that certain Water Enterprise Lease Agreement, dated as of July 1, 2003, by and between the City and the Authority, pursuant to which the City leased the Enterprise to the Authority and the Authority leased the Enterprise from the City.

“*Maximum Aggregate Annual Debt Service*” means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Fiscal Year with respect to all Bonds and any Parity Obligations Outstanding.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor thereto.

“*Net Proceeds*” means the par amount of the Bonds plus accrued interest and premium, if any, less the amount of any underwriter’s and original issue discount, if any, less the proceeds applied to pay Costs of Issuance.

“*Net Revenues*” means, for any Fiscal Year, an amount equal to all of the Revenues received with respect to such Fiscal Year, minus the amount required to pay all Operation and Maintenance Costs becoming payable with respect to such Fiscal Year.

“*Operation and Maintenance Costs*” means costs spent or incurred for maintenance and operation of the Enterprise calculated in accordance with generally accepted accounting principles, including (among other things) the cost of purchasing water, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Enterprise, including but not limited to salaries and wages of employees, payments to any pension system, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City and the Authority or charges (other than debt service payments) required to be paid by it to comply with the terms of the Bonds or of any resolution or indenture authorizing the issuance of Parity Obligations, or of such Parity Obligations, but excluding, in all cases, depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

“*Optional Redemption Account*” means the account by that name in the Redemption Fund established pursuant to Section 5.06.

“*Outstanding*,” when used as of any particular time with reference to Bonds, means all Bonds theretofore executed, issued and delivered by the Authority under this Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
 - (b) Bonds paid or deemed to have been paid within the meaning of Section 11.01;
- and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to this Indenture or any Supplemental Indenture.

Additionally, amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

“*Owner*” or “*Bond Owner*,” when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Registration Books.

“*Parity Obligations*” means indebtedness or other obligations of the Authority (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues equally and ratably with the Bonds.

“*Participating Underwriter*” shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

“*Permitted Investments*” means the following:

- (a) Federal Securities;
- (b) Federal Housing Administration debentures;
- (c) The following listed obligations government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),
 - (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,
 - (iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations, and
 - (iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);
- (d) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated “A-1+” or better by S&P and “Prime-1” by Moody’s, which may include the Trustee and its affiliates.
- (e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.

(f) Commercial paper (having original maturities of not more than 270 days) rated at the time of purchase “A-1+” by S&P and “Prime-1” by Moody’s.

(g) Money market funds rated “AAm” by S&P, or better and if rated by Moody’s rated “Aa2” or better, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(h) “State Obligations,” which means:

(i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least “A3” by Moody’s and at least “A-” by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated “A-1+” by S&P and “MIG-1” by Moody’s, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (ii) above and rated “AA-” or better by S&P and “Aa3” or better by Moody’s;

(i) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”),

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(j) Repurchase agreements with

(i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" by Moody's; or

(ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated at least "A-" by S&P and "A3" Moody's and acceptable to the Bond Insurer (each an "Eligible Provider"), provided that:

(A) (1) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (2) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"),

(B) the trustee or a third party acting solely as agent therefor or for the issuer (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market,

(C) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral,

(D) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer,

(E) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof,

(F) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the Authority, the Trustee and the Bond Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (1) provide a written guarantee acceptable to the Bond Insurer, (2) post Eligible Collateral, or (3) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the trustee (who shall give such direction if so directed by the Bond Insurer) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the issuer or the Trustee.

(k) Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, or the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's, and acceptable to the Bond Insurer (each an "Eligible Provider"); provided that:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds,

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Authority and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid,

(iii) the provider shall send monthly reports to the Trustee, the Authority and the Bond Insurer setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider,

(iv) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors,

(v) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer,

(vi) the Authority, the Trustee and the Bond Insurer shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms,

(vii) the Authority, the Trustee and the Bond Insurer shall receive an opinion of foreign counsel to the provider (if applicable) that (A) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid

and binding obligation of the provider, enforceable against the provider in accordance with its terms, (B) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (C) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

(viii) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (1) provide a written guarantee acceptable to the Bond Insurer, (2) post Eligible Collateral with the Issuer, the Trustee or a third party acting solely as agent therefor (the "Custodian") free and clear of any third party liens or claims, (3) assign the agreement to an Eligible Provider, or (4) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Bond Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee,

(ix) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(x) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof, and

(xi) the investment agreement must provide that if during its term: (A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and (B) the provider shall become insolvent, not pay its debts as

they become due, be declared or petition to be declared bankrupt, etc. (“event of insolvency”), the provider’s obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

(l) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(m) any other investments approved in writing by the Bond Insurer.

“*Principal Account*” means the account by that name in the Bond Fund established pursuant to Section 5.02.

“*Principal Payment Date*” means August 1 in each year, beginning August 1, 20____, and continuing so long as any Bonds remain Outstanding.

[“*Project*” means the Project described in Exhibit B attached hereto, including any Alternate Project.]

[“*Project Fund*” means the fund by that name established in Section 3.03 hereof.]

“*Rate Stabilization Account*” means the account of that name established by the Authority pursuant to Section 3.05 hereof.

“*Record Date*” means the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date.

“*Redemption Fund*” means the fund by that name established pursuant to Section 5.06.

“*Redemption Price*” means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

“*Revenue Fund*” means the Revenue Fund held by the Authority into which all Revenues, as received, are deposited.

“*Revenues*” means all revenues, income, rents, fees, charges, rates and other moneys and receipts derived or to be derived by the Authority from or attributable to the lease and operation of the Enterprise including, without limiting the generality of the foregoing, (i) all revenues attributable to the Enterprise or to the payment of the costs thereof received or to be received by the Authority under any contract for service from the Enterprise or any part thereof or any contractual arrangement, with respect to the use of the Enterprise or any portion thereof or the services or capacity thereof, (ii) the proceeds of any standby water availability charges or connection fees collected by the Authority or the City to the extent such proceeds are available to pay debt service on the Bonds, (iii) the proceeds of any insurance covering business interruption loss relating to the Enterprise, and (iv) investment income earned on any moneys or securities deposited in any accounts to secure or provide for the payment of debt service on obligations

issued or incurred by the Authority and secured by Net Revenues, and interest received on any invested moneys of the Enterprise, but excluding any proceeds of taxes restricted by law to be used by the Authority to pay bonds hereafter issued and any state and federal grants received by the Authority. Revenues shall also be increased by the amounts, if any, transferred during such Fiscal Year or other period from the Rate Stabilization Account to the Revenue Fund and shall be decreased by the amounts, if any, transferred during such Fiscal Year or other period from the Revenue Fund to the Rate Stabilization Account, pursuant to Section 3.05 hereof. Revenues shall not include unrealized investment earnings or losses as a result of mark to market calculations.

“S&P” means S&P Global Ratings, or any successor thereto.

“*Securities Depositories*” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

“*Special Record Date*” means the date established by the Trustee pursuant to Section 2.02 as a record date for the payment of defaulted interest on Bonds.

“*Special Redemption Account*” means the account by that name in the Redemption Fund established pursuant to Section 5.06.

“*State*” means the State of California.

“*Supplemental Indenture*” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, amendatory of or supplemental to this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“*Term Bonds*” means the Bonds maturing on August 1, 20___ and August 1, 20___.

“*Trust Office*” means the principal corporate trust office of the Trustee in Costa Mesa, California; provided, however, that the Trustee may from time to time designate other offices for purposes of payment, transfer, exchange or registration of Bonds.

“*Trustee*” means Wilmington Trust, National Association, appointed by the Authority to act as trustee hereunder pursuant to Section 9.01, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in Section 10.01.

