

INDENTURE

by and between the

MONTEREY COUNTY  
FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

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Dated as of June 1, 2018

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Relating to

MONTEREY COUNTY FINANCING AUTHORITY  
2018 REVENUE REFUNDING BONDS

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## INDENTURE

**THIS INDENTURE** (this “Indenture”), dated as of June 1, 2018, is by and between the MONTEREY COUNTY FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”).

### W I T N E S S E T H :

**WHEREAS**, the Monterey County Water Resources Agency (the “Agency”) previously financed the acquisition, construction and installation of a Salinas River diversion facility and certain spillway modifications at Nacimiento Dam in order to provide the ability to divert Salinas River water into the existing Castroville Seawater Intrusion Project distribution system (the “Project”);

**WHEREAS**, the Monterey County Financing Authority (the “Authority”) assisted the Agency in financing the Project through the issuance of its Monterey County Financing Authority Revenue Bonds, Series A (Salinas Valley Water Project), dated July 30, 2008 (the “2008 Bonds”);

**WHEREAS**, the 2008 Bonds are payable from and secured by installment payments (the “2008 Installment Payments”) made by the Agency pursuant to an Installment Purchase Agreement by and between the Agency and the Authority;

**WHEREAS**, the Agency desires to refinance the Project;

**WHEREAS**, pursuant to Chapter 3, Part 1, Division 2 of Title 5 to the Government Code, a local agency, including the Authority, may issue bonds for the purpose of refunding any revenue bonds of the local agency;

**WHEREAS**, in order to provide funds to refinance the Project, prepay all the 2008 Installment Payments and refund all of the 2008 Bonds, the Authority desires to assist the Agency and issue the Monterey County Financing Authority 2018 Revenue Refunding Bonds (the “Bonds”);

**WHEREAS**, the Bonds will be payable from and secured by installment payments to be made by the Agency pursuant to the Installment Purchase Agreement, dated as of the date hereof, by and between the Agency and the Authority;

**WHEREAS**, in connection with the installment payments, the Auditor-Controller of the County (the “Auditor-Controller”) will transfer certain ad valorem taxes and pledged assessments directly to the Trustee pursuant to an Pledged Ad Valorem Taxes and Pledged Assessments Payment Agreement, dated as June \_\_, 2018 (the “Payment Agreement”), by and among the Auditor-Controller, the Agency and the Trustee;

**WHEREAS**, in order to provide for the authentication and delivery of the Bonds, 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, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

**WHEREAS**, the Authority has determined that 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 limited 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 the Indenture has been in all respects duly authorized;

**NOW, THEREFORE, THIS INDENTURE WITNESSETH**, that to secure the payment of the principal of, premium, if any, and the 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 whereof 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; EQUAL SECURITY

**Section 1.01 Definitions.** Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any certificate, opinion, request, report or other document herein mentioned have the meanings herein specified.

**“Agency”** means the Monterey County Water Resources Agency, a flood control and water agency organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“Annual Debt Service”** means, for any Bond Year, the sum of (a) the interest payable on all Outstanding Bonds in such Bond Year, 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, (b) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, and (c) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Bond Year.

**“Authority”** means the Monterey County Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“Authority Revenues”** means all Installment Payments.

**“Authorized Denominations”** means \$5,000 and any integral multiple of \$5,000.

**“Authorized Representative”** means (a) with respect to the Agency, General Manager of the Agency, the Assistant General Manager of the Agency and the Finance Manager of the Agency, and any other Person authorized by the Board of Directors of the Agency to act on behalf of the Agency under or with respect to this Indenture, and (b) with respect to the Authority, the Executive Director of the Authority, the Assistant Executive Director of the Authority, the Treasurer of the Authority and the Secretary of the Authority, and any other Person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to this Indenture.

**“Average Annual Debt Service”** means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

**“Bond Counsel”** means a firm of attorneys which are nationally recognized as experts in the area of municipal finance.

**“Bond Year”** means the period from the Closing Date through [\_\_\_\_\_ 1, 20\_\_] and, thereafter, the twelve-month period commencing on September 2 of each year through and including September 1 of the following year.

**“Bonds”** means the Monterey County Financing Authority 2018 Revenue Refunding Bonds issued hereunder.



**“Book-Entry Bonds”** means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of Section 2.10 hereof.

**“Business Day”** means a day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

**“Cede & Co.”** means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

**“Closing Date”** means June \_\_\_, 2018.

**“Code”** means the Internal Revenue Code of 1986.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, any premium for bond insurance and any other cost, charge or fee in connection with the original issuance of the Bonds.

**“Defeasance 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, (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 described 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 obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

**“DTC”** means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Book-Entry Bonds, including any such successor appointed pursuant to Section 2.10 hereof.

**“Escrow Agent”** means U.S. Bank National Association.

**“Escrow Agreement”** means the Escrow Agreement, dated June \_\_\_, 2018, by and between the Authority and the Escrow Agent.

**“Indenture”** means this Indenture, as originally executed and as it may from time to time be amended or supplemented by any Supplemental Indenture.

**“Installment Payments”** has the meaning ascribed to such term in the Installment Purchase Agreement.

**“Installment Purchase Agreement”** means the Installment Purchase Agreement, dated as of the date hereof, by and between the Agency and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

**“Payment Agreement”** has the meaning ascribed to such term in the recitals to this Indenture.

**“Interest Payment Date”** means March 1 and September 1 of each year, commencing September 1, 2018.

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

**“Insurer”** means \_\_\_\_\_, a \_\_\_\_\_-domiciled insurance company, or any successor thereto or assignee thereof.]

**“Letter of Representations”** means the Letter of Representations from the Authority to DTC, or any successor securities depository for Book-Entry Bonds, in which the Authority makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

**“Maximum Annual Debt Service”** means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

**“Moody’s”** means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

**“Office of the Trustee”** means the principal corporate trust office of the Trustee in San Francisco, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of Bonds, such term means the principal corporate trust operations office of the Trustee in St. Paul, Minnesota, or such other or additional offices as may be specified to the Authority by the Trustee in writing.

