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INDENTURE OF TRUST

Dated as of \_\_\_\_\_ 1, 2023

by and between

CORONA UTILITY AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
as Trustee

Authorizing the Issuance of

\$ \_\_\_\_\_  
Corona Utility Authority  
2023 Water Revenue Refunding Bonds  
(Water Projects)

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of \_\_\_\_\_ 1, 2023, is by and between the CORONA UTILITY AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., organized and existing under the laws of the United States of America with a corporate trust office in Los Angeles, California, being qualified to accept and administer the trusts hereby created (the “Trustee”).

### WITNESSETH:

**WHEREAS**, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement creating Corona Utility Authority, dated February 6, 2002, by and between the City of Corona (the “City”) and the Corona Redevelopment Agency of the City of Corona (the “Agency”), as amended by that certain Amended and Restated Joint Exercise of Powers Agreement, dated February 6, 2013; and

**WHEREAS**, under Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”) the Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations, and to provide financing and refinancing for public capital improvements of the Water Enterprise, defined herein; and

**WHEREAS**, the Authority has previously issued its Corona Utility Authority 2012 Water Revenue Bonds (Water Projects) in the aggregate principal amount of \$35,880,000 (the “2012 Bonds”), for the purpose of financing and refinancing capital facilities to the Water Enterprise; and

**WHEREAS**, the Authority has determined that it will achieve a net present value savings from defeasing and redeeming the 2012 Bonds; and

**WHEREAS**, for the purpose of refinancing the 2012 Bonds, the Authority has determined to issue its Corona Utility Authority 2023 Water Revenue Refunding Bonds (Water Projects) in the aggregate principal amount of \$ \_\_\_\_\_ (the “Bonds”), all pursuant to and secured by this Indenture in the manner provided herein; and

**WHEREAS**, the Authority has determined that 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 and interest and premium (if any) thereon, the Authority has authorized the execution and delivery of this Indenture; and

**WHEREAS**, the Authority hereby certifies 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 special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized.

**NOW, THEREFORE, THIS INDENTURE WITNESSETH**, that in order to secure the payment of the principal of and the interest and premium (if any) 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 considerations, 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; CONTENT OF CERTIFICATES AND OPINIONS

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. In addition, all capitalized terms used herein and not otherwise defined in this Section 1.01 shall have the respective meanings given such terms in the Official Statement.

“2002 Lease Payments” mean those payments of the Authority to the City due under the Water Enterprise Lease Agreement.

“Agency” means the Corona Redevelopment Agency, as succeeded in interest by the City of Corona as successor agency thereto.

“Aggregate Maximum Annual Debt Service” means the maximum amount of Debt Service payable in any Fiscal Year on all Bonds Outstanding and any Parity Obligations outstanding or to be issued during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations, calculated using the assumptions set forth in the definition of Debt Service.

“Agreement” means that certain Joint Exercise of Powers Agreement, dated February 6, 2002, by and between the City and the Agency, thereby creating the Authority, as amended by that certain Amended and Restated Joint Exercise of Powers Agreement, dated February 6, 2013, together with any other amendments thereof and supplements thereto.

“Allocated Costs” means an amount payable to the City based on an allocation of City overhead to the Water Enterprise (Allocated Costs do not include the 2002 Lease Payments).

“Authority” means the Corona Utility Authority, a joint powers authority duly organized and existing under the laws of the State.

“Authorized Representative” means (a) with respect to the Authority, its President, Vice President, Executive Director, Treasurer, Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its President and filed with the Trustee; and (b) with respect to the City, its Mayor, City Manager,

City Clerk, Deputy City Clerk, Treasurer, Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Mayor, City Manager and filed with the Trustee.

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

“Bond Counsel” means (a) Best Best & Krieger LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.01.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Bond Register” means the books for registration maintained by Trustee pursuant to Section 2.05.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, both dates inclusive, the first such Bond Year for the Bonds commencing on the Closing Date and ending September 1, 2023.

“Bonds” means the \$ \_\_\_\_\_ aggregate principal amount of Corona Utility Authority 2023 Water Revenue Refunding Bonds (Water Projects) authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture.

“Book-Entry Depository” means DTC or any successor as Book-Entry Depository for the Bonds, appointed pursuant to Section 2.10.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Trust Office is located.

“City” means the City of Corona.

“Closing Date” means \_\_\_\_\_, 2023, being the date of delivery of the Bonds to the Original Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended.

“Contracts” means all contracts, lease agreements, installment purchase agreements or loan agreements with the State of California (including State Revolving Fund Loan Contract No. C-06-4802-110, dated June 10, 2003) or other parties, of the Authority previously or hereafter authorized and executed by the Authority, the payments under which are payable from Net Revenues as described in Section 5.02 hereof; and excluding contracts entered into for operation and maintenance of the Water Enterprise.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority, initial fees and expenses of the Trustee, title insurance premiums, municipal bond insurance premiums, appraisal fees, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

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

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

(2) those portions of the principal amount or accreted value of all outstanding serial Obligations maturing in such period;

(3) those portions of the principal amount of all outstanding term Obligations required to be redeemed or paid in such period; and

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

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

provided that, as to any such Obligations or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

(i) the then current variable interest rate borne by such Obligations or Contracts plus 1%; and

(ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt issued by the Authority or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an

index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued; and

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

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

“Direct Costs” means the reasonable and necessary costs, expenses and water purchases paid for maintaining and operating the Water Enterprise, including but not limited to (a) cost of electricity and other forms of energy supplied to the Water Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, and (c) the reasonable administrative costs of the Authority attributable to the operation and maintenance of the Water Enterprise, but in all cases excluding (i) debt service payable on obligations incurred by the Authority with respect to the Water Enterprise, (ii) depreciation, replacement, and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events specified in Section 7.01 hereof.

