



**PUBLIC COMMENTS**

**REPORTS/COMMENTS – BOARD MEMBERS/STAFF**

**ADJOURNMENT**

Note: The Board may take action on any matter, however listed on this Agenda, and whether or not listed on this Agenda, to the extent permitted by applicable law. Staff Reports are subject to change without prior notice.

Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the Recording Secretary to all or a majority of the SPWA Board less than 72 hours prior to that meeting are available for public inspection during normal business hours at the City of Roseville Corporation Yard, 2005 Hilltop Circle, Roseville California 95747.

# SOUTH PLACER WASTEWATER AUTHORITY

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Jack Duran – Placer County, Chair  
Bonnie Gore – Roseville, Vice Chair  
Jerry Mitchell – SPMUD  
Pauline Roccucci – Roseville  
Robert Weygandt – Placer County

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## MINUTES OF BOARD OF DIRECTORS' MEETING January 31, 2013

The regular meeting of the South Placer Wastewater Authority Board of Directors was called to order at 9:30 a.m. at the Roseville Corporation Yard, 2005 Hilltop Circle, Roseville, CA.

**Directors Present:**

Jack Duran  
Bonnie Gore  
Jerry Mitchell  
Pauline Roccucci  
Robert Weygandt

**Staff Present:**

Paul Chrisman, JPA Counsel  
Ken Glotzbach, Wastewater Utility Manager  
Russ Branson, Treasurer  
Karen Sainsbury, Secretary

**Roll Call**

All Directors were present.

**Introductions**

The following were in attendance: Bob Schmitt, Ed Kriz, Carol Margetich, Janet Vargas, Russ Branson, Sandra Ikeda, Vanessa Lieberman, Monty Hanks and Jacquie Clarizio from the City of Roseville; Charles Clark, and Sam Rose from SPMUD; Bill Zimmerman and Dave Atkinson from Placer County; and Brian Thomas with Public Financial Management.

**Election of Chair and Vice Chair**

A vote was taken as follows:

MOTION by Director Gore, seconded by Director Weygandt, to elect Director Duran as Chair.

Vote:                   Ayes:   Duran, Gore, Mitchell, Roccucci, Weygandt  
                              Nos:  
                              Absent:

MOTION by Director Duran, seconded by Director Mitchell, to elect Director Gore as Vice-Chair.

Vote:                   Ayes:   Duran, Gore, Mitchell, Roccucci, Weygandt

Nos:  
Absent:

**Approval of Minutes, June 28, 2012**

A vote was taken as follows:

MOTION by Director Mitchell seconded by Director Weygandt to approve the June 28, 2012 minutes.

Vote:                   Ayes:     Duran, Mitchell, Roccucci, Weygandt  
                              Nos:  
                              Abstention:     Gore

**Appointment of Acting SPWA Executive Director**

A vote was taken as follows:

MOTION by Director Weygandt seconded by Director Roccucci to approve Resolution 2013-01 appointing Ken Glotzbach as the Interim Executive Director until the City of Roseville appoints a new Director of Environmental Utilities.

Vote:                   Ayes:     Duran, Gore, Mitchell, Roccucci, Weygandt  
                              Nos:  
                              Abstention:

**Old Business Items**

**1. Information: Status of Reallocation Agreements and Bank Discussions**

Brian Thomas addressed the Board indicating he would report on Old Business Items #1 and #2 together.

Brian provided a status of the Reallocation Agreements. US Bank and StateStreet have given their approval. Morgan Stanley and two investors (PIMCO and American Century) have given oral approval. Signed documents are in the works and expected in the next 30 days. Once they are in hand, the agreements can be distributed.

Brian presented an overview of the Authority's debt and reported on the variable rate demand bonds that have a letter of credit expiring on April 7, 2013. Brian presented available alternatives, recommending a conversion of the bonds to a new variable rate mode that does not require external bank support. The bonds would be purchased by US Bank directly under a funded loan agreement with a term of 3-1/2 years.

Chair Duran asked Board Members if there were any objections in pursuing a 3-1/2 year direct loan with US Bank. There were no objections.

Brian reported that formal action will be required at the March 11, 2013 Board Meeting.

**2. Information: Presentation of Variable to Fixed Rate Debt Analysis**

This agenda item was presented by Brian Thomas as part of Old Business Item #1.

**New Business Items**

**1. Resolution: Commendation and Appreciation for Kirk Trost**

Chair Duran acknowledged Kirk Trost for his service to the SPWA Board.

MOTION by Director Weygandt seconded by Director Roccucci to approve Resolution 2013-02. The vote was unanimous.

**2. Resolution: Commendation and Appreciation for Derrick Whitehead**

Chair Duran acknowledged Derrick Whitehead for his service to the SPWA Board.

MOTION by Director Weygandt seconded by Director Roccucci to approve Resolution 2013-05. The vote was unanimous.

**3. Resolution: Approval of Updated Authority Schedule of Regular Meeting Dates**

MOTION by Director Mitchell seconded by Director Gore to approve Resolution 2013-04. The vote was unanimous.

**4. Information: Debt and Investment Review**

Monty Hanks and Vanessa Lieberman reported on the performance of the Authority's debt and investments through December 31, 2012.

**5. Resolution: Approval of CIP Mid-Year Adjustments and Project Status**

Ken Glotzbach presented the adjustments to the FY2012-13 Capital Improvements Projects Budget and requested the Board's approval.

MOTION by Director Weygandt seconded by Director Mitchell to adopt Resolution 2013-03. The vote was unanimous.

**6. Information: Rate Stabilization Fund Balances**

Sandra Ikeda provided an update on the Rate Stabilization Fund Balances as of November 30, 2012.

**7. Information: Rate Stabilization Fund Summary/Available Resources**

Sandra Ikeda reported on the Rate Stabilization Fund Summary and Available Resources for FY 2011-12 as well as FY 2012-13 estimates. The backup materials were missing from the Board binders but will be emailed to everyone after the meeting.

**Reports/Comments – Board Members/Staff**

None

**Public Comment**

None

**Adjournment**

The meeting was adjourned at 10:54 a.m.

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**Jack Duran**  
**Chair**

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**Karen Sainsbury**  
**Secretary to the Board**



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AC NO: 13-07

February 17, 2013

## Memorandum

**To:** Ken Glotzbach, *Executive Director, South Placer Wastewater Authority*  
**From:** Brian Thomas, Thomas Toepfer and Duncan Brown, *Public Financial Management*  
**Re:** Variable Rate Bonds and Alternatives

This memo is in response to the board's request for an analysis of the options available to the South Placer Wastewater Authority ("SPWA" or the "Authority") as the Letters of Credit supporting \$60.3 million of variable rate debt are about to expire. This analysis includes the option of refunding the outstanding bonds with fixed rate debt.

The SPWA currently has \$30.165 million Series 2011A Variable Rate Demand Bonds ("VRDBs") outstanding that are secured by a letter of credit ("LOC") from State Street Bank and \$30.160 million Series 2011B VRDBs secured by an LOC from U.S. Bank. Both LOCs are set to expire on April 7, 2013. The following table shows the Authority's \$151.6 million of outstanding debt.

### Overview of outstanding debt<sup>1</sup> and swap

Series	Outstanding Par	Call Date	Purpose	Interest Rate Mode	Final Maturity	LOC Counterpart	Expiration Date	% of Total Debt	Coupon Range
Series 2011A	\$ 30,165,000	Anytime	Refunding	Variable Rate Demand Bonds (VRDBs)	11/1/2035	State Street	4/7/2013	19.9%	Variable Rate (close to SIFMA) plus 1.25% LOC fee plus 0.10% remarketing fee
Series 2011B	\$ 30,160,000	Anytime	Refunding	Variable Rate Demand Bonds (VRDBs)	11/1/2035	U.S. Bank	4/7/2013	19.9%	
Series 2011C	\$ 61,310,000	11/1/2020	Refunding	Fixed Rate Bonds	11/1/2025	None	None	40.4%	4.00% - 5.25%
Series 2011D	\$ 30,000,000	5/1/2014	Refunding	SIFMA Index Bonds (SIBs)	11/1/2029	None	Hard Put 11/1/2014	19.8%	SIFMA plus 0.83%
<b>Total</b>	<b>\$151,635,000</b>								

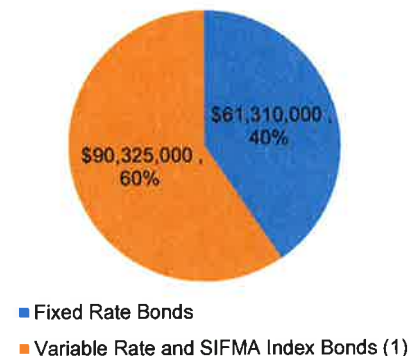
Outstanding Swaps	Initial Notional	Current Notional	SPWA Pays	Client Receives	Effective Date	Maturity Date	MTM Value as of 1/25/2013	Bank Counterparty Ratings
Swap with Morgan Stanley	\$ 92,850,000	\$ 82,650,000	3.665%	62% of USD-LIBOR + 0.26%	4/10/2008	11/1/2027	\$ (14,558,750)	Baa1 / A- / A (Moody's / S&P / Fitch)

### Financing alternatives and overview of major risks

The expiration of the LOCs provides an opportunity and necessity to evaluate the current debt structure and review financing alternatives, including:

- (1) Replace or renew existing letters of credit
- (2) Refund or convert bonds to new variable-rate mode that does not require external bank support
- (3) Refund or convert bonds to fixed-rate mode

### Debt Structure



<sup>1</sup> (1) About \$82 million of the variable rate demand bonds and SIFMA index bonds are hedged with a fixed pay swap.



### Different Products Have Different Risks

The major risks associated with different products of variable or fixed rate debt are described below.

- **Interest Rate Risk:** The risk that interest rates will increase after the issuance of the bonds.
- **Tax Risk:** Risk of changes in tax law – affecting interest rates
- **Bank/Counterparty Risk:** Risk of a deteriorating credit rating of the counterparty that supports the variable rate bonds (e.g. through LOC). A lower credit rating of the bank will lead investors to demand higher interest rates.
- **Renewal Risk:** The risk that SPWA cannot secure a cost-effective renewal of a Letter or Line of Credit, refinancing of maturing bonds (if short or medium term bonds). In addition to pricing, renewal terms and covenants may be renegotiated.
- **Rollover Risk:** At maturity (put date/end of purchase period) for FRN and Direct Purchase Loans, SPWA will need to rollover the bonds and is subject to the market environment at that point in time
- **Put Risk:** The risk that the Remarketing Agent will be unable to find investors for the bonds, resulting in the bonds being “put” (tendered) back to the LOC bank. In this case, two things happen:
  - The rate on the bonds jumps to a predetermined taxable bank rate, usually the higher of 12%, Prime or LIBOR plus a spread;
  - Should the remarketing agent be unable to place/sell the bonds held by the letter of credit bank to new investors for a period of up to 90 days (typically, although this can be longer or shorter), the bonds convert to a “term loan” whereby the balance of the loan amortizes over a period of up to three (3) years (typically). During this period the borrower has the option of refinancing the loan with another debt instrument.
- **Remarketing Performance Risk:** Risk the remarketing agent doesn’t remarket the bonds at best rate due to a number of factors, including credit quality.

The following table provides an overview of the risks associated with the alternatives discussed in this memo.

Risk Type	VRDBs w/ Bank Letter of Credit	Floating Rate Notes or Direct Purchase Loan	Fixed Rate Bonds
Interest Rate Risk	●	●	○
Tax Risk	●	●	○
Bank Exposure Risk (Counterparty Risk)	●	○	○
Bank Facility Renewal Risk	●	○	○
Rollover Risk	○	●	○
Put Risk	●	○	○
Remarketing Performance Risk	●	○	○
	<b>Risk</b>	<b>Some Risk</b>	<b>No Risk</b>
<b>Legend</b>	●	◐	○



## **Alternative A: Renewal or Replacement of the Letters of Credit**

This alternative would maintain the current debt structure. State Street Bank notified the Authority that State Street does not intend to extend the existing letter of credit for the Series 2011A bonds. U.S. Bank is willing to provide an LOC for both the Series 2011A bonds and Series 2011B bonds (U.S. bank has also offered to purchase the bonds which is described in the next section). Alternatively, the Authority could utilize an RFP process to obtain competing proposals from interested banks.

The new proportionate shares in the amended funding agreement increased the City of Roseville's (the "City") share and reduced the shares of the other participants. In our opinion, this adjustment improves the Authority's credit quality given Placer County's previously accumulated "negative balance". As a result of the amendments, the County's negative balance is reduced significantly, and the increased Roseville's increased cost share is also positive due to the City's stronger credit outlook. Due to the improved credit quality inherent in the funding agreement amendment, the large RSF balance and the improved market for credit providers a renewal or replacement will result in LOC fees. The Authority is currently paying 1.25% per year.

A major consideration for whether to continue with LOC supported VRDBs or not is the increased scrutiny by rating agencies on financial institutions. VRDBs supported by a bank LOC are rated based on the quality of the LOC provider. In recent years, many banks have been downgraded by the rating agencies resulting in higher risk premium demanded by investors, such that the VRDBs supported by a downgraded bank resulted in higher interest rates charged to the issuing agency. Changes in the bank regulatory environment affect the competitiveness of banks, and as a result may affect the ratings and the pricing of letter of credit products.

### **LOC Alternative – Floating Rate Notes**

The Authority currently has \$30 million Series 2011D Rate Notes ("FRNs") outstanding that are due on November 1, 2014. The Series 2011D FRNs are based on SIFMA (SIFMA Index Bonds or SIBs) and pay an additional spread of 0.83%. FRNs initial spread is based on the Authority's credit and do not require a bank LOC. The FRNs are callable 6 months prior to maturity. The FRNs bear an interest rate that is set weekly (similar to VRDBs), but the rate is equal to the SIFMA Index (an index based on the tax-exempt weekly interest rate market), plus the spread (in the case of the Authority's bonds, 0.83%). As an alternative to securing a new LOC, the Authority could issue additional FRNs to refund the Series 2011 A/B VRDBs.

FRNs can be sold publicly or placed privately. The Authority can structure the FRNs to mature in 1 to 7 years if publicly sold and up to 15 years in a private placement (direct purchase). A longer term bond reduces the frequency and cost of re-marketing the bonds. The following table shows pricing for publicly sold FRNs of water/wastewater utilities over the past year.



Dated Date	Final Maturity/ Hard Put	Issuer	Par	Moody's	S&P	Fitch	Spread to SIFMA
7/19/2012	7/19/2013	ESTRN MUNI WTR DIST CA WTR & S	\$ 50,000,000	Aa2	A-1+	AA+/F1+	2
3/22/2012	6/1/2015	DIST OF COLUMBIA WTR & SWR AUT	\$ 52,690,000	Aa3	AA	AA-	48
4/27/2012	5/1/2015	MET WTR DIST OF STHRN CA	\$ 49,295,000	Aa1	AAA	AA+/F1+	35
			\$ 49,290,000	Aa1	AAA	AA+/F1+	35
6/1/2012	6/1/2015	HOUSTON TX UTILITY SYS REVENUE	\$ 125,000,000		AA	AA-	55
3/22/2012	6/1/2016	DIST OF COLUMBIA WTR & SWR AUT	\$ 47,310,000	Aa3	AA	AA-	58
8/1/2012	8/1/2016	HOUSTON TX UTILITY SYS REVENUE	\$ 249,075,000		AA	AA-	60
6/1/2012	6/1/2017	HOUSTON TX UTILITY SYS REVENUE	\$ 100,000,000		AA	AA-	75

Importantly, since FRNs trade on the Authority's credit, it distances the Authority from the risk of bank downgrades and subsequent increases in interest costs associated with VRDBs backed by a bank LOC. Publicly sold FRNs are not subject to bank regulations, such as the Basel III liquidity requirements, helping to protect the Authority from cost increases associated with LOCs. A privately sold FRN typically includes provisions for cost increases due to regulatory changes that the bank (the private purchaser of the bonds) may pass through to the Authority.

### U.S. Bank Direct Purchase Offer

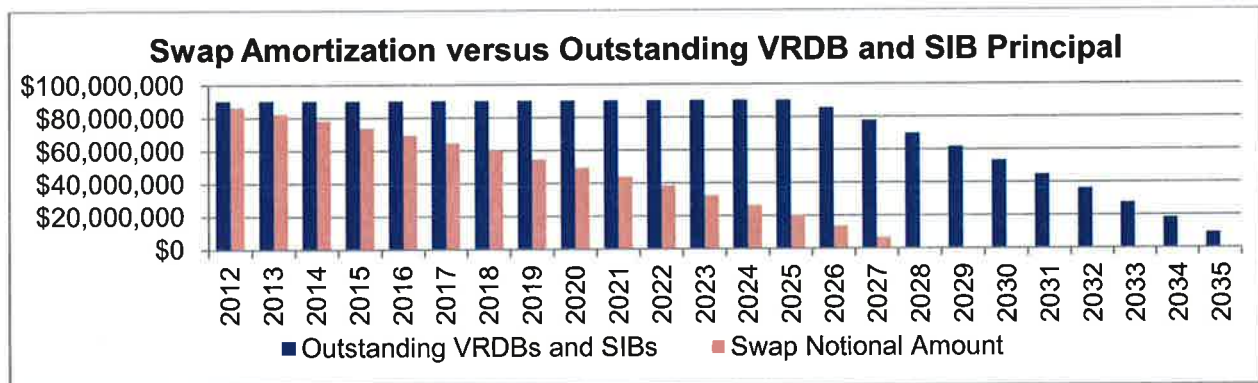
U.S. Bank has been working with the Authority and the City of Roseville for several years and is very familiar with the Authority's credit. In a January 28, 2013 term sheet, U.S. Bank offered to purchase the Authority Series 2011A and Series 2011B bonds as FRN's with interest rates based on 70.5% of 1-Month LIBOR rate, plus 0.625%. The purchase period would be 3.5 years. At the end of the purchase period, the Authority may enter into a new purchase, change interest rate modes, refinance or pay off the debt.

This alternative reduces the bank counterparty risk as the Authority's variable rate interest rates are independent of the bank's rating. The Authority can manage the rollover or refinancing risk at the end of the purchase period by maintaining its good ratings and liquidity situation. If the Authority is unable to refinance or pay off the bonds at the end of the purchase period, the bonds would have to be repaid in equal quarterly payments over three years, providing time and flexibility for the Authority to find a solution. Moreover, the Authority can exit the purchase agreement any time after the first anniversary of the purchase date without any termination fee.

The Authority can also keep its current swap in place without incurring termination cost. The direct purchase does not require a rating of the bonds, reducing both staff cost and transaction fees. The estimate of such savings is about \$100,000.

## Terminating the Interest Rate Swap is Expensive

After the 2011 restructuring of the Authority's debt, the swap amortization was no longer synchronized with the amortization of the variable rate demand bonds (VRDBs) and SIFMA Index Bonds (SIBs). Moreover, the interest rate swap protects the Authority from increasing interest rates, but over the past several years interest rates have remained at or near historic lows. As a result of this low interest rate environment, the swap is currently valued at a negative mark-to-market value of \$14.6 million<sup>2</sup>.



The Authority may choose to fund the termination value of the swap and refund the underlying Series 2011A VRDBs, Series 2011B VRDBs and Series 2011D SIBs bonds with fixed rate bonds. Such a fixed rate refunding is currently estimated to result in \$28.7 million in additional debt service payments or about \$15.5 million present value in additional debt service costs. While this alternative reduces interest rate risk, it comes at a steep cost. The detailed cash flows are provided in the Appendix.

## Financial Comparison of Alternatives

The LOC renewal/replacement is estimated to cost about 0.65% per year as a result of the offered liquidity fee (SPWA currently pays 1.25%), plus continued payment of a 0.075% remarketing fee to Morgan Stanley, the Authority's remarketing agent. These costs are in addition to the interest that the Authority would continue to pay on the outstanding bonds. The Direct Purchase Loan as proposed by U.S. Bank will be priced at 70.5% of 1 Month LIBOR plus 0.625% (No remarketing fee). Publicly sold SIFMA Index Bonds are estimated to cost SIFMA plus 0.775% (No remarketing fee). Fixed Rate Bonds are estimated at 3.7% true interest cost (No remarketing fee).

<sup>2</sup> Swap MTM value as of January 2013



	Current Market All-in Cost	Current Market Annual Interest Cost	10-Year Average Variable Rates All-in Cost	10-Year Average Annual Interest Cost
VRDBs with renewed LOC	0.815%	<b>\$491,649</b>	2.223%	<b>\$1,340,777</b>
U.S. Bank Direct Purchase	0.769%	<b>\$463,663</b>	2.042%	<b>\$1,231,770</b>
Public SIFMA Index Bonds	0.865%	<b>\$521,811</b>	2.273%	<b>\$1,370,940</b>
Fixed Rate Bonds	3.700%	<b>\$2,232,025</b>	3.700%	<b>\$2,232,025</b>
Current 1-Month LIBOR Rate	0.204%			
Current SIFMA Rate	0.090%			
10-Year Avg 1-Month LIBOR Rate	2.010%			
10-Year Avg SIFMA Rate	1.498%			

### Summary

The Authority has several alternatives to address the expiration of the letters of credit supporting its Series 2011A/B variable rate demand bonds. A fixed rate refunding of the Series 2011A/B VRDBs is the most costly alternative (as shown in the above table). Renewing or replacing the expiring LOCs retains the bank risk inherent in such products, and is estimated to be more expensive than a direct purchase. The U.S. Bank direct purchase loan is attractively priced, reduces many of the risks associated with variable interest rate debt, enables the Authority to avoid paying a steep termination fee for the outstanding swap (or continuing to pay the interest costs associated with the swap, while paying a significantly higher fixed rate), and is the lowest cost alternative.