**“Outstanding”** means, when used as of any particular time with reference to Bonds (subject to the provisions of Section 12.13 hereof), all Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant hereto, 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 10.01 hereof, and (c) Bonds in lieu of

or in substitution for which other Bonds shall have been executed by the Authority and authenticated and delivered pursuant hereto.

**“Owner”** means any Person who shall be the registered owner of any Outstanding Bond, as shown on the Registration Books.

**“Participant”** means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

**[“Permitted Investments”** means any of the following to the extent then permitted by law:

1. (a) Cash, (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 described 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 obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
  - a) 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)
  - b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes
  - c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations

- d) 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)
- 4. 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 or "Prime-1" by Moody's.
- 5. 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.
- 6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P or "Prime-1" by Moody's.
- 7. Money market funds rated "Aam" or "AAm-G" by S&P, or better and if rated by Moody's rated "Aa2" or better, including funds for which the Trustee or an affiliate provides investment advice or other services.
- 8. "State Obligations," which means:
  - a) Direct general obligations of any state of the United States of America or any subdivision or 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 or 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.
  - b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P or "MIG-1" by Moody's.
  - c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P or "Aa3" or better by Moody's.
- 9. Pre-refunded municipal obligations rated "AAA" by S&P or "Aaa" by Moody's meeting the following requirements:
  - a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) 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;
  - b) 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;

- c) 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”);
  - d) 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;
  - e) 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
  - f) 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.
10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A-” by S&P or “A3” Moody’s; or (2) 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 or “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “A-” by S&P or “A3” Moody’s [and acceptable to the Insurer] (each an “Eligible Provider”), provided that:
- a) (i) 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 (ii) 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 therefore or for the Authority (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 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 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 Insurer] within five (5) days of receipt of such notice. Within ten days of receipt of such notice, the provider shall either: (i) [provide a written guarantee acceptable to the Insurer], (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten business days, the provider shall, at the direction of the Trustee [(who shall give such direction if so directed by the Insurer)] repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority or the Trustee.
11. 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, of the guarantor is rated at least "AA-" by S&P or "Aa3" by Moody's, [and acceptable to the Insurer] (each an "Eligible Provider"); provided that:
- a) 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;
  - b) 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 hereby 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;
  - c) the provider shall send monthly reports to the Trustee, the Authority [and the Insurer] setting forth the balance the Authority or the Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;
  - d) 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;

- e) [the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;]
- f) the Authority, the Trustee [and the 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;
- g) the Authority, the Trustee [and the Insurer] shall receive an opinion of foreign counsel to the provider (if applicable) that (i) 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;
- h) the investment agreement shall provide that if during its term:
  - i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (i) [provide a written guarantee acceptable to the Insurer], (ii) post Eligible Collateral with the Authority, the Trustee or a third party acting solely as agent therefore (the "Custodian") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;
  - ii) 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 Insurer)], within ten 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 the Trustee.
- i) 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 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;

- j) 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;
- k) the investment agreement must provide that if during its term: (i) 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 Insurer)], be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or the Trustee, as appropriate, and (ii) 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 the Trustee, as appropriate.]

“**Person**” means an individual, a corporation, a partnership, an association, a limited liability company, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“**Project**” means the Salinas River diversion facility and the spillway modifications at Nacimiento Dam to be acquired pursuant to the Installment Purchase Agreement described on Exhibit A thereto.

“**Qualified Reserve Fund Credit Instrument**” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company rated at the time of issuance in the two highest categories, without regard to modification, by one Rating Agency, deposited with the Trustee pursuant to this Indenture, provided that all of the following requirements are met: (i) such letter of credit or surety bond has a term which ends no earlier than the last Interest Payment Date of the Bonds; (ii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (iii) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder amounts necessary to carry out the purposes specified in the Indenture, including the replenishment of the Interest Account or the Principal Account. Notwithstanding the foregoing, once an irrevocable standby or direct-pay letter of credit or surety bond has been deposited with the Trustee pursuant to this Indenture, the rating



requirement above for the commercial bank or insurance company providing the irrevocable standby or direct-pay letter of credit or surety bond shall not apply.

**“Rebate Requirement”** has the meaning ascribed to such term in the Tax Certificate.

**“Record Date”** means the fifteenth day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

**“Registration Books”** means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.07 hereof.

**“Reserve Requirement”** means, as of any date of calculation, an amount equal to the least of (a) 10% of the initial offering public price of the Bonds (except that if the net original issue premium or net original issue discount is not greater than 2% of the initial stated principal amount of the Bonds 10% of such initial stated principal amount shall be used), (b) Maximum Annual Debt Service on the Outstanding Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Outstanding Bond is due, or (c) 125% of Average Annual Debt Service on the Outstanding Bonds for the period beginning on the date on which the calculation is made (except average annual debt service on the Outstanding Bonds shall initially be calculated as of the date of issuance of the Bonds) and ending with the final maturity date of the Bonds.

**“S&P”** means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, a limited liability company duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

**“Serial Bonds”** means Bonds designated as Serial Bonds herein, for which no sinking fund payments are provided.

**“State”** means the State of California.

**“Supplemental Indenture”** means any supplemental indenture amendatory of or supplemental to this Indenture, but only if and to the extent that such Supplemental Indenture is entered into in accordance with the provisions hereof.

**“Tax Certificate”** means the Tax Certificate executed by the Agency at the time of issuance of the Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

**“Term Bonds”** means Bonds designated as Term Bonds herein, which are payable on or before their specified maturity dates from mandatory sinking fund redemption payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

**“Trustee”** means U.S. Bank National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America, or any successor thereto as Trustee thereunder substituted in its place as provided herein.

**“Verification Report”** means, with respect to the deemed payment of Bonds pursuant to clause (ii)(B) of Section 10.01(b), a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii)(B) of Section 10.01(b).

**“Written Certificate”** and **“Written Request”** mean (a) with respect to the Authority, a written certificate or written request, respectively, signed in the name of the Authority by an Authorized Representative of the Authority, and (b) with respect to the Agency, a written certificate or written request, respectively, signed in the name of the Agency by an Authorized Representative of the Agency. Any such certificate or request 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.