“*Value*” which shall be determined as of the end of each month, means that the value of any investment shall be calculated as follows: for the purpose of determining the amount of any funds, all Permitted Investment credited to such fund shall be valued a fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch and Morgan Stanley Smith Barney.

Section 1.02. Rules of Construction. All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.03. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

THE BONDS

Section 2.01. Authorization of the Bonds. At any time after the adoption, execution and delivery of this Indenture, the Authority may execute and the Trustee, upon Request of the Authority, shall authenticate and deliver Bonds in the aggregate principal amount of _____ dollars (\$_____).

Section 2.02. Terms of the Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall be dated as of their date of delivery, shall mature on August 1 in each of the years and in the amounts, and shall bear interest at the rates, as follows:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
---	-----------------------------------	--------------------------------	---	-----------------------------------	--------------------------------

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid on such Interest Payment Date by check or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of Bonds and upon written notice received by the Trustee prior to the Record Date, by wire transfer, at the Owner's address as it appears on the Bond Registration Books or to such account as shall have been identified by the Owner in the notice requesting payment by wire transfer. Interest on the Bonds shall be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof at the Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall bear interest from the Interest Payment Date next preceding the authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before _____ 15, 20____, in which event it shall bear interest from its date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Owner on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Owners not less than ten (10) days prior to such Special Record Date.

The Bonds shall be subject to redemption as provided in Article IV.

Section 2.03. Form of Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.04. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer of the Authority.

Only such of the Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Bond Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, endorsed or accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Every Bond so surrendered to the Trustee shall be canceled by it and destroyed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like maturity and aggregate principal amount of authorized denominations. The Trustee shall require the Owner requesting such transfer to pay any tax or other charge required to be paid with respect to such transfer. No Bond, the notice of redemption of which has been mailed pursuant to Section 4.03, shall be subject to transfer pursuant to this Section 2.05. No transfer shall be required during the period established by the Trustee for the selection of Bonds for redemption.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 2.06. Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee shall require the Owner requesting such exchange to pay any tax or other charge required to be paid with respect to such exchange. No Bond, the notice of redemption of which has been mailed pursuant to Section 4.03, shall be subject to exchange pursuant to this Section 2.06. No exchange of Bonds shall be required during the period established by the Trustee for the selection of Bonds for redemption.

Section 2.07. Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. A temporary Bond may be in the form of a single registered bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.08. Bond Registration Books. The Trustee will keep or cause to be kept at its Trust Office sufficient books for the registration and transfer of the Bonds, which shall at all times during regular business hours be open to inspection by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed and the Trustee shall provide evidence of such destruction to the Authority. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee and, if such evidence be satisfactory to the Trustee and indemnity for the

Authority and the Trustee satisfactory to the Trustee shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The Authority may require payment of a reasonable fee for each new Bond issued under this Section 2.09 and of the expenses which may be incurred by the Authority and the Trustee in connection therewith. Any Bond issued under the provisions of this Section 2.09 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.10. Book-Entry System. Notwithstanding any provision of this Indenture to the contrary:

(a) The Bonds shall be initially issued registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company and shall be evidenced by one Bond maturing on each of the maturity dates set forth in Section 2.02 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) (“substitute depository”); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the Authority, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the Authority and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.10, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of an Authorized Representative of the Authority to the Trustee, a

single new Bond shall be issued, authenticated and delivered for each maturity of such Bond then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of an Authorized Representative of the Authority. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.10, upon receipt of all Outstanding Bonds by the Trustee together with a written request of an Authorized Representative of the Authority, new Bonds shall be issued, authenticated and delivered in such denominations and registered in the names of such persons as are requested in a written request of the Authority provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a written request of an Authorized Representative of the Authority.

(c) In the case of partial redemption or a partial advance refunding of any Bonds evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the Authority's expense, deliver the Bonds to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the absolute Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners of the Bonds or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Bond.

(e) So long as all outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Authority and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest due with respect to the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) So long as all Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Bonds' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of blanket issuer letter of representations (prepared by The Depository Trust Company) executed by the Authority and received and accepted by The Depository Trust Company.

ARTICLE III

ISSUE OF BONDS; APPLICATION OF PROCEEDS; COSTS OF ISSUANCE FUND

Section 3.01. Application of Proceeds of Bonds and Other Moneys.

(a) The Trustee shall apply the proceeds derived from the sale of the Bonds (\$_____), being the principal amount of the Bonds of \$_____, plus/less net original issue premium/discount of \$_____, less underwriters' discount of \$_____, less the aggregate Bond Insurance Policy [and surety] premium of \$_____ which the Underwriter will transfer directly to the Bond Insurer, as follows:

(i) The Trustee shall deposit to the Costs of Issuance Fund the sum of \$_____;

(ii) [The Trustee shall transfer to United States Department of Agriculture the prepayment of the Authority's Water Revenue Bonds (USDA) Series 2008 pursuant to a wiring instruction provided to the Trustee;]

(iii) [The Trustee shall transfer to the Escrow Agent for deposit in the Escrow Fund the sum of \$_____]; and

(iv) [The Trustee shall deposit to the Project Fund the sum of \$_____.]

(b) The Trustee may establish temporary funds or accounts on its records to facilitate such transfers.

Section 3.02. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay Costs of Issuance upon receipt by the Trustee of a Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said account. Each Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) At the end of six (6) months from the Closing Date, or upon earlier receipt of a Certificate of the Authority stating that amounts in the Costs of Issuance Fund are no longer required for the payment of Costs of Issuance, the Costs of Issuance Fund shall be closed and any amounts then remaining in said account shall be transferred to the Bond Fund.

Section 3.03. [Establishment and Maintenance of Project Fund.

The Trustee hereby agrees to establish and maintain a fund entitled the "2022A Bond Project Fund" (the "Project Fund") until the completion of the Acquisition of the Project. All

money in the Project Fund shall be held by the Trustee in trust and shall be applied by the Trustee for the payment of Acquisition Costs and the expenses incidental thereto.

The Authority may change the specifications of the Project, so long as such change does not substantially alter the nature of the Project; provided, however, that the Authority, in its sole discretion, may designate an Alternate Project. In the event an Alternate Project is designated, the Authority shall certify in writing to the Trustee that Acquisition Costs shall not materially increase as a result from such change. In the event Acquisition Costs shall materially increase as a result of the designation of an Alternate Project, prior to designating such Alternate Project the Authority shall either deposit in the Project Fund an amount sufficient to pay such increase, or shall certify in writing to the Trustee that funds sufficient to pay such increase in Acquisition Costs are otherwise available to the Authority.

Except for the foregoing specified transfers, before any payment is made from the Project Fund by the Trustee, the Authority shall file with the Trustee a signed requisition (stating the amount to be disbursed and the party or parties being paid) approved by an Authorized Representative of the Authority and accompanied by an invoice or statement for each such amount. Upon receipt of each such requisition, the Trustee shall pay the amount set forth therein as directed by the terms thereof from moneys on deposit in the Project Fund. Each Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

When the Acquisition of the Project has been completed to the satisfaction of the Authority or when the Authority determines that a portion of the Project will not be Acquired, the Authority shall deliver a Certificate of Completion to the Trustee stating the fact and date of the completion of such improvements, and stating that all the Acquisition Costs and the expenses incidental thereto have been determined and paid (or that such claims and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon receipt of such Certificate of Completion, the Trustee shall transfer (but less the amount of such retention) all remaining moneys in the Project Fund to the Bond Fund, to be credited to the payment of the Debt Service as provided herein. In the event the Project Fund has not been depleted by the date which is three years after the Closing Date, the Authority shall give written instructions to the Trustee as to the investment of any moneys remaining therein fifteen (15) days prior to such date and shall provide an opinion of nationally recognized bond counsel to the effect that such investment shall not adversely affect the tax-exempt status of the Bonds.]