As such, PFM recommends that the Authority negotiate the terms of the direct purchase and refund the outstanding VRDBs with floating rate notes directly placed with U.S. Bank.

- c: R. Branson (City of Roseville)
- C. Margetich (City of Roseville)
- M. Hanks (City of Roseville)



## Appendix – Fixed Rate Refunding and Swap Termination

Refunding VRDBs and SIBs with Fixed Rate Bonds and funding the termination fees with bond proceeds

Fiscal Year	Total VRDB and SIB Principal	10-Year Average SIFMA (1.498%)	SIFMA Index Bonds Spread (0.83%)	LOC Fees @ 0.65%	Remarketing Fees @ 0.075%	Estimated Swap Payments	Total Debt Service	Refunding Debt Service	Savings	PV Savings @ 5%	Unrefunded Debt Service	Refunding Debt Service	Refunding Debt Service
2013		226,129	41,614	32,676	3,770	441,106	745,295	376,396	368,899	364,476	1,535,825	376,396	1,912,221
2014		1,353,069	249,000	392,113	45,244	1,842,896	3,862,320	4,516,750	(634,430)	(596,974)	6,232,150	4,516,750	10,748,900
2015		1,353,069	249,000	392,113	45,244	1,753,845	3,793,270	4,516,750	(723,480)	(648,350)	6,316,150	4,516,750	10,832,900
2016		1,355,550	249,457	392,113	45,244	1,661,377	3,703,739	4,516,750	(813,011)	(693,889)	6,395,450	4,516,750	10,912,200
2017		1,350,587	248,543	392,113	45,244	1,565,310	3,601,797	4,516,750	(914,953)	(743,710)	6,486,625	4,516,750	11,003,375
2018		1,353,069	249,000	392,113	45,244	1,466,005	3,505,430	4,516,750	(1,011,320)	(782,895)	6,570,125	4,516,750	11,086,875
2019		1,353,069	249,000	392,113	45,244	1,363,102	3,402,527	4,516,750	(1,114,223)	(821,462)	6,663,500	4,516,750	11,180,250
2020		1,355,550	249,457	392,113	45,244	1,256,062	3,298,425	4,516,750	(1,218,325)	(865,460)	6,760,625	4,516,750	11,277,375
2021		1,350,587	248,543	392,113	45,244	1,145,243	3,181,730	4,516,750	(1,335,020)	(892,760)	6,865,375	4,516,750	11,382,125
2022		1,353,069	249,000	392,113	45,244	1,030,467	3,069,892	4,516,750	(1,446,858)	(921,475)	6,961,875	4,516,750	11,478,625
2023		1,353,069	249,000	392,113	45,244	911,373	2,950,798	4,516,750	(1,565,952)	(949,632)	7,071,294	4,516,750	11,588,044
2024		1,355,550	249,457	392,113	45,244	787,962	2,830,325	4,516,750	(1,686,425)	(974,196)	7,176,463	4,516,750	11,693,213
2025		1,350,587	248,543	392,113	45,244	660,053	2,696,540	4,516,750	(1,820,210)	(1,001,409)	7,297,744	4,516,750	11,814,494
2026	4,735,000	1,311,871	226,173	392,113	45,244	527,467	7,237,867	8,158,375	(920,508)	(482,312)	8,158,375	8,158,375	10,888,200
2027	7,710,000	1,215,056	172,531	392,113	45,244	390,383	9,925,326	10,984,375	(1,059,049)	(528,479)	10,984,375	10,984,375	11,072,125
2028	7,980,000	1,099,131	107,382	392,113	45,244	248,262	9,872,131	11,072,125	(1,159,994)	(570,297)	11,072,125	11,072,125	11,072,125
2029	8,190,000	974,094	39,939	392,113	45,244	100,744	9,732,134	11,079,375	(1,347,241)	(609,787)	11,079,375	11,079,375	11,079,375
2030	8,335,000	852,045	4,853	369,558	42,641		9,604,097	11,053,000	(1,448,903)	(624,572)	11,053,000	11,053,000	11,053,000
2031	8,490,000	725,838		319,410	36,855		9,572,103	11,023,000	(1,450,897)	(595,649)	11,023,000	11,023,000	11,023,000
2032	8,645,000	595,305		263,721	30,429		9,537,456	10,998,375	(1,460,919)	(571,204)	10,998,375	10,998,375	10,998,375
2033	8,810,000	465,467		206,993	23,884		9,506,343	10,973,000	(1,466,657)	(546,140)	10,973,000	10,973,000	10,973,000
2034	8,975,000	332,962		149,191	17,214		9,474,368	10,950,750	(1,476,382)	(523,582)	10,950,750	10,950,750	10,950,750
2035	9,145,000	197,038		90,301	10,419		9,442,758	10,925,500	(1,482,742)	(500,796)	10,925,500	10,925,500	10,925,500
2036	9,320,000	58,523		30,290	3,495		9,412,308	10,906,000	(1,493,692)	(480,473)	10,906,000	10,906,000	10,906,000
<b>Total</b>	<b>90,325,000</b>	<b>24,293,282</b>	<b>3,580,493</b>	<b>7,735,940</b>	<b>892,609</b>	<b>17,151,657</b>	<b>143,978,980</b>	<b>172,701,271</b>	<b>(28,722,290)</b>	<b>(15,551,249)</b>	<b>85,063,025</b>	<b>172,701,271</b>	<b>257,764,296</b>

Net Swap Payment is calculated as fixed swap rate of 3.665% less received 62% of 1M LIBOR (2.010%) + 0.26% (3.665% - 1.506% = 2.159%)

## AUTHORITY COMMUNICATION

**TO:** South Placer Wastewater Authority  
Board of Directors

**DATE:** February 26, 2013

**FROM:** Kenneth Glotzbach, Interim Executive Director

**AUTHORITY COMMUNICATION NO:** 13-08

**SUBJECT: Refunding of Authority's Series 2011A/B Variable Rate Demand Bonds and Direct Purchase of Authority's Series 2013 Bonds; Amendment to Annual Operating Budget for FY2012-2013**

*For SPWA Board Meeting 3/11/13*

### ACTION REQUESTED

Approve the Resolution authorizing a direct purchase of bonds with U.S. Bank to refund the Authority's Series 2011A and Series 2011B variable rate demand bonds, and issuance of the Authority's Series 2013 variable rate demand bonds, by authorizing execution and delivery of the Indenture of Trust, Continuing Covenant Agreement, and other instruments necessary to consummate the transaction; and

### BACKGROUND

The following report describes an offer by U.S. Bank to directly purchase the Authority's Floating Rate Notes, with the proceeds used to refund the Authority's outstanding Series 2011A and Series 2011B variable rate demand bonds. The new Series 2013 bonds would have a variable interest rate, similar to the outstanding bonds, but the interest rate will be equal to a 70.5% of the London Interbank Offer Rate (LIBOR), plus 0.625%. The term of this loan will be 3.5 years. This refunding is proposed because the existing Letters of Credit on the Authority's outstanding Series 2011A and Series 2011B bonds are expiring. An analysis prepared by the Authority's financial advisor, Public Financial Management, details the options available to the Authority as well as the costs and benefits of the direct purchase relative to other refunding options. The analysis is included in this Board Package under Item #1.

### DEBT

The Authority has \$151.635 million of outstanding revenue bonds split into four series: Series 2011A (\$30.165 million) Variable Rate Demand Bonds, Series 2011B (\$30.16 million) Variable Rate Demand Bonds, Series 2011C (\$61.31 million) Fixed Rate Bonds and Series 2011D (\$30.00 million) SIFMA Index Bonds. Both the Series 2011A and Series 2011B bonds were issued as variable rate demand bonds with interest rates reset weekly. The supporting Letters of Credit are set to expire on April 7, 2013.

#### Outstanding Bonds and Swaps (as of 1/26/13)

Series	Outstanding Par	Call Date	Purpose	Interest Rate Mode	Final Maturity	LOC Counterpart	Expiration Date	% of Total Debt	Coupon Range
Series 2011A	\$ 30,165,000	Anytime	Refunding	Variable Rate Demand Bonds (VRDBs)	11/1/2035	Slate Street	4/7/2013	19.9%	Variable Rate (close to SIFMA) plus 1.25% LOC fee plus 0.10% remarketing fee
Series 2011B	\$ 30,160,000	Anytime	Refunding	Variable Rate Demand Bonds (VRDBs)	11/1/2035	U.S. Bank	4/7/2013	19.9%	
Series 2011C	\$ 61,310,000	11/1/2020	Refunding	Fixed Rate Bonds	11/1/2025	None	None	40.4%	4.00% - 5.25%
Series 2011D	\$ 30,000,000	5/1/2014	Refunding	SIFMA Index Bonds (SIBs)	11/1/2029	None	Hard Put 11/1/2014	19.8%	SIFMA plus 0.83%
<b>Total</b>	<b>\$151,635,000</b>								

### U.S. Bank Direct Purchase Offer

U.S. Bank offered to purchase variable rate bonds issued by the Authority in an amount sufficient to refund the outstanding Series 2011A and Series 2011B Bonds for a period

of 3.5 years. The purchased bonds would bear interest based on 70.5% of 1-Month LIBOR,<sup>1</sup> plus a spread of 0.625%. LIBOR is a taxable short-term variable interest rate index and the applied 70.5% closely tracks movements in short-term tax-exempt interest rates. Initially, U.S. Bank offered a rate based on 75% of LIBOR, but the Authority was able to negotiate a lower rate based on 70.5% of LIBOR.

The major characteristics of U.S. Bank’s direct purchase loan are listed below.

- Term: 3.5-year Funded Loan
- Interest Rate: (70.5% of one month LIBOR) plus 62.5 basis points
- Principal Amount: not to exceed \$60,325,000 (equal to the principal of the outstanding Series 2011A/B bonds)
- Add. Spread: If the one of the Authority’s ratings is downgraded to a threshold described below, an additional spread would be added to the interest rate. The Authority’s current ratings are A+ by Standard and Poor’s and Aa3 by Moody’s Investor Service.

<b>Rating Thresholds: Wastewater Revenue Bond</b>	<b>Increase to spread over LIBOR</b>
Equal to or above A+/A+/A1	+ 0.0 bppa
Equal to A/A/A2	+ 20.0 bppa
Equal to A-/A-/A3	+ 20.0 bppa
Equal to BBB+/BBB+/Baa1	+ 20.0 bppa
Equal to BBB/BBB/Baa2	+ 20.0 bppa
Equal to BBB-/BBB-/Baa3	+ 20.0 bppa
Below BBB-/BBB-/Baa3	+ 100.0 bppa

Termination Fee: The Authority would have to make-whole U.S. Bank if it terminates the direct purchase loan within 1-year of the purchase date.

Term Loan: In the event that the Authority has not refinanced, or paid off the direct purchase loan at the end of the purchase period (3.5 years), U.S. Bank shall continue to hold the Bonds as long as (i) the representations and warranties set forth in the documents are true and correct and (ii) no Default or Event of Default has occurred and is continuing. The Bonds could then be paid back on a quarterly basis beginning three months after the end of the purchase period over a period of three (3) years. The Bonds would bear interest at a significantly higher rate during the Term Loan (approximately 9.5%). The bonds can be paid off earlier than three years at the Authority’s discretion while in a Term Loan.

As discussed at the board meeting of January 31, 2013, and detailed in the analysis provided by the Authority’s Financial Advisor (Public Financial Management, Inc.), the direct purchase loan reduces the Authority’s counterparty exposure and bank risk, reduces the potential that the bonds could be tendered for payment to the Authority

<sup>1</sup> 1-Month LIBOR means London interbank offered rate for U.S. dollar deposits for a one-month period

during the 3.5 year period, and is the lowest cost option to replace the expiring LOCs on the outstanding bonds.

**Cost of Issuance**

In order to complete the transaction, the Authority will utilize professional services, including bond counsel, Authority counsel, financial advisors, and incur other miscellaneous fees as shown in the following table.

Cost of Issuance - Professional Fees and Expenses	
Miller & Owen Fee	\$15,000.00
Jones Hall	62,000.00
Chapman and Cutler	30,000.00
PFM	36,500.00
S&P	8,000.00
Bank of New York	5,400.00
Morgan Stanley Remarketing Accrued Fee	619.78
	<hr/>
	\$157,519.78

Since the refunding bonds will not require a debt service reserve fund, about \$1 million will be released from the existing reserve funds. These funds will be used to pay for costs of issuance, and the balance can be used to (1) fund the refunding escrow and reduce the overall level of borrowing or (2) used to fund capital projects. Given today's investment rates and borrowing rates, the transaction contemplates the use of the funds released from the debt service reserve to reduce the size of the refunding bonds (reduce outstanding debt).

Approval of the resolution includes a provision approving expenditures associated with the cost of issuance.

Approved by:

  
\_\_\_\_\_  
Kenneth Glotzbach  
Interim Executive Director

Attachments:  
Resolution 2013-05  
Continuing Covenant Agreement  
Indenture of Trust



January 28, 2013

**Russ Branson**, City of Roseville

**Monty Hanks**, City of Roseville

**Brian Thomas**, Public Financial Management

Dear Russ, Monty and Brian,

We are pleased to present U.S. Bank's proposal to the South Placer Wastewater Authority ("the Authority") supporting the Authority's Series 2011 A & B Wastewater Revenue Refunding Bonds.

We are eager to increase our exposure to the Authority by replacing State Street Bank and restructuring both Bank facilities into a Funded Loan. U.S. Bank has existing relationships with the Authority and each of its Participants and looks forward to expanding these relationships.

Our pricing is very competitive and there are a number of advantages to working with U.S. Bank as opposed to moving forward with a SIFMA Note structure:

- Along with a 3.5 year Funded Loan tenor, U.S. Bank is offering a 3 year term out, which allows for a soft put, instead of a hard put in the capital markets.
- We will commit to the credit spread/pricing provided in this Term Sheet, which eliminates any potential market volatility.
- A Funded Loan offers reduced financing costs relative to a public market transaction. There is no need for an Official Statement or rating agency review, underwriting costs are eliminated and legal fees are substantially lower.
- Ease of documentation. We would work with the same bank counsel that drafted the recent City of Roseville Electric System transaction. The same Funded Loan document template would be used along with the general terms and conditions that presently exist in the Reimbursement Agreement.

We look forward to hearing from you and please feel free to contact me with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Ashley Martin".

Ashley Martin

**DISCUSSION PURPOSES ONLY**  
**PROPOSAL**  
**AND**  
**TERM SHEET**  
**(“PROPOSAL”)**

**CREDIT FACILITY IN THE FORM OF A**

**VARIABLE RATE TAX EXEMPT FUNDED LOAN / INDEX FLOATER (“FUNDED LOAN”)**  
**IN CONNECTION WITH THE DIRECT PURCHASE OF UP TO**  
**\$60,325,000 OF WASTEWATER REVENUE REFUNDING BONDS (THE “BONDS”)**

**PROVIDED BY**  
**U.S. Bank N.A.**

**ISSUED ON BEHALF OF THE**

**SOUTH PLACER WASTEWATER AUTHORITY, CA**

*NOTE: This proposal constitutes indicative terms for the described transaction for discussion only. The summary that follows is subject to credit approval and does not constitute an offer or commitment. As we obtain more information, additional substantive conditions may be required and terms may be changed or be supplemented. In addition, upon completion of our analysis and due diligence and if we obtain credit approval of this proposal, loan documentation must be created which will include terms and conditions customary to the Bank, as well as warranties and covenants specific to this transaction. To that end, this term sheet is an expression of interest only, and it is not a contract, commitment nor intent to be bound. The Bank does not intend that this term sheet or discussions relative to the terms of this term sheet create any legal rights or obligations, implicit or explicit, in favor of or against the other party. Also, no oral discussions and/or written agreements shall be in place of or supersede written loan agreements executed by your business and accepted by the Bank. Upon your acceptance of the terms and conditions contained within this letter of interest, we will seek credit approval to provide a Credit Facility for this transaction.*

**Credit Facility  
 Provider:**

U.S. Bank N.A. (USB)	
ASHLEY MARTIN, VICE PRESIDENT Ph: (310) 717-5900 E-mail: ashley.martin1@usbank.com	KENNETH HABER, MANAGING DIRECTOR Ph: (818) 817-7235 E-mail: kenneth.haber@usbank.com

<http://www.usbank.com> (for Annual Report)

**Bank:** U.S. Bank, N.A. (the “Bank”).

**Issuer:** South Placer Wastewater Authority (the “Issuer” or the “Authority”)

**USB Credit Ratings History:**

<u>Year</u>	<u>Moody's (long/short)</u>	<u>Outlooks</u>	<u>S&amp;P (long/short)</u>	<u>Outlooks</u>	<u>Fitch (long/short)</u>	<u>Outlooks</u>
2013	Aa3/P-1	Stable	A+/A-1	Stable	AA-/F1+	Stable
2012	Aa2/P-1	Negative	A+/A-1	Stable	AA-/F1+	Stable
2011	Aa2/P-1	Negative	AA-/A-1+	Stable	AA-/F1+	Stable
2010	Aa1/P-1	Negative	AA-/A-1+	Stable	AA-/F1+	Positive
2009	Aa1/P-1	Negative	AA-/A-1+	Stable	AA-/F1+	Positive
2008	Aa1/P-1	Stable	AA+/A-1+	Stable	AA-/F1+	Positive

**Type of Credit Facility:** Variable Rate Funded Loan / Index Floater in an amount sufficient to provide liquidity support for the Authority’s Series 2011A and 2011B Wastewater Revenue Refunding Bonds.

**Principal Amount:** Total exposure not to exceed \$60,325,000 (plus interest coverage, if applicable).

**Term:** The term of the Funded Loan not exceed 3.5 years.

**Credit Facility Fee and Term:** All fees and interest charges are on actual over 360 day basis. The following terms and fees would apply to the Credit Facilities.

**Funded Loan Pricing (“Index Floating Rate”):**

<i>Term</i>	<i>Index Floating Rate Formula</i>
3.5-year Funded Loan	<b>(70.5% of one month LIBOR) plus 62.5 basis points</b>

In the event of a downgrade of the Issuer’s unenhanced Wastewater Revenue Bond rating below A1/A+/A+ by Moody’s, Fitch or S&P, U.S. Bank’s proposed spread over LIBOR shall increase as shown in the table below. In addition, if the credit rating on any of the Issuer’s parity debt is withdrawn or suspended or downgraded below Baa3/BBB-/BBB+ by Moody’s, Fitch or S&P, or its respective equivalent, the Credit Facility Fees will increase by an additional 100 basis points from the Credit Facility Fee rate otherwise in effect and the rate on the Funded Loan shall be the Default Rate, and the occurrence of any such event shall be an Event of Default under the respective Facility. All such fee increases are cumulative.

U.S. Bank proposes the following unenhanced Wastewater Revenue Bond fee increase schedule. The lowest rating would apply:

<i>Rating Thresholds: Wastewater Revenue Bond</i>	<i>Increase to spread over LIBOR</i>
Equal to or above A+/A+/A1	+ 0.0 bppa
Equal to A/A/A2	+ 20.0 bppa
Equal to A-/A-/A3	+ 20.0 bppa
Equal to BBB+/BBB+/Baa1	+ 20.0 bppa
Equal to BBB/BBB/Baa2	+ 20.0 bppa
Equal to BBB-/BBB-/Baa3	+ 20.0 bppa

The respective Facility term will not be subject to extension without the express written request of the Issuer and subsequent express written consent of the Bank, see Renewal below.

**Termination Fee:** One-year make-whole termination provision as represented in the Continuing Covenant Agreement for the City of Roseville Electric System.

**Funded Loan/ Index Floater Terms:**

**Index Floating Rate:** The Indexed Bonds will bear interest at the Index Floating Rate from the closing date to the end of the Initial Index Floating Rate Period, unless converted to an alternate rate pursuant to the Indenture.

**Initial Index Floating Rate Period:** The period commencing from the Bond closing date through to the end of the applicable anniversary of such closing date.

**Day Count:** Interest on the Indexed Bonds will be calculated on the basis of the actual number of days elapsed in a 360 day year so long as the Indexed Bonds bear interest at the Index Floating Rate.

**Interest Payments:** Interest on the Indexed Bonds will be payable on the first business day of the month so long as the Indexed Bonds bears interest at the Index Floating rate.

**Rates:**

**(a) Base Rate:** The greatest of:  
(i) U.S. Bank's Prime Rate plus 1.0% and  
(ii) the Federal Funds Rate plus 1.0%  
(iii) SIFMA plus 1.0%  
(iv) 7.5%.