**Section 1.02 Equal Security.** In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### ISSUANCE OF BONDS

**Section 2.01 Authorization and Purpose of Bonds.** 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, to have happened and to have been 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 that the Authority is now duly authorized to issue the Bonds in the form and manner provided herein for the purpose of providing funds to finance the costs of the acquisition, construction and installation of the Project, and that the Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

The Authority may, at any time, execute the Bonds for issuance hereunder and deliver the same to the Trustee, and thereupon the Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof in accordance with a Written Request of the Authority and upon receipt of payment therefor from the purchaser thereof.

**Section 2.02 Terms of the Bonds.** The Bonds shall be designated “Monterey County Financing Authority 2018 Revenue Refunding Bonds” and shall be in the aggregate principal amount of \$\_\_\_\_\_. The Bonds shall be dated as of the Closing Date, shall be issued only in fully registered form in Authorized Denominations (not exceeding the principal amount of Bonds maturing at any one time), shall mature on September 1 of each year and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum as follows:

| <u>Maturity Date<br/>(September 1)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> |
|--|-----------------------------|--------------------------|
|  | \$                          | %                        |

The Bonds maturing on or before September 1, 20\_\_\_ are hereby designated Serial Bonds. The Bonds maturing on September 1, 20\_\_\_, September 1, 20\_\_\_ and September 1, 20\_\_\_ are hereby designated Term Bonds. The principal of and premiums, if any, on the Bonds shall be

payable in lawful money of the United States of America to the Owner thereof at the Office of the Trustee upon presentation and surrender of such Bonds.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period commencing after a Record Date through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from the Closing Date; provided, however, that if on the date of authentication of any Bond, interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Interest on the Bonds shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. Payment of principal of and premium, if any, on any Bond shall be made only upon presentation and surrender of such Bond at the Office of the Trustee.

**Section 2.03 Form of Bonds.** The Bonds and the authentication and registration endorsement and assignment to appear thereon shall be substantially in the forms set forth on Exhibit A hereto.

**Section 2.04 Execution of Bonds.** The Chair of the Board of Directors of the Authority is hereby authorized and directed to execute each of the Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the Bonds on behalf of the Authority. The signatures of such Chair and Secretary may be manual or printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Bonds.

**Section 2.05 Authentication of Bonds.** Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form as that set forth in Exhibit A hereto, 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 or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**Section 2.06 Transfer and Exchange of Bonds.** Any Bond may, in accordance with its terms, be transferred upon the 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, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall

execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be obligated to make any transfer or exchange of Bonds pursuant to this Section during the period established by the Trustee for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

**Section 2.07 Bond Registration Books.** The Trustee will keep at the Office of the Trustee sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the Authority during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as hereinabove provided.

**Section 2.08 Mutilated, Destroyed, Stolen or Lost Bonds.** If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon authenticate and deliver a new Bond of like maturity and Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender, at the Office of the Trustee, of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the order of, the Authority.

If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon authenticate and deliver a new Bond of like maturity and Authorized Denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Authority nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

**Section 2.09 Temporary Bonds.** The Bonds issued under this Indenture may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the Authority, shall be in fully registered form and may

contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed and authenticated in accordance with the terms hereof. If the Authority issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, at the Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds delivered hereunder.

**Section 2.10 Book-Entry Bonds.** (a) The Bonds shall initially be issued as Book-Entry Bonds and the Bonds of each maturity shall be in the form of a separate single fully registered Bond (which may be typewritten). Except as provided in subsection (c) of this Section, the registered Owner of all of the Book-Entry Bonds shall be DTC and the Book-Entry Bonds shall be registered in the name of Cede & Co., as nominee of DTC. Notwithstanding anything to the contrary contained in this Indenture, payment of interest with respect to any Book-Entry Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the payment date for the Book-Entry Bonds at the address indicated on the Record Date for Cede & Co. in the Registration Books or as otherwise provided in the Letter of Representations. The Trustee and the Authority may treat DTC (or its nominee) as the sole and exclusive Owner of the Book-Entry Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Book-Entry Bonds, selecting the Book-Entry Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners of Book-Entry Bonds under this Indenture, registering the transfer of Book-Entry Bonds, obtaining any consent or other action to be taken by Owners of Book-Entry Bonds and for all other purposes whatsoever, and neither the Trustee nor the Authority shall be affected by any notice to the contrary. Neither the Trustee nor the Authority shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Book-Entry Bonds under or through DTC or any Participant, or any other person which is not shown on the Registration Books as being an Owner, with respect to the accuracy of any records maintained by DTC or any Participant, the payment by DTC or any Participant of any amount in respect of the principal, premium, if any, or interest with respect to the Book-Entry Bonds, any notice which is permitted or required to be given to Owners of Book-Entry Bonds under this Indenture, the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Book-Entry Bonds, or any consent given or other action taken by DTC as Owner of Book-Entry Bonds. The Trustee shall pay all principal, premium, if any and interest with respect to the Book-Entry Bonds, only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal, premium, if any, and interest with respect to the Book-Entry Bonds to the extent of the sum or sums so paid. Except under the conditions of subsection (c) of this Section, no person other than DTC shall receive an executed Book-Entry Bond for each separate stated maturity. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the term "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In the event (i) DTC, including any successor as securities depository the Bonds, determines not to continue to act as securities depository for the Bonds, or (ii) the Authority determines that the incumbent securities depository shall no longer so act, and delivers a written

certificate to the Trustee to that effect, then the Authority will discontinue the book-entry system with the incumbent securities depository for the Bonds. If the Authority determines to replace the incumbent securities depository for the Bonds with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate fully registered Bond for the aggregate outstanding principal amount of Bonds of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the Authority, the Trustee and the successor securities depository for the Bonds as are not inconsistent with the terms of this Indenture. If the Authority fails to identify another qualified successor securities depository for the Bonds to replace the incumbent securities depository, then the Bonds shall no longer be restricted to being registered in the Registration Books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Bonds, or its nominee, shall designate. In such event the Authority shall execute, and deliver to the Trustee, a sufficient quantity of Bonds to carry out the transfers and exchanges provided in Section 2.06, 2.08 and 2.09 hereof. All such Bonds shall be in fully registered form in Authorized Denominations.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest with respect to such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Letter of Representations.