“Federal Securities” means bills, certificates of indebtedness, notes, bonds, or other similar securities which are direct, non-callable obligations of the United States of America, CATS, STRPS, or defeased municipal bonds rated “AAA” by S&P and “Aaa” by Moody’s.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Gross Revenues” means, for any Fiscal Year, the sum of all gross charges received for, and all other gross income and receipts derived by the Authority from the lease and operation of the Water Enterprise or otherwise arising from the Water Enterprise, including but not limited to investment earnings thereon, including Water Capital Impact Fees (including any fees levied with respect to reclaimed water) to the extent such fees are allocable to the Water Projects, and any operational participation revenues received. Gross Revenues shall not include reimbursements from the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I

of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program).

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

“Independent Financial Consultant,” or “Independent Certified Public Accountant” means any individual or firm engaged in the profession involved, appointed by Authority, and who, or each of whom, has a favorable reputation in the field in which his/her opinion or certificate will be given, and:

- (1) is in fact independent and not under domination of Authority;
- (2) does not have any substantial interest, direct or indirect, with Authority; and
- (3) is not connected with Authority as an officer or employee of Authority, but who may be regularly retained to make reports to Authority.

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

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2023.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

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

“Obligations” means all revenue bonds, certificates of participation, or notes authorized, executed, issued and delivered by the Authority, the payments of which are payable from Net Revenues on a parity with the Bonds and which are secured by a pledge of and lien on Net Revenues as described in Section 5.02 hereof, including the SRF Loan.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, as the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding,” when used as of any particular time with reference to Bonds, means, subject to the provisions of Article X of this Indenture, all Bonds except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid pursuant to Section 10.02 of this Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by Authority pursuant to this Indenture.

“Owner,” whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Obligations” means Obligations issued pursuant to Section 3.06 hereof.

“Participant” means a member of, or participant in, DTC.

“Permitted Investments” means:

1. (a) Cash (fully insured by the Federal Deposit Insurance Corporation), (b) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“U.S. Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) 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 (d) 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. THE ABOVE REFERENCED OBLIGATIONS MAY CONSTITUTE DEFEASANCE OBLIGATIONS.

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; and

(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 banker acceptances (having maturities of not more than 365 days) of any bank, which may include the Trustee and its affiliates, the short-term obligations of which are rated “A-1 +” or better by S&P and “Prime-1” by Moody’s.

5. Deposits, the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which may include the Trustee and its affiliates which have capital and surplus of at least \$15 million.

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

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 such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

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 or any subdivision or agency thereof, the unsecured general obligation debt of which is rated at least “A3” by Moody’s and/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 and/or “MIG-1” by Moody’s.

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

9. Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s which are (i) not subject to redemption prior to maturity or (ii) 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.

10. Repurchase agreements with (i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A-” by S&P and “A3” Moody’s; or (ii) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated

at least “A-” by S&P and “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (iii) any other entity rated at least “A-” by S&P and “A3” Moody’s (each an “RA 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 issuer (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be marked to market;

(c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the trustee, the issuer 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 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;

(e) 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 issuer and the trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) post Eligible Collateral, or (ii) assign the agreement to an RA Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the trustee repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the issuer 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 and “Aa3” by Moody’s (each an “IA 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, to pay debt service (or, if the investment agreement is for the construction

fund, to pay construction costs) at any time upon not more than seven (7) days' prior notice; the issuer 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 issuer setting forth the balance the issuer or 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 issuer, the trustee 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;

(f) the issuer, the trustee 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, (ii) 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 (iii) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

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

(i) the provider's (or guarantor's) rating by either S&P or Moody's falls below "AA-" or "Aa3," the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (1) 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 (2) assign the agreement to an IA Eligible Provider, or (3) 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, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the issuer or trustee.

(h) 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 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 and the issuer 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;

(i) 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;

(j) the investment agreement must provide that if during its term (1) the provider defaults in its payment obligations, and fails to cure such default within one Business Day, then, at the direction of the issuer or the trustee, the payment obligations shall be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the issuer or trustee, as appropriate, and (2) the provider becomes insolvent, does not pay its debts as they become due, be declared or petition to be declared bankrupt, or other similar event occurs (each an "event of insolvency"), and such proceeding is not dismissed, vacated, stayed, or bonded pending appeal within ninety (90) days, the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the issuer or trustee, as appropriate.

12. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or FSLIC. In addition to the authority to invest funds in certificates of deposit, an investment in non negotiable certificates of deposit made in accordance with the following conditions is an authorized investment: (a) the financial institution selected by the Authority arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity; (b) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (c) the financial institution selected by the Authority acts as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority; and (d) the financial institution acting as custodian (1) must agree in writing to hold the certificates of deposit in a segregated trust for the benefit of the Authority and not as an asset on its general ledger or otherwise available to satisfy obligations of creditors of such financial institution and (2) must be rated at least "A" by S&P and "A2" by Moody's for deposits which exceed the amount insured by the FDIC or FSLIC.

13. State of California Local Agency Investment Fund (LAIF).

14. Forward Delivery or Forward Purchase Agreements and with underlying securities outlined in (1), (2) and (3) above.

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

“Rebate Regulations” means the Proposed and Temporary Treasury Regulations issued under Section 148(f) of the Code.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

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

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.05 for the registration and transfer of ownership of the Bonds.