Section 3.04. Validity of Bonds.

(a) The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized, pursuant to each and every requirement of the Bond Law to issue the Bonds in the form and manner provided in this Indenture and the Bonds shall be entitled to the benefit, protection and security of the provisions of this Indenture.

(b) From and after the issuance of the Bonds, the findings and determinations of the Authority respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the proceeds of sale of the Bonds. The recital contained in the Bonds that the same are issued pursuant to the Bond Law and this Indenture shall be conclusive evidence of their validity and of the regularity of their issuance and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning of this Indenture, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the purchaser thereof and the proceeds of sale thereof received.

Section 3.05. Rate Stabilization Account. There is hereby established a special account designated as the "Rate Stabilization Account" to be held by the Authority in trust for the benefit of the Owners of the Bonds, which fund the Authority agrees and covenants to maintain and to hold separate and apart from other funds so long as any Bonds remain unpaid. Money transferred by Authority from the Revenue Fund to the Rate Stabilization Account in accordance with Section 5.02 shall be held in the Rate Stabilization Account and applied in accordance with the Indenture.

The Authority may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Account and transfer such amounts to the Revenue Fund for application in accordance with Section 5.02 hereof or, in the event that all or a portion of the Bonds are discharged in accordance with Article XI hereof, transfer all or any portion of such amounts for application in accordance with said Article XI. Amounts transferred from the Rate Stabilization Account to the Revenue Fund pursuant to this Section 3.05 during or within 270 days after a Fiscal Year, may be taken into account as Revenues for purposes of the calculations in Section 6.07 in such Fiscal Year.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

(a) The Bonds are subject to redemption as a whole or in part, on any date, by such maturities as are selected by the Authority (or, if the Authority fails to designate such maturities, in inverse order of maturity) and by lot within a maturity from and to the extent insurance proceeds received with respect to the Enterprise are not used to repair, rebuild or replace the Enterprise, deposited in the Special Redemption Account pursuant to Section 7.04, or from and to the extent of eminent domain proceeds received with respect to the Enterprise are elected for such use by the Authority, deposited in the Special Redemption Account pursuant to Section 7.06, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) [The Bonds are not subject to optional redemption prior to their respective stated maturities.][The Bonds maturing on or before August 1, 20___, shall not be subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, 20___, are subject to redemption prior to their respective stated maturities, from moneys deposited in the Optional Redemption Account or from any other source of available funds, at the option of the Authority, in whole on any date, or in part by such maturities as are selected by the Authority (or, if the Authority fails to designate such maturities, then in inverse order of maturity) and by lot within a maturity on any interest payment date, on or after August 1, 20___, at a redemption price equal to the principal amount of Bonds called for redemption, without premium, together with accrued interest to the date fixed for redemption.]

(c) The Bonds maturing August 1, 20___ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on August 1, 20___, from mandatory sinking fund payments set aside in the Sinking Fund Account, a subaccount of the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

Bonds maturing August 1, 20___

Redemption Date (August 1)	Redemption Amount
---------------------------------------	------------------------------

[†] Maturity

(d) The Bonds maturing August 1, 20___ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on August 1, 20___, from mandatory sinking fund payments set aside in the Sinking Fund Account, a subaccount of the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

Bonds maturing August 1, 20___

Redemption Date (August 1)	Redemption Amount
---------------------------------------	------------------------------

† Maturity

When Bonds are to be redeemed at the option of the Authority as set forth in this Section 4.01, the Authority shall give written notice to the Trustee of the exercise of such option at least forty-five (45) days prior to the proposed redemption date. Such notice shall state the proposed redemption date, the principal amount of Bonds to be redeemed and the maturity or maturities from which such redemption shall be made.

Section 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds or any given portion thereof, and unless otherwise specified in Section 4.01, the Trustee shall select the Bonds to be redeemed, from all Bonds of or such given portion thereof not previously called for redemption, in inverse order of maturity or, at the election of the Authority evidenced by a Certificate of the Authority filed with the Trustee, on a pro rata basis among maturities, and by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. The Trustee shall promptly notify the Authority in writing of the Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption.

(a) Unless waived by any Owner of Bonds to be redeemed, notice of any such redemption shall be given by the Trustee on behalf of the Authority by mailing a copy of a redemption notice by first class mail, postage prepaid, at least twenty (20) days and not more than sixty (60) days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books, to the Securities Depositories and the Information Services.

All notices of redemption shall be dated and shall state: (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, (iv) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall

cease to accrue from and after said date, and (v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Trust Office of the Trustee.

Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Authority shall default in the payment of the redemption price) interest with respect to such Bonds or portions of Bonds shall cease to accrue and be payable. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed shall be canceled and destroyed by the Trustee and shall not be reissued.

(b) Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

(c) Notwithstanding the foregoing, in the case of any optional redemption of the Bonds under Section 4.01(b), such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that such notice of optional redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice plus interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

All Bonds redeemed pursuant to the provisions of this Article IV shall be canceled upon surrender thereof and destroyed with a certificate of destruction delivered to or upon the Order of the Authority.

ARTICLE V

GROSS REVENUES; NET REVENUES

Section 5.01. Pledge of Net Revenues. Subject to the provisions of Section 9.06, the Bonds and any Parity Obligations shall be secured by a first pledge of all of the Net Revenues. In addition, the Bonds shall be secured by a pledge of all of the moneys in all funds and accounts held by the Trustee hereunder, including all amounts derived from the investment of such moneys. Such pledge shall constitute a lien on the Net Revenues and such other moneys for the payment of the principal of and interest and premium (if any) on the Bonds in accordance with the terms hereof. The Bonds and any Parity Obligations shall be equally secured by a pledge, charge and lien upon the Net Revenues, without priority for number or date. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys shall not be used for any other purpose, except as set forth in this Section 5.01 except, that out of the Net Revenues, there may be apportioned such sums, for such purposes, as are expressly permitted by Section 5.02.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds and the covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

The Authority hereby represents and warrants that it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Net Revenues that ranks on a parity with or prior to the pledge granted hereunder, except to secure the obligations disclosed herein that will be outstanding upon issuance of the Bonds. The Authority also hereby represents and warrants that it has not described the Net Revenues in a Uniform Commercial Code financing statement that will remain effective when the Bonds are issued, except in connection with the foregoing pledges, assignments, liens, and security interests. The Authority shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Net Revenues that ranks prior to or on a parity with the pledge granted hereunder, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under this Indenture.

The Authority will, to the extent required by law, cause all UCC financing statements or other instruments, to be kept, recorded and filed in such manner and in such places as may be required by law in order to create, perfect, preserve and protect fully the security of the Owners in the Net Revenues and any other collateral and the rights of the Trustee. The Authority covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments and transfers as may be required for the better securing, assuring, continuing, transferring, conveying, pledging, assigning and confirming unto the Owners or the Trustee, the Net Revenues and any other collateral pledged to the payment of the principal of, premium, if any, and interest on the Bonds. Except to the extent

it is exempt therefrom, the Authority will pay or cause to be paid all filing fees incident to such filing and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or State fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such instruments of further assurance.

Section 5.02. Receipt, Deposit and Application of Revenues and Net Revenues; Rate Stabilization Account.