(e) In connection with any notice or other communication to be provided to Owners of Book-Entry Bonds pursuant to this Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Owners, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

## ARTICLE III

### REDEMPTION OF BONDS

**Section 3.01 Optional Redemption.** The Bonds shall be subject to redemption prior to their respective stated maturities, on or after September 1, 20\_\_\_\_, in whole on any date or in part, in Authorized Denominations, on any date, upon the exercise by the Agency of its right to cause the redemption of Bonds in accordance with Section 7.01 of the Installment Purchase Agreement, from and to the extent of any source of available funds, at a redemption price equal to the sum of the principal amount of each Bond or the portion thereof so redeemed, without premium, plus accrued interest to the date of redemption.

**Section 3.02 Mandatory Sinking Fund Redemption.** Term Bonds maturing September 1, 20\_\_\_\_ shall be subject to mandatory sinking fund redemption prior to their fixed maturity date, on September 1 of each year, commencing on September 1, 20\_\_\_\_, at a redemption price equal to the principal amount thereof so redeemed, together with accrued interest to the date of redemption, without premium, as follows:

| Sinking Fund<br>Redemption Date<br>(September 1) | Principal Amount<br>to be<br><u>Redeemed</u> |
|--|--|
|--|--|

\$

(Maturity)

If some but not all of the Term Bonds maturing on September 1, 20\_\_\_\_ are redeemed pursuant to Section 3.01 hereof, the principal amount of Term Bonds maturing on September 1, 20\_\_\_\_ to be redeemed pursuant to this Section on any subsequent September 1 shall be reduced, by \$5,000 or an integral multiple thereof, as designated by the Agency in a Written Certificate of the Agency filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of Term Bonds maturing on September 1, 20\_\_\_\_ redeemed pursuant to Section 3.01 hereof.

**Section 3.03 Notice of Redemption.** The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for



the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Bonds, unless at the time such notice is given the Bonds to be redeemed shall be deemed to have been paid within the meaning of Section 10.01 hereof, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the 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 Authority shall not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Bonds pursuant to such notice of redemption.

**Section 3.04 Selection of Bonds for Redemption.** Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds pursuant to Section 3.01 hereof, among maturities of Bonds as directed in a Written Request of the Agency, and (b) by lot among Bonds with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

**Section 3.05 Partial Redemption of Bonds.** Upon surrender of any Bonds 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 the same maturity in Authorized Denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

**Section 3.06 Effect of Notice of Redemption.** Notice having been mailed as aforesaid, and moneys for the redemption price, and the interest to the applicable date fixed for redemption having been set aside, the Bonds shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the redemption price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date and, if notice of redemption thereof shall have been mailed as aforesaid, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and destroyed.

**Section 3.07 [Purchase In Lieu].** Without the consent of the Insurer, no Bond shall be purchased by the Authority, the Agency or any affiliate thereof, in lieu of redemption, unless such Bond is redeemed, defeased or cancelled.]

## ARTICLE IV

### ESTABLISHMENT OF FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

**Section 4.01 Establishment of Fund and Accounts.** The Trustee shall establish and maintain the following special trust funds to be held by the Trustee: the “Monterey County Financing Authority 2018 Revenue Refunding Bonds Costs of Issuance Fund” (the “Costs of Issuance Fund”), the “Monterey County Financing Authority 2018 Revenue Refunding Bonds Debt Service Fund” (the “Debt Service Fund”), the “Monterey County Financing Authority 2018 Revenue Refunding Bonds Reserve Fund” (the “Reserve Fund”), the “Monterey County Financing Authority 2018 Revenue Refunding Bonds Redemption Fund” (the “Redemption Fund”) and the “Monterey County Financing Authority 2018 Revenue Refunding Bonds Rebate Fund” (the “Rebate Fund”). Within the Debt Service Fund the Trustee shall establish and maintain an Interest Account (the “Interest Account”) and a Principal Account (the “Principal Account”).

**Section 4.02 Application of Proceeds.** Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall apply the proceeds thereof as follows:

- (a) the Trustee shall transfer the amount of \$\_\_\_\_\_ to the Escrow Agent to be applied as provided in the Escrow Agreement;
- (b) the Trustee shall deposit [a combination of cash and] a Qualified Reserve Fund Credit Instrument in the amount of \$\_\_\_\_\_ in the Reserve Fund, which is equal to the Reserve Requirement; and
- (c) the Trustee shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund.

**Section 4.03 Use of Moneys in the Costs of Issuance Fund.** (a) On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to Section 4.02 hereof.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay Costs of Issuance upon submission of a Written Request of the Agency stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the date that is six months after the Closing Date, any amount remaining on deposit in the Costs of Issuance Fund shall be withdrawn by the Trustee and transferred to the Debt Service Fund and the Trustee shall close the Costs of Issuance Fund.

## ARTICLE V

### AUTHORITY REVENUES

**Section 5.01 Pledge and Assignment.** Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Authority Revenues and any other amounts held in the Debt Service Fund, the Reserve Fund and the Redemption Fund are hereby pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Such pledge shall constitute a first lien on such assets.

To secure the pledge of the Authority Revenues contained in this Section, the Authority hereby transfers, conveys and assigns to the Trustee, for the benefit of the Owners, all of the Authority's rights, title and interest under the Installment Purchase Agreement (excepting its right to indemnification and its right to receive notices thereunder), including the right to receive Installment Payments and the right to exercise any remedies provided therein in the event of a default by the Agency thereunder. The Trustee hereby accepts said assignment for the benefit of the Owners subject to the provisions of this Indenture. The Trustee further acknowledges that the Payment Agreement has been collaterally assigned to the Trustee on behalf of the Owners.

The Trustee shall be entitled to and shall receive all of the Authority Revenues, and any Authority Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

**Section 5.02 Debt Service Fund.** (a) All Authority Revenues shall, upon receipt thereof by the Trustee, be deposited by the Trustee in the Debt Service Fund. All money in the Debt Service Fund, and the accounts therein, shall be applied by the Trustee as provided in this Section.