“Representation Letter” means the letter of representations from the Authority to, or other instrument or agreement of the Authority with, a Book-Entry Depository in which the Authority, among other things, makes certain representations to such Book-Entry Depository with respect to the Bonds, the payment thereof and delivery of notices with respect thereto.

“Responsible Trust Officer” means an authorized representative of the Trustee.

“S&P” means S&P Global Ratings, its successors and assigns.

“SRF Loan” means that certain State Revolving Fund Loan Contract No. C-06-4802-110, dated June 10, 2003, by and between the Authority and the California State Water Resources Control Board.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Certificate” means that certain No Arbitrage and Tax Compliance Certificate executed on the Closing Date by the Authority and the City with respect to the Bonds.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103 and 141 through 150, inclusive, of the Code.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States, or its successor, as Trustee hereunder as provided in Section 8.01.

“Trust Office” means the corporate trust office of the Trustee at 333 South Hope Street, Suite 2525, Los Angeles, California 90071, or at such other or additional offices as may be specified in writing to the Authority except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate agency business shall be conducted.

“Water Capital Impact Fees” means any fee or fees collected by the City on behalf of the Authority from property owners as a condition to the Authority providing water service from the

Water Enterprise to residential, commercial or industrial property, but shall not include any non-cash contributions to the Water Enterprise.

“Water Enterprise” means the City’s water system, consisting of the property and assets described in Exhibit A to the Water Enterprise Lease Agreement.

“Water Enterprise Fund” means the fund by that name held by the City on behalf of the Authority.

“Water Enterprise Lease Agreement” means that certain Water Enterprise Lease Agreement, dated as of February 6, 2002, by and between the City and the Authority.

“Water Enterprise Management Agreement” means the agreement of that name, dated as of February 6, 2002, by and between the Authority and the City.

“Water Projects” means, collectively, the projects financed and refinanced with the 2012 Bonds.

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

## **Section 1.02. Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture. The words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## **ARTICLE II**

### **THE BONDS**

**Section 2.01. Authorization of Bonds.** The Authority hereby authorizes the issuance hereunder of the Bonds, which shall constitute special obligations of the Authority, for the purpose of providing funds to enable the Authority to refinance the acquisition and construction of the

Water Projects. The Bonds are hereby designated the “Corona Utility Authority 2023 Water Revenue Refunding Bonds (Water Projects).” The aggregate principal amount of Bonds initially issued and Outstanding under this Indenture shall equal \_\_\_\_\_ Dollars (\$ \_\_\_\_\_). This Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions herein contained.

**Section 2.02. Terms of the Bonds.** The Bonds shall be issued in fully registered form without coupons in \$5,000 denominations or any integral multiple thereof. The Bonds shall mature on September 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Amount</u>	<u>Rate</u>
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Interest on the Bonds shall be payable semi-annually calculated based on a 360-day year of twelve (12) thirty-day months on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail to the Owner on the Interest Payment Date at the address of such Owner as it appears on the Registration Books; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the continental United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of any Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Trust Office. Principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall be dated as of the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before August 15, 2023, in which event it shall bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

**Section 2.03. Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred on 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 for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Authority. Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

**Section 2.04. Exchange of Bonds.** Any Bond may be exchanged at the Trust Office for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. The Trustee shall require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

**Section 2.05. Registration Books.** The Trustee will keep or cause to be kept, at the Trust Office, sufficient records for the registration and transfer of ownership of the Bonds, which shall at all reasonable times be open to inspection during regular business hours by the Authority and the Owners with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

**Section 2.06. Form and Execution of Bonds.** The Bonds shall be substantially in the form attached hereto as Exhibit A and hereby made a part hereof. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signatures of its President and attested with the manual or facsimile signature of its Secretary or any assistant duly appointed by the Board, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond



may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

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

**Section 2.07. Temporary Bonds.** The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Trust Office and the Trustee shall authenticate and 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 authenticated and delivered hereunder.

**Section 2.08. Bonds, Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee and, if such evidence be satisfactory to them and indemnity satisfactory to the Authority and the Trustee shall be given, the Authority, at the expense of the Owner of such lost, destroyed or stolen Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof) upon receipt of the aforementioned indemnity. The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.08 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 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

**Section 2.09. CUSIP Numbers.** The Trustee and the Authority shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption or

defeasance notice nor shall any such defect or inaccuracy affect the effectiveness of such notice. The Trustee may, in its discretion, include in any redemption or defeasance notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee nor the Authority shall be liable for any inaccuracies in such numbers.

### **Section 2.10. Book-Entry Bonds.**

(a) Bonds shall be initially issued in the form of a single, separate fully registered Bond (which may be typewritten) in the full aggregate principal amount for each maturity of the Bonds, and upon initial issuance, the ownership of such Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the initial Book-Entry Depository or such other nominee of DTC or any successor Book-Entry Depository or the nominee thereof, as shall be specified pursuant to the applicable Representation Letter.

(b) With respect to Bonds registered in the Bond Register in the name of the Book-Entry Depository, or its nominee, the Authority shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Authority shall have no responsibility or obligation with respect to (1) the accuracy of the records of the Book-Entry Depository, the nominee of the Book-Entry Depository or any Participant with respect to any ownership interest in the Bonds, (2) the delivery to any Participant or any other Person, other than an Owner as shown in the Bond Register, of any notice with respect to the Bonds, or (3) the payment to any Participant or any other person, other than an Owner as shown in the Bond Register, of any amount with respect to principal of or interest on the Bonds. The Authority may treat and consider the person in whose name each Bond is registered in the Bond Register as the Owner and absolute owner of such Bond for the purpose of payment of principal and interest on such Bond and for all other purposes whatsoever.