**(b) Default Rate:** Base Rate plus 3.00%.

**Payment Defaults:**

**Default:** If any Event of Default has occurred and is continuing with respect to the Indexed Bonds, interest on the Indexed Bonds will accrue and be payable at the Default Rate.

**Term Loan:** In the event that the Issuer has not (1) remarketed the Bonds into another interest rate mode (including another index rate mode), (2) entered into an agreement with U.S. Bank whereby U.S. Bank will agree to hold the Bonds for an additional Floating Rate Period or (3) otherwise refinanced or redeemed the Bonds on or prior to the last day of the Initial Index Floating Rate Period (referred to herein as the "Special Mandatory Tender Date") and, as a result, U.S. Bank is holding Indexed Bonds, U.S. Bank shall continue to hold the Bonds as Unremarketed Bonds so long as (i) the representations and warranties set forth in the DP Facility are true and correct and (ii) no Default or Event of Default has occurred and is continuing, in each case, on the Special Mandatory Tender Date. The Unremarketed Bonds will amortize on a quarterly basis commencing three months after the Special Mandatory Tender Date and in full within three (3) years.

The Unremarketed Bonds will bear interest at the Base Rate plus 2.0%.

**General Terms and Conditions:**

**Pledged Revenues:** The Bonds are secured by a senior lien on revenues consisting of certain amounts received by, or entitled to be received by, the Authority from the City of Roseville, California, the County of Placer, California and the South Placer Municipal Utility District (the "Participants"), under a Funding Agreement relating to the South Placer Regional Wastewater Facilities, among the Authority and the Participants. Under the Funding Agreement, each Participant has agreed to pay their respective proportionate share of debt service on the Bonds.

**Renewal:** At least 180 days prior to the expiration date of the Facility, the Issuer may request an extension. The Bank will notify the Issuer if they will renew the respective Facility, and on what terms and conditions, not less than 120 days before expiration of the Facility. Such terms and conditions for any renewal would be subject to mutual agreement between the Issuer and the Bank and any renewal by the Bank will be at its sole and absolute discretion.

**Conditions  
Precedent:**

Normal and customary closing conditions for transactions of this nature including, but not limited to, the following: execution and delivery of the Facility, a Fee Letter from the Bank to the Authority and the related documentation; appropriate certifications from the Authority including: no default, no material adverse change and incumbency certification; customary opinions of counsel from counsel to all transaction participants including the Bank, the Issuer and bond counsel; payment of fees and expenses due at closing; completion of diligence and satisfactory documentation; no material adverse change to Issuer.

The Issuer shall provide the Bank with projections of the District, both operating and financial, for 3 years forward from 2012, including debt issuance levels and rate projections.

**Representations  
and Warranties:**

Those customary for transactions of this nature including, but not limited to, the following: due authorization and execution, validity and enforceability of the Facility and the Fee Letter; no material litigation; accuracy of disclosure documents, financial statements and other information and no material adverse change to Issuer since last audited financial statement; no sovereign immunity; compliance with usury and other laws; no contravention with other documents; necessary permits and approvals obtained; nature of Authority's obligations to the Bank and the security therefor; and due organization and existence of the Authority.

**Financial  
Statements:**

The Bank will require current financial information, including interim financial numbers, financial and operating projections, and up-dated rating agency reports prior to the final credit approval. U.S. Bank will need quarterly un-audited interim financials on a going forward basis.

**Financial  
Covenants:**

As per the Reimbursement Agreement dated April 1, 2011.

**Other Covenants:**

Those customary for transactions of this nature including: compliance with applicable law and terms of related documents; security; information reporting; access to records; further assurance; continued existence; maintain assets and insurance; maintain trustee, issuing and paying agent, dealer, remarketing agent; standard yield protection and withholding and tax indemnification; waiver of jury trial and California judicial reference; and to replace the Facility upon termination.

**Event of Default:**

Those customary for transactions of this nature including, but not limited to, the following: failure to pay principal and interest on any debt; cross default to any contract evidencing or securing any such debt; bankruptcy or insolvency of Issuer; material inaccuracy of any representation and warranty; failure to comply with covenants; invalidity or contest of Authority's obligations under the Facility or any document related to the Bonds; default in payment of any judgment in the amount of \$10 Million or more.

**Remedies:**

Those customary for transactions of this nature including, but not limited to, the following: acceleration of any debt outstanding under the Facility; set-off; or any other remedy allowed by law, by contract or equity.

**Indemnification:**

To the extent permitted by law, the Issuer shall indemnify the Bank, including tax indemnity, for all circumstances except those caused by the gross negligence or willful misconduct of the Bank.

**Participation:**

The Bank shall have the right to sell risk participations in the Facility. However, the sale of such risk participations shall not limit the Bank's obligation to advance funds under the Facility.

**Bank Counsel:**

Rick Cosgrove  
Chapman and Cutler LLP  
111 West Monroe Street  
Chicago, Illinois 60603  
Tel: 312.845.3738  
Fax: 312.701.2361  
cosgrove@chapman.com

**Legal**

**Fees/Expenses:** Estimated at \$30,000 plus disbursements.

**Credit Approval:** U.S. Bank has received preliminary credit approval based on these terms subject to final due diligence. The Bank will endeavor to provide formal credit approval (based on discussions with the Authority and its finance team) within 15 business days.

**NOTE:**

*This proposal is not a commitment. It is offered as indicative terms on which the Bank is willing to seek credit approval to provide the Credit Facility. The Bank's participation in this transaction is subject to the foregoing terms, completion of appropriate diligence, satisfactory documentation and approval of the Bank's credit committee.*

*As we obtain more information, additional substantive conditions may be required and terms may be changed or be supplemented. In addition, upon completion of our analysis and due diligence and if we obtain credit approval of this proposal, loan documentation must be created which will include terms and conditions customary to the Banks, as well as warranties and covenants specific to this transaction.*

*To that end, this term sheet is an expression of interest only, and it is not a contract, commitment nor intent to be bound. The Bank does not intend that this term sheet or discussions relative to the terms of this term sheet create any legal rights or obligations, implicit or explicit, in favor of or against the other party. Also, no oral discussions and/or written agreements shall be in place of or supersede written loan agreements executed by your business and accepted by the Bank.*

*Upon your acceptance of the terms and conditions contained within this letter of interest, we will seek credit approval to provide a Credit Facility for this transaction.*

PURCHASER LETTER

April 3, 2013

South Placer Wastewater Authority  
City of Roseville  
2005 Hilltop Circle  
Roseville, California 95747  
Attention: Director of Environmental Utilities

Re: **[\$60,325,000]**  
South Placer Wastewater Authority  
Wastewater Revenue Refunding Bonds,  
Series 2013  
(Variable Rate Demand Bonds)

Ladies and Gentlemen:

U.S. Bank National Association (the "*Purchaser*") has agreed to purchase the above-referenced bonds (the "*Bonds*") in the amount of **[\$60,325,000]** which were issued by the South Placer Wastewater Authority (the "*Authority*") pursuant to that certain Wastewater Revenue Bond Indenture dated as of April 1, 2013 (the "*Indenture*"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"). All capitalized terms used herein, but not defined herein, shall have the respective meanings set forth in the Indenture. The undersigned, an authorized representative of the Purchaser, hereby represents to you that:

1. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits represented by the purchase of the Bonds.
2. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.
3. The Purchaser is a national bank organized under the laws of the United States of America and is able to bear the economic risks of purchasing the Bonds.
4. The Purchaser understands that an official statement, prospectus, offering circular, or other comprehensive offering statement has not been provided with respect to the Bonds. The Purchaser has made its own inquiry and analysis with respect to the Authority, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds.

5. The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information, regarding the Authority, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the Bonds and the security therefor, so that it has been able to make an informed decision to purchase the Bonds; *provided, however*, that this letter shall not constitute a waiver of any rights or remedies the Purchaser may have with respect to any untrue information it may have received or any material information which was withheld from its review.

6. The Bonds are being acquired by the Purchaser for its own account and not with a present view toward resale, transfer or distribution; *provided, however*, that the Purchaser reserves the right to sell, transfer or distribute the Bonds, but agrees that any such sale, transfer or distribution by the Purchaser shall be to a Person:

- (a) that is an affiliate of the Purchaser;
  - (b) that is a trust or other custodial arrangement established by the Purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers or accredited investors;
  - (c) that the Purchaser reasonably believes is qualified to purchase the Bonds;
- or
- (d) that executes a letter substantially in the form of this letter.

[Signature Page to Follow]

U.S. BANK NATIONAL ASSOCIATION

By \_\_\_\_\_

Name: Ashley Martin

Title: Assistant Vice President

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**WASTEWATER REVENUE BOND INDENTURE**

**between**

**SOUTH PLACER WASTEWATER AUTHORITY**

**and**

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

**Dated as of  
April 1, 2013**

**relating to**

**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2013  
(Variable Rate Demand Bonds)**

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## **WASTEWATER REVENUE BOND INDENTURE**

This WASTEWATER REVENUE BOND INDENTURE, dated as of April 1, 2013 (the "Indenture"), is between the SOUTH PLACER WASTEWATER AUTHORITY, a joint exercise of 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., as trustee (the "Trustee").

### **BACKGROUND:**

1. The Authority was created by the South Placer Municipal Utility District (the "District"), the City of Roseville (the "City") and the County of Placer (the "County") (the District, the City and the County being referred to herein as the "Participants") pursuant to that certain [Amended and Restated Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, effective as of October 1, 2012], among the Participants (the "Joint Powers Agreement").

2. In accordance with the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law") and Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (as supplemented, the "Prior Indenture"), the Authority has previously issued its Wastewater Revenue Refunding Bonds, Series 2011A (Variable Rate Demand Bonds) (the "2011A Bonds") issued hereunder in the original principal amount of \$30,165,000, its Wastewater Revenue Refunding Bonds, Series 2011B (Variable Rate Demand Bonds) (the "2011B Bonds") in the original principal amount of \$30,160,000, its Wastewater Revenue Refunding Bonds, Series 2011C (the "2011C Bonds") in the original principal amount of \$67,040,000, and its Wastewater Revenue Refunding Bonds, Series 2011D (SIFMA Index Bonds) (the "2011D Bonds") in the original principal amount of \$30,000,000, to refinance improvements to the Enterprise.

3. The Authority has determined that it is desirable and necessary and in the best interest of the Participants to refund all of the outstanding 2011A Bonds and 2011B Bonds and to enter into this Indenture in order to provide for the authentication and delivery of wastewater revenue bonds (the "Bonds") hereafter, to establish and declare the terms and conditions upon which the Bonds will be issued and secured and to secure the payment of the principal and premium (if any) and interest thereon.

4. 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 of the interest and premium, if any, thereon, the Board of Directors of the Authority has authorized the execution of this Indenture.

## **AGREEMENT:**

In order to secure the payment of the principal, premium, if any, of, and the interest on all Bonds at any time issued, authenticated and delivered hereunder and to provide the terms and conditions under which all property, rights and interests hereby assigned and pledged are to be dealt with and disposed of, and to secure the performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and of the material covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Authority does hereby agree and covenant with the Trustee for the benefit of the respective Owners, from time to time, of the Bonds, as follows:

## **ARTICLE I**

### **DEFINITIONS; RULES OF CONSTRUCTION**

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section will for all purposes of this Indenture and of any Supplemental Indenture and of the Bonds and of any bond, opinion, request or other documents herein mentioned, have the meanings herein specified.

“Affiliate” means, with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the person specified.

“Agreement” means, during the Initial Period, the Continuing Covenant Agreement dated as of April 1, 2013, between the Authority and the Bank, as the same may be amended, supplemented, restated or otherwise modified from time to time, and during any Index Rate Period other than the Initial Period, means any agreement between the Authority and the Bank which may be designated as the Agreement.

“Applicable Factor” means, (i) during the Initial Period, 70.5%, and (ii) during any other Index Rate Period, with a Favorable Opinion of Bond Counsel, such other percentage as may be designated in writing by the Authority as the Applicable Factor for such Index Rate Period pursuant to Section 2.03(c).

“Applicable Spread” means, with respect to each Index Rate Period, the following:

(a) During the Initial Period, for the period from and including the Closing Date to and including the Initial Bank Purchase Date, 62.5 basis points (0.625%); provided, however, that in the event that the long-term unenhanced credit ratings assigned by Moody’s, S&P or Fitch to Parity Debt falls to the ratings specified below, the Applicable Spread, as determined by the Calculation Agent, will be the number of basis points associated with such new rating as set forth in the following table:

Tier	Credit Ratings (Moody's/S&P/Fitch)	Applicable Spread
I	A+/A+/A1 or above	0.625%
II	A/A/A2	0.825%
III	A-/A-/A3	1.025%
IV	BBB+/BBB+/Baa1	1.225%
V	BBB/BBB/Baa2	1.425%
VI	BBB-/BBB-/Baa3	1.625%

In the case of a split rating or differing ratings as between and among the Rating Agencies, the rating corresponding to the highest numbered tier set forth above and corresponding to the lowest rating will apply for all purposes of determining the Applicable Spread. References in this definition of Applicable Spread are to Rating Categories as presently determined by the Rating Agencies, and in the event of the adoption of any new or changed rating system or a "global" rating scale by any such Rating Agency, the Rating Categories will be adjusted accordingly to a new rating which most closely approximates the requirements as set forth herein. In the event that a rating is suspended, withdrawn or otherwise unavailable from any Rating Agency, and so long as such rating will remain suspended, withdrawn or unavailable, the Applicable Spread will increase by an additional 100 basis points (1.00%) from the Applicable Spread otherwise in effect, and all increases to the Applicable Spread will be cumulative.

(b) During any Index Rate Period other than the Initial Period, the number of basis points determined by the Market Agent on or before the first day of such Index Rate Period and designated by the Authority in accordance with Section 2.03(c): (which may include a schedule for the Applicable Spread based upon the ratings assigned to the long term debt of the Authority as described in subparagraph (a) in this definition) that, when added to the SIFMA Index or the product of the LIBOR Index multiplied by the Applicable Factor, as applicable, would equal the minimum interest rate per annum that would enable the Bonds to be sold on such date at a price equal to the principal amount thereof (without regard to accrued interest, if any, thereon).

"Authority" means the South Placer Wastewater Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

"Authority Treasurer" means the Treasurer of the Authority.

"Authorized Denominations" means denominations of \$5,000 or any integral multiple thereof, provided that if the Interest Rate Mode for the Bonds is the Daily Rate, the Weekly Rate or the Commercial Paper Rate, the Bonds may be issued only in denominations of \$100,000 and any larger denomination constituting an integral multiple of \$1,000, and provided further that if the Interest Rate Mode for the Bonds is the Index Rate, the Bonds may be issued only in denominations of \$250,000 or any integral multiple of \$5,000 in excess thereof.

"Authorized Official" means the Executive Director, Treasurer or Chairperson of the Board of the Authority, or any other officer of the Authority duly authorized by the Board for that purpose.

"Bank" means, during is the Initial Period, U.S. Bank National Association, and during any Index Rate Period other than the Initial Period, such other financial institution or other entity that is a party to the Agreement.

"Bank Bonds" means Bonds purchased with moneys drawn under or otherwise obtained pursuant to the terms of a Credit Facility, but excluding Bonds no longer considered to be Bank Bonds under the terms of the Credit Facility.

"Bank Purchase Date" means, during any Index Rate Period, (i) the Initial Bank Purchase Date, (ii) during any Index Rate Period other than the Initial Period, the date designated by the Authority pursuant to Section 2.03(c), and (iii) the date which is seven calendar days (or if such seventh calendar day is not a Business Day, the next Business Day) after the date on which the Trustee receives written notice from the Bank under an Agreement which (x) advises the Trustee of the occurrence and continuance of an "Event of Default" under and as defined in such Agreement and (y) directs the Trustee to cause a mandatory tender of the Bonds to which such Agreement relates by reason of such "Event of Default."

"Beneficial Owner" means the person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository or a Participant or an Indirect Participant on the records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such person's subrogee.

"Bond Counsel" means any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the validity of, and exclusion from gross income for federal tax purposes of interest on, bonds issued by states and political subdivisions and duly admitted to practice law before the highest court of any state of the United States and acceptable to the Authority.

"Bond Law" means the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code.

"Bond" or "Bonds" means the Authority's Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds) issued in accordance with Article II.

"Bond Payment Fund" means the fund of that name established under Section 5.05.

"Business Day" means any day other than (a) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the Trust Office of the Trustee is located are authorized by law or executive order to close or (b) a day on which the New York Stock Exchange is closed, or (c) a day on which the offices of the Tender Agent at which the duties hereunder are to be performed or the office of the Credit Facility Provider at which draws under the Credit Facility are presented are authorized or required by law to close.

"Calculation Agent" means, during the Initial Period, the Bank, and thereafter means any person appointed by the Authority, with the consent of the Bank in its sole discretion, to serve as calculation agent for the Bonds.

"Certificate of the Authority" means an instrument in writing signed by an Authorized Official.

“City” means the City of Roseville, a charter city duly organized and existing under the laws of the State of California.

“Closing Date” means April \_\_, 2013.

“Commercial Paper Rate” means the Interest Rate Mode in which the interest rate on the Bonds is determined during each Commercial Paper Rate Period in accordance with Section 2.07.

“Commercial Paper Rate Period” means any period determined in accordance with Section 2.07, each consisting of from one day to two hundred seventy (270) days, when the Interest Rate Mode for the Bonds is the Commercial Paper Rate.

“Computation Date” means, (i) during each SIFMA Index Rate Period, Wednesday of each week, or if any Wednesday is not a Business Day, the immediately preceding Business Day and (ii) during each LIBOR Index Rate Period, the second London Business Day preceding each LIBOR Index Reset Date.

“Conversion” means any conversion from time to time in accordance with the terms of this Indenture from one Interest Rate Mode to another Interest Rate Mode.

“Conversion Date” means the date on which a Conversion to an Interest Rate Mode becomes effective.

“Cost of Issuance Fund” means the fund by that name established in accordance with Section 3.03.

“Costs of Issuance” means all the costs of issuing the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, any Bonds and any preliminary official statement and final official statement pertaining to any Bonds; rating agency fees; market study fees; legal fees and expenses of counsel to the Authority; any computer and other expenses incurred in connection with any Bonds; fees and expenses of any Credit Facility Provider, the fees and expenses of the Trustee, Remarketing Agent or any Broker-Dealer, fees related to a Credit Facility; and other fees and expenses incurred in connection with the issuance of the Bonds or the redemption of the Refunded Bonds to be refunded with proceeds of the Bonds, to the extent such fees and expenses are approved by the Authority.

“County” means the County of Placer, a county duly organized and existing under the laws of the State of California.

“Credit Facility” means, with respect the Bonds, an irrevocable letter of credit or similar credit facility issued by a commercial bank or financial institution and delivered to the Trustee pursuant to the terms hereof. The Credit Facility may include a bond insurance policy and a liquidity facility combined or such other similar credit arrangement as may be customary in the future for bonds similar to the Bonds.

“Credit Facility Agreement” means, with respect to a Credit Facility then in effect, the separate agreement, if any, under and pursuant to which such Credit Facility is issued.

"Credit Facility Provider" means the commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institution so obligated under) a Credit Facility then in effect.

"Daily Rate" means the Interest Rate Mode in which the interest rate on the Bonds is determined for each Daily Rate Period in accordance with Section 2.04.

"Daily Rate Period" means any period determined in accordance with Section 2.04, each consisting of one Business Day, when the Interest Rate Mode for the Bonds is the Daily Rate.

"Debt Service" means, for any computation period (the "Computation Period"), the sum of (1) the interest accruing on all Bonds and Parity Debt during such Computation Period, assuming that all Bonds and Parity Debt are retired as scheduled, plus (2) the principal amount (including Sinking Fund Installment payments) allocable to all Bonds and Parity Debt in such Computation Period, calculated as if such principal amounts were deemed to accrue daily during such Computation Period in equal amounts from, in each case, each payment date for principal or the date of delivery of such Bonds and Parity Debt (provided that principal will not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal; provided, that the following adjustments will be made to the foregoing amounts in the calculation of Debt Service;

(a) with respect to any such Bonds or Parity Debt bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Debt Service will be (i) with respect to such Bonds or Parity Debt then outstanding, 110% of the daily average interest rate on such Bonds or Parity Debt during the 12 calendar months next preceding the date of such calculation (or the portion of the then current Computation Period that such Bonds or Parity Debt has borne interest) and (ii) with respect to such Bonds or Parity Debt then proposed to be issued, the average of the SIFMA Index over the prior 60 months with respect to such Bonds or Parity Debt;

(b) with respect to any such Bonds or Parity Debt having 15% or more of the aggregate principal amount thereof due in any one Computation Period, Debt Service will be calculated for the Computation Period of determination as if the interest on and principal of such Bonds or Parity Debt were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 30 years from the date of such Bonds or Parity Debt; provided, however, as to (i) the Series 2011D Bonds, (ii) Parity Debt bearing interest based on the SIFMA Index and maturing within 60 months, or (iii) any other Bonds if the date of calculation is within 24 months of the maturity date, the full amount of such Bonds or Parity Debt will be included in Debt Service unless the Authority has indicated that such Bonds or Parity Debt are not expected to be amortized as scheduled and has provided an alternate method of amortization for such principal amount;

(c) with respect to any such Bonds or Parity Debt or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Parity Debt or portions thereof, such accreted discount will be treated as due when scheduled to be paid; and

(d) Debt Service will only be calculated on Outstanding Bonds and Parity Debt, and will not include interest, if any, on Bonds or Parity Debt which is to be paid (1) from amounts constituting capitalized interest or (2) from subsidy payments received or expected to be received from the federal government with respect to such Bonds or Parity Debt; and

(e) notwithstanding subsections (a), (b), (c) or (d) above, with respect to any variable interest rate Bonds or Parity Debt or any commercial paper, if (A) the interest rate on such variable interest rate Bonds or Parity Debt or commercial paper, plus (B) the payments received and made by the Authority under a swap arrangement with respect to such variable interest rate Bonds, Parity Debt or commercial paper, are expected to produce a synthetic fixed rate to be paid by the Authority (e.g., a swap arrangement under which the Authority pays a fixed rate and receives a variable rate which is expected to equal or approximate the rate of interest on such variable interest rate Bonds, Parity Debt or commercial paper), the variable interest rate Bonds, Parity Debt or commercial paper, as the case may be, will be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; provided that (Y) when there is a default under a swap arrangement, or (Z) after a termination event has occurred with respect to the Authority under a swap arrangement, such variable interest rate Bonds, Parity Debt or commercial paper will be assumed to bear interest at an interest rate equal to the higher of: (1) the synthetic fixed rate, or (2) the assumed interest rate calculated as described in subsections (a), (b), (c) and (d) above.