(a) *Application of Revenues.* All of the Revenues shall be deposited by the Authority, immediately upon receipt in the Revenue Fund. All Revenues shall be held in trust by the Authority in the Revenue Fund and shall be applied, transferred, used and withdrawn only for the following purposes. Additionally, amounts may, from time to time as the Authority deems necessary or appropriate, be transferred from the Rate Stabilization Account and deposited in the Revenue Fund, as provided in Section 3.05 hereof.

(i) Operation and Maintenance Costs. The Authority shall first pay from the moneys in the Revenue Fund the budgeted Operation and Maintenance Costs as such Operation and Maintenance Costs become due and payable.

(ii) Payment of Debt Service. On or before the 15th day of each January and July, the City, on behalf of the Authority, shall withdraw from the Revenue Fund and (A) transfer to the Trustee, for deposit in a special fund designated as the “Bond Fund” which is hereby established and which shall be held in trust, an amount which, together with the balance then on deposit in the Bond Fund, the Interest Account and the Principal Account (other than amounts required for payment of principal of or interest on any Bonds which have matured or been called for redemption but which have not been presented for payment), that is equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on the next succeeding Interest Payment Date and (B) transfer to the trustee for the Parity Obligations an amount equal to the aggregate amount of principal of and interest coming due and payable on any Parity Obligations on the next succeeding Interest Payment Date.

(iii) Reserved.

(iv) Surplus/Rate Stabilization Account. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above in subsections (ii) and (iii), inclusive, and the payment of any amounts owed to the Bond Insurer shall have been paid, any moneys remaining in the Revenue Fund may at any time be treated as surplus and applied for any lawful purpose. The Authority may maintain and hold a separate fund to be known as the “Rate Stabilization Account.” From time to time the Authority may deposit in the Rate Stabilization Account, from remaining Net Revenues described in this subsection (iv) or other available funds of the Authority, such amounts as the Authority shall determine. The Authority may withdraw amounts from the Rate Stabilization Account (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the

Authority. All interest or other earnings upon deposits in the Rate Stabilization Account shall be withdrawn therefrom and accounted for as Revenues.

(b) *Application of Net Revenues.* On or before the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Net Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding; and

Second: to the Principal Account, the aggregate amount of principal becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date, if any.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

Section 5.04. Application of Principal Account.

(a) All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided herein.

(b) The Trustee hereby establishes and maintains within the Principal Account a subaccount for the Term Bonds. On or before the second Business Day preceding each Mandatory Sinking Account Payment date, the Trustee shall transfer the amount deposited in the Principal Account pursuant to Section 5.02 for the purpose of making a Mandatory Sinking Account Payment from the Principal Account to the Sinking Account.

With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds, upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Trustee upon the Order of the Authority shall apply moneys in the Revenue Fund to the purchase of Term Bonds made by the Authority at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the Redemption Price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding

said Mandatory Sinking Account Payment date, the Authority has purchased Term Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Authority has deposited Term Bonds with the Trustee, or Term Bonds were at any time purchased by the Authority or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be canceled and destroyed by the Trustee and the Trustee shall provide evidence of such destruction to the Authority. Any amounts remaining in the Sinking Account when all of the Term Bonds are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Revenue Fund. All Term Bonds purchased from the Sinking Account or deposited by the Authority with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then pro-rata to the remaining Mandatory Sinking Account Payments in proportion to the amount of such Mandatory Sinking Account Payments. All Bonds purchased or deposited pursuant to this subsection shall be canceled and destroyed by the Trustee and the Trustee shall provide evidence of such destruction to the Authority.

Notwithstanding the foregoing, if some but not all of the Term Bonds have been theretofore redeemed pursuant to Sections 4.01(a) or (b), the total amount of all future Mandatory Sinking Account Payments set forth in Section 5.04(c) shall be reduced by the aggregate principal amount of Term Bonds so redeemed, allocated among such Mandatory Sinking Account Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Authority (notice of which determination which shall include a revised sinking fund schedule shall be given to the Trustee).

Any amounts remaining in the Sinking Account when all of the Term Bonds are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Revenue Fund.

(c) Subject to the terms and conditions set forth in this Section 5.04 and in Section 4.01(c), the Term Bonds shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates set forth in section 4.01(c).

In lieu of such redemption, the Trustee may apply amounts in the Sinking Account to the purchase of the Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the Authority.

Section 5.05. Reserved.

Section 5.06. Application of Redemption Fund. The Trustee shall establish and maintain within the Redemption Fund (which the Trustee shall establish, maintain and hold in trust) a separate Optional Redemption Account and a separate Special Redemption Account. The Authority may at any time deposit moneys into the Optional Redemption Account for the purposes of redeeming Bonds in accordance with the terms of Section 4.01(b). The Authority

may at any time deposit moneys into the Special Redemption Account for the purposes of redeeming Bonds in accordance with the terms of Sections 7.04 or Section 7.06. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee upon Order of the Authority shall apply such amounts to the purchase of Bonds made by the Authority at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the par value of such Bonds.

Section 5.07. Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts established pursuant to this Indenture shall, upon Request of the Authority provided at least two (2) Business Days prior to the date of investment, be invested by the Trustee, but solely in Permitted Investments. In the absence of such Request of the Authority, the Trustee shall invest available moneys in investments described in paragraph (h) of the definition of Permitted Investments. In the absence of any such directions from the Authority, the Trustee shall hold such funds uninvested pending the receipt of written investment instructions. All Permitted Investments shall be acquired subject to the limitations as to maturities hereinafter set forth in this Section 5.07 and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority.

Moneys in the remaining funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required by the Trustee.

All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Indenture shall be deposited when received in the Bond Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account for the credit of which such Permitted Investment was acquired.

The Trustee may commingle any of the funds or accounts established pursuant to this Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell, or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and, subject to the provisions of Section 9.03, the Trustee shall not be liable or responsible for any loss of any kind resulting from any such investment. The parties acknowledge that the Trustee is not providing investment supervision, recommendations or advice.

The Authority acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

ARTICLE VI

COVENANTS OF THE AUTHORITY; SPECIAL TAX COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in this Indenture.

Section 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 6.02 shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 6.03. Discharge of Claims. The Authority covenants that in order to fully preserve and protect the priority and security of the Bonds the Authority shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The Authority shall also pay from the Net Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Enterprise or upon any part thereof or upon any of the Net Revenues therefrom.

Section 6.04. Operation of Enterprise in Efficient and Economical Manner. The Authority covenants and agrees to operate, or cause to be operated, the Enterprise in an efficient and economical manner and to operate, maintain and preserve the Enterprise in good repair and working order.

Section 6.05. Against Encumbrance. Except as provided herein, the Authority covenants that the property, facilities and improvements of the Enterprise shall not be mortgaged or otherwise encumbered, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless: (a) the Authority shall cause to be filed with the Trustee written evidence from Moody's, if Moody's is rating the Bonds, and/or S&P, if S&P is rating the Bonds, that such sale or other disposition will not cause a reduction or withdrawal of the uninsured rating then assigned to the Bonds by each such rating agency; and (b) such sale or other disposition shall be so arranged as to provide for a continuance of payments into the Bond Fund sufficient in amount to permit payment therefrom of the principal of and interest on and premiums, if any, due upon the call and redemption thereof, of the Outstanding Bonds, and also

to provide for such payments into the funds as are required under the terms of this Indenture. Notwithstanding the foregoing, the Authority may lease real property or water rights constituting a portion of the Enterprise; provided that the lease payments shall be considered Revenues hereunder.