(b) On each Interest Payment Date, the Trustee shall transfer from the Debt Service Fund and deposit in the Interest Account the amount, if any, necessary to cause the amount on deposit therein to be equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. On each Interest Payment Date, the Trustee shall withdraw from the Interest Account for payment to the Owners of the Bonds the interest on the Outstanding Bonds then due and payable.

(c) On each Interest Payment Date on which principal of the Bonds is due and payable, including principal due and payable by reason of mandatory sinking fund redemption of Term Bonds, the Trustee shall transfer from the Debt Service Fund and deposit in the Principal Account the amount, if any, necessary to cause the amount on deposit therein to be equal to the aggregate amount of principal becoming due and payable on all Outstanding Bonds on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of Term Bonds. On each such Interest Payment Date, the Trustee shall withdraw from the Principal Account for payment to the Owners of the Bonds the principal of the Outstanding Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund redemption of Term Bonds.

**Section 5.03 Reserve Fund.** (a) On the Closing Date, the Trustee shall deposit in the Reserve Fund the amount required to be deposited therein pursuant to Section 4.02 hereof. There shall also be deposited in the Reserve Fund payments made by the Agency pursuant to Section 4.04 of the Installment Purchase Agreement. The Trustee shall promptly notify the Agency if the amount on deposit in the Reserve Fund is less than the Reserve Requirement. If, on any Interest Payment Date, the amount on deposit in the Debt Service Fund is not sufficient to make the transfers required to be made therefrom pursuant to Section 5.02 hereof, the Trustee shall, to the extent that amounts are available therein, transfer from the Reserve Fund and deposit in the Debt Service Fund an amount sufficient to eliminate such deficiency.

(b) The Reserve Requirement may be satisfied by crediting to the Reserve Fund cash or a Qualified Reserve Fund Credit Instrument or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement. Upon deposit of such Qualified Reserve Fund Credit Instrument, the Trustee shall transfer any amounts then on deposit in the Reserve Fund in excess of the applicable Reserve Requirement into a segregated account of the Debt Service Fund, which monies shall be applied upon written direction of the Authority.

(c) In any case where the Reserve Fund is funded with a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Fund Credit Instrument. With regard to replenishment, any available moneys provided by the Authority shall be used first to reinstate the Qualified Reserve Fund Credit Instrument and second, to replenish the cash in the Reserve Fund. If the Qualified Reserve Fund Credit Instrument is drawn upon, the Agency shall make payment of interest on amounts advanced under the Qualified Reserve Fund Credit Instrument after making any payments pursuant to this subsection. If a Qualified Reserve Fund Credit Instrument provider is downgraded or a rating is withdrawn with respect to such provider for any reason, there shall be no obligation to replace or secure the Qualified Reserve Fund Credit Instrument.

(d) If, as a result of the payment of principal of or interest on the Bonds, the Reserve Requirement is reduced, the Trustee shall transfer any excess cash from the Reserve Fund to the Debt Service Fund an amount equal to the amount by which the amount on deposit in the Reserve Fund exceeds the Reserve Requirement.

(e) Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall, upon receipt of a Written Request of the Authority, transfer the amount in the Reserve Fund to the Debt Service Fund or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds.

(f) Whenever Bonds are to be redeemed pursuant to Section 3.01 hereof, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Fund shall, on the date on which amounts to redeem such Bonds are deposited in the Redemption Fund or otherwise deposited with the Trustee pursuant to Section 10.01 hereof, be transferred by the Trustee from the Reserve Fund to the Redemption Fund or to such deposit held by the Trustee and shall be applied to the redemption of said Bonds; provided, however, that such amount shall be so

transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said Bonds to be redeemed). Such proportionate share shall be equal to the largest integral multiple of \$5,000 that is not larger than the amount equal to the product of (i) the amount on deposit in the Reserve Fund on the date of such transfer, times (ii) a fraction, the numerator of which is the principal amount of Bonds to be so redeemed and the denominator of which is the principal amount of Bonds to be Outstanding on the day prior to the date on which such Bonds are to be so redeemed.

**Section 5.04 Redemption Fund.** Any moneys which, pursuant to Section 7.01 of the Installment Purchase Agreement, are to be used to redeem Bonds pursuant to Section 3.01 hereof shall be deposited by the Trustee in the Redemption Fund. The Trustee shall, on the scheduled redemption date, withdraw from the Redemption Fund and pay to the Owners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed on such date.

**Section 5.05 Rebate Fund.** (a) There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Authority. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to Article X hereof or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate. The Trustee may conclusively rely upon the Authority's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority's calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in this Section, shall, upon receipt by the Trustee of a Written Request of the Authority, be withdrawn by the Trustee and remitted to the Authority.

**Section 5.06 Investment of Moneys in Funds and Accounts.** (a) Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in a Written Request of the Authority received by the Trustee two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Indenture; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds; provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause (7) of the definition thereof.

Subject to the provisions of Section 5.05 hereof, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Indenture (other than the Reserve Fund) shall be retained therein. Subject to the provisions of Section 5.05 hereof, all interest, profits or other income received from the investment of moneys in the Reserve Fund shall, prior to the date on which a Written Certificate of the Agency is delivered to the Trustee pursuant to Section 4.02(d) hereof, be transferred to the Debt Service Fund; provided, however, that, notwithstanding the foregoing, any such transfer shall be made only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement.

Permitted Investments acquired as an investment of moneys in any fund or account established under this Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each February 15 and August 15. The Trustee may utilize and rely upon securities pricing services available to it for such valuations, including those available through the Trustee's accounting system.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment. The Trustee shall 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 to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established hereunder. The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

## ARTICLE VI

### COVENANTS

**Section 6.01 Punctual Payment and Performance.** The Authority shall punctually pay or cause to be paid the principal, premium, if any, 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 the Authority Revenues and other assets pledged for such payment as provided in this Indenture and received by the Authority or the Trustee.

**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 claims for interest by the purchase of such Bonds 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 shall be deemed to limit the right of the Authority to issue bonds or other obligations for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

**Section 6.03 Against Encumbrances.** The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Authority Revenues and other assets pledged under this Indenture while any of the Bonds are Outstanding, except as permitted by this Indenture.