(c) The Trustee shall pay all principal of and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Bond Register on the applicable Record Date, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the obligations with respect to the payment of principal of and interest on the Bonds under this Indenture and the Bonds to the extent of the sums so paid. Upon delivery by the Book-Entry Depository to the Authority of written notice to the effect that the Book-Entry Depository has determined to substitute a new nominee in place of the incumbent nominee, and subject to the provisions herein with respect to Record Dates, the word nominee in this Indenture shall refer to such new nominee of the Book-Entry Depository.

(d) In order to qualify the Bonds for the Book-Entry Depository's book-entry system, the Executive Director of the Authority is hereby authorized to execute and deliver on behalf of the Authority to the Book-Entry Depository a Representation Letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (b) of this Section or in any other way impose upon the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners as shown in the Bond Register. In addition to the execution and delivery of the Representation Letter, the officers of the Authority, and their authorized

representatives, each are hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for each Book-Entry Depository's book-entry program.

(e) In the event (i) the incumbent Book-Entry Depository determines not to continue to act as Book-Entry Depository for the Bonds, or (ii) the Authority determines that the incumbent Book-Entry Depository shall no longer so act, and delivers a written certificate to the incumbent Book-Entry Depository to that effect, then the Authority will discontinue the book-entry system for the Bonds with the incumbent Book-Entry Depository. If the Authority determines to replace the incumbent Book-Entry Depository with another qualified Book-Entry Depository, the Authority shall prepare or direct the preparation of and execute, and the Trustee shall authenticate and deliver, a new single, separate fully registered bond (which may be typewritten) for the aggregate outstanding principal amount for each maturity of the Bonds held by the incumbent Book-Entry Depository, registered in the name of such successor or substitute qualified Book-Entry Depository or its nominee, or make such other arrangement acceptable to the Authority and the successor Book-Entry Depository as are not inconsistent with the terms of this Indenture. If the Authority fails to identify another qualified successor Book-Entry Depository to replace the incumbent Book-Entry Depository, then the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Book-Entry Depository or its nominee, but shall be registered in whatever name or names the Book-Entry Depository or its nominee shall designate. In such event the Authority shall prepare or direct the preparation of and execute, and the Trustee shall authenticate and deliver to the Owners thereof, such Bonds as are necessary to carry out the transfers and exchanges provided in this Indenture. All such Bonds shall be in fully registered form in denominations authorized hereunder.

(f) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Book-Entry Depository or its nominee, all notices and payments with respect to principal of and interest on such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Book-Entry Depository.

### ARTICLE III

#### ISSUANCE OF BONDS AND APPLICATION OF PROCEEDS; PARITY OBLIGATIONS

**Section 3.01. Issuance of the Bonds.** At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver Bonds in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_).

**Section 3.02. Application of the Bonds.** The proceeds received from the sale of the Bonds in the amount of \$\_\_\_\_\_ (representing the purchase price of the Bonds, less the Underwriter's discount and [plus an original issue premium]) shall be deposited in trust with the Trustee, who shall forthwith set aside such proceeds as follows:

(a) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund;

(b) The Trustee shall transfer the amount of \$ \_\_\_\_\_ to the trustee of the 2012 Bonds for deposit into the redemption fund relating to the 2012 Bonds;

(c) The Trustee may establish and maintain for so long as is necessary one or more temporary funds and accounts under this Indenture, including but not limited to a temporary fund for holding the proceeds of the Bonds.

**Section 3.03. Establishment and Application of Costs of Issuance Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, and that such payment is a proper charge against said fund. On [February 1, 2024], or upon the earlier Written Request of the Authority, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Bond Fund.

**Section 3.04. [Reserved].**

**Section 3.05. Validity of Bonds.** The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance and shall not be affected in any way with respect to or in connection with any other agreement.

**Section 3.06. Senior Obligations; Parity Obligations.** After the Closing Date, as long as any Bonds are outstanding and payable, the Authority shall not issue or incur any bond, note, warrant, evidence of indebtedness, contract, instrument or other agreement payable from Net Revenues the payment of which is prior and senior to the payment of the Bonds.

The Authority may issue or incur any bond, note, warrant, evidence of indebtedness, contract, instrument or other agreement secured by a pledge of and lien on Net Revenues equally and ratably with the Bonds (referred to herein as “Parity Obligations”) subject to the following provisions:

(a) The Authority is not in default under the terms of this Indenture.

(b) (i) Net Revenues, as certified by the Authority, for the most recent audited Fiscal Year preceding the date of execution of the Parity Obligations, plus (ii) projected Net Revenues (as described below) are at least equal to 125% of Aggregate Maximum Annual Debt Service.

The projections described in (b)(ii) above may take into account (1) increases in the charges made for service from the Water Enterprise which have been adopted by the Authority prior to the date of issuance or incurrence of such Parity Obligations, but which were not in effect for all or part of such preceding Fiscal Year, and which are scheduled to be effective in the period of Debt Service shown for such Parity Obligations, and (2) an allowance for estimated additional average annual Net Revenues from any additions or connections to or improvements or extensions of the Water Enterprise which have occurred from the end of Fiscal Year preceding the date of execution of the Parity Obligations.

(c) Notwithstanding the requirements described above, Parity Obligations may be issued or incurred to refund outstanding Parity Obligations if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Parity Obligations (outstanding on the date of issuance or incurrence of such refunding Parity Obligations, but excluding such refunding Parity Obligations) not being refunded are outstanding.