“Default Rate” has the meaning set forth in the Agreement.

“Defeasance Obligations” means (a) cash, (b) non-callable direct obligations of the United States of America (“Treasuries”), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated (or any combination thereof) or (d) non-callable obligations which are fully secured by and payable solely from direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the United States of America.

“District” means the South Placer Municipal Utility District, a municipal utility district duly organized and existing under the laws of the State of California.

“DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds including any such successor appointed pursuant to Section 2.12.

“DTC Participant” means any broker-dealer, bank, or other financial institution for which DTC holds the Bonds as depository from time to time.

“Electronic Means” means telecopy, telegraph, telex, email, facsimile transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

“Eligible Account” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a S&P short-term debt rating of at least ‘A-2’ (or, if no short-term debt rating, a long-term debt rating of ‘BBB+’); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity. Upon notice from the Authority that an account required to be an “Eligible Account” no longer complies with the requirement, the

Trustee will promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

"Enterprise" means the Regional Wastewater Facilities, as that term is defined in the Funding Agreement.

"Event of Default" means any of the events specified in Section 10.01.

"Excess interest" has the meaning set forth in Section 2.03(b).

"Existing Swap Agreement" means the Master Agreement dated August 28, 2003, including the schedules and the confirmation thereto, between the Authority and Morgan Stanley Capital Services Inc., as amended.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Tax Code, the term "investment" will include a hedge.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Authority and the Trustee to the effect that the action proposed to be taken is authorized or permitted by this Indenture and will not result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period prescribed by law for local public agencies in the State.

"Fitch" means Fitch Ratings, of New York, New York, and its successors or assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "Fitch" will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Provider.

["Funding Agreement" means that certain Amended and Restated Funding Agreement relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2012, among the Authority and the Participants, as amended from time to time.]

“Improvement” means any addition, extension, improvement, equipment, machinery or other facilities to or for the Enterprise.

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

(a) is in fact independent and not under domination of the Authority;

(b) does not have any substantial identity of interest, direct or indirect, with the Authority; and

(c) is not and no member of which is connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority.

“Independent Consultant” means any financial or engineering consultant (including without limitation any Independent Certified Public Accountant) with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the Authority, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority;

(b) does not have any substantial identity of interest, direct or indirect, with the Authority; and

(c) is not and no member of which is connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to provide services to the Authority.

“Indenture” means this Wastewater Revenue Bond Indenture, dated as of \_\_\_\_\_ 1, 2013, between the Authority and the Trustee, as originally executed and as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions hereof.

“Index Rate” means the Interest Rate Mode in which the interest rate on the Bonds is determined by the Calculation Agent for each Index Rate Period in accordance with Section 2.03 and may be the LIBOR Index Rate or the SIFMA Index Rate, as applicable.

“Index Rate Period” means any period when the Interest Rate Mode for the Bonds is an Index Rate.

“Initial Bank Purchase Date” means October 3, 2016.

“Initial Period” means the initial Index Rate Period commencing on the Closing Date and ending on the first to occur of (i) a Bank Purchase Date, (ii) the Conversion Date next succeeding the Closing Date (provided that the Bank has consented thereto in writing), or (iii) the Maturity Date.

“Interest Payment Date” means, with respect to the Bonds,

(a) (i) if the Interest Rate Mode is the Index Rate, the Daily Rate or the Weekly Rate, the first Business Day of each month, (ii) if the Interest Rate Mode is the Commercial Paper Rate, the first Business Day following the last day of each Commercial Paper Rate Period for such Bonds, and (iii) if the Interest Rate Mode is the Long-Term Rate, May 1 and November 1, provided, however, that if any May 1 or November 1 which is a Conversion Date for Conversion to the Index Rate, the Daily Rate, the Weekly Rate or the Commercial Paper Rate, is not a Business Day, then the first Business Day immediately succeeding such May 1 or November 1, as applicable;

(b) the Conversion Date or the effective date of a change to a new Long-Term Rate Period;

(c) with respect to each Unremarketed Bond, has the meaning set forth in the Agreement relating to such Unremarketed Bond; and

(d) with respect to Bank Bonds, any date designated as an interest payment date in the Credit Facility Agreement.

In any case, the final Interest Payment Date will be the Maturity Date.

“Interest Period” means, (a) with respect to Bonds during an Index Rate Period, the period from and including the Closing Date or the Index Rate Conversion Date, as applicable, to and including the last calendar day of such month (or the calendar day immediately preceding a day that is a Conversion Date) and thereafter, the period from and including the first calendar day of each month to and including the last calendar day of such month; and (b) with respect to Bonds in all other Interest Rate Modes, the period from, and including, each Interest Payment Date for such Bonds to, and including, the day next preceding the next Interest Payment Date for such Bonds, provided, however, that the first Interest Period for any Bonds will begin on (and include) the Closing Date and the final Interest Period will end the day next preceding the Maturity Date.

“Interest Rate Mode” means the Commercial Paper Rate, the Daily Rate, the Index Rate, the Weekly Rate and the Long-Term Rate.

“Interest Requirement” means the amount of interest due and payable on the Bonds on the next occurring Interest Payment Date.

[“Joint Powers Agreement” means that certain Amended and Restated Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, effective as of October 1, 2012, among the Participants, as amended from time to time.]

“LIBOR Index” means, for any day, the London interbank offered rate for U.S. dollar deposits for a one-month period, as reported on Reuters Screen LIBOR01 Page or any successor thereto, which will be that one-month LIBOR rate in effect two London Business Days prior to the LIBOR Index Reset Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, such rate to be reset monthly on each LIBOR Index Reset Date.

“LIBOR Index Rate” means a per annum rate of interest established on each Computation Date and effective on each related LIBOR Index Reset Date equal to the sum of

(a) the Applicable Spread plus (b) the product of (i) the LIBOR Index multiplied by (ii) the Applicable Factor.

“LIBOR Index Rate Period” means (a) the Initial Period, and (b) any other Index Rate Period during which the Bonds bear interest at a LIBOR Index Rate.

“LIBOR Index Reset Date” means the first calendar day of each calendar month.

“London Business Day” means any Business Day on which commercial banks are open for business in London, England.

“Long-Term Rate” means the Interest Rate Mode in which the interest rate with respect to the Bonds is determined during a Long-Term Rate Period in accordance with Section 2.06.

“Long-Term Rate Period” means any period established by the Authority pursuant to Section 2.06 and beginning on, and including, the Long-Term Rate Conversion Date and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period, if any, of substantially the same duration as that established period until the day preceding the earliest of the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the Maturity Date.

“Maintenance and Operation Costs” has the meaning given to the term “Regional Operation and Maintenance Costs” in the Funding Agreement.

“Mandatory Purchase Date” means any date upon which any Bonds have been called for mandatory tender for purchase in accordance with Section 4.07(b).

“Mandatory Sinking Account Payment” means the principal amount of Bonds required to be paid on November 1, 20\_\_ and on each November 1 thereafter pursuant to Section 4.01(a).

“Mandatory Sinking Account Payment Date” means November 1 of each year commencing in 20\_\_ and terminating in 20\_\_.

“Market Agent” means any person appointed by the Authority to serve as market agent in connection with a conversion to an Index Rate Period.

“Maturity Date” means the maturity date of the Bonds; November 1, 20\_\_.

“Maximum Annual Debt Service” means the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year using the principles and assumptions set forth under the definition of Debt Service.

“Maximum Rate” means, (a) as to Bonds bearing interest at a rate other than an Index Rate (other than Bank Bonds), 12%, (b) as to Bonds bearing interest at an Index Rate or a Purchaser Rate, the maximum nonusurious lawful rate of interest permitted by applicable State law, if any, (c) with respect to Bank Bonds, the maximum rate allowed by the applicable Credit Facility Agreement.

“Moody's” means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns,

except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "Moody's" will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Provider.

"Net Proceeds", when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount; "Net Proceeds", when used with reference to any insurance or condemnation award or sale of property, means the gross proceeds from the sale of property or insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

["Operations Agreement" means Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of October 1, 2012, among the Authority and the Participants, as it may be amended from time to time.]

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.03) all Bonds theretofore authenticated and delivered by the Trustee under this Indenture except –

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 11.03; and

(c) Bonds in lieu of or in substitution for which other similar obligations will have been executed and delivered by the Authority pursuant to this Indenture or any Parity Debt Instrument.

"Owner" means any person who will be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

"Parity Debt" means the outstanding 2011C Bonds and the 2011D Bonds, and all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements), other than Bonds issued under this Indenture, of the Authority payable from and secured by a pledge of and lien upon any of the Revenues issued or incurred in accordance with Section 3.04.

"Parity Debt Instrument" means the resolution, trust indenture, swap agreement, installment sale agreement or other instrument adopted, entered into or executed and delivered by the Authority, and under which Parity Debt is issued.

"Participant Net Revenues" has the meaning given to said term in the Funding Agreement.

"Participant Parity Obligations" has the meaning given to said term in the Funding Agreement.

"Participant System" has the meaning given to said term in the Funding Agreement.

"Participants" means the City, the County and the District.

"Permitted Investments" means any of the following obligations to the extent then permitted by applicable laws and any investment policies of the Authority, and only to the extent that the same are acquired at Fair Market Value:

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States 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.

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);
- b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations;
- c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes;
- d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations;
- e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);
- f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are 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);
- g) Financing Corporation (FICO) Debt obligations;
- h) Resolution Funding Corporation (REFCORP) Debt obligations.

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P, including those of the Trustee and its affiliates.

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

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

7. Money market funds rated "AAm" or "AAm-G" by S&P, or better, including 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 the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, 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 "MIG-1" by Moody's;

c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

e) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's, provided that:

a) The market value of the collateral is maintained at 104%;

b) The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

c) The repurchase agreement will state and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

d) All other requirements of S&P in respect of repurchase agreements will be met;

e) The repurchase agreement will 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, at the direction of the Authority or the Trustee within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee;

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as

such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) 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 "Aa" by Moody's; provided that, by the terms of the investment agreement:

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, for reasons under this Indenture, without penalty or premium, upon not more than seven days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the investment agreement will state that is the unconditional and general obligation of, 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 will 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;

d) the Authority or the Trustee receives the opinion of domestic counsel (which opinion will be addressed to the Authority) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

e) the investment agreement will provide that if during its term:

i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at least 104% (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee, and

f) the investment agreement will state and an opinion of counsel will 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 Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

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

i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate; and

ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate.

12. shares in the California Asset Management Program.

13. the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of this Indenture.

"Prevailing Market Conditions" means, without limitation, the following factors: existing short-term market rates for securities; indices of such short-term rates; the existing market supply and demand and the existing yield curves for short-term and long-term securities for obligations of credit quality comparable to the Bonds; general economic conditions and financial conditions that may affect or be relevant to the Bonds; and such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, will determine to be relevant to the remarketing of the Bonds, at the principal amount thereof.

"Principal Payment" means with respect to any particular Principal Payment Date, an amount equal to the sum of (i) the aggregate principal amount of Outstanding Serial Bonds payable on such Principal Payment Date and (ii) the aggregate of Sinking Fund Installments with respect to all Outstanding Term Bonds payable on such Principal Payment Date as determined hereby.

"Principal Payment Date" means (i) with respect to the Bonds prior to a Long-Term Conversion Date, November 1, commencing November 1, 20\_\_; and (ii) with respect to any Bonds during a Long-Term Rate Period, November 1, commencing with the November 1 immediately following the Long-Term Rate Conversion Date or otherwise as in accordance with a Supplemental Indenture entered into pursuant to the terms hereof.

"Purchase Date" means, with respect to any Bond, (a) if the Interest Rate Mode is the Daily Rate or the Weekly Rate, any Business Day as set forth in Section 4.07(a)(i) and Section 4.07(a)(ii), respectively; and (b) each day that such Bond is subject to mandatory purchase

pursuant to Section 4.07(b), except that the Maturity Date of such Bond will not be a Purchase Date.

“Purchaser Letter” means the Purchaser Letter in the form attached hereto as Exhibit B.

“Purchaser Rate” has the meaning set forth in the Agreement.

“Rate Stabilization Fund” means the fund of that name created and maintained by the Authority pursuant to the Funding Agreement.

“Rating Agency” means an agency that is providing a credit rating on any Bonds or Parity Debt and will include S&P, Moody’s, and Fitch, or any successors thereto (but only so long as they are providing such ratings).

“Redemption Price” means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, plus interest accrued to the redemption date, payable upon redemption thereof pursuant to this Indenture.

“Refunded Bonds” means the 2011A Bonds and the 2011B Bonds being refunded with the proceeds of the Bonds.

“Regional Connection Fees” has the meaning given thereto in the Funding Agreement.

“Regular Record Date” means (a) with respect to any Interest Period during which the Interest Rate Mode is the Daily Rate or the Weekly Rate, the close of business on the last Business Day of such Interest Period, (b) with respect to any Interest Period during which the Interest Rate Mode is the Index Rate, the Business Day preceding an Interest Payment Date for such Interest Period, (c) with respect to any Interest Period during which the Interest Rate Mode is the Long-Term Rate, the fifteenth day (whether or not a Business Day) of the calendar month prior to the Interest Payment Date, and (d) with respect to any Interest Period during which the Interest Rate Mode is the Commercial Paper Rate, the Interest Payment Date for such Interest Period.

“Remarketing Agent” means the remarketing agent appointed in accordance with Section 8.01, or any successor thereto.

“Remarketing Agreement” means any remarketing agreement between the Authority and a Remarketing Agent providing for the remarketing of Bonds tendered for purchase, as the same may be amended from time to time.

“Representation Letter” means each Letter of Representations from the Authority and the Trustee to DTC, or any successor securities depository for the Bonds.

“Request of the Authority” means a request in writing signed by an Authorized Official.

“Revenues” means, for any period of computation, (a) all amounts received by, or entitled to be received by, the Authority from the Participants under Section 7 of the Funding Agreement (but excluding Regional Connection Fees and amounts held in the Rate Stabilization Fund, unless and until said funds are deposited in the 2013 Debt Service Fund or a debt service fund established for payment of any Parity Debt), (b) amounts received under a Credit Facility,

and (c) all receipts derived from the investment of funds held by the Trustee under this Indenture or any Parity Debt Instrument.

“Serial Bonds” means any Bonds which bear interest at a Long-Term Rate and which mature on consecutive semi-annual or annual dates other than by reason of Sinking Fund Installments.

“Serial Maturity Dates” means the dates on which the Serial Bonds mature.

“SIFMA” means the Securities Industry & Financial Markets Association (formerly the Bond Market Association).

“SIFMA Index” means, for any Computation Date, the level of the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by SIFMA and issued on Wednesday of each week, or if any Wednesday is not a Business Day, the immediately preceding Business Day. If the SIFMA Index is no longer published, then “SIFMA Index” will mean the S&P Weekly High Grade Index. If the S&P Weekly High Grade Index is no longer published, then “SIFMA Index” will mean the prevailing rate determined by the Calculation Agent for tax-exempt state and local government Bonds meeting criteria determined in good faith by the Calculation Agent to be comparable under the circumstances to the criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which SIFMA ceased publication of the SIFMA Index.

“SIFMA Index Rate” means a per annum rate of interest established on each Computation Date and effective on each related SIFMA Rate Reset Date equal to the sum of the Applicable Spread plus the SIFMA Index.

“SIFMA Index Rate Period” means any Interest period during which the Bonds bear interest at the SIFMA Index Rate.

“SIFMA Rate Reset Date” means Thursday of each week.

“Sinking Fund Installment” means, with respect to any particular date, the amount of money required hereby to be paid by the Authority on such date toward the retirement of any particular Term Bonds prior to their respective stated maturities.

“S&P Weekly High Grade Index” means for a Computation Date, the level of the “S&P Weekly High Grade Index” (formerly known as the J.J. Kenny Index) maintained by Standard and Poor’s Securities Evaluations Inc. for a one-week maturity as published each Wednesday, or if any Wednesday is not a Business Day, on the next succeeding Business Day.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “S&P” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Provider.

“State” means the State of California.

“Supplemental Indenture” means an agreement amending or supplementing the terms hereof entered into pursuant to the terms hereof or any Parity Debt Instrument.

“Swap Agreement” means, as to any Bonds or Parity Debt, an agreement or agreements providing for a swap of the interest rates payable by the Authority with respect to such Bonds or Parity Debt.

“Swap Counterparty” means, as to any Bonds or Parity Debt, the counterparty or counterparties to a Swap Agreement with respect to such Bonds or Parity Debt.

“Tax Certificate” means any certificate executed by the Authority at the time of issuance of the Bonds relating to the requirements of Section 148 of the Tax Code, as such certificate may be amended or supplemented.

“Tax Code” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Tax Code will include reference to all successors to such section of the Tax Code.

“Taxable Date” means the date as of which interest on the Bonds are first includable in the gross income of the Holder (including, without limitation, any previous Holder) thereof as determined a result of an Event of Taxability as such date is established pursuant to a Determination of Taxability.

“Taxable Rate” means an interest rate per annum at all times equal to the product of the Index Rate or the Purchaser Rate, as applicable, then in effect multiplied by the Taxable Rate Factor.

“Taxable Rate Factor” means 1.54.

“Tax Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Tender Agent” means the Trustee, or any successor tender agent appointed under Section 8.03.

“Term Bonds” means the Bonds maturing on November 1, 20\_\_.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under the laws of the United States of America and having a principal corporate trust office located at San Francisco, California, and any other bank or trust company which may at any time be substituted in the place of the Trustee, as provided in Section 9.08.

“Trust Office” means the corporate trust office of the Trustee at 100 Pine Street, Suite 3100, San Francisco, California 94111, Attention: Corporate Trust Services, or such other or additional offices as may be specified to the Authority by the Trustee in writing; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

"2011A Bonds" means the South Placer Wastewater Authority Wastewater Refunding Revenue Bonds, Series 2011A (Variable Rate Demand Bonds) executed and delivered under the 2011 Indenture.

"2011B Bonds" means the South Placer Wastewater Authority Wastewater Refunding Revenue Bonds, Series 2011B (Variable Rate Demand Bonds) executed and delivered under the 2011 Indenture.

"2011C Bonds" means the South Placer Wastewater Authority Wastewater Refunding Revenue Bonds, Series 2011C executed and delivered under the 2011 Indenture.

"2011D Bonds" means the South Placer Wastewater Authority Wastewater Refunding Revenue Bonds, Series 2011D (SIFMA Index Bonds) executed and delivered under the 2011 Indenture.

"2011 Indenture" means the Wastewater Revenue Bond Indenture dated as of April 1, 2011, between the Authority and the Trustee, as supplemented by a First Supplemental Wastewater Revenue Bond Indenture, a Second Supplemental Wastewater Revenue Bond Indenture, a Third Supplemental Wastewater Revenue Bond Indenture, and a Fourth Supplemental Wastewater Revenue Bond Indenture, each dated as of April 1, 2011, providing for the issuance of the 2011 Bonds.

"2013 Credit Facility Account" has the meaning set forth in Section 5.05.

"2013 Principal Payment Account" means the account by that name established and held by the Trustee pursuant to Section 5.03.

"Unremarketed Bonds" means Bonds that, on the applicable Bank Purchase Date, have not been successfully converted to another Interest Rate Mode or remarketed to another person other than the Bank.

"U.S. Government Securities Dealers" means any entity that is a U.S. Government Securities Dealer.

"User Charges" has the meaning given to said term in the Funding Agreement.