**Section 6.04 Protection of Pledge.** The Authority and the Trustee (subject to the provisions of Article VII hereof) shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Authority Revenues and other assets pledged hereunder and all the rights of the Owners under this Indenture against all claims and demands of all Persons whomsoever.

**Section 6.05 Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds, the Authority Revenues and all funds and accounts established by it pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the Authority a monthly accounting of the funds and accounts it holds under this Indenture; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

**Section 6.06 Collection of Authority Revenues.** Subject to the provisions of Article VII hereof, the Trustee shall collect and cause to be paid to it all Authority Revenues promptly as such Authority Revenues become due and payable, and shall enforce and cause to be enforced all rights of the Trustee under and with respect to the Installment Purchase Agreement.



**Section 6.07 Tax Covenants.** (a) The Authority shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority shall comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Bonds. If at any time the Authority is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established hereunder, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the Authority shall provide to the Trustee a written opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

**Section 6.08 Further Assurances.** Whenever and so often as requested to do so by the Trustee, the Authority shall promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

## ARTICLE VII

### THE TRUSTEE

**Section 7.01 Duties Immunities and Liabilities of Trustee.** (a) 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 expressly and 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 such person's own affairs.

(b) So long as no Event of Default has occurred and is continuing, the Authority may remove the Trustee at any time, and the Authority 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 Bonds then Outstanding or if at any time the Trustee shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or 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.

(c) The Trustee may resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(d) 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 shall have accepted appointment within 60 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Authority, 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 such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. 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 written request of the Authority or 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, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the Registration Books.

(e) The Trustee shall be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such bank or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state agency. 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 agency 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 (e), the Trustee shall resign promptly in the manner and with the effect specified in this Section.

(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.

(g) The Trustee shall not be accountable for the use or application by the Authority, the Agency or any other party of any funds which the Trustee has released under this Indenture.

(h) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Authority Revenues.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

**Section 7.02 Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 7.01 hereof, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 7.03 Compensation and Indemnification.** The Authority shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered hereunder and shall reimburse the Trustee for reasonable expenses incurred by the Trustee in the performance of its obligations hereunder.

The Authority agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability or expense (including attorneys' fees) incurred without

negligence or misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Indenture, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such indemnity shall survive the termination or discharge of the Indenture and resignation or removal of the Trustee.

**Section 7.04 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, and makes no representations as to the validity or sufficiency of this Indenture, the Installment Purchase Agreement or of the Bonds, and shall incur no 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 or and, to the extent permitted by law, may act as depositary 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 aggregate principal amount of Bonds then Outstanding. The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been 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 good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of Bonds at the time Outstanding 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 not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(f) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or under the Installment Purchase Agreement unless it has actual knowledge thereof.

**Section 7.05 Right to Rely on Documents.** The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond 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.

The Trustee may rely upon a facsimile transmission of a Written Request of the Authority, Written Request of the Agency with regard to any instruction for any transfer, disbursement or investment of funds held by the Trustee. The Authority or the Agency, as applicable, shall confirm such transmission promptly in writing by mail.

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 an Written Certificate of the Authority, and such Written Certificate of the Authority 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 Written Certificate of the Authority, 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 7.06 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 at all reasonable times to the inspection of the Authority, the Agency and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

## ARTICLE VIII

### SUPPLEMENTAL INDENTURES

**Section 8.01 Supplemental Indentures.** (a) This Indenture and the rights and obligations of the Authority, the Owners of the Bonds and 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 enter into with the written consent the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend or have the effect of extending the fixed maturity of any Bond or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof or modifying the rights of redemption with respect thereto, without the express consent of the Owner of such Bond, (ii) reduce or have the effect of reducing the interest rate on any Bond or extending the time of payment of interest thereon, without the express consent of the Owner of such Bond, (iii) reduce or have the effect of reducing the percentage of the principal amount of Bonds required for the affirmative vote or written consent to an amendment or modification of any of this Indenture, or (iv) modify any of the rights or obligations of the Trustee without its written assent thereto.

(b) This Indenture and the rights and obligations of the Authority, the Trustee and 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 enter into without the consent of any Owners 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 to surrender any right or power herein reserved to or conferred upon the Authority;

(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;

(iii) so as to permit the qualification of this Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) so as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(v) in any other respect whatsoever as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Owners hereunder.

(c) Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of

such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the 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.

**Section 8.02 Effect of Supplemental Indenture.** Upon the execution of any Supplemental Indenture pursuant to this Article, 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 8.03 Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Authority 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 Bonds Outstanding at the time of such execution and presentation of such Owner's Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. 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 Office of the Trustee, without cost to any Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

**Section 8.04 Amendment of Particular Bonds.** The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by such Owner.

## ARTICLE IX

### EVENTS OF DEFAULT AND REMEDIES

**Section 9.01 Events of Default.** The following shall be Events of Default under this Indenture, and Event of Default shall mean any one or more of the following events:

- (a) if default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;
- (b) if default shall be made in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- (c) If default shall be made by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and such default shall have continued for a period of 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 aid the Trustee by the Owners of not less than 5% in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time;
- (d) if any Event of Default shall have occurred and be continuing under the Installment Purchase Agreement; or
- (e) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

**Section 9.02 Proceeding by Trustee.** Upon the happening and continuance of any Event of Default, the Trustee in its discretion may, and at the written request of the Owners of not less than a majority in aggregate amount of Bonds Outstanding shall (but only to the extent indemnified to its satisfaction from fees and expenses, including attorneys' fees), do the following:

- (a) by mandamus, suit, action or proceeding, to compel the Authority and its officers, agents or employees to perform each and every term, provision and covenant contained in this Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by this Indenture,



(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Trustee's or Bond Owner's rights; and

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Authority and its officers and employees to account as if it and they were the trustees of an express trust.

If an Event of Default shall occur, then, in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies granted pursuant to this Indenture; provided, however that notwithstanding anything herein to the contrary, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE BONDS OR OTHERWISE TO DECLARE ANY PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE.