(d) The Authority may but shall not be required to fund a reserve fund or obtain a reserve fund surety or instrument with respect to any Parity Obligations. If a reserve fund is funded for any Parity Obligations or a qualified reserve fund surety or instrument is obtained with respect to any Parity Obligations, such funded reserve fund or qualified reserve fund surety or instrument shall secure only the related Parity Obligations and shall not support the Bonds or any other Parity Obligations.

(e) **Subordinate Obligations.** The Authority further covenants that the Authority shall not issue or incur any Subordinate Obligations unless Net Revenues or projected Net Revenues, calculated in the same manner as described in paragraph (b) above, are equal to at least 100% of the sum of Debt Service on all Parity Obligations and Subordinate Obligations outstanding immediately subsequent to the incurring of such additional obligations.

## ARTICLE IV

### REDEMPTION OF BONDS

**Section 4.01. Terms of Redemption.** The Bonds are not subject to redemption prior to their respective stated dates of maturity.

## ARTICLE V

### PLEDGE OF NET REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### **Section 5.01. Pledge and Assignment; Bond Fund.**

(a) 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 Net Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge, charge, and assignment shall constitute a first lien on and security interest in the Net Revenues and shall attach, be perfected, and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Water Enterprise Fund shall be held by the City on behalf of the Authority. Authority shall cause the City to deposit all of the Gross Revenues immediately upon receipt in the Water Enterprise Fund. On or after the first day of each month, amounts deposited in the Water Enterprise Fund shall be disbursed in the following order of priority:

- (1) payment of Direct Costs and Allocated Costs for the preceding month; and
- (2) payment of debt service coming due on any bonds, notes or obligations of the Authority relating to the Water Enterprise.

Amounts remaining in the Water Enterprise Fund immediately after making the transfers required to be made pursuant to this Section shall be used by the Authority for any lawful purpose of the Authority.

(c) The Authority hereby transfers in trust, grants a security interest in, and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Net Revenues and all of the rights of the Authority hereunder (but none of its duties or obligations hereunder). The Trustee shall be entitled to and shall collect and receive all of the Net Revenues, and any Net Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce all of the rights of the Trustee hereunder.

(d) All Net Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited in such fund. All Net Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

**Section 5.02. Net Revenues.** Not later than the first Business Day preceding each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority, the requirements of each such account at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date.

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

**Section 5.04. Application of Principal Account.** All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

**Section 5.05. Investments.** All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority pursuant to a Written Request of the Authority filed with the Responsible Trust Officer of the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (7) of the definition thereof, provided that as long as the Trustee is The Bank of New York Mellon Trust Company, N.A., the Trustee shall invest such money in the money market fund set forth in the letter of authorization and direction executed by the Authority and delivered to the Trustee. If no specific money market fund has been specified by the Authority, the Trustee shall make a request to the Authority for investment directions. Such moneys shall be held in cash, uninvested, until specific investment directions are provided by the Authority to the Trustee. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.05. Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, or the responsibility to validate the ratings of Permitted Investments prior to the initial purchase.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

**Section 5.06. Valuation of Investments.** For the purpose of determining the amount in any fund or account, the value of Permitted Investments credited to such fund shall be valued quarterly by the Trustee at the market value thereof (excluding any accrued interest). The Trustee may utilize computer pricing services as are available to it in making such valuations. Any deficiency in a fund or account resulting from a decline in market value shall be restored by the Authority no later than the next scheduled quarterly valuation date.

## ARTICLE VI

### PARTICULAR COVENANTS

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

**Section 6.02. Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any 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 6.02 shall be deemed to limit the right of the Authority to issue Parity 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 Net Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except as permitted by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

**Section 6.04. Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Net Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Net Revenues and other assets and all the rights of the Bond 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 complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Gross Revenues, the Net Revenues and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City, during business hours and under reasonable circumstances, upon reasonable notice.

**Section 6.06. Rate Covenant.** The Authority hereby covenants to fix, prescribe, revise and collect rates and charges for the services and facilities furnished by the Water Enterprise, or



cause the City to do so, during each Fiscal Year which (together with other funds accumulated from Gross Revenues and which are lawfully available to the Authority for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and errors in estimates, to pay the following amounts in the following order:

- (a) all Direct Costs and Allocated Costs of the Water Enterprise estimated by the Authority to become due and payable in such Fiscal Year;
- (b) all Debt Service coming due and payable in such Fiscal Year; and
- (c) all payments required to meet any other obligations of Authority which are charges, liens or encumbrances upon, or payable from, the Net Revenues.

The Authority shall fix, prescribe, revise and collect rates and charges for the services and facilities furnished by the Water Enterprise, or cause the City to do so, during each Fiscal Year which are sufficient to yield Net Revenues, at least equal to one hundred and twenty-five percent (125%) of the amounts payable under the preceding clause (b) in such Fiscal Year.

**Section 6.07. Maintenance.** Throughout the term of this Indenture, all improvement, repair, and maintenance of the Water Projects shall be the responsibility of the Authority, and the Authority shall pay for or otherwise arrange for the payment of all utility services supplied to the Water Projects, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Water Projects resulting from ordinary wear and tear.

**Section 6.08. Operation of Water Enterprise.** The Authority covenants and agrees to operate the Water Enterprise in an efficient and economical manner and to operate, maintain and preserve the Water Enterprise in at least as good repair and working order as on the effective date of this Indenture. The Authority covenants that, in order to fully preserve and protect the priority and security of the Net Revenues, the Authority shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the Authority to pay the Net Revenues in accordance herewith. The Authority shall be responsible for any fines, liabilities, or other debts coming due as a result of the operation of the Water Enterprise.