The Authority further covenants that the Net Revenues or any other funds pledged or otherwise made available to secure payment of the principal of and interest on the Outstanding Bonds shall not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of this Indenture. The Authority further covenants that it will not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Net Revenues to pay the principal and interest of the Bonds or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues. If any substantial part of the Enterprise is sold the payment therefor shall either be used for the acquisition and/or construction of improvements and extensions of the Enterprise or shall be deposited with the Trustee in the Redemption Fund and shall be used to redeem the Outstanding Bonds on a *pro rata* basis.

Section 6.06. Records and Accounts. The Authority covenants that it shall keep proper books of record and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than ten percent (10%) of the Outstanding Bonds or their representatives authorized in writing.

The Authority covenants that it will cause the books and accounts of the Enterprise to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Trust Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant. Any such audit may be combined with and be a part of the general audit of the Authority's financial records.

Section 6.07. Rates and Charges.

(a) The Authority covenants to fix, prescribe, revise and collect rates, fees and charges for the Enterprise as a whole for the services and improvements furnished by the Enterprise during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Revenues that are sufficient to pay the following amounts in the following order of priority:

(i) all anticipated Operation and Maintenance Costs of the Enterprise for such Fiscal Year;

(ii) Debt Service payments on the Bonds and on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Debt Service payments are payable from the proceeds of the Bonds or Parity Obligations or from any other source of legally available funds of the Authority that have been deposited with the Trustee for purposes prior to the commencement of such Fiscal Year;

(iii) all other payments required to meet any other obligations of the Authority which are charges, liens, encumbrances upon the Revenues or Net Revenues during such Fiscal Year.

(b) To the fullest extent permitted by law, the Authority will fix, prescribe, revise and collect, or cause to be fixed, prescribed, revised and collected, rates, fees and charges for the services and improvements furnished by the Enterprise which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of Debt Service payments on the Bonds and Parity Obligations for such Fiscal Year. The Authority may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this Section. For purposes of this calculation, Net Revenues shall be calculated without regard to allocation of the City's administrative overhead costs to the Enterprise.

(c) So long as the Authority has complied with its obligations set forth in subsection (b) above, the failure of Net Revenues to meet the threshold set forth in Section 6.07(b) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the Authority has complied with Section 6.07(b) at the commencement of the succeeding Fiscal Year.

Section 6.08. Limitations on Future Obligations Secured by Net Revenues.

(a) *No Obligations Superior to Bonds or Parity Obligations.* In order to protect further the availability of the Net Revenues and the security for the Bonds and any Parity Obligations, the Authority covenants that no additional bonds or other indebtedness will be issued or incurred on a senior basis to the Bonds or such Parity Obligations that are payable out of the Net Revenues in whole or in part.

(b) *Parity Obligations.* The Authority further covenants that, except for obligations incurred to prepay or post a security deposit for the payment of the Bonds or Parity Obligations, the Authority may issue or incur Parity Obligations during the term of the Bonds if:

(i) The Authority is not in default under the terms of this Indenture unless such default shall be cured simultaneously with the issuance of such Parity Obligations; and

(ii) The Authority obtains or provides a certificate prepared by an Independent Accountant or Independent Financial Consultant showing that the Net Revenues as shown by the books of the Authority or City for any 12 consecutive calendar months during the 18 calendar month period ending prior to the incurring of such Parity Obligations, or the most recent audited financial statement available, shall have amounted to at least 120% of the Maximum Aggregate Annual Debt Service for all Bonds and Parity Obligations to be outstanding immediately after incurring such additional Parity Obligations. For purposes of this calculation, Net Revenues shall be calculated without regard to allocation of the City's administrative overhead costs to the Enterprise.

For purposes of preparing the certificate described in subsection (b)(ii) of this Section, as set forth above, the Independent Accountant or Independent Financial Consultant may rely upon financial statements prepared by the Authority or City, which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available. For purposes of demonstrating compliance with the foregoing, Net Revenues may be adjusted (at the option of the Authority) to include the Additional Revenues.

If interest on any Parity Obligation is reasonably anticipated to be reimbursed to or on behalf of the Authority by the United States of America, then interest payments with respect to such Parity Obligations shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Revenues for purposes of the coverage calculations required in subsection (b)(ii) of this Section.

The provisions of subsection (b)(ii) of this Section shall not apply to any Parity Obligations if all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Obligations and to make a reserve fund deposit) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on any Outstanding Bonds or on any outstanding Parity Obligations, if (i) at the time of the incurring of such Parity Obligations, the City certifies in writing that Maximum Aggregate Annual Debt Service on such Parity Obligations will not exceed Maximum Aggregate Annual Debt Service on the Outstanding Bonds or Parity Obligations to be refunded, and (ii) the final maturity of such Parity Obligations is not later than the final maturity of the refunded Bonds or Parity Obligations.

In order to maintain the parity relationship of the Debt Service payments to all Parity Obligations permitted hereunder, the Authority covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur semi-annually on the Record Dates and in each year as such payments are due with respect to the Debt Service payments, and reserve account replenishment with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the Debt Service payments and not prior thereto; provided that the Authority shall not make a payment on such Governmental Loan to the extent it would have the effect of causing the Authority to fail to pay Debt Service payments of the Bonds or Parity Obligations on a timely basis. In such event, the Authority shall make Debt Service payments and payments on such Governmental Loan on a pro rata basis.

(c) *Subordinate Obligations.* Additional obligations may be issued on a basis subordinate to the Bonds and Parity Obligations.

Section 6.09. Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

Section 6.10. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Section 6.11. Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code.

Section 6.12. Private Loan Financing Limitation. The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private loan financing test of Section 141(c) of the Code.

Section 6.13. Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 6.14. Rebate Requirement. The Authority shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government.

Section 6.15. No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds, to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Section 6.16. Maintenance of Tax-Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 6.17. Continuing Disclosure. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 6.18. Assumption of Obligations Upon Termination of the Lease Agreement. The Authority and the City covenant not to terminate the Lease Agreement so long as the Bonds remain outstanding. However, in the event the Lease Agreement is, for any reason, terminated prior to the final payment of all Bonds hereunder, the City will assume all of the Authority’s obligations hereunder for the payment of the principal of and interest on the Bonds.

ARTICLE VII

MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION

Section 7.01. Maintenance and Operation of the Enterprise. The Authority covenants and agrees that it will operate and maintain the Enterprise in accordance with all applicable governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the Authority.

Section 7.02. Taxes, Assessments, Other Governmental Charges and Utility Charges. The Authority covenants and agrees that it will pay and discharge all taxes, assessments, governmental charges of any kind whatsoever, and utility charges which may be or have been assessed or which may have become liens upon the Enterprise or the interest therein of the Trustee or of the Owners of the Bonds, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Enterprise or any part thereof, and upon request, will furnish to the Trustee receipts for all such payments, or other evidence satisfactory to the Trustee; provided, however, that the Authority shall not be required to pay any tax, assessment, rate or charge as herein provided as long as it shall in good faith contest the validity thereof, provided that the Authority shall have set aside adequate reserves with respect thereto.