**Section 9.03 Application of Revenues After Default.** If an Event of Default shall occur and be continuing, all Authority Revenues and any other funds thereafter received by the Trustee under any of the provisions of this Indenture 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 fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel, advisors and agents) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the principal of and interest then due with respect to 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, as follows:

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 of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

(c) Any remaining funds shall be transferred by the Trustee to the Debt Service Fund.

**Section 9.04 Power of Trustee to Enforce.** 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 the Owners of such Bonds, subject to the provisions of this Indenture.

**Section 9.05 Bond 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, and upon indemnification of the Trustee to its reasonable satisfaction, 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.

**Section 9.06 Rights of Owners.** No Owner of any Bonds 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 or applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding 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, (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 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 the Bonds, this Indenture or 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.

**Section 9.07 Absolute Obligation.** Nothing in Section 9.07 hereof 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 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 Authority Revenues and other assets herein pledged therefor and received by the Authority or the Trustee, 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 9.08 Termination of Proceedings.** In case any proceedings taken by the Trustee or any one or more Bond 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 Bond Owners, then in every such case the Authority, the Trustee and the Bond 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 Bond Owners shall continue as though no such proceedings had been taken.

**Section 9.09 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 9.10 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 X

### DEFEASANCE

**Section 10.01 Discharge of Bonds.** (a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated herein and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Authority Revenues as provided herein, and all agreements, covenants and other obligations of the Authority to the Owners of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee 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 or deliver to the Authority all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds or fees and expenses of the Trustee.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Authority shall have kept, performed and observed all the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by the Authority or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of this Indenture and such lien and all covenants, agreements and other obligations of the Authority hereunder shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture contained in Section 7.03 hereof relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 3.03 hereof, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with Section 3.03 hereof, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the interest on and principal of which when paid

will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

(c) No Bond shall be deemed to have been paid pursuant to clause (ii) of subsection (b) of this Section unless the Authority shall have caused to be delivered (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority, the Agency, the Trustee [and the Insurer], in form and in substance acceptable to the Authority, the Agency, [and the Insurer], (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of subsection (b) of this Section resulting in such deemed payment, which escrow agreement shall provide (A) that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report[, and shall be acceptable in form and substance to the Insurer], (B) that the Authority will not exercise any optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (I) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and [(II) as a condition of any such redemption there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption, and (C) the Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer], and (iii) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the Authority, the Agency, the Trustee [and the Insurer], in form and in substance acceptable to the Authority, the Agency, [and the Insurer], to the effect that (A) such Bond has been paid within the meaning and with the effect expressed in this Indenture, and all agreements, covenants and other obligations of the Authority hereunder as to such Bond have ceased, terminated, become void and been completely discharged and satisfied, (B) the defeasance of such Bond will not, in and of itself, cause interest on the Bonds or the refunding bonds to be included in gross income for federal income tax purposes, and (C) such escrow agreement constitutes the valid and binding obligation of the Authority, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against governmental entities such as the Authority in the State.

**Section 10.02 Unclaimed Money.** Anything contained herein to the contrary notwithstanding, the Trustee shall notify the Authority of my money held by the Trustee in trust

for the payment and discharge of any of the Bonds which has remained unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee. The Trustee shall repay such money to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such Bonds.

**ARTICLE XI**

**[INSURANCE POLICY PROVISIONS]**

[To come, if applicable]

## ARTICLE XII

### MISCELLANEOUS

**Section 12.01 Liability of Authority Limited to Authority Revenue.** Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source of income other than the Authority Revenues as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds shall be special obligations of the Authority, payable solely from the Authority Revenues and the other assets pledged therefor hereunder. Neither the faith and credit nor the taxing power of the Authority, the Agency or the State, or any political subdivision thereof, is pledged to the payment of the Bonds.

**Section 12.02 Benefits of the Indenture Limited.** Nothing contained herein, expressed or implied, is intended to give to any Person other than the Authority, the Trustee and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Owners.

**Section 12.03 [Third-Party Beneficiary.** To the extent that this Indenture confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of this Indenture, the Insurer is explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.]

**Section 12.04 Successor Is Deemed Included In All References To Predecessor.** Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions of the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 12.05 Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the Person signing such declaration, request or other instrument or writing 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 any Bonds and the amount, maturity, number and date of holding the same may be proved by the Registration Books.



Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

**Section 12.06 Waiver of Personal Liability.** No member, officer employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing herein contained shall relieve any member, officer or employee of the Authority from the performance of any official duty provided by any applicable provisions of law or hereby.

**Section 12.07 Acquisition of Bonds by Authority.** All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**Section 12.08 Destruction of Cancelled Bonds.** Whenever provision is made for the return to the Authority of any Bonds which have been cancelled pursuant to the provisions hereof, Trustee shall destroy such Bonds and furnish to the Authority a certificate of such destruction.

**Section 12.09 Accounts and Funds.** Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting . records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

**Section 12.10 Article and Section Headings and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section, subdivision or clause hereof.

**Section 12.11 Payment on Non-Business Days.** In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

**Section 12.12 Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered the Indenture and each and every other Article, Section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections,

paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any Person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 12.13 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 known by the Trustee to be owned or held by or for the account of the Authority or the Agency, 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 the Agency 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 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 the Agency 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 to the Trustee those Bonds disqualified pursuant to this Section.

**Section 12.14 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 12.15 Law Governing.** This Indenture shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

**Section 12.16 Notices.** Any written notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication to be given hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Authority:     Monterey County Financing Authority  
                                  c/o County of Monterey  
                                  168 West Alisal Street  
                                  Salinas, California 93901  
                                  Attention: Auditor-Controller

with a copy to:

Monterey County Water Resources Agency  
1441 Schilling Pl., North Bldg.  
Salinas, California 93901  
Attention: General Manager

If to the Trustee:       U.S. Bank National Association  
                                  1 California Street, Suite 1000

San Francisco, CA 94111  
Attention: Global Corporate Trust Services

[If to the Insurer:      **[Insurer]]**

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, or (d) if given by any other means, upon delivery at the address specified in this Section.