"Variable Index" means, on any date, a rate determined by the Remarketing Agent on the basis of Securities Industry and Financial Markets Association Municipal Swap Index™ as of the most recent date for which such index was published or such other weekly, high-grade index comprising seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or otherwise designated by The Securities Industry and Financial Markets; provided that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the "Variable Index" will mean such other reasonably comparable index selected by the Remarketing Agent.

"Variable Interest Rate" means the Daily Rate, the Weekly Rate, the Commercial Paper Rate and the Index Rate.

"Variable Rate Period" means any period of time during which any Bonds bear interest at a specified Variable Interest Rate determined with regard to such period.

"Weekly Rate" means the Interest Rate Mode in which the interest rate with respect to the Bonds is determined during each Weekly Rate Period in accordance with Section 2.05.

"Weekly Rate Period" means any period determined in accordance with Section 2.05 when the Interest Rate Mode for the Bonds is the Weekly Rate.

SECTION 1.02. Interpretation.

(a) In this Indenture, unless the context otherwise requires:

(i) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" will mean after, and the term "heretofore" will mean before, the date of this Indenture;

(ii) Words of the masculine gender will mean and include correlative words of the feminine and neuter genders and words importing the singular number will mean and include the plural number and vice versa;

(iii) Words importing persons will include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(iv) Any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies hereof, will be solely for convenience of reference and will not constitute a part of this Indenture, nor will they affect its meaning, construction or effect; and

(v) Any reference to agreements will refer to such agreements as they may be revised and amended as permitted in accordance with their terms and the terms hereof.

(b) Whenever in this Indenture the Authority or the Trustee is named or referred to, it will include, and will be deemed to include, the respective successors and assigns of such entity whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Authority or the Trustee, contained in this Indenture will bind and inure to the benefit of each of their respective successors and assigns and will bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there will be transferred by or in accordance with law any right, power or duty of the Authority or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Indenture.

(c) Nothing in this Indenture expressed or implied is intended or will be construed to confer upon, or to give to, any person other than the Authority and the Trustee, including their respective agents and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof. All of the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Authority will be for the sole benefit of the Authority and the Trustee, including their respective agents and the Owners.

SECTION 1.03. Equal Security. In consideration of the acceptance of the Bonds by the Owners, this Indenture will be deemed to be and will constitute a contract between the Trustee and the Owners, including the Bank and the Credit Facility Provider, if applicable, to secure the full and final payment of the interest and principal on the Bonds which may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners and the Credit Facility Provider, if applicable, without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### TERMS AND CONDITIONS OF 2013 BONDS

SECTION 2.01. Preparation of Bonds. The Trustee is hereby authorized and directed to deliver the Bonds in the aggregate principal amount of Sixty Million Three Hundred Twenty-five Thousand Dollars (\$60,325,000). Such Bonds are authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture and will be designated the "South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds)." The Bonds will be dated their date of original delivery and will mature and become payable on November 1, 20\_\_.

Interest on the Bonds will be payable at a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate or the Index Rate, all as provided herein. The initial Interest Rate Mode for the Bonds will be an Index Rate and the initial Index Rate Period and Index Rate will be as described in Section 2.02(a). Interest on Bonds in a LIBOR Index Rate Period (or bearing interest at the Purchaser Rate) will be computed on the basis of a year of 360 days and actual days elapsed. Interest on the Bonds in all other Interest Rate Modes will be computed on the basis of the actual number of days elapsed and a 365/366-day year, as applicable (except that interest on Bank Bonds will be computed on the basis provided in the Credit Facility Agreement).

The Bonds are executed and delivered in Authorized Denominations, which initially will be in denominations of \$250,000 and any larger denomination constituting an integral multiple of \$5,000.

Amounts due on the Bonds in respect of principal and premium, if any, are payable in lawful money of the United States of America upon the surrender thereof at the corporate trust office of the Trustee (or any successors thereto), or any paying agent appointed by the Trustee. Amounts representing interest are payable by check mailed to the Owner of the Bond at such Owner's address as it appears on the Bond register as of the Regular Record Date preceding the day such payment is due, or by wire transfer to any Owner of \$1,000,000 or more of Bonds to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the first day of the month preceding the day such payment is due. Payments of defaulted interest, if any, with respect to a Bond will be paid by check to the Owner of such Bond as of a special record date to be fixed by the Trustee, notice of which special record date will be given to the Owners of the Bonds not less than ten days prior thereto.

#### SECTION 2.02. Initial Interest Rate Mode; Subsequent Interest Rate Modes.

(a) Initial Interest Rate Mode. The initial Interest Rate Mode for the Bonds will be an Index Rate and the Bonds will bear interest at the LIBOR Index Rate for the Initial Period; provided that from the Closing Date to but not including the first calendar day of the next succeeding month, the Bonds will bear interest at the rate of \_\_\_\_% per annum.

(b) Subsequent Interest Rate Mode. The interest rate on the Bonds may thereafter be adjusted to a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate, or a subsequent Index Rate as provided in this Article II; provided that in no event may the interest rate exceed the Maximum Rate.

(c) Same Interest Rate Mode. All Bonds will bear interest in the same Interest Rate Mode and all Bonds representing interest at the Index Rate will bear interest at the same Index Rate.

#### SECTION 2.03. Index Rates.

(a) Determination of Index Rates.

(1) SIFMA Index Rate. During each SIFMA Index Rate Period, the Bonds will, subject to subsection (b) of this Section 2.03, bear interest at the SIFMA Index Rate. The Calculation Agent will determine the SIFMA Index Rate on each Computation Date during the SIFMA Index Rate Period, and such rate will become effective on the SIFMA Rate Reset Date next succeeding such Computation Date and interest at such rate will accrue each day during such SIFMA Index Rate Period, commencing on and including the first day of such period to but excluding the last day of such period. The SIFMA Index Rate will be rounded upward to the second decimal place. Promptly following the determination of the SIFMA Index Rate, the Calculation Agent will give notice thereof to the Trustee. If the SIFMA Index Rate is not determined by the Calculation Agent on the Computation Date, the rate of interest born on such Index Rate Bonds will be the rate in effect for the immediately preceding Interest Period until the Calculation Agent next determines the SIFMA Index Rate as required hereunder. Each SIFMA Index Rate Period is a period from and including a SIFMA Index Rate Conversion Date to but excluding the earliest of (i) the immediately succeeding Bank Purchase Date, (ii) the immediately succeeding Conversion Date and (iii) the Maturity Date.

(2) LIBOR Index Rate. During each LIBOR Index Rate Period, the Bonds will, subject to subsection (b) of this Section 2.03, bear interest at the LIBOR Index Rate. The Calculation Agent will determine the LIBOR Index Rate on each Computation Date during the LIBOR Index Rate Period, and such rate will become effective on the LIBOR Index Reset Date next succeeding the Computation Date and interest at such rate will accrue each day during such LIBOR Index Rate Period, commencing on and including the first day of such period to but excluding the last day of such period. The LIBOR Index Rate will be rounded upward to the third decimal place. Promptly following the determination of the LIBOR Index Rate, the Calculation Agent will give notice thereof to the Trustee. If the LIBOR Index Rate is not determined by the Calculation Agent on the Computation Date, the rate of interest born on such Index Rate Bonds will be the rate in effect for the immediately preceding Interest Period until the Calculation Agent next determines the LIBOR Index Rate as required hereunder. A LIBOR Index Rate Period, other than the Initial Period, consists of a period from and including a LIBOR Index Rate Conversion Date to but excluding the earliest of (i) the immediately succeeding Bank Purchase Date, (ii) the immediately succeeding Conversion Date and (iii) the Maturity Date.

(b) Adjustments to Index Rates.

(1) Taxable Rate. From and after any Taxable Date, the interest rate with respect to Bonds in an Index Rate Period and Unremarketed Bonds will be established at a rate at all times equal to the Taxable Rate.

(2) Default Rate. Notwithstanding the foregoing provisions of this Section 2.03 but subject to the interest rate limitation of Section 2.02(b), upon the occurrence and

continuation of an Event of Default, from and after the effective date of such Event of Default, the interest rate with respect to Bonds in an Index Rate Period and Unremarketed Bonds will be established at a rate at all times equal to the greater of (A) the Default Rate and (B) the interest rate that otherwise would be applicable to the Bonds but for the provisions of this paragraph, payable on demand to the Bank.

(3) **Excess Interest.** Notwithstanding anything in this Indenture to the contrary, if during an Index Rate Period (or at any time Bonds constitute Unremarketed Bonds) the rate of interest on the Bonds exceeds the Maximum Rate for such Bonds, then (i) such Bonds will bear interest at the Maximum Rate and (ii) interest on such calculated at the rate equal to the difference between (A) the rate of interest for such Bonds as calculated pursuant to this Indenture and (B) the Maximum Rate (the "Excess Interest") will be deferred until such date as the rate of interest borne by such Bonds as calculated pursuant to Section 2.3(b) is below the Maximum Rate, at which time Excess Interest will be payable with respect to such Bonds. Payments of deferred Excess Interest will no longer be due and payable upon the earlier to occur of the date on which such Bonds is tendered for purchase in accordance with Section 4.07 and are so paid or such Bonds are paid in full.

(c) **Conversion to Index Rate.** Subject to Section 2.08(b), at any time, the Authority, by written direction to the Trustee, may elect that the Bonds will bear interest at an Index Rate. Such direction will specify the proposed Conversion Date for the Index Rate Period, which will be (i) a Business Day not earlier than the sixtieth (60<sup>th</sup>) day following receipt by the Trustee of such direction, (ii) in the case of Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period with respect to such Bonds, and (iii) in the case of Conversion from a Weekly Rate Period or a Daily Rate Period, the day immediately following the last day of such Interest Rate Period with respect to such Bonds. Such direction will state whether such Index Rate will be a SIFMA Index Rate or a LIBOR Index Rate, the new Bank Purchase Date, the new Applicable Factor (if applicable) and the new Applicable Spread. The new Applicable Spread will be determined (i) under the terms of an Agreement negotiated between the Authority and a subsequent Bank or (ii) by the Market Agent such that the applicable Index Rate is the interest rate per annum (based upon tax exempt obligations comparable, in the judgment of the Market Agent, to the Bonds and known to the Market Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate at which a person will agree to purchase the Bonds on the Conversion Date at a price (without regard to accrued interest) equal to the principal amount thereof. The Authority will provide a copy of such notice to the Calculation Agent contemporaneously with the Trustee. In addition, the direction of the Authority will be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date and a form of the notice to be mailed by the Trustee to the Owners of such Bonds as provided below. During each Index Rate Period commencing on the date so specified and ending, with respect to the Bonds, on the day immediately preceding the effective date of the next succeeding Rate Period, each Bond will bear interest at an Index Rate during each Index Rate Period for the Bonds.

(d) **Notice of Conversion to Index Rate.** The Trustee will give notice by first-class mail of Conversion to an Index Rate Period to the Owners of the Bonds not less than fifteen (15) days prior to the proposed Conversion Date for such Index Rate Period. Such notice will state: (i) that such Bonds will bear interest at Index Rates unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the Authority and the Remarketing Agent, if applicable, as to such Conversion on the Conversion Date or the other conditions precedent to

such adjustment are not met; (ii) the proposed effective date of such Index Rate Period; (iii) that such Bonds are subject to mandatory tender for purchase on such proposed Conversion Date for such Index Rate Period, regardless of whether any or all conditions precedent to the adjustment are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such Bonds.

(e) Conversion from Index Rate. Subject to Section 2.08(b), at any time during an Index Rate Period with respect to the Bonds, the Authority may elect that such Bonds (i) will bear interest at a new Index Rate or (ii) no longer will bear interest at an Index Rate and will instead bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Rate, as specified in such election. Notwithstanding the foregoing, during the Initial Period or any subsequent Index Rate Period where the Bonds are held by the Bank, the Interest Rate Mode may not be changed to another Interest Rate Mode including, without limitation, a new Index Rate Period without the prior written consent of the Bank and is subject to any conditions set forth in the Agreement.

#### SECTION 2.04. Daily Rates.

(a) Determination of Daily Rates. During each Daily Rate Period, the Bonds will bear interest at the Daily Rate, which will be determined by the Remarketing Agent by no later than 9:30 a.m. (New York City time) on each Business Day. The Daily Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if evidenced by such Bonds under Prevailing Market Conditions, would enable the Remarketing Agent to sell such Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Rate for any Business Day, then the Daily Rate for such Business Day will be equal to the Variable Index on such Business Day. A Daily Rate Period consists of one Business Day, beginning on, and including, the Daily Rate Conversion Date until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the Maturity Date.

(b) Conversion to Daily Rate. Subject to Section 2.08(b), at any time, the Authority, with the written approval by the Credit Facility Provider of the Remarketing Agent, by written direction to the Trustee and the Remarketing Agent, may elect that the Bonds will bear interest at a Daily Rate, provided a Credit Facility or Alternate Credit Facility is in place. Such direction of the Authority will specify the proposed Conversion Date for such Conversion to a Daily Rate Period, which will be:

(i) a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction;

(ii) in the case of an Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period;

(iii) in the case of a Conversion from a Commercial Paper Rate Period, the day immediately following the last day of the Commercial Paper Rate Period; and

(iv) in the case of a Conversion from an Index Rate Period, the date immediately following an Interest Period during the Index Rate Period.

In addition, if the Conversion is from other than a Weekly Rate, such direction will be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date and by the form of notice to be sent to the Owners pursuant to subsection (c) below. In addition, in the case of Conversion from an Index Period or a Long-Term Rate Period, such direction will confirm the appointment of a Remarketing Agent. During each Daily Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate evidenced by such Bonds will be a Daily Rate.

(c) Notice of Conversion to Daily Rate. The Trustee will give notice by first-class mail of a Conversion to a Daily Rate Period to the Credit Facility Provider and the Owners of the Bonds not less than fifteen (15) days prior to the proposed effective date of such Daily Rate Period. Such notice will state: (i) that the interest rate on such Bonds will be adjusted to a Daily Rate unless, if the Conversion is from other than a Weekly Rate Period, Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the Authority and the Remarketing Agent on the Conversion Date; (ii) the proposed Conversion Date for such Daily Rate Period; and (iii) if the Conversion is from other than to a Weekly Rate Period, that such Bonds are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Bonds.

#### SECTION 2.05. Weekly Rates.

(a) Determination of Weekly Rates. During each Weekly Rate Period for the Bonds, such Bonds will bear interest at the Weekly Rate, which will be determined by the Remarketing Agent for such Bonds by no later than 5:00 p.m. (New York City time) on Wednesday of each week during such Weekly Rate Period, or if such day will not be a Business Day, then on the next succeeding Business Day. The first Weekly Rate determined for each Weekly Rate Period will be determined on or prior to the first day of such Weekly Rate Period and will apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Wednesday (whether or not a Business Day). Thereafter, each Weekly Rate will apply to the period commencing on Thursday (whether or not a Business Day) and ending on the next succeeding Wednesday (whether or not a Business Day), unless such Weekly Rate Period will end on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period will apply to the period commencing on Thursday (whether or not a Business Day) preceding the last day of such Weekly Rate Period and ending on the last day of such Weekly Rate Period. The Weekly Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if represented by such Bonds under Prevailing Market Conditions, would enable the Remarketing Agent to sell such Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Rate for any week, then the Weekly Rate for such week will be the same as the Weekly Rate for the immediately preceding week if the Weekly Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Rate determined by the Remarketing Agent will be held to be invalid or unenforceable by a court of law, then the interest rate for such week will be equal to the Variable Index on the day such Weekly Rate would otherwise be determined as provided herein for such Weekly Rate Period. A Weekly Rate Period consists of the period beginning on, and including, the Weekly Rate Conversion Date and ending on, and including, the next Wednesday and thereafter the period beginning on, and including, any Thursday and ending on, and including, the earliest of the following

Wednesday, the day preceding the Conversion of the Bonds to a different Interest Rate Mode or the Maturity Date.

(b) Conversion to Weekly Rate. Subject to Section 2.08(b), at any time, the Authority, with the written consent of the Credit Facility Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, elect that the Bonds will bear interest at a Weekly Rate, provided a Credit Facility or Alternate Credit Facility is in place. Such direction of the Authority will specify the proposed Conversion Date for such Conversion to a Weekly Rate Period, which will be:

- (i) a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction;
- (ii) in the case of Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period;
- (iii) in the case of Conversion from a Commercial Paper Rate Period, the day immediately following the last day of the Commercial Paper Rate Period; and
- (iv) in the case of a Conversion from an Index Period, the date immediately following an Interest Period during the Index Rate Period.

In addition, if the Conversion is from other than a Daily Rate, such direction will be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date and by the form of notice to be sent to the Owners pursuant to subsection (c) below. In addition, in the case of adjustment from an Index Period or a Long-Term Rate Period, such direction will confirm the appointment of a Remarketing Agent. During each Weekly Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate evidenced by such Bonds will be a Weekly Rate.

(c) Notice of Conversion to Weekly Rate. The Trustee will give notice by first-class mail of a Conversion to a Weekly Rate Period to the Credit Facility Provider and the Owners of such Bonds not less than fifteen (15) days prior to the proposed effective date of such Weekly Rate Period. Such notice will state:

- (i) that the interest rate with respect to such Bonds will be adjusted to a Weekly Rate unless, if the Conversion is from other than a Daily Rate Period, Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee and the Authority on the Conversion Date;
- (ii) the proposed Conversion Date for such Weekly Rate Period; and
- (iii) if the Conversion is from other than to a Daily Rate Period, that such Bonds are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Bonds.

SECTION 2.06. Long-Term Rate.

(a) Determination of Long-Term Rate. During the Long-Term Rate Period for the Bonds, such Bonds will bear interest at the Long-Term Rate. The Long-Term Rate will be determined by the Remarketing Agent on a Business Day no later than seven (7) days prior to the Long-Term Conversion Date. The Long-Term Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if evidenced by such Bonds, would enable the Remarketing Agent to sell such Bonds under Prevailing Market Conditions at a price (without regarding accrued interest) equal to the principal amount thereof. If, for any reason, the Long-Term Rate is not so determined for the Long-Term Rate Period by the Remarketing Agent on or prior to the first day of such Long-Term Rate Period, then such Bonds will bear interest at the Weekly Rate as provided in Section 2.05, and will continue to bear interest at a Weekly Rate determined in accordance with Section 2.05 until such time as the interest rate on such Bonds will have been adjusted to another Interest Rate Mode as provided herein, and such Bonds will continue to be subject to mandatory purchase as described in Section 4.07(b)(i).

A Long-Term Rate Period will consist of a period beginning on, and including, the Long-Term Rate Conversion Date and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period, if any, of substantially the same duration as that established period until the day preceding the earliest of the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the Maturity Date.

(b) Conversion to or Continuation of Long-Term Rate.

(i) Subject to Section 2.08(b), at any time, the Authority, with the written consent of the Credit Facility Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that the Bonds will bear interest at a Long-Term Rate, provided that:

(A) at least seven (7) days prior to such Long-Term Conversion Date, the Trustee will have received a copy of a firm commitment or a bond purchase agreement in customary written form satisfactory to the Authority from an underwriter acceptable to the Authority to purchase all the Bonds by 12:00 noon (New York City time) on such proposed Long-Term Conversion Date;

(B) at or prior to 12:00 noon (New York City time) on such proposed Long-Term Conversion Date, the Trustee will have received the Purchase Price of such Bonds from the underwriter under the firm commitment or bond purchase agreement, and

(C) on or prior to the Long-Term Conversion Date, the Favorable Opinion of Bond Counsel will have been received by the Trustee and confirmed to the Remarketing Agent.

If a notice of a proposed Conversion to a Long-Term Rate Period has been provided to the Owners pursuant to Section 2.06(c) but the Trustee will not have received the entire amount owed with respect to all specified Bonds on the Long-Term Conversion Date, or if any other condition precedent to the adjustment to the Long-Term Rate Period will not have been met, then the specified Bonds will be subject to mandatory tender for purchase pursuant to Section 4.07(b)(i) but the proposed conversion to the Long-Term Rate Period will not take place.

In the event that the Authority will elect that the Bonds will bear interest at a Long-Term Rate, the direction of the Authority required by the first sentence of this paragraph (b)(i), (i) will specify the duration of the Long-Term Rate Period during which such Bonds will bear interest at such Long-Term Rate or Rates; (ii) will specify the proposed Long-Term Conversion Date, which date will be (1) a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction, and (2) in the case of Conversion from a Commercial Paper Rate Period to a Long-Term Rate Period or from one Long-Term Rate Period to another Long-Term Rate Period, the day immediately following the last day of the Commercial Paper Rate Period or the then-current Long-Term Rate Period; (iii) will specify the last day of such Long-Term Rate Period (which last day will be either the day immediately prior to the maturity date, or a day which both immediately precedes a Business Day and is at least two hundred seventy-one (271) days after the effective date thereof); (iv) will specify a date or dates on or prior to which Owners are required to deliver such Bonds to be purchased; and (v) with respect to Conversion from an Index Period, will confirm the appointment of a Remarketing Agent.

(ii) The direction of the Authority described in Section 2.06(b)(i) will be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Long-Term Conversion Date and by a form of the notice to be mailed by the Trustee to the Owners of such Bonds as provided in Section 2.06(c). During the Long-Term Rate Period commencing and ending on the dates so determined and during each successive Long-Term Rate Period, if any, so determined, the interest rate evidenced by such Bonds will be a Long-Term Rate.