Section 7.03. Public Liability and Property Damage Insurance. The Authority shall maintain or cause to be maintained, so long as any Bonds or Parity Obligations remain outstanding, but only if and to the extent available at reasonable cost from reputable insurers, a standard comprehensive general insurance policy or policies in protection of the Authority, the Authority and their respective members, officers, agents, assignees and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Enterprise. Said policy or policies shall provide coverage in such liability amounts and shall be subject to such deductibles as shall be customary with respect to works and property of a like character. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the Authority or the City, and may be maintained in whole or in part in the form of self-insurance by the Authority or the City, in the form of the participation by the Authority or the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

Section 7.04. Casualty Insurance. The Authority shall procure and maintain or cause to be procured and maintained, so long as any Bonds or Parity Obligations remain outstanding, but only in the event and to the extent available from reputable insurers at reasonable cost, casualty insurance against loss or damage to any improvements constituting any part of the Enterprise, covering such hazards as are customarily covered with respect to works and property of like character. Such insurance may be subject to deductible clauses which are customary with respect to works and property of a like character. Such insurance may be maintained as part of or in

conjunction with any other casualty insurance coverage carried by the Authority or the City and may be maintained, in whole or in part, in the form of self-insurance by the Authority or the City, subject to the provisions of Section 7.05, or in the form of the participation by the Authority or the City in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Enterprise shall be used to repair, rebuild or replace such damaged or destroyed portion of the Enterprise and, to the extent not so applied or to the extent the Authority determines it is not economically feasible or in the best interests of the Authority to so repair, rebuild or replace such damaged or destroyed portion of the Enterprise, shall be applied to redeem the Bonds pro rata with any Parity Obligations.

Section 7.05. Insurance Net Proceeds; Form of Policies. The Authority shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The Authority shall annually, on or before December 1, deliver to the Trustee a certificate to the effect that the Authority has complied with the requirements of Sections 7.03 and 7.04 hereof. In the event that any insurance required pursuant to Section 7.03 or 7.04 shall be provided in the form of self-insurance, the Authority shall file with the Trustee annually, within ninety (90) days following the close of each Fiscal Year, a statement of an independent actuarial consultant identifying the extent of such self-insurance and stating the determination that the Authority maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the Authority, the Authority shall not be obligated to make any payment with respect to any insured event except from Revenues or from such reserves.

Section 7.06. Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, at the election of the Authority (evidenced by a Written Certificate of the Authority filed with the Trustee and the City) shall either (a) be used for the lease, acquisition or construction of improvements or extension of the Enterprise, or (b) be applied to redeem the Bonds pro rata with any Parity Obligations.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 8.01. Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of any Bond or Parity Obligation when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond or Parity Obligation when and as such interest installment shall become due and payable;

(c) default by the Authority in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained (other than as referred to in subsections (a) or (b) of this Section 8.01), if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(d) the Authority's filing a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or making an assignment for the benefit of creditors, or admitting in writing to its insolvency or inability to pay debts as they mature, or consenting in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Enterprise.

Notwithstanding everything to the contrary, so long as the Bonds are insured by the Bond Insurer, no grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Bond Insurer and further provided that no grace period shall be permitted for payment defaults.

Section 8.02. Acceleration of Maturities. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the Authority, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding; provided however, so long as the Bonds are insured by the Bond Insurer, the maturity of such Bonds shall not be accelerated without the consent of the Bond Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal, and interest accrued on such principal, to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as

provided above, the Bond Insurer's obligations under the Bond Insurance Policy with respect to such Bonds shall be fully discharged.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority shall deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 8.03. Application of Net Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Net Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture (subject to Section 13.10) shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable charges and expenses of the Trustee (including, but not limited to, reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture (including Section 6.02), as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or 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, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be

sufficient to pay in full all the Bonds due on any date, together with such interest, 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.

Third: To provide for payment of any other amount then due and owing to the Bond Insurer.

(ii) 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, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, 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 Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Section 8.04. Trustee to Represent Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Owners, the Trustee in its discretion may, and shall, upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, (or, if more than one such request is received, the written request executed by the Owners of the greatest percentage of Bonds then Outstanding in excess of twenty-five percent (25%)), and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under this Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Net Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture (including Section 6.02).

Section 8.05. Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial

proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction or would expose the Trustee to liability for which it has not been indemnified to its satisfaction.

Section 8.06. Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Bond Law or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding (or, if more than one such request is received, the written request executed by the Owners of the greatest percentage of Bonds then Outstanding in excess of twenty-five percent (25%)) shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under this Indenture, the Bond Law, the Government Code of the State or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture (including Section 6.02).

Section 8.07. Absolute Obligation of Authority. Nothing in Section 8.06 or in any other provision of this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Net Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 8.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Owners, then in every such case the Authority, the Trustee and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally

and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Owners shall continue as though no such proceedings had been taken.

Section 8.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 8.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE IX

THE TRUSTEE

Section 9.01. Appointment of Trustee; Duties, Immunities and Liabilities of Trustee.

(a) Wilmington Trust, National Association is hereby appointed to serve as Trustee under this Indenture. By execution hereof, the Trustee accepts such appointment. The Trustee shall perform such duties and only such duties as are specifically and expressly set forth in this Indenture. These duties shall be deemed purely ministerial in nature, and the Trustee shall not be liable except for the performance of such duties, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(b) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) The Authority may remove the Trustee at any time by thirty (30) days prior written request unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (f) of this Section 9.01, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(d) The Trustee may at any time resign and be discharged from its duties and obligations hereunder by giving thirty (30) days prior written notice of such resignation to the Authority and by giving the Owners notice of such resignation posting an electronic notice of such resignation through the Depository. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(e) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee (at the sole cost and expense of the Authority, including with respect to reasonable attorneys' fees and expenses), or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee and for other appropriate relief, and such court may thereupon, after such notice (if any) as it may deem proper, appoint

such successor Trustee, and any such resulting appointment or relief shall be binding upon all of the parties in interest hereto. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(f) Any Trustee appointed under the provisions of this Section 9.01 in succession to the Trustee shall be a trust company, national banking association or bank having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (f), the Trustee shall resign immediately in the manner and with the effect specified in this Section 9.01.

Section 9.02. Merger or Consolidation. Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company or association resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company or association shall be eligible under subsection (f) of Section 9.01, shall be the successor to such Trustee, as the case may be, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 9.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Indenture or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any action taken, or error of judgment made, in good faith by it or any of its officers, employees or agents, unless the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding or the Bond Insurer relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Owners or the Bond Insurer, pursuant to the provisions of this Indenture, unless such Owners or the Bond Insurer shall have offered to the Trustee security or indemnity acceptable to the Trustee in its sole and absolute discretion against the costs, expenses and liabilities which may be incurred therein or thereby.

(e) The Trustee shall not be liable for any action taken by it and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee shall provide the Authority with seven (7) days' notice prior to making any advance of its own funds hereunder, and, if the Authority does not provide moneys in the amount needed, the Trustee shall be entitled to interest on the amounts advanced at a rate equal to the then 3-month certificates of deposit rate (by reference to the Wall Street Journal); provided that no such prior notice shall need be given and such interest on amounts advanced shall accrue from the date of any such advance following the occurrence of an Event of Default hereunder.

(g) The Trustee makes no representation, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation,

condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Authority of the Enterprise.

(h) The Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless and until a responsible officer thereof shall have actual knowledge thereof.

(i) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Bonds. Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the Authority or any of its directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by any such party. The Trustee may assume performance by all such persons of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other person.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(l) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers, shall be entitled to rely on and shall not be liable for any action taken or omitted to be taken by the Trustee in accordance with the advice of counsel or other professionals retained or consulted by the Trustee concerning all matters of trust and its duties hereunder, and shall not be answerable for the same if appointed by it with reasonable care. The Trustee may, at the expense of Authority, request, rely on and act in accordance with officer's certificates and/or opinions of counsel, and shall incur no liability and shall be fully protected in acting or refraining from acting in accordance with such officer's certificates and opinions of counsel.

(m) The Trustee shall be entitled to request and receive written instructions from the Authority under this Indenture and shall have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Trustee in accordance with the written direction of Authority. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the

Trustee's understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(n) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include, but not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, quarantine restrictions, or other similar occurrences. In no event shall the Trustee be responsible or liable for special, indirect, punitive, incidental or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(o) The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(p) Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, or the responsibility to validate Permitted Investments the ratings of Permitted Investments prior to the initial purchase.