**IN WITNESS WHEREOF**, the Authority has caused this Indenture to be signed in its name by its representative thereunto duly authorized, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**MONTEREY COUNTY FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**  
**FORM OF BOND**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**MONTEREY COUNTY  
FINANCING AUTHORITY  
2018 REVENUE REFUNDING BONDS**

|                      |                      |                   |              |
|----------------------|----------------------|-------------------|--------------|
| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Dated Date</u> | <u>CUSIP</u> |
|                      |                      | June __, 2018     |              |

**REGISTERED OWNER:**

**PRINCIPAL AMOUNT:** **DOLLARS**

The MONTEREY COUNTY FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the "Authority"), for value received, hereby promises to pay, solely from the sources hereinafter described, to the Registered Owner specified above or registered assigns on the Maturity Date specified above (subject to any right of prior redemption provided for) the Principal Amount specified above, together with interest thereon at the Interest Rate per annum specified above on each March 1 and September 1, commencing September 1, 2018 (the "Interest Payment Dates") from the Interest Payment Date next preceding the date of authentication hereof, unless such date of authentication is during the period commencing after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") through and including the next succeeding Interest Payment Date, in which event this Bond shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before [August 15, 2018], in which event this Bond shall bear interest from the Dated Date specified above, until the Principal Amount hereof shall have been duly paid or made available for payment.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Monterey County Financing Authority 2018 Revenue Refunding Bonds" (the "Bonds") in the aggregate principal amount of \$ \_\_\_\_\_ issued under and pursuant to the provisions of an Indenture, dated as of June 1, 2018 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (together with any successor as trustee under the Indenture, the "Trustee"). Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture. Copies of the Indenture are on file at the Office of the Trustee.

The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. Payment of principal of and premium, if any, on any Bond shall be made only upon presentation and surrender of such Bond at the Office of the Trustee.

Interest on the Bonds shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners at their respective addresses shown on the

Registration Books as of the close of business on the preceding Record Date. Interest on the Bonds shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Pursuant to an Installment Purchase Agreement, dated as of June 1, 2018 (the “Installment Purchase Agreement”), by and between the Monterey County Water Resources Agency (the “Agency”) and the Authority, the Agency agrees to pay installment payments (the “Installment Payments”) to the Authority for the refinancing of a Salinas River diversion facility and certain spillway modifications at Nacimiento Dam. The Installment Payments are payable from the Revenues, which generally consist of, for any period (a) Pledged Ad Valorem Taxes, (b) Hydroelectric Facility Net Revenues, (c) Pledged Assessments and (d) all Annexation Fees received by the Agency (as such terms are defined in the Installment Purchase Agreement). Revenues described in clauses (a) and (b) of the preceding sentence will be transferred from the Auditor Controller directly to the Trustee pursuant to the Pledged Ad Valorem Taxes and Pledged Assessments Payment Agreement, dated as June \_\_, 2018 (the “Payment Agreement”), by and among the Auditor-Controller, the Agency and the Trustee. Subject only to the provisions of the Installment Purchase Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts held in the Debt Service Fund established under the Indenture are pledged to secure the payment of the Installment Payments in accordance with the provisions of the Installment Purchase Agreement. Such pledge constitutes a first lien on such assets.

The obligation of the Agency to make the Installment Payments and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the Agency payable, in the manner provided therein, solely from Revenues, and does not constitute a debt of the Agency or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of the Agency or the State of California, or any political subdivision thereof, is pledged to the payment of the Installment Payments or other payments required to be made under the Installment Purchase Agreement or the Payment Agreement.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Installment Payments (the “Authority Revenues”) and any other amounts held in the Debt Service Fund, the Reserve Fund and the Redemption Fund, and all the payments under the Payment Agreement are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Such pledge constitutes a first lien on such assets. In order to secure the pledge of the Authority Revenues contained in the Indenture, the Authority has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, all of the Authority’s rights, title and interest under the Installment Purchase Agreement (excepting its right to indemnification and its right to receive notices thereunder), including the right to receive Installment Payments and the right to exercise any remedies provided therein in the event of a default by the Agency thereunder.

The Bonds shall be special obligations of the Authority, payable solely from the Authority Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit

nor the taxing power of the Authority, the Agency or the State, or any political subdivision thereof, is pledged to the payment of the Bonds.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds may be transferred and exchanged as provided in the Indenture

[The Bonds are subject to optional and mandatory redemption at the times, in the manner, at the redemption prices and upon notice as specified in the Indenture.]

The Indenture permits the modification or amendment thereof and of the rights and obligations of the Authority, the Trustee and the Owners at any time with the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, subject to the limitations set forth in the Indenture. The Indenture permits the modification or amendment thereof and of the rights and obligations of the Authority, the Trustee and the Owners at any time, without the consent of the Owners of the Bonds, but only for the purposes, and subject to the limitations, set forth in the Indenture.

The Indenture contains provisions permitting the Authority to make provision for the payment of interest on, and the principal and premium, if any, of any of the Bond so that such Bonds shall no longer be deemed to be Outstanding under the terms of the Indenture.

The Authority and the Trustee may deem and treat the owner hereof as the absolute owner hereof for the purpose of receiving payment hereof and for all other purposes, whether or not this Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually executed and dated by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified that all acts and proceedings required by law necessary to make this Bond, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Authority have been done and taken, and have been in all respects duly authorized.

**IN WITNESS WHEREOF**, the Monterey County Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Chair and attested to by the manual or facsimile signature of its Secretary, all as of June \_\_\_, 2018.

**MONTEREY COUNTY FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Chair

Attest:

\_\_\_\_\_  
Secretary



## **CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture.

Dated: June \_\_\_\_, 2018

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

By: \_\_\_\_\_  
Authorized Signatory

**[STATEMENT OF INSURANCE]**

## ASSIGNMENT

For value received, the undersigned does) hereby sell, assign and transfer unto

---

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(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_  
\_\_\_\_\_ attorney, to transfer the same on the registration books of the  
Trustee, with full power of substitution in the premises.

Dated:

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by a  
guarantor institution participating in the Securities  
Transfer Agents Medallion Program.

\_\_\_\_\_  
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.