**Section 6.09. [Reserved]**

**Section 6.10. Provisions Regarding Insurance.** The Authority shall maintain or cause to be maintained the policies of insurance listed herein. The Authority shall file with the Trustee a certificate stating that the Authority has complied with this Section 6.10, within 60 days of the end of each fiscal year. The Trustee is entitled to rely on such certificate without undertaking to independently investigate the representations contained therein. The Authority shall maintain:

- (a) Insurance against loss or damage to any structures constituting any part of the Water Enterprise, as is customarily maintained with respect to works and properties of

a like character, which may be carried in conjunction with any other policies of fire and extended coverage insurance;

(b) Public Liability and Property Damage the minimum coverages of which shall be \$1,000,000 for personal injury or death per person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and property damage insurance in the minimum coverage of \$100,000 per event, respectively, the property damage being subject to a maximum \$25,000 deductible per accident. Such insurance may be maintained in the form of a minimum \$3,000,000 single limit policy covering all such risks;

(c) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed in connection with the Water Enterprise and to cover full liability for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of any person incurring or suffering injury or death during or in connection with the Water Enterprise.

(d) Any insurance required by this Agreement, except insurance required under Section 6.10(a) hereof, may be maintained by the Authority in the form of self-insurance. Such self-insurance shall be maintained on a basis which is actuarially sound as established by the Authority's risk manager or an independent insurance consultant which determination shall be made annually. Any deficiency shall be corrected within 60 days of the Authority becoming aware of such deficiency.

**Section 6.11. Inability to Obtain Insurance.** Notwithstanding the provisions of Section 6.10 of this Indenture, if at any time Authority shall be unable to obtain or maintain insurance to the extent required by Section 6.10 on reasonable terms, either as to amounts or as to risks, the failure to maintain such insurance shall not constitute a default under this Indenture if the Authority shall cause the employment of an independent insurance consultant having a favorable reputation for skill and experience in such matters, for the purpose of reviewing such insurance requirements and making recommendations respecting the type, amounts and provisions of reasonably obtainable insurance, including self-insurance, or the establishment of other generally accepted forms of alternative protection that should be carried in lieu thereof, or the infeasibility of obtaining insurance, and if the Authority shall comply with the recommendations made in such report. A signed copy of the report of the insurance consultant shall be filed with the Trustee, and the insurance requirements specified in Section 6.10 shall be deemed to be modified to conform with the recommendations in such report.

**Section 6.12. Observance of Laws and Regulations.** The Authority will well and truly keep, observe and perform or cause to be kept, observed and performed all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege

or franchise now owned or hereafter acquired by the Authority, including its right to exist and carry on business as a public body, corporate and political, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

**Section 6.13. Eminent Domain or Insurance Award.** The Authority shall cause amounts received as awards as a result of the taking of all or any part of the Water Enterprise by the lawful exercise of eminent domain or the receipt of insurance award for any casualty loss for any of the Water Enterprise to be used to repair or replace the Water Enterprise or portion thereof so damaged or taken by eminent domain. Alternatively, the Authority and the City may amend Exhibit B hereto to add water capital facilities to be constructed or acquired with the net proceeds of such insurance or condemnation award. If the Authority cannot repair, replace, or substitute the Water Enterprise, then the City may make a deposit pursuant to Section 10.03 hereof.

**Section 6.14. Disclaimer of Warranties.** The City has made no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Authority of the Water Enterprise, or any other representation or warranty with respect to the Water Enterprise. In no event shall the City be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Indenture for the existence, furnishing, functioning or Authority's use of the Water Enterprise.

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

**Section 6.16. Rebate Requirement.** The Authority shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investments earnings, if any, to the federal government.

**Section 6.17. Private Activity Bond Limitation.** The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code.

**Section 6.18. Private Loan Financing Limitation.** The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private loan financing test of Section 141(c) of the Code.

**Section 6.19. Federal Guaranty Prohibition.** The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

**Section 6.20. Maintenance of Tax-Exemption.** The Authority shall take any and all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

**Section 6.21. Waiver of Laws.** The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

**Section 6.22. Protection of Security and Rights of Owners.** The Authority will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, such Bonds shall be incontestable by the Authority.

**Section 6.23. Continuing Disclosure.** The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the Authority as of the Closing Date in connection with the Bonds (the “Continuing Disclosure Certificate”). Notwithstanding any other provision of this Indenture, failure of the Authority or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee (at the request of any participating underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction therefor, shall) or any Bondowner may but shall not be obligated to seek mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Section.

**Section 6.24. Maintenance of Existence.** The Authority hereby covenants and agrees to take any and all action on its part to maintain its existence, and to cause the City and the successor agency to the Agency to take such action necessary to maintain the existence of the Authority. The Authority shall not permit any action to be taken which shall cause the City or the successor agency to the Agency to terminate or shorten the term of the Agreement.

**Section 6.25. Further Assurances.** The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

**Section 7.01. Events of Default.** The following events shall be Events of Default hereunder:

- (a) Default in the due and punctual payment by the Authority of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Default in the due and punctual payment by the Authority of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default 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, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in any other obligation of the Authority secured by a pledge of Net Revenues on a parity with the pledge made hereunder.

**Section 7.02. Remedies Upon Event of Default.** If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee shall at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

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

**Section 7.03. Application of Net Revenues and Other Funds After Default.** If an Event of Default shall occur and be continuing, all Net Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture 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) 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 on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with 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 acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), 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.