(q) The Trustee may conclusively rely upon the Request of the Authority as to both the suitability and legality of the directed investments and such written direction shall be deemed to be a certification that such directed investments constitute Permitted Investments.

Section 9.04. Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, judgment, decree, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 9.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during regular business hours with reasonable prior notice to the inspection of the Authority and any Owner, and their agents and representatives duly authorized in writing, at the Trust Office of the Trustee and under reasonable conditions.

Section 9.06. Compensation of Trustee. The Authority covenants to pay to the Trustee from time to time, from available moneys of the Authority, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request, from available moneys of the Authority, for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith.

Section 9.07. Indemnification. The Authority covenants to indemnify the Trustee and to hold it harmless against any loss, liability, expenses or advance, including fees and expenses of counsel and other experts, incurred or made without negligence or bad faith on the part of the Trustee, in the exercise and performance of any of the powers and duties hereunder by the Trustee, including the costs and expenses of defending itself against any claim of liability arising under this Indenture. Such indemnification shall survive the termination or discharge of this Indenture and the resignation or removal of the Trustee.

ARTICLE X

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 10.01. Amendments Permitted.

(a) This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may execute when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section 10.01. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, provided in this Indenture for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, other than Parity Obligations, or deprive the Owners of the Bonds of the lien created by this Indenture on such Net Revenues and other assets (except as expressly provided in this Indenture), or terminate the insurance of the Bonds, without the consent of the Owners of all of the Bonds then Outstanding or modify any of the rights or obligations of the Trustee without its prior written consent. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners at the addresses shown on the Bond Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) This Indenture and the rights and obligations of the Authority, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may execute without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority, provided, that no such

covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Owners of the Bonds;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority may deem necessary or desirable and not inconsistent with this Indenture, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(iii) to make such additions, deletions or modifications as may be necessary to assure exclusion from gross income for purposes of federal income taxation of interest on the Bonds; or

(iv) to issue Parity Obligations.

(c) No such Supplemental Indenture shall modify any of the rights or obligations of the Trustee without its prior written consent thereto; nor shall the Trustee be required to consent to any such Supplemental Indenture which affects its rights or obligations hereunder.

(d) In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and complies with the terms hereof.

Section 10.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article X, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article X may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose at the Trust Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Trust Office of the Trustee, without cost

to any Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

Section 10.04. Amendment of Particular Bonds. The provisions of this Article X shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE XI

DEFEASANCE

Section 11.01. Discharge of Indenture. Any or all of the Bonds may be paid by the Authority in any of the following ways; provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on such Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or Permitted Investments described in paragraph (a) of the definition thereof (“Defeasance Obligations”) in the necessary amount (as provided in Section 11.03) to pay or redeem such Bonds Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, such Bonds Outstanding.

If the Authority shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Net Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Authority under this Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 11.02. In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Section 11.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 11.10) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Owner thereof shall be entitled to payment of the principal of and interest to the maturity or redemption date on such Bond by the Authority, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for such payment, provided further, however, that the provisions of Section 11.04 shall apply in all events.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

To accomplish a defeasance under this Indenture the Authority shall cause to be delivered (i) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date (“Verification”), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to the Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer “Outstanding” under the Indenture; and (iv) a certificate of discharge of the Trustee with respect to the Bonds; Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, Trustee and Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Section 11.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or Defeasance Obligations in the necessary amount to pay or redeem any Bonds, the money or Defeasance Obligations so to be deposited or held may include money or Defeasance Obligations held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Defeasance Obligations the principal of and interest on which when due will provide money sufficient, in the opinion of an Independent Accountant, to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

The Bonds shall be deemed Outstanding under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

Section 11.04. Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the

principal or redemption premium of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid without interest to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee, as the case may be, may (at the cost of the Authority) first mail a notice, in such form as may be deemed appropriate by the Trustee, to the Owners of the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XII

PROVISIONS RELATING TO THE BOND INSURER AND THE BOND INSURANCE POLICY

Section 12.01. Bond Insurance Provisions. The following provisions of this Article XII shall control and supersede any conflicting or inconsistent provisions in this Indenture.

(a) The Bond Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults -and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Bond, each Bondholder appoints the Bond Insurer as its agent and attorney-in-fact and agree that the Bond Insurer may at any time during the continuation of any proceeding by or against the Authority under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedes or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Bondholder delegates and assigns to the Bond Insurer, to the fullest extent permitted by law, the rights of each Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Bondholder for the Bond Insurer's benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Bondholders shall expressly include mandamus.

(b) The Bond Insurer shall be included as a third party beneficiary to the Indenture.

(c) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Bonds to be redeemed shall be subject to the approval of the Bond Insurer. The exercise of any provision of the Indenture which permits the purchase of Bonds in lieu of redemption shall require the prior written approval of the Bond Insurer if any Bond so purchased is not cancelled upon purchase.

(d) Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondowners or adversely affects the rights and interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer.

(e) Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event

of Default, amounts on deposit in the Project Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

(f) Each of the Authority and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(g) Claims Upon the Insurance Policy and Payments by and to the Bond Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Bond Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of _____, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation rights of the Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim

was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Bond Insurer Advances"); and (ii) interest on such Bond Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Bond Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Net Revenues and payable from such Net Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Bond Insurer.

(h) The Bond Insurer shall, to the extent it makes any payment of principal or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Authority to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(i) The Authority shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(j) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only

after the payment of past due and current debt service on the Bonds and amounts required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(k) The Bond Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(l) The Bond Insurer shall be provided with the following information by the Authority or Trustee, as the case may be:

(i) Annual audited financial statements within 9 months after the end of the Authority's fiscal year (together with a certification of the Authority that it is not aware of any default or Event of Default under the Indenture), and the Authority's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default known to the Trustee or Authority within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Authority commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

In addition, to the extent that the Authority has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Bonds, all information furnished pursuant to such agreements shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information.

(m) The Bond Insurer shall have the right to receive such additional information as it may reasonably request.

(n) The Authority will permit the Bond Insurer to discuss the affairs, finances and accounts of the Authority or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Authority and will use commercially reasonable efforts to enable the Bond Insurer to have access to the facilities, books and records of the Authority on any business day upon reasonable prior notice.

(o) The Trustee shall notify the Bond Insurer of any failure of the Authority to provide notices, certificates and other information under the transaction documents.

(p) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Bond Insurer.

(q) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(r) No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

(s) If the Bonds are issued for refunding purposes, there shall be delivered an opinion of Bond Counsel addressed to the Bond Insurer (or a reliance letter relating thereto), or a certificate of discharge of the trustee for the Refunded Bonds, to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred.

(t) The notice address of the Bond Insurer is: _____, _____, New York, New York, _____, Attention: Managing Director— Surveillance, Re: Policy No. _____, Telephone: (212) _____; Telecopier: (212) _____. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Liability of Authority Limited to Net Revenues. Notwithstanding anything contained in this Indenture or in the Bonds, the Authority shall not be required to advance any moneys derived from any source other than the Net Revenues and other assets pledged under this Indenture for any of the purposes mentioned in this Indenture, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Indenture.

Section 13.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 13.03. Limitation of Rights to Parties and Owners. Except as provided in Article XII hereof, nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Bond Insurer and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee and the Owners of the Bonds.

Section 13.04. Waiver of Notice. Whenever the giving of notice by mail or otherwise is required in this Indenture, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, upon Request of the Authority, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Authority, if the Authority shall so require), and deliver a certificate of such destruction to the Authority.