(iii) If, by the second Business Day preceding the twenty-ninth (29th) day prior to the last day of any Long-Term Rate Period which ends on a day other than the day immediately preceding the Maturity Date of such Bonds, the Trustee will not have received notice of the Authority's election that, during the next succeeding Rate Period, such Bonds will bear interest at a Weekly Rate or a Long-Term Rate or at Commercial Paper Rate, the next succeeding Interest Rate Mode will be a Weekly Rate until such time as the interest rate represented by such Bonds will be adjusted to a Long-Term Rate or Commercial Paper Rate as provided in this Article II.

(c) Notice of Conversion to or Continuation of Long-Term Rate. The Trustee will give notice by first-class mail of Conversion to a (or the establishment of another) Long-Term Rate Period to the Credit Facility Provider and the Owners of such Bonds not less than fifteen (15) days prior to the proposed Long-Term Conversion Date for such Long-Term Rate Period. Such notice will state:

(i) that the interest rate represented by the Bonds will be adjusted to, or continue to be, a Long-Term Rate unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the Authority and the Remarketing Agent as to such adjustment in the Interest Rate Mode on the Long-Term Conversion Date or any of the other conditions in Section 2.06(b) are not met;

(ii) the proposed Long-Term Conversion Date; and

(iii) that such Bonds are subject to mandatory tender for purchase on such proposed Long-Term Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Bonds.

#### SECTION 2.07. Commercial Paper Rates.

(a) Determination of Commercial Paper Rate Periods and Commercial Paper Rates. During each Commercial Paper Rate Period for the Bonds, such Bonds will bear interest during each Commercial Paper Rate Period for such Bond at the Commercial Paper Rate for such Bond. The Commercial Paper Rate Period and the Commercial Paper Rate for each Bond need not be the same for any two Bonds, even if determined on the same date. Each of such Commercial Paper Rate Periods and Commercial Paper Rates for each Bond will be determined by the Remarketing Agent for the Bonds no later than the first day of each Commercial Paper Rate Period. Each Commercial Paper Rate will be for a period of days within the range or ranges announced as possible Commercial Paper Rates no later than 12:30 p.m. (New York City Time) on the first day of each Commercial Paper Rate by the Remarketing Agent. Each Commercial Paper Rate Period for each such Bond will be a period of not more than two hundred seventy (270) days, determined by the Remarketing Agent to be the period which, together with all other Commercial Paper Rates for all Bonds then Outstanding, will result in the lowest overall interest expense on such Bonds under Prevailing Market Conditions over the next succeeding twelve month period. Each Commercial Paper Rate Period will end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date. If, for any reason, a Commercial Paper Rate Period for any such Bond cannot be so determined by the Remarketing Agent, or if the determination of such Commercial Paper Rate Period is held by a court of law to be invalid or unenforceable, then such Commercial Paper Rate Period will be thirty (30) days, but if the last day so determined will not be a day immediately preceding a Business Day, will end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, will end on the day immediately preceding the Maturity Date.

The Commercial Paper Rate for each Bond in a Commercial Paper Rate Period will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if evidenced by such Bond, would enable the Remarketing Agent to sell such Bond on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. If, for any reason, a Commercial Paper Rate for any Bond in a Commercial Paper Rate Period is not so established by the Remarketing Agent for any Commercial Paper Rate, or if such Commercial Paper Rate is determined by a court of law to be invalid or unenforceable, then the Commercial Paper Rate for such Commercial Paper Rate will be the rate per annum equal to the Variable Index on the first day of such Commercial Paper Rate.

(b) Conversion to Commercial Paper Rates. Subject to Section 2.08(b), at any time, the Authority, with the written consent of the Credit Facility Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that the Bonds will bear interest at Commercial Paper Rates. Such direction of the Authority will specify the proposed Conversion Date for the Commercial Paper Rate Period (during which such Bonds will bear interest at Commercial Paper Rates), which will be (i) a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction, (ii) in the case of Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period with respect to such Bonds,

and (iii) in the case of Conversion from an Index Rate Period, a Weekly Rate Period or a Daily Rate Period, the day immediately following the last day of an Interest Period with respect to such Bonds. In addition, the direction of the Authority will be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date and a form of the notice to be mailed by the Trustee to the Owners of such Bonds as provided in subsection (c) below. In addition, in the case of Conversion from an Index Rate Period or a Long-Term Rate Period, such direction will confirm the appointment of a Remarketing Agent. During each Commercial Paper Rate Period commencing on the date so specified and ending, with respect to each such Bond, on the day immediately preceding the effective date of the next succeeding Rate Period with respect to such Bond, each such Bond will bear interest at a Commercial Paper Rate during each Commercial Paper Rate for such Bond.

(c) Notice of Conversion to Commercial Paper Rates. The Trustee will give notice by first-class mail of Conversion to a Commercial Paper Rate Period to the Credit Facility Provider and the Owners of the Bonds not less than fifteen (15) days prior to the proposed Conversion Date for such Commercial Paper Rate Period. Such notice will state: (i) that such Bonds will bear interest at Commercial Paper Rates unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the Authority and the Remarketing Agent as to such Conversion on the Conversion Date or the other conditions precedent to such adjustment are not met; (ii) the proposed effective date of such Commercial Paper Rate Period; (iii) that such Bonds are subject to mandatory tender for purchase on such proposed Conversion Date for such Commercial Paper Rate Period, regardless of whether any or all conditions precedent to the adjustment are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such Bonds.

(d) Conversion from Commercial Paper Rate Period. Subject to Section 2.08(b), at any time during a Commercial Paper Rate Period with respect to the Bonds, the Authority may elect that such Bonds no longer will bear interest at Commercial Paper Rates and will instead bear interest at an Index Rate, a Weekly Rate or a Long-Term Rate, as specified in such election. The date on which all Commercial Paper Rates determined for such Bonds will end will be the last day of the then-current Commercial Paper Rate Period and the day next succeeding such date will be the effective date of the Index Period, Weekly Rate Period or Long-Term Rate Period elected by the Authority.

#### SECTION 2.08. Conversion; Cancellation of Conversion.

(a) In the event that the Authority elects to adjust the interest rate with respect to the Bonds to an Index Rate, a Daily Rate, a Weekly Rate, a Long-Term Rate or a Commercial Paper Rate as provided in this Article II, then the written direction furnished by the Authority to the Trustee, the Credit Facility Provider, the Bank and the Remarketing Agent, as required, will be made by registered or certified mail, or by telecopy, confirmed by registered or certified mail. Any such direction of the Authority will specify whether the Bonds are to bear interest at the Daily Rate, the Index Rate, the Weekly Rate, the Commercial Paper Rate or the Long-Term Rate and will be accompanied by a copy of the notice required to be given by the Trustee pursuant to Section 2.03(d), 2.04(c), 2.05(c), 2.06(c) or 2.07(c), as the case may be.

(b) Notwithstanding anything in Article II, in connection with any Conversion of the Interest Rate Mode, the Authority will cause a Favorable Opinion of Bond Counsel to be provided to the Trustee, the Bank, the Credit Facility Provider and the Remarketing Agent on the proposed Conversion Date. In the event that Bond Counsel fails to deliver a Favorable

Opinion of Bond Counsel or any other condition precedent to such Conversion is not met on the proposed Conversion Date, then the Interest Rate Mode for such Bonds will not be converted, and such Bonds will continue to bear interest at the Index Rate, Daily Rate, Weekly Rate or Commercial Paper Rate, as the case may be, as in effect immediately prior to such proposed Conversion of the Interest Rate Mode; and in the event such Bonds are being converted from a Long-Term Rate Period and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel or any other condition precedent to such conversion is not met on the Long-Term Conversion Date, then such Bonds will be converted to bear interest at a Weekly Rate on the date which would have been the effective date of such Long-Term Rate Period. In any event, if notice of such conversion has been mailed to the Owners of such Bonds as provided in Article II and any conditions set forth in this Article II have not been met, such Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the proposed effective date of such adjustment as provided in Section 4.07(b)(i).

(c) The Authority may cancel its election to convert the Interest Rate Mode on the Bonds on any date prior to the date on which notice of Conversion has been mailed to the Owners of the Bonds as provided in this Article II upon notice to the Bank, the Trustee, the Credit Facility Provider and the Remarketing Agent. In such event, the Bonds will remain in the current Interest Rate Mode and the interest rate represented by such Bonds will continue to be determined as provided in this Article II; provided, however, that in the event that Bonds are being converted from a Long-Term Rate Period, then such Bonds will be converted to bear interest at a Weekly Rate on the date which would have been the Long-Term Conversion Date.

(d) In connection with any conversion to a Daily, Weekly, Commercial Paper or Long-Term Rate from the Index Rate, the Authority will appoint a Remarketing Agent under Section 8.01; provided, however, no Remarketing Agent needs to be appointed during an Index Rate Period. In connection with any Conversion to a Daily, Weekly, or Commercial Paper Rate, the Authority will obtain a Credit Facility; provided however, no Credit Facility will be required during a Long-Term Rate Period or an Index Rate Period.

SECTION 2.09. Form of Bonds. The Bonds and the assignment to appear thereon will be in substantially the form of Exhibit A hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby. After the Long-Term Rate Date, a new form of Bond will be prepared which contains the terms of such Bonds applicable in a Long-Term Rate.

SECTION 2.10. Execution of Bonds and Replacement Bonds. The Bonds will be executed by the Trustee by the manual or facsimile signature of an authorized signatory of the Trustee. The Trustee will deliver replacement Bonds on any Long-Term Rate Date. Such replacement Bonds will be executed as herein provided and will be in Authorized Denominations. All Bonds for which such replacement Bonds are delivered will be deemed canceled.

SECTION 2.11. Transfer and Payment of Bonds; Exchange of Bonds. Subject to the limitations set forth below with respect to Bonds bearing interest at an Index Rate or the Purchaser Rate, all Bonds are transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of Section 2.13, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond will be overdue, and the Trustee will

not be affected by any knowledge or notice to the contrary; and payment of the interest and principal on such Bond will be made only to such Owner, which payments will be valid and effectual to satisfy and discharge the liability represented by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds will be surrendered for transfer, the Trustee will execute and deliver a new Bond or Bonds representing the same principal amount. The Trustee will require the payment by any Owner requesting such transfer of 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 will be paid by the Authority.

Bonds may be exchanged at the Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange will be paid by the Authority.

The Trustee will not be required to transfer or exchange any Bond during the period from the Record Date next preceding each Interest Payment Date to such Interest Payment Date, nor will the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

Bonds bearing interest at an Index Rate and Unremarketed Bonds may be transferred without limitation to any Affiliate of the Bank or to a trust or custodial arrangement established by the Bank, each of the beneficial owners of which is a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, subject to the limitations, if any, set forth in the Agreement. Bonds bearing interest at an Index Rate and Unremarketed Bonds may be transferred to another purchaser (other than an Affiliate of the Bank or a trust or custodial arrangement as described in the preceding sentence) if (i) written notice of such transfer, together with addresses and related information with respect to such purchaser, is delivered to the Authority and the Trustee by such transferor, (ii) such purchaser has delivered to the Authority, the Trustee and the transferor a Purchaser Letter in the form attached hereto as Exhibit B executed by a duly authorized officer of such purchaser; and (iii) each such purchaser constitutes a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933 as amended. The Trustee may conclusively rely upon the representations set forth in the Purchaser Letter.

Notwithstanding any provision herein to the contrary, when the context requires, references to presentment and exchange of Bonds will be deemed to provide for such actions by electronic or similar means and not by the physical delivery of printed Bonds.

#### SECTION 2.12. Fully Registered Bonds; Book-Entry Bonds.

(a) The Bonds will be issued initially in the form of a separate single fully registered Bond for each maturity, which may be typewritten, and will be registered in the registration books kept by the Trustee. Upon the initial issuance of the Bonds, the Trustee will authenticate and deliver the Bonds to the Bank, as the registered owner. Unless otherwise directed by the Authority, upon conversion of the Interest Rate Mode of the Bonds from an Index Rate Period to another Interest Rate Mode, the Bonds will be issued pursuant to a Book Entry System as

described in paragraph (b) of the Section 2.12. Unless otherwise directed by the Authority, upon conversion of the Interest Rate Mode of the Bonds to an Index Rate Period, the Trustee will withdraw the Bonds from the Book Entry System and authenticate and deliver the Bonds to the Holders thereof. The Book Entry System will not be in effect with respect to the Bonds during an Index Rate Period unless otherwise directed by the applicable Bank.

(b) Unless otherwise directed by the Authority, upon conversion of the Interest Rate Mode of the Bonds from an Index Rate Period to another Interest Rate Mode, the Bonds will be issued pursuant to a Book Entry System and ownership of all such Bonds will be registered in the registration books maintained by the Trustee pursuant to Section 2.13 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC may request. The Trustee and the Authority may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal and interest on such Bonds, selecting any Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to an Owner hereunder, registering the transfer of Bonds, obtaining any consent or other action to be taken by the Owners and for all other purposes whatsoever; and neither the Trustee nor the Authority will be affected by any notice to the contrary. Neither the Trustee, nor the Authority will have any responsibility or obligation to any Participant (which will mean, for purposes of this Section 2.12, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or interest represented by such Bonds, (iii) any notice which is permitted or required to be given to the Owners hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event, if any, of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as Owner. The Trustee will pay all principal and premium, if any, and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 2.12.

(c) In the event that the Authority determines that it is in the best interests of the Beneficial Owners of the Bonds that they be able to obtain Bonds, the Trustee will, upon the written instruction of the Authority, so notify DTC, whereupon DTC will notify the Participants of the availability through DTC of Bonds. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.12. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.12. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all Bonds evidencing the Bonds then Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 2.12, and thereafter, all reference in this Indenture to DTC or its nominee will be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as all Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal and interest represented by each such Bond and all notices with respect to each such Bond will be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Authority will execute and deliver the Representation Letter and, in connection with any successor nominee for DTC and any successor depository, enter into comparable arrangements, and will have the same rights with respect to its actions thereunder as it has with respect to its actions under this Indenture.

(f) In the event that any transfer or exchange of Bonds is authorized under subsection (b) or (c) of this Section 2.12, such transfer or exchange will be accomplished upon receipt by the Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Section 2.11. In the event Bonds are issued to holders other than Cede & Co., its successor as nominee for DTC as holder of all the Bonds, another securities depository as holder of all the Bonds, or the nominee of such successor securities depository, the provisions of this Indenture will also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of principal, premium, if any, and interest on the Bonds.

(g) Notwithstanding the foregoing, if any Bond is tendered but not remarketed, with the result that such Bond becomes a Bank Bond, the Trustee and the Authority will, if requested by the Credit Facility Provider, take all such actions as are necessary to remove the Bond from the full book-entry system of the Depository and to (i) register such tendered but not remarketed Bonds in the name of the Credit Facility Provider or its nominee, as applicable, and (ii) register tendered but remarketed Bonds in the name of the purchaser thereof, or their nominee. If removed from the book-entry system of the Depository, Bank Bonds may be held at the option of the Credit Facility Provider, by the Tender Agent on behalf of, and for the benefit of, the Credit Facility Provider. If removed from the book-entry system of the Depository, upon the remarketing of Bank Bonds, or upon the request of the Credit Facility Provider with respect to Bank Bonds, the Trustee and the Authority will take all such actions necessary to return the Bonds to the full book-entry system of DTC upon remarketing.

**SECTION 2.13. Bond Registration Books.** The Trustee will keep at its Trust Office, sufficient books for the registration and transfer of the Bonds, which books will be available for inspection by the Authority at reasonable hours and under reasonable conditions upon reasonable notice; and upon presentation for such purpose the Trustee will, under such reasonable regulations as it may prescribe, register or transfer the Bonds on such books as hereinabove provided. The Trustee will, upon written request, make copies of the foregoing available to any Owner or his agent duly authorized in writing.

**SECTION 2.14. Temporary Bonds.** The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds will be printed, lithographed or typewritten, will be of such denominations as may be determined by the Trustee, will be in fully registered form and will contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond will be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee executes and delivers temporary Bonds, it will execute and deliver definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the

Trust Office of the Trustee, in exchange for such definitive Bonds, and until so exchanged such temporary Bonds will be entitled to the same benefits hereunder as definitive Bonds executed and delivered hereunder.

SECTION 2.15. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond will become mutilated, the Trustee, at the expense of the Owner thereof, will execute and deliver a new Bond of like tenor, payment date and number 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 will be canceled by it. If any Bond will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee an indemnity satisfactory to the Trustee will be given, the Trustee, at the expense of the Owner thereof, will execute and deliver a new Bond of like tenor, numbered as the Trustee will determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond executed and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any Bond executed and delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby, and the Trustee will not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the amount of Bonds which may be executed and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond will be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of executing and delivering a new Bond for a Bond which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Bond, the Trustee may make payment of such Bond to the Owner thereof if so instructed by the Authority.

SECTION 2.16. Calculation Agent. During the Initial Period, the Calculation Agent will be the Bank, and thereafter will be such person as the Authority may appoint with the consent of the Bank and meeting the requirements of this Section. Any Calculation Agent which is not also the Bank will designate its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority and the Trustee in which the Calculation Agent will agree to perform all calculations and provide all notices required of the Calculation Agent under this Indenture.

The Calculation Agent will be a corporation duly organized under the laws of the United States of America or any state or territory thereof and will be authorized by law to perform all the duties imposed upon it by this Indenture. The Calculation Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days' notice to the Authority, the Trustee, the Tender Agent, the Remarketing Agent, and the Credit Facility Provider, if any. Upon receipt of such notice, during any Interest Rate Mode in which the services of a Calculation Agent are required under this Indenture, the Authority will diligently seek to appoint a successor Calculation Agent to assume the duties of the Calculation Agent on the effective date of the prior Calculation Agent's resignation. In the event that the Authority will fail to appoint a successor Calculation Agent in a timely manner when required under this Indenture, the Trustee will petition any court of competent jurisdiction for the appointment of a successor Calculation Agent, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Calculation Agent. The Calculation Agent may be removed at any time by written notice from the Authority to the Trustee, the Tender Agent, the Bank, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, and the

Remarketing Agent, *provided* that such removal will not be effective until a successor Calculation Agent assumes such position in accordance with the provisions hereof.

The Trustee will, within 30 days of the resignation or removal of the Calculation Agent or the appointment of a successor Calculation Agent, give notice thereof by first class mail, to the registered owners of the Bonds.

Promptly after determining any interest rate required to be determined by the Calculation Agent under this Indenture, the Calculation Agent will provide notice to the Trustee, the Bank, if applicable, the Tender Agent, the Remarketing Agent and any requesting Holder.

**SECTION 2.17. Bank Bonds.** Except as otherwise provided in the Credit Facility Agreement with notice to the Trustee, Bank Bonds will be registered in the name of the Credit Facility Provider or its nominee, will constitute Bank Bonds and will not be transferred and re-registered until the provisions in the following paragraph are satisfied.

Bank Bonds will not be resold or re-registered in the name of any other party except pursuant to the Credit Facility Agreement, unless, prior to such resale or registration: (i) the Credit Facility Provider has been reimbursed for any amount drawn under the Credit Facility and (ii) the Trustee receives written confirmation from the Credit Facility Provider that the amount drawn under the Credit Facility has been reinstated. Bank Bonds will not be entitled to the benefits of the Credit Facility.

Bank Bonds will bear interest at the rates and be payable to the Credit Facility Provider as set forth in the Credit Facility Agreement. Following any remarketing of Bank Bonds, the resulting Bonds will not be entitled to the rate established for Bank Bonds under the Credit Facility Agreement.

**SECTION 2.18. Unremarketed Bonds.** Notwithstanding anything in this Indenture to the contrary, (a) each Unremarketed Bond will bear interest on the outstanding principal amount thereof at the Purchaser Rate applicable to such Unremarketed Bond in accordance with the Agreement relating to such Unremarketed Bond (as calculated by the Calculation Agent in accordance with such Agreement) for each day from and including the day such Bond becomes an Unremarketed Bond to and excluding the day such Bond ceases to be an Unremarketed Bond or is paid in full, (b) interest on each Unremarketed Bond will be calculated on the basis of a 360 day year, as applicable to the Purchaser Rate, in accordance with the Agreement relating to such Unremarketed Bond and the actual number of days elapsed, and (c) interest on each Unremarketed Bond will be payable on an Interest Payment Date. A Bond will cease to be an Unremarketed Bond only if such Unremarketed Bond is remarketed and transferred or such Unremarketed Bond is redeemed in full.

### ARTICLE III

#### ISSUANCE OF BONDS; USE OF PROCEEDS; PARITY DEBT

SECTION 3.01. Delivery of Bonds. The Trustee is hereby authorized to authenticate the Bonds and to deliver the Bonds to the Bank upon receipt of a Request of the Authority and upon receipt of the proceeds of sale thereof.