**Section 7.04. Trustee to Represent Bond Owners.** The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Net Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

**Section 7.05. 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 expose it to liability.

**Section 7.06. Limitation on Bond Owners' Right to Sue.** Notwithstanding any other provision hereof, 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 any other 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 Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

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 other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

**Section 7.07. Absolute Obligation of Authority.** Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Net Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

**Section 7.08. Termination of Proceedings.** In case any proceedings taken by the Trustee, 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 7.09. 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 7.10. 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 Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee, or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

## ARTICLE VIII

### THE TRUSTEE

#### **Section 8.01. 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 and no implied duties or covenants shall be read into this Indenture against the Trustee. 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 its exercise, as responsible person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and the Authority shall at any time upon the request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section 8.01, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and the City and thereupon shall appoint a successor Trustee by an instrument in writing. Any such removal shall be made upon at least thirty (30) days' prior written notice to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and by giving the Bond Owners notice of such resignation by mail at the respective addresses shown on the Registration Books at least 45 days prior to the date of resignation. 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 have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the Authority shall petition any federal or state court 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 the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail or cause the successor Trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the respective addresses shown on the Registration Books. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State agency, so long as any Bonds are Outstanding. If such corporation or association 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 (e), the combined capital and surplus of such corporation 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 immediately in the manner and with the effect specified in this Section 8.01.

(f) 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 these Bonds other than for statements provided by the Trustee which relate directly to the status of the Trustee's corporate trust business.

**Section 8.02. Merger or Consolidation.** Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under subsection (e) of Section 8.01 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 8.03. Liability of Trustee.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility nor liability for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or the Bonds, nor shall the Trustee incur any responsibility nor liability therefore in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the 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.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder, unless and until the Responsible Trust Officer shall have actual knowledge thereof, or shall have received written notice thereof at its Trust Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority of any of the terms, conditions, covenants or agreements herein, or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default or an event which would, with the giving of notice, the passage

of time, or both, constitute an Event of Default. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the Authority of the terms, conditions, covenants or agreements set forth herein, other than the covenants of the Authority to deliver Net Revenues to the Trustee when due and to file with the Trustee when due such reports and certifications as the Authority is required to file with the Trustee hereunder.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it is not assured to its satisfaction that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents or attorneys.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of Owners pursuant to this Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of Section 8.01(a), this Section 8.03 and Section 8.04 hereof.

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

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority of the 2012 Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the 2012 Project.

(l) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

**Section 8.04. Right to Rely on Documents.** The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them 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 treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition 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, Written Request or Written Requisition, 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 deem reasonable.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling so long as such understanding is a reasonable interpretation of the instructions according to industry standards. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction unless such losses, costs or expenses arise out of the willful misconduct or gross negligence of the Trustee. The Authority agrees to assume liability arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties, unless such liability arises out of the willful misconduct or gross negligence of the Trustee.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority and City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures

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

**Section 8.05. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Indenture shall be retained in their respective possession and shall be subject at all reasonable times to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

**Section 8.06. Compensation and Indemnification.** The Authority shall pay to the Trustee from time to time the compensation for all services rendered under this Indenture and also all reasonable expenses and disbursements, incurred in and about the performance of its powers and duties under this Indenture. In the event the Trustee advances its own funds for the payment of the Bonds or for the protection or benefit of the Owners of the Bonds, the Authority shall promptly reimburse the Trustee for such advances with interest at the maximum rate allowed by law.

The Authority shall indemnify, defend and hold harmless the Trustee against any loss, liability or expense including legal fees and expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Authority under this Section 8.06 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

#### Section 9.01. Amendments Permitted.

(a) This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on Net Revenues and other assets (except as expressly provided in this Indenture), without consent of the Owners of all of the Bonds then Outstanding, or (iii) modify any of the rights or obligations of the Trustee hereunder without its written consent thereto. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) This Indenture and the rights and obligations of the Authority, of 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 Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof 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) to modify, amend or supplement this Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code; or

(v) to facilitate the issuance of Parity Obligations.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of any modification hereof or amendment hereto shall be given by the Authority to each rating agency which then maintains a rating on the Bonds, at least fifteen (15) days prior to the effective date of the related Supplemental Indenture.

**Section 9.02. Effect of Supplemental Indenture.** Upon the execution of any Supplemental Indenture pursuant to this Article IX, 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 9.03. 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 on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Trust Office or at such additional offices as the Trustee may select and designate for that purpose, 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 on the Owners of any Bonds then Outstanding shall be exchanged at the Trust Office, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

**Section 9.04. Amendment of Particular Bonds.** The provisions of this Article IX shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

## ARTICLE X

### DEFEASANCE

**Section 10.01. Discharge of Indenture.** Any portion or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority with respect to such Bonds:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or non-callable Federal Securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering such Bonds to the Trustee for cancellation.

The Authority shall defease such portion of the Bonds outstanding when so directed by the City and upon receipt of cash or securities sufficient to defease such specified amount of Bonds.

If the Authority shall also pay or cause to be paid all other sums payable hereunder, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge such Bonds and this Indenture with respect to such Bonds), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Net Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, the Trustee shall be authorized to take such actions and execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction. In the event all Outstanding Bonds are paid as provided in this Section 10.01, the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment or redemption of any Bonds not theretofore surrendered for such payment or redemption and after payment of amounts due to the Trustee under the Indenture.