Section 13.06. Entire Agreement; Severability of Invalid Provisions. This Indenture and the exhibits hereto set forth the entire Agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have adopted this Indenture

and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 13.07. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first class, registered or certified mail, postage prepaid, or sent by confirmed telegram, telecopy or telex, to the address (or such other address as may have been filed with the Trustee in writing) set forth below:

To the Authority: Coachella Water Authority
1515 Sixth Street
Coachella, CA 92236
Attention: Executive Director
Fax: (____) _____

To the Trustee: Wilmington Trust, National Association
650 Town Center Drive, Suite 800
Costa Mesa, CA 92626
Attention: Corporate Trust Department
Fax: (714) 384-4151

Section 13.08. Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 13.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of registered Bonds shall be proved by the Bond Registration Books held by the Trustee.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 13.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Authority or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 13.09 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority shall specify, in a certificate to the Trustee, those Bonds disqualified pursuant to this Section 13.09 and the Trustee may conclusively rely on such certificate.

Section 13.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it without liability for interest thereon for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 11.04.

Section 13.11. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every holder thereof.

Section 13.12. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 13.13. Waiver of Personal Liability. No member of the Authority Board, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall

relieve any such member of the Authority Board, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

Section 13.14. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 13.15. Governing Law. This Indenture shall be construed in accordance with and governed by the Constitution and laws of the State. If this Indenture shall be the subject of litigation, venue shall reside in the federal or state courts of California.

IN WITNESS WHEREOF, the COACHELLA WATER AUTHORITY has caused this Indenture to be signed in its name by the Executive Director of the Authority and attested by the Secretary, and WILMINGTON TRUST, NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by one of its authorized officers, all as of the day and year first above written.

COACHELLA WATER AUTHORITY

By _____
Executive Director

Attest:

Secretary

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Officer

APPROVAL OF CITY

In accordance with Section 6.19 hereof, the City agrees that in the event the Lease Agreement is, for any reason, terminated prior to the final payment of all Bonds hereunder, the City will assume all of the Authority's obligations hereunder for the payment of the principal of and interest on the Bonds.

CITY OF COACHELLA

By _____
City Manager

EXHIBIT A

FORM OF BOND

**United States of America
State of California
County of Riverside**

**COACHELLA WATER AUTHORITY
Water Revenue Refunding Bonds, [2022A][2022B] Series**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____ %	August 1, 20__	_____, 2022	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The COACHELLA WATER AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner named above or registered assigns (the "Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Amount stated above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the February 1 or August 1 (each an "Interest Payment Date") next preceding the date of authentication hereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is on or before _____ 15, 20__, in which event such interest is payable from the Dated Date stated above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the date to which interest has previously been paid or made available for payment on this Bond in full at the Interest Rate per annum stated above, payable semiannually on each Interest Payment Date, commencing _____ 1, 20__. The principal amount of this Bond is payable at the principal corporate trust office of Wilmington Trust, National Association, as trustee (the "Trustee"), in Costa Mesa, California, or at such office as the Trustee may designate, upon presentation and surrender of this Bond to the Trustee. Payment of the interest on this Bond will be made to the person whose name appears on the bond registration books of the Trustee as the Owner thereof as of the fifteenth day of the month immediately preceding an Interest Payment Date whether or not said day is a business day (the "Record Date"), such interest to be paid by check mailed on the Interest Payment Date to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of Bonds and upon written notice received by the Trustee prior to the Record Date, by wire transfer, at the Owner's address as it appears on such bond registration books or to such account as shall have been identified by the Owner in the notice requesting payment by wire transfer. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Owner on such

Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Owners not less than ten (10) days prior to such special record date.

Capitalized terms used herein and not otherwise defined are used with the meanings ascribed to them in the Indenture (as hereinafter defined).

This Bond is one of a series of Bonds of various maturities designated as “Coachella Water Authority Water Revenue Refunding Bonds, [2022A][2022B] Series” (the “Bonds”), issued in the aggregate principal amount of \$_____ all of like tenor (except for such variations, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions), issued under and pursuant to an Indenture of Trust (the “Indenture”) by and between the Authority and the Trustee, dated as of [February][May] 1, 2022, approved by the Authority by Resolution No. 2020.001, adopted by the Board of Directors of the Authority on _____, 2022, under and pursuant to the provisions of Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code. A copy of the Indenture is on file at the office of the Trustee, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Bond Law is made for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Indenture, and the rights of the Owners of the Bonds. All the terms of the Indenture and the Bond Law are hereby incorporated herein and constitute a contract between the Authority and the Owners from time to time of this Bond, and to all the provisions thereof the Owner of this Bond, by his acceptance hereof, consents and agrees. Each taker and subsequent Owner hereof shall have recourse to all of the provisions of the Bond Law and the Indenture and shall be bound by all of the terms and conditions thereof.

The Bonds are issued to (a) refund certain obligations of the Authority, (b) finance certain improvements to the Enterprise, (c) purchase a municipal bond insurance policy, and (c) pay the costs of issuance of the Bonds.

The Bonds are payable from the net revenues (the “Net Revenues”) of the City’s combined water enterprise (the “Enterprise”), derived primarily from charges and revenues received by the Authority from or attributable to the lease and operation of the Enterprise, less the costs of the operation and maintenance of the Enterprise, and the Net Revenues are pledged, as a first and prior lien thereon, to pay the principal of and premium, if any, and interest on the Bonds, and any parity obligations hereafter issued or incurred by the Authority in accordance with the Indenture. Additional series of bonds payable from the Net Revenues may be issued on a parity with the Bonds, but only subject to the conditions and limitations contained in the Indenture.

The principal or redemption price of and interest on the Bonds are payable solely from the Net Revenues, and the Authority is not obligated to pay the Bonds except from the Net Revenues. The general fund of the Authority is not liable, and the full faith and credit or taxing power of the Authority is not pledged, for the payment of the principal or redemption price of and interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge,

lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Net Revenues.

The Authority covenants that, so long as any of the Bonds are outstanding, it will fix, prescribe and collect charges so as to yield Net Revenues at least equal to the amounts thereof prescribed by the Indenture and sufficient to pay the principal or redemption price of and interest on the Bonds in accordance with the provisions of the Indenture.

The Bonds shall be subject to redemption as set forth in the Indenture.

As provided in the Indenture, notice of redemption shall be given by first class mail not less than twenty (20) days prior to the redemption date to the respective registered Owners of the Bonds designated for redemption at their addresses appearing on the bond registration books, but no defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable, as provided in the Indenture, only upon the books of the Authority kept for that purpose at the office of the Trustee, by the Owner hereof in person, or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Owner or his attorney duly authorized in writing, and thereupon a new Bond or Bonds, without coupons, and in the same aggregate principal amount and of the same maturity, shall be issued to the transferee in exchange herefor, as provided in the Indenture, and upon the payment of charges, if any, including, after the first exchange, the cost of preparing new Bonds therein prescribed.

The rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the Owners of which is required to effect any such modification or amendment, all as more fully set forth in the Indenture.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any

limit prescribed by the Constitution or laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Coachella Water Authority has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Executive Director and the manual or facsimile signature of its Secretary and its seal to be reproduced hereon all as of the Bond Date stated above.

COACHELLA WATER AUTHORITY

By _____
Executive Director

ATTEST:

Secretary

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture, which has been authenticated and registered on _____.

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Officer

STATEMENT OF INSURANCE

[TO COME]

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

whose address and social security or other tax identifying number is

the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the Bond registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B
COMPONENTS OF THE PROJECT

The Project consists of the following:

Description	Est. Amount
TOTAL	