SECTION 3.02. Deposit of Proceeds of the Bonds and Other Moneys; Establishment of Funds and Accounts. On the Closing Date, the Trustee will establish a temporary account named the "Refunding Account" to be utilized for accumulating the moneys needed to redeem the Refunded Bonds. Proceeds of the Bonds and other available moneys described below will be deposited as follows on the Closing Date:

(a) Bond Proceeds. On the Closing Date, the Trustee will allocate the proceeds received from the sale of the Bonds in the amount of \$\_\_\_\_\_ (equal to the par amount of the Bonds) as follows:

- (i) \$\_\_\_\_\_ for deposit in the Refunding Account; and
- (ii) \$\_\_\_\_\_ for deposit in the Cost of Issuance Fund.

(b) 2011 Available Moneys. On or before the Closing Date, the Trustee, as trustee for the Refunded Bonds, will transfer \$\_\_\_\_\_ from the 2011 Parity Reserve Fund to the Refunding Account. **[Any other available 2011A or 2011B funds?]**

(c) Redemption of Refunded Bonds. The Trustee, in its capacity as Trustee for the Refunded Bonds, will apply, on \_\_\_\_\_, 2013, the total amount deposited in the Refunding Account (being \$\_\_\_\_\_), to pay (or to reimburse the credit provider for) the redemption price (being the amount of \$\_\_\_\_\_ ) of the Refunded Bonds being prepaid on such date.

(d) Residual Available Moneys. After making the above transfers and deposits and redeeming the Refunded Bonds, the Trustee, in its capacity as Trustee for the Refunded Bonds, will transfer any other moneys remaining in any funds or accounts held under the 2011 Indenture with respect to the Refunded Bonds or any excess in the Refunding Account to the 2013 Debt Service Fund.

The Authority hereby directs the Trustee to make the transfers required above.

The Trustee may, at its option, establish and maintain a temporary account or accounts in connection with the deposit and transfer of the proceeds of the Bonds.

SECTION 3.03. Cost of Issuance Fund. There is hereby created a fund to be known as the "South Placer Wastewater Authority Refunding Revenue Bonds, 2013 Cost of Issuance Fund" (the "Cost of Issuance Fund"), which the Authority hereby covenants and agrees to cause to be maintained and which will be held in trust by the Trustee. The moneys in the Cost of Issuance Fund will be used solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of Requests of the Authority therefor, on or after the Closing Date. Any funds remaining in the Cost of Issuance Fund on \_\_\_\_\_, 2013, will be transferred by the Trustee to the 2013 Debt Service Fund.

SECTION 3.04. Issuance of Parity Debt. (a) The Authority may, under a Parity Debt Instrument, issue or incur Parity Debt payable from Revenues, to provide financing for the Enterprise, in such principal amount as will be determined by the Authority. The Authority may issue or incur any such Parity Debt, subject to the following conditions precedent:

(a) The Authority will be materially in compliance with all covenants set forth in this Indenture.

(b) Each of the Participant's Net Revenues, calculated on sound accounting principles, as shown by the books of the Participants for the latest Fiscal Year or any more recent 12 month period selected by each Participant ending not more than 90 days prior to the date of issuance of the Parity Debt, as shown by the books of the Participants, plus, at the option of any Participant, any or all of the items hereinafter in this paragraph designated, will at least equal 110% of the sum of: (1) their Proportionate Share of Maximum Annual Debt Service, calculated in accordance with Section 12 of the Funding Agreement, with Maximum Annual Debt Service calculated on all Bonds and Parity Debt to be Outstanding immediately subsequent to the issuance of such Bonds which have a lien on Revenues; plus (2) Maximum Annual Debt Service on all Participant Parity Obligations.

The items which may be added to each Participant's Net Revenues for the purpose of issuing additional Parity Debt are:

(1) an allowance for earnings arising from each Participant's Net Revenues resulting from any increase in the User Charges which has become effective prior to the issuance of such Parity Debt but which, during all or any part of such Fiscal Year or such 12 month period, was not in effect, in an amount equal to the amount by which the Participant's Net Revenues would have been increased if such increase in User Charges had been in effect during the whole of such Fiscal Year or such 12 month period, all as shown in the written report of an Independent Consultant engaged by the applicable Participant; and

(2) an allowance for Participant Net Revenues from any additions or improvements to or extensions of a Participant System to be financed from the proceeds of such Participant's Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12 month period selected by a Participant were not in service, all in an amount equal to 75% of the estimated additional average annual Participant Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Participant;

(3) Regional Connection Fees collected by the Participants, in an amount equal to the greater of: (1) Regional Connection Fees collected by such Participant in the prior 12 months; or (2) the average annual amount of Regional Connection Fees collected by such Participant during the prior 36 months; and

(4) Available Local Connection Fees collected by the Participants, in an amount equal to the greater of: (1) Available Local Connection Fees collected by the Participants in the prior 12 months; or (2) the average annual amount of Available Local

Connection Fees collected by the Participants during the prior 36 months. For purposes of the calculations made under this subparagraph (c), Participant Net Revenues will not include any draws made by the Authority from the Rate Stabilization Fund to pay Debt Service on any Bonds or Parity Debt.

Notwithstanding any provisions herein, the condition set forth in this subparagraph (c) will not be applicable to Parity Debt issued solely for the purpose of refunding all or a portion of any outstanding Bonds or other Parity Debt.

(c) The Funding Agreement will be amended or supplemented, if necessary, to provide that one or more of the Participants is obligated to pay Debt Service on such Bonds or Parity Debt or to otherwise amend the Funding Agreement to conform to the terms of this Indenture.

In addition, the Parity Debt Instrument providing for the issuance of such Parity Debt under this Section 3.04 will provide that the proceeds of such Parity Debt will be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Enterprise, or otherwise for facilities, improvements or property which the Authority determines are of benefit to the Enterprise, or for the purpose of refunding any Parity Debt in whole or in part, including all costs (including costs of issuing such Parity Debt and including capitalized interest on such Parity Debt during any period which the Authority deems necessary or advisable) relating thereto.

The Authority may, in connection with the issuance of Parity Debt, enter into: (i) a Credit Facility Agreement with a Credit Provider which provides a Credit Facility to provide credit enhancement or liquidity for Parity Debt; or (ii) a Swap Agreement, and pledge Revenues to repay the Credit Provider under the Credit Facility Agreement or the Swap Counterparty under the Swap Agreement, without complying with Section 3.01(b), (c) or (d). Said pledge of Revenues to repay the Credit Provider or Swap Counterparty may be, but is not required to be, on a parity with the Bonds and any other Parity Debt issued or to be issued by the Authority, and such Credit Facility Agreement or Swap Agreement will be treated as Parity Debt under this Indenture.

(b) The Authority hereby agrees and acknowledges that the Existing Swap Agreement (except termination payments and certain other obligations as set forth in the Existing Swap Agreement) is a Parity Debt obligation as described in this Section 3.04 and is secured by the Revenues on a parity with all the 2011 Bonds, the Bonds and any additional Parity Debt.

SECTION 3.05. Limitations on the Issuance of Obligations. The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Revenues, except the following:

- (a) Additional series of bonds authorized pursuant to the 2011 Indenture;
- (c) Parity Debt issued or incurred in accordance with Section 3.04;

(c) and obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues, after the prior payment of all amounts then required to be paid hereunder from Revenues, for principal, premium,

interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required in this Indenture.

**ARTICLE IV**

**REDEMPTION; PURCHASE AND TENDER OF BONDS**

SECTION 4.01. Terms of Special and Mandatory Redemption.

(a) The Bonds are subject to mandatory redemption in part from Sinking Fund Installments to be made by the Authority on November 1, 20\_\_ and on each November 1 thereafter up to and including November 1, 20\_\_, at a Redemption Price equal to the principal amount thereof plus accrued interest, if any, to the redemption date without premium, as follows:

<u>November 1</u>	<u>Principal Amount</u>
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(b) Unremarketed Bonds are subject to special mandatory redemption by the Authority, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon (at the Purchaser Rate) to but not including the date of such redemption, on the dates, in the amounts and in the manner set forth in the applicable Agreement.

(c) Bank Bonds are subject to special mandatory redemption in accordance with the terms of the applicable Credit Facility or Credit Facility Agreement.

SECTION 4.02. Terms of Optional Redemption. The Bonds are subject to optional redemption prior to their respective stated date of maturity, upon notice as hereinafter provided, as follows:

(a) Whenever the Interest Rate Mode is the Daily Rate or Weekly Rate, the Bonds will be subject to redemption prior to their stated maturity at the option of the Authority, in whole or in part on any Business Day (in such amounts as may be specified by the Authority), by lot, at a Redemption Price of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

(b) Whenever the Interest Rate Mode is the Index Rate, the Bonds are subject to redemption prior to their stated maturity at the option of the Authority, in whole or in part on any Interest Payment Date with respect to such Bonds (in such amounts as may be specified by the Authority) at a Redemption Price of the principal amount thereof, plus accrued interest thereon

to the date fixed for redemption, without premium, plus any additional amount set forth in an Agreement, if any; provided that, the payment of any additional amount set forth in an Agreement will not be a condition precedent to the redemption of such Bonds and the Trustee will not be responsible for collecting such amounts.

(c) Whenever the Interest Rate is the Commercial Paper Rate, the Bonds will be subject to redemption prior to their stated maturity at the option of the Authority, in whole or in part, on the Interest Payment Date for each Commercial Paper Rate Period, at a Redemption Price of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

(d) Whenever the Interest Rate Mode is the Long-Term Rate, the Bonds will be subject to redemption prior to their stated maturity at the option of the Authority, in whole or in part (in such amounts as may be specified by the Authority), by lot:

(i) on the final Interest Payment Date for such Long-Term Rate Period, at a Redemption Price of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium; and

(ii) prior to the end of the then current Long-Term Rate Period at any time during the redemption periods and at the Redemption Prices set forth below, plus interest accrued thereon, if any, to the date fixed for redemption below, plus interest accrued thereon, if any, to the date fixed for redemption:

<u>Original Length of Current Long-Term Rate Period (Years)</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as Percentage of Principal</u>
More than 12 years	Sixth anniversary of commencement of Long-Term Rate Period	102% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 9 but equal to or less than 12 years	Fourth anniversary of commencement of Long-Term Rate Period	102% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 6 but equal to or less than 9 years	Third anniversary of commencement of Long-Term Rate Period	101-1/2% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 3 but equal to or less than 6 years	Second anniversary of commencement of Long-Term Rate Period	101% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
3 years or less	Noncallable	Noncallable

If the Authority has given notice of a change in the Long-Term Rate Period or notice of Conversion of the Interest Rate Mode to the Long-Term Rate pursuant to Section 2.06(b) and, at least forty (40) days prior to such change in the Long-Term Rate Period for the Bonds or such Conversion of an Interest Rate Mode for the Bonds to the Long-Term Rate the Authority has provided to the Trustee (i) a certification of the Remarketing Agent to the effect that the foregoing schedule is not consistent with Prevailing Market Conditions and (ii) a Favorable Opinion of Bond Counsel, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such change in the Long-Term Rate Period or the Conversion

Date, as determined by the Remarketing Agent in its judgment, taking into account the then Prevailing Market Conditions as set forth in such certification, which will be appended by the Trustee to its counterpart of this Indenture. Any such revision of the redemption periods and redemption prices will not be considered an amendment of or a supplement to this Indenture and will not require the consent of any Owner or any other person or entity. In the event of redemption pursuant to Section 4.01(a) or (b), the Authority will provide the Trustee with a revised sinking fund schedule giving effect to the redemption so completed.

SECTION 4.02A. Purchase in lieu of Redemption. In lieu of redemption of Bonds as provided in Section 4.01 and 4.02, amounts held by the Trustee for such redemption may be applied by the Trustee to the purchase of redemption at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) at the direction of the Authority received by the Trustee at least 75 days prior to the selection of the Bonds for redemption, but such purchase price must not exceed the redemption price that would be payable if such Bonds were prepaid.

SECTION 4.03. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a series within a maturity, the Trustee will select the Bonds to be prepaid within that maturity by lot in any manner that the Trustee in its sole discretion will deem appropriate and fair. Any Bank Bonds will be prepaid in accordance with the applicable provisions of the Credit Facility and will be prepaid before any other Bonds.

SECTION 4.04. Notice of Redemption. The Authority will give written notice of any redemption to the Trustee at least forty-five (45) days prior to the date of redemption (unless a shorter time will be acceptable to the Trustee). Notice of redemption will be mailed by the Trustee by first class mail, not less than thirty (30) days (fifteen (15) days if the Interest Rate Mode for such Bonds is the Index Rate) nor more than sixty (60) days prior to the redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee. Any Bond that is remarketed subsequent to a notice of redemption being delivered, but prior to the date of such redemption, will be delivered to the purchaser thereof accompanied by such notice. The Trustee will also give notice of redemption by overnight mail or by such other method acceptable to the Credit Facility Provider and such institutions to such securities depositories and/or securities information services as will be designated in a Bond of the Authority. Each notice of redemption will state the date of such notice, the Closing Date of the Bonds, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP numbers, if any, and, in the case of Bonds to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be prepaid in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered.

Failure by the Trustee to give notice pursuant to this Section 4.04 to any one or more of the securities information services or depositories designated by the Authority, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this Section 4.04 to any one or more of the respective Owners of any Bonds designated for redemption will not affect the

sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority.

Conditional notice of optional redemption may be given at the direction of the Authority, provided however that prior to or contemporaneously with any withdrawal or rescission of any notice of redemption, the Trustee and the Tender Agent receive written confirmation from the Credit Facility Provider of the full reinstatement, if any, of the Credit Facility.

Any notice given pursuant to this Section 4.04 may be rescinded by written notice given to the Trustee by the Authority no later than five (5) Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to this Section 4.04.

SECTION 4.05. Partial Redemption of Bonds. Upon surrender of any Bond prepaid in part only, the Authority will execute (but need not prepare) and the Trustee will execute and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations, equal in aggregate principal amount to the unprepaid portion of the Bond surrendered.

SECTION 4.06. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

All Bonds prepaid pursuant to the provisions of this Article will be canceled upon surrender thereof and delivered to or upon the request of the Authority.

SECTION 4.07. Purchase of Bonds. For purposes of this Section 4.07, the Trustee is authorized and directed to draw upon the Credit Facility, if any, in accordance with the terms thereof, to place the amounts thus received in the Bond Payment Fund and to proceed as follows:

(a) Purchase of the Bonds on Demand of Owner.

(i) During Daily Rate Period. If the Interest Rate Mode is the Daily Rate, any Bond will be purchased on the demand of the owner thereof on any Business Day during a Daily Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date upon written notice or Electronic Notice given to the Trustee, at its Trust Office not later than 10:00 a.m. (New York City time) on the Purchase Date specified in such owner's demand for purchase, which notice (a)

states the number and principal amount (or portion thereof) of such Bond to be purchased, (b) states the Purchase Date on which such Bond will be purchased and (c) irrevocably requests such purchase and agrees to deliver such Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 noon (New York City time) on such Purchase Date.

(ii) During Weekly Rate Period. If the Interest Rate Mode is the Weekly Rate, any Bond will be purchased on the demand of the owner thereof on any Business Day during a Weekly Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon written notice to the Trustee, at its Trust Office at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date, which notice (a) states the number and principal amount (or portion thereof) of such Bond to be purchased, (b) states the Purchase Date on which such Bond will be purchased and (c) irrevocably requests such purchase and agrees to deliver such Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 Noon (New York City time) on such Purchase Date.

(iii) Notwithstanding any other provision of this Section 4.07(a), the Owner of a Bond may demand purchase of a portion of such Bond only if the portion to be purchased and the portion to be retained by such owner each will be in an Authorized Denomination.

(b) Mandatory Purchases of Bonds.

(i) Mandatory Purchase on Bank Purchase Date. The Bonds will be subject to mandatory purchase on each Bank Purchase Date.

(ii) Mandatory Purchase on Conversion Date. The Bonds will be subject to mandatory purchase on each Conversion Date other than a Conversion Date converting the Interest Rate Mode from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate (unless such Conversion Date is already a Bank Purchase Date, in which case no separate mandatory tender by operation of this subparagraph (ii) will occur); provided, however that if the date on which the Bonds are subject to tender for purchase shall be the date of a conversion from one Index Rate Period to another Index Rate Period, the Owner may elect to retain its Bonds by filing with the Trustee not less than five days prior to the mandatory tender date a written notice identifying such Bonds and the principal amount it wishes to retain.

(iii) Mandatory Purchase on Day After End of Commercial Paper Rate Period or Long-Term Rate Period. Whenever the Interest Rate Mode for a Bond is the Commercial Paper Rate or the Long-Term Rate, such Bond will be subject to mandatory purchase on the Business Day following the end of each Commercial Paper Rate Period or Long-Term Rate Period, as the case may be, for such Bond at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date. The Trustee will notify the affected Owners at least 30 days prior to the end of each Long-Term Rate Period that the Bonds will be purchased on the Business Day following the end of such Long-Term Rate Period and that if any owner will fail to deliver a Bond for purchase with an appropriate instrument of transfer to the Trustee for purchase on said date, and if the Trustee is in receipt of the purchase price therefor, any such Bond not delivered will nevertheless be deemed purchased on such date and will cease to accrue

interest on and from such date; provided, however, that no such notice need be given if the Trustee has mailed a notice to the affected Owners pursuant to either Section 2.06(c) or Section 2.07(c). No notice of mandatory purchase following the end of a Commercial Paper Rate Period will be required to be given to the Owners.

(iv) Mandatory Purchase Upon Delivery of Alternate Credit Facility. The Bonds will be subject to mandatory purchase from a draw on the then-existing Credit Facility on the effective date of an Alternate Credit Facility.

(v) Mandatory Tender Upon Failure to Renew Credit Facility. The Bonds will be purchased on the fifth Business Day preceding the date of expiration of the Credit Facility if a notice of renewal of the Credit Facility is not delivered by the Credit Facility Provider to the Trustee at least 25 days prior to the scheduled expiration of the Credit Facility.

(vi) Mandatory Tender Upon Termination of Credit Facility. The Bonds will be purchased on the Business Day preceding the date of termination of the Credit Facility.

(vii) Mandatory Tender Upon Default Under Credit Facility Agreement. The Bonds secured by a Credit Facility will also be purchased on any Business Day within 7 days (but not later than a Business Day prior to the date of expiration of the Credit Facility) after receipt by the Trustee of written notification from the Credit Facility Provider that an event of default under the Credit Facility Agreement or non-reinstatement of the Credit Facility has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Bonds.

Notice of a mandatory tender required by subsections (i) through (vi) above will be given in accordance with Section 4.09 hereof at least 20 days prior to the date of mandatory tender, or, in the event the Trustee does not have notice of the occurrence of the event which requires mandatory tender at least 25 days prior to the date of mandatory tender, notice will be given as soon as practicable upon receipt of notice by the Trustee.

On the date of mandatory tender, the DTC Participant or Owner of such Bond will tender such Bond for purchase and such Bond will be purchased or deemed purchased as provided in Section 4.08 hereof at a Purchase Price equal to the principal amount thereof plus accrued interest thereon.

#### SECTION 4.08. General Provisions Relating to Tenders.

(a) Bond Payment Fund. Moneys in the Bond Payment Fund established under Section 5.05 will be held in trust only for the benefit of the Owners of tendered Bonds who will thereafter be restricted exclusively to the moneys held in such fund for the satisfaction of any claim for the Purchase Price of such tendered Bonds.

(b) Deposit of Bonds. The Trustee agrees to hold all Bonds delivered to it pursuant to Section 4.07 of this Indenture in trust for the benefit of the respective Owners which will have so delivered such Bonds until moneys representing the Purchase Price of such Bonds have been delivered to such Owner in accordance with the provisions of this Indenture and until such Bonds will have been delivered by the Trustee in accordance with Section 4.08(f). As used herein: the term "Purchased Bond" means any Bond purchased under Section 4.07; the term "Purchase Date" means the date the Purchased Bonds are to be purchased under Section 4.07;

and the term "Purchase Price" of any Purchased Bond means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased Bond is an Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest on such Purchased Bond will be paid to the Owner of such Purchased Bond pursuant to this Indenture.

Any Purchased Bonds which are subject to mandatory tender for purchase in accordance with Section 4.07(b) which are not presented to the Trustee on the Purchase Date and any Purchased Bonds which are the subject of a notice pursuant to Section 4.07(a) which are not presented to the Trustee on the Purchase Date, will, in accordance with the provisions of Section 4.10, be deemed to have been purchased upon the deposit of moneys equal to the Purchase Price thereof into any or all of the accounts of the Bond Payment Fund.

(c) Remarketing of Bonds.

(i) Immediately upon its receipt, but not later than 10:15 a.m. (New York City time) on the Purchase Date specified in a notice from an Owner pursuant to Section 4.07(a)(i) of this Indenture, and not later than 10:00 a.m. (New York City time) on the sixth Business Day prior to the Purchase Date specified in a notice from an Owner pursuant to Section 4.07(a)(ii) of this Indenture, the Trustee will notify the Remarketing Agent, the Credit Facility Provider, and the Authority by telephone, promptly confirmed in writing, or by telecopy, of such receipt, specifying the principal amount of Bonds for which it has received a notice pursuant to Section 4.07(a) of this Indenture, the names of the Owners thereof and the date on which such Bonds are to be purchased in accordance with Section 4.07(a).