Prior to the defeasance of the Bonds, the Authority shall obtain the following items:

- a. An opinion of Bond Counsel to the effect (i) that the defeasance will not adversely impact the exclusion from gross income for federal income tax purposes of interest on the Bonds or refunded bonds and (ii) that the Bonds are no longer "Outstanding" under the Indenture;
- b. If the Bonds are being advance-refunded, a refunding trust or escrow agreement and an opinion of counsel regarding the validity and enforceability of the escrow agreement. In addition, such escrow agreement shall provide that:



i. Any substitution of securities shall require verification by an Independent Certified Public Accountant.

ii. The Authority will not exercise [any optional redemption of Bonds secured by such escrow agreement or] any other redemption other than mandatory sinking fund redemptions unless 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.

**Section 10.02. Discharge of Liability on Bonds.** Upon the deposit with the Trustee, in trust, at or before maturity, of money or non-callable Federal Securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity of such Bonds), provided that, if such Bonds are to be defeased prior to maturity, notice of such defeasance shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

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

**Section 10.03. Deposit of Money or Securities with Trustee.** Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or non-callable Federal Securities in the necessary amount to pay or redeem any Bonds, the money or non-callable Federal Securities so to be deposited or held may include money or non-callable Federal Securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, provided that, in the case of Bonds which are to be defeased prior to maturity, notice of such defeasance shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice; or

(b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant filed with the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be defeased prior to the maturity thereof, notice of such defeasance shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture, and (iii) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date; and a certificate of discharge of the Trustee with respect to the Bonds.

**Section 10.04. Unclaimed Funds.** Notwithstanding any provisions of this Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture and at the request of the Trustee an indemnification agreement acceptable to the Authority and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

**Section 11.01. Liability of Authority Limited to Net Revenues.** Notwithstanding anything in this Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Net Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

**Section 11.02. Limitation of Rights to Parties; Bond Owners.** Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

**Section 11.03. Funds and Accounts.** Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting

records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof.

**Section 11.04. Waiver of Notice; Requirement of Mailed Notice.** Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

**Section 11.05. Destruction of Bonds.** Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and, upon written request of the Authority, deliver a certificate of such destruction to the Authority.

**Section 11.06. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

**Section 11.07. Notices.** All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by the recipient (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority:

**Corona Utility Authority**  
400 South Vicentia Avenue, Suite 120  
Corona, CA 92882  
Attn: Executive Director

If to the City:                   **City of Corona**  
400 South Vicentia Avenue, Suite 120  
Corona, CA 92882  
Attn: City Manager

If to the Trustee:               **The Bank of New York Mellon Trust Company, N.A.**  
333 South Hope Street, Suite 2525  
Los Angeles, CA 90071  
Attn: Corporate Trust Services  
Re: Corona PFA 2012 and 2023

**Section 11.08. Evidence of Rights of Bond Owners.** Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

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

The ownership of Bonds shall be proved by the Registration Books.

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

**Section 11.09. Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 11.09 if the pledgee shall certify to the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority shall specify to the Trustee those Bonds which are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on a certificate.

**Section 11.10. Money Held for Particular Bonds.** The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however,* to the provisions of Section 10.04 hereof but without any liability for interest thereon.

**Section 11.11. Waiver of Personal Liability.** No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

**Section 11.12. Successor Is Deemed Included in All References to Predecessor.** Whenever in this Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 11.13. 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 11.14. Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the State.

**IN WITNESS WHEREOF**, the CORONA UTILITY AUTHORITY has caused this Indenture to be signed in its name by its President and attested to by its Secretary, and The Bank of New York Mellon Trust Company, N.A. 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.

CORONA UTILITY AUTHORITY

By: \_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

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

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

No. R-\_\_\_\_\_ \$ \_\_\_\_\_

**UNITED STATES OF AMERICA**  
**STATE OF CALIFORNIA**  
**CORONA UTILITY AUTHORITY**  
**2023 WATER REVENUE REFUNDING BONDS**  
**(WATER PROJECTS)**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
_____	September 1, 20____	_____, 2023	

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The CORONA UTILITY AUTHORITY, a joint powers authority, duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before September 1, 2023, in which event it shall bear interest from the Original Issue Date specified above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on September 1 and March 1 in each year, commencing September 1, 2023 (collectively, the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office (the "Trust Office") of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in Los Angeles, California or such other places as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed on the Interest Payment Date by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee prior to such Record Date by a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer

in immediately available funds to an account in the continental United States of America designated by such Registered Owner in such written request.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the “Corona Utility Authority 2023 Water Revenue Refunding Bonds (Water Projects)” (the “Bonds”), in an aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”), and pursuant to an Indenture of Trust, dated as of \_\_\_\_\_, 2023, by and between the Authority and the Trustee (the “Indenture”) and a resolution of the Board of Directors of the Authority adopted on \_\_\_\_\_, 2023, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues (as defined in the Indenture), and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to refinance certain improvements to the water collection and distribution facilities of the Corona Utility Authority and to refinance certain water facilities of the Corona Utility Authority.

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a charge and lien on the Net Revenues under the Indenture.

This Bond is not a debt of the City of Corona, the County of Riverside, the State of California, or any of its political subdivisions, in contravention of any constitutional or statutory limitations, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Net Revenues.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds are not subject to redemption prior to their respective dates of maturity.

If an Event of Default, (as defined in the Indenture), shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided



in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange therefor. This Bond may be exchanged at the Trust Office or such other place as designated by the Trustee of the Trustee for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations. Transfer or exchange of this Bond will not be permitted during the period established by the Trustee for selection of Bonds for redemption or if this Bond has been selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Corona Utility Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its President and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

CORONA UTILITY AUTHORITY

By \_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

CERTIFICATE OF AUTHENTICATION

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

Dated:

The Bank of New York Mellon Trust Company,  
N.A., as Trustee

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

(FORM OF ASSIGNMENT)

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(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 books of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

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

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

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