(ii) As soon as practicable, but in no event later than 11:30 a.m. (New York City time) on the Purchase Date in the case of Bonds to be purchased pursuant to Section 4.07(a)(i) and by no later than 4:00 p.m. (New York City time) on the last Business Day prior to the Purchase Date in the case of Bonds to be purchased pursuant to Sections 4.07(a)(ii) and 4.07(b), the Remarketing Agent will inform the Trustee and the Credit Facility Provider by telephone, promptly confirmed in writing, of the principal amount of Purchased Bonds for which the Remarketing Agent has identified prospective purchasers and of the name, address and taxpayer identification number of each such purchaser, the principal amount of Purchased Bonds to be purchased and the Authorized Denominations in which such Purchased Bonds are to be delivered, the aggregate Purchase Price of the Purchased Bonds, and as to the projected Funding Amount. Upon receipt from the Remarketing Agent of such information, the Trustee will prepare Purchased Bonds in accordance with such information received from the Remarketing Agent for the registration of transfer and redelivery to the Remarketing Agent.

The term "Funding Amount" is hereby defined to mean an amount equal to the difference between (a) the total Purchase Price of those Purchased Bonds to be purchased pursuant to Section 4.07, and (b) the Purchase Price of those Purchased Bonds to be purchased pursuant to Section 4.07 with respect to which the Remarketing Agent expects to transfer, or to cause to be transferred, immediately available funds to the Trustee by 11:45 a.m. (New York City time) on the Purchase Date, or expects to commit to be delivered to the Trustee by not later than 2:30 p.m., New York City time on the Purchase Date. .

As used herein, the term "Purchase Price" of any Purchased Bond means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased Bond is an Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest on such Bond will be paid to the Owner of such Bond pursuant to this Indenture.

The Remarketing Agent will deliver the proceeds of the remarketing of the Bonds to the Trustee by 11:45 a.m., New York City time, on the Purchase Date or alternatively, will commit to deliver to the Trustee by said time a commitment to deliver said proceeds to the Trustee not later than 2:30 p.m., New York City time on the Purchase Date.

The Trustee will draw on the Credit Facility pursuant to the terms thereof or of the respective Credit Facility Agreement (or, if at any time there is an Alternate Credit Facility, then pursuant to the requirements of such Alternate Credit Facility) by 12:00 p.m. New York City time, on the Purchase Date in the amount necessary to provide to the Trustee or the Tender Agent the balance of the funds needed to purchase tendered Bonds on the Purchase Date, such balance will be determined based upon notification provided to the Trustee pursuant to Section 4.08(c)(ii) hereof; provided however in the event the Trustee has not received any funds or commitment to deliver funds from the Remarketing Agent by such time, the Trustee will draw the full amount of the Purchase Price. Such moneys will be used only to pay the Purchase Price as provided herein, and if not so used will be promptly returned to the Credit Facility Provider. If the Bonds are not Book-Entry Bonds, all amounts received from a draw under the Credit Facility will be transferred immediately by the Trustee to the Tender Agent to purchase tendered Bonds on the Purchase Date. Until applied to pay the Purchase Price or returned to the Credit Facility Provider, all such amounts will be deposited in a separate, segregated account of the Trustee and until so applied will be held uninvested in trust for the benefit of the Owners tendering such Bonds for purchase.

Any Purchased Bonds which are subject to mandatory tender for purchase in accordance with Section 4.07(b) which are not presented to the Trustee on the Purchase Date and any Purchased Bonds which are the subject of a notice pursuant to Section 4.07(a) which are not presented to the Trustee on the Purchase Date, will, in accordance with the provisions of Section 4.10, be deemed to have been purchased upon the deposit of moneys equal to the Purchase Price thereof into any or all of the accounts of the Bond Payment Fund.

Notwithstanding anything in this Indenture to the contrary, there will be no remarketing of Bonds pursuant to this Indenture

- (1) if there occurs and is continuing an Event of Default as described in Section 10.01(a) or (b), or
- (2) upon receipt by the Trustee of written notification from the Credit Facility Provider that an event of default under the Credit Facility Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Bonds, or
- (3) for the period during which the Trustee has notice that the amount available to be drawn under the Credit Facility will not or has not been reinstated, or
- (4) at any time when no Credit Facility is in effect.

The Trustee will give immediate notice to the Remarketing Agent, the Tender Agent, the Authority, the Bank, the Credit Facility Provider and the Owners of the (i) occurrence and continuation of any of the Events of Default set forth in paragraph (1) above, or the termination of the Credit Facility, and that, as a result, no remarketing of Bonds are permitted to this Article, and (ii) the curing of any of such Events of Default or reinstatement of the Credit Facility and that, as a result, remarketing is again permitted under this Article.

(d) Deposits of Funds. The Trustee will deposit all proceeds received from the Remarketing Agent pursuant to this Section 4.09(d) and amounts received from the Credit Facility Provider pursuant to Section 5.07 as all or part of the Purchase Price in trust for the tendering Owners in the Bond Payment Fund established under Section 5.05. In holding such proceeds and moneys, the Trustee will be acting on behalf of such Owners by facilitating purchase of the Bonds and not on behalf of the Authority and will not be subject to the control of any of them. Subject to the provisions of Section 4.09(c), following the discharge of the lien created by Section 5.01 of this Indenture or after payment in full of the Bonds, the Trustee will pay any moneys remaining in any account of the Bond Payment Fund directly to the persons for whom such money is held upon presentation of evidence reasonably satisfactory to the Trustee that such person is rightfully entitled to such money and the Trustee will not pay such amounts to any other person.

(e) Disbursements; Payment of Purchase Price. Moneys delivered to the Trustee on a Purchase Date will be applied at or before 4:00 p.m. (New York City time) on such Purchase Date to pay the Purchase Price of Purchased Bonds in immediately available funds and, to the extent not so applied on such date, will be held in the Bond Payment Fund for the benefit of the Owners of the Purchased Bonds which were to have been purchased. The order of priority for use of such moneys delivered will be, first, from proceeds of remarketing; second, from draws on the Credit Facility; and third, from other available moneys.

Any moneys held by the Trustee in the Bond Payment Fund remaining unclaimed by the Owners of the Purchased Bonds which were to have been purchased for two (2) years after the respective Purchase Date for such Purchased Bonds will be paid, upon the written request of the Authority, against written receipt therefor. The Owners of Purchased Bonds who have not yet claimed money in respect of such Bonds will thereafter be entitled to look only to the Trustee, to the extent it will hold moneys on deposit in the Bond Payment Fund or the Authority to the extent moneys have been transferred in accordance with this Section.

If the Remarketing Agent has not received remarketing proceeds with respect to all of the Bonds to be remarketed on a Purchase Date or the Bonds are not Book-Entry Bonds or the Bonds are Bank Bonds, the proceeds of the remarketing of such Bonds received by the Remarketing Agent will be transferred by the Remarketing Agent to the Tender Agent or the Trustee, as applicable, no later than 12:00 noon (New York City time) on the Purchase Date and, upon receipt thereof, the Tender Agent or the Trustee, as applicable, will immediately apply such proceeds to the payment of the Purchase Price of Bonds to the Beneficial Owners or Owners thereof or, to the Credit Facility Provider in the case of the remarketing of Bonds which constitute Bank Bonds. In making payments to the Credit Facility Provider, the Trustee may conclusively assume that the Credit Facility Provider has not been repaid from any other sources.

(f) Delivery of Purchased Bonds and Bank Bonds.

(i) The Remarketing Agent will give telephonic or telegraphic notice, promptly confirmed by a written notice, to the Trustee on each date on which Bonds will have been purchased pursuant to Section 4.07, specifying the principal amount of such Bonds, if any, sold by it pursuant to Section 4.08(c) along with a list of such purchasers showing the names and denominations in which such Bonds will be registered, and the addresses and social security or taxpayer identification numbers of such purchasers. By 1:30 p.m. (New York City time) on the Purchase Date in the case of Bonds to be purchased pursuant to Section 4.07(a)(i) and by 12:00 noon (New York City time) in the case of Bonds to be purchased pursuant to Sections 4.07(a)(ii) and 4.07(b), a principal amount of Bonds equal to the amount of Purchased Bonds purchased with moneys from the Bond Payment Fund will be made available by the Trustee to the Remarketing Agent against payment therefor in immediately available funds. The Trustee will prepare each Bond to be so delivered in such names as directed by the Remarketing Agent.

(ii) A principal amount of Bonds equal to the amount of Bonds purchased from moneys on deposit in the Bond Payment Fund will be delivered on the day of such purchase by the Trustee to or as directed by the Authority. The Trustee will register such Bonds in the name of the Authority or as otherwise directed by the Authority.

(iii) Bonds purchased with moneys obtained by a drawing on the Credit Facility ("Bank Bonds") will be registered in the name of the Credit Facility Provider or its nominee on the registration books of DTC, with respect to Book-Entry Bonds, or held by the Tender Agent or as directed in writing by the Credit Facility Provider. The Remarketing Agent will seek to remarket any Bank Bonds prior to remarketing any other Bonds tendered for purchase. The proceeds of any remarketing of Bank Bonds will be delivered to the Trustee and transferred to the Credit Facility Provider. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Bank Bonds, Bonds in place of such Bank Bonds so purchased will be made available for pick-up by the Remarketing Agent for subsequent delivery to the purchasers thereof, or the ownership interest will be transferred to the new DTC Participants on the books of DTC. Prior to or contemporaneously with such delivery, the proceeds of such remarketing will have been or will be delivered to the Trustee and transferred to the Credit Facility Provider, and the Trustee and the Tender Agent will have received written confirmation from the Credit Facility Provider of the reinstatement of the Credit Facility.

(iv) Bonds offered for purchase on a Bank Purchase Date but not purchased will continue to be held by the Bank in accordance with the Agreement. Such Unremarketed Bonds will bear interest at the Purchaser Rate.

**SECTION 4.09. Notice of Mandatory Tender for Purchase.** In connection with any mandatory tender for purchase of Bonds in accordance with Section 4.07(b), the Trustee will give the notice provided herein as a part of the notice given pursuant to Sections 2.04(c), 2.05(c), 2.06(c) or 2.07(c) or other applicable notice requirement provided herein. Such notice will state: (a) that the Purchase Price of any Bond so subject to mandatory tender for purchase will be payable only upon surrender of such Bond to the Trustee at its Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or by the Owner's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (b) that all Bonds so subject to mandatory tender for purchase will be purchased on the mandatory purchase date which will be explicitly stated; and (c) that in the event that any Owner of a Bond so subject to mandatory tender for purchase will not surrender such Bond to

the Trustee for purchase on such mandatory purchase date, then such Bond will be deemed to be an Undelivered Bond, and that no interest will accrue thereon on and after such mandatory purchase date and that the Owner thereof will have no rights under this Indenture other than to receive payment of the Purchase Price thereof.

SECTION 4.10. Irrevocable Notice Deemed to be Tender of Bond; Undelivered Bonds.

(a) The giving of notice by a Owner of a Bond as provided in Section 4.07(a) will constitute the irrevocable tender for purchase of each such Bond with respect to which such notice will have been given, regardless of whether such Bond is delivered to the Trustee for purchase on the relevant purchase date as provided in this Article IV.

(b) The Trustee may refuse to accept delivery of any such Bonds for which a proper instrument of transfer has not been provided; such refusal, however, will not affect the validity of the purchase of such Bond as herein described. For purposes of this Article IV, the Trustee for the Bonds will determine timely and proper delivery of such Bonds and the proper endorsement of such Bonds. Such determination will be binding on the Owners of such Bonds and the Authority, absent manifest error. If any Owner of a Bond who will have given notice of tender of purchase pursuant to Section 4.07(a) or any Owner of a Bond subject to mandatory tender for purchase pursuant to Section 4.07(b) will fail to deliver such Bond to the Trustee at the place and on the applicable date and at the time specified, or will fail to deliver such Bond properly endorsed, such Bond will constitute an Undelivered Bond. If funds in the amount of the Purchase Price of the Undelivered Bond are available for payment to the Owner thereof on the date and at the time specified, from and after the date and time of that required delivery, (a) the Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under this Indenture; (b) interest will no longer accrue with respect thereto; and (c) funds in the amount of the Purchase Price of the Undelivered Bond will be held by the Trustee for such Bond for the benefit of the Owner thereof, to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Trustee at its Trust Office. Any funds held by the Trustee as described in clause (c) of the preceding sentence will be held uninvested.

SECTION 4.11. Remarketing of Bonds; Notice of Interest Rates.

(a) Upon a mandatory tender or notice of the tender for purchase of Bonds other than pursuant to Section 4.07(b)(i) or (vii), the Remarketing Agent will offer for sale and use its best efforts to sell such Bonds, any such sale to be made on the date of such purchase in accordance with this Article IV at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the Purchase Date. The Remarketing Agent will not remarket any Bond during an Event of Default under Section 10.01(a) or (b). The Remarketing Agent agrees that it will not sell any Bonds purchased pursuant to this Article IV to the Authority or to any person who controls, is controlled by, or is under common control with the Authority.

(b) The Remarketing Agent will offer for sale and use its best efforts to sell the Bank Bonds at a price equal to the principal amount thereof plus accrued interest to the date of purchase (based on the rate per annum that would have been applicable to such Bonds if they were not Bank Bonds). The Remarketing Agent will not remarket any Bond during an Event of Default under Section 10.01(a) or (b) or following a mandatory tender pursuant to Section 4.07(b)(vii). The Bonds will not be delivered upon remarketing unless the Trustee will have received a written confirmation from the Credit Facility Provider that the Credit Facility is reinstated in accordance with its terms to the full amount of the then Required Stated Amount.

(c) The Remarketing Agent will determine the rate of interest to be evidenced by the Bonds during each Interest Period other than an Index Period as provided in Article II hereof and will furnish to the Trustee and to the Authority upon request, on the date of determination each rate of interest so determined by telephone, telecopy or readily accessible electronic means, promptly confirmed in writing.

SECTION 4.12. Notices Upon Delivery of Alternate Credit Facility. Whenever the Authority has delivered to the Trustee notice of delivery of an Alternate Credit Facility, it will be accompanied by a form of notice, stating:

- (i) the name of the issuer of the Alternate Credit Facility,
- (ii) the date on which the Alternate Credit Facility will become effective,
- (iii) the rating expected to apply to the Bonds after the Alternate Credit Facility is delivered, and
- (iv) if the Bonds bear interest at a Variable Interest Rate, that such Bonds will be subject to mandatory tender for purchase on the effective date of the Alternate Credit Facility.

The Trustee will mail such notice to all Owners of the Bonds, with a copy to the Credit Facility Provider, at least 15 days prior to the effective date of the Alternate Credit Facility.

## ARTICLE V

### REVENUES; FUNDS AND ACCOUNTS

SECTION 5.01. Pledge of Revenues. The Authority hereby transfers, places a charge upon, assigns and sets over to the Trustee, that portion of the Revenues which is necessary to pay the principal of and premium, if any, and interest on the Bonds and any Parity Debt in any Fiscal Year, together with all amounts held by the Trustee under this Indenture, and such portion of the Revenues is hereby irrevocably pledged to the punctual payment of the principal of and premium, if any, and interest on the Bonds and any Parity Debt. The Revenues will not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by this Article. Said pledge will constitute a first and direct charge and lien on the Revenues for the payment of the principal of and premium, if any, and interest on the Bonds and the respective obligations under any Parity Debt Instrument in accordance with the terms thereof.

The Revenues constitute a trust fund for the security and payment of the principal of and premium, if any, and interest on the Bonds and any Parity Debt. The principal of and premium, if any, and interest on the Bonds and any Parity Debt are not a debt of the Authority, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Revenues.

SECTION 5.02. Deposit of Revenues. The Authority covenants and agrees that so long as any Bonds are Outstanding, the Authority will transfer the Revenues to the Trustee as required for deposit into the 2013 Debt Service Fund at the time of deposit to be satisfied before any deposit is made to any fund or account subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to outstanding Parity Debt as provided in applicable Parity Debt Instrument (which will be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Debt).

First, the Authority will transfer to the Trustee on or before the second Business Day prior to each Interest Payment Date therefor an amount equal to the interest becoming due and payable on the Outstanding Bonds (excluding interest for which there are moneys on deposit in the 2013 Interest Account from the proceeds of any Bonds or other source to pay such interest).

Second, the Authority will transfer to the Trustee on or before the second Business Day prior to each Principal Payment Date therefor an amount equal to the amount of Principal Payments coming due and payable on the Outstanding Bonds. Notwithstanding the foregoing, if the Authority certifies to the Trustee that any Principal Payments are expected to be refunded on or prior to their respective due dates or paid from excess amounts on deposit in a bond reserve fund, no amounts need be set aside towards such principal to be so refunded or paid.

SECTION 5.03. Establishment and Maintenance of Accounts in the 2013 Debt Service Fund. Notwithstanding the following provisions of this Section 5.03, so long as the Trustee draws on the Credit Facility for payments of principal and interest on the Bonds, such principal and interest will be paid from the 2013 Credit Facility Account and amounts in the 2013 Debt Service Fund will first be used to reimburse the Credit Facility Provider for draws on the Credit

Facility used to pay such principal and interest. In the event the Credit Facility Provider fails to allow a draw under the Credit Facility for any reason, the moneys in the 2013 Debt Service Fund will be used for direct payment of the Bonds as provided below and such failure to allow a draw will not in itself trigger an acceleration of the principal amount represented by the Bonds or a mandatory tender of the Bonds.

The Trustee hereby agrees to establish, maintain and hold in trust the 2013 Debt Service Fund, for so long as any Bonds will be Outstanding hereunder. Subject to Section 6.20, all money in the 2013 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2013 Debt Service Fund (each of which is hereby created and each of which the Trustee hereby agrees and covenants to maintain) in the following order of priority:

- (i) 2013 Interest Account, and
- (ii) 2013 Principal Payment Account (with a 2013 Principal Subaccount and a 2013 Sinking Fund Subaccount therein).

All money in each of such accounts and subaccounts will be held in trust by the Trustee for the benefit of the Credit Facility Provider and the Owners and will be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(a) 2013 Interest Account. On the Business Day immediately preceding each Interest Payment Date, commencing with the \_\_\_\_\_, 2013, Interest Payment Date, the Trustee will set aside from the 2013 Debt Service Fund and deposit in the 2013 Interest Account that amount of money which is equal to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date.

No deposit need be made in the 2013 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such Interest Payment Date.

All money in the 2013 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it will become due and payable (including accrued interest evidenced and represented by any Bonds purchased or prepaid prior to their respective Principal Payment Date).

(b) 2013 Principal Payment Account. On the Business Day immediately preceding each Principal Payment Date, the Trustee will set aside from the 2013 Debt Service Fund and deposit in the 2013 Principal Subaccount in the 2013 Principal Payment Account an amount of money equal to the principal amount evidenced and represented by the Outstanding Serial Bonds with a Principal Payment Date of such November 1 and in the 2013 Sinking Fund Subaccount in the 2013 Principal Payment Account the amount of all Sinking Fund Installments required to be made on such November 1.

No deposit need be made in the 2013 Principal Payment Account if the amount contained in the 2013 Principal Subaccount therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding Serial Bonds with a Principal Payment Date of such November 1 and the amount contained in the 2013 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Installments required to be made on such November 1.

All money in the 2013 Principal Subaccount in the 2013 Principal Payment Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds as they become due and payable, whether at their respective Principal Payment Dates or on prior redemption, and all money in the 2013 Sinking Fund Subaccount in the 2013 Principal Payment Account will be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds, and with respect to the 2013 Sinking Fund Subaccount, on each Sinking Fund Installment date, the Trustee will apply the Sinking Fund Installment required on that date to the redemption (or the payment at Principal Payment Date, as the case may be) of the Term Bonds upon the notice and in the manner provided in Article II; provided, that at any time prior to giving such notice of such redemption, the Trustee may, upon the Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation of Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the 2013 Interest Account) as may be directed in a Request of the Authority, except that the purchase price (excluding accrued interest) will not exceed the redemption price that would be payable for such Term Bonds upon redemption by application of such Sinking Fund Installment, and if during the twelve-month period immediately preceding any Sinking Fund Installment date the Trustee has so purchased Term Bonds, such Bonds so purchased will be applied to the extent of the full principal amount evidenced and represented thereby to reduce the Sinking Fund Installment.

#### SECTION 5.04. [Reserved]

SECTION 5.05. Remarketing Account and Credit Facility Account. In connection with Bonds subject to an Interest Rate Mode other than an Index Rate or a Long-Term Rate, there will be established with and maintained by the Tender Agent a separate trust fund to be designated "Bond Payment Fund." The Tender Agent will further establish within the Bond Payment Fund a separate trust account to be referred to herein as a "Remarketing Account", a separate trust account to be referred to herein as a "2013 Credit Facility Account".

Upon receipt of the proceeds of a remarketing of Bonds on a Purchase Date, the Tender Agent will deposit such proceeds in the Remarketing Account of the Bond Payment Fund for application to the Purchase Price of such Bonds in accordance with Section 4.07 and, if the Tender Agent is not a paying agent with respect to such Bonds, will transmit such proceeds to the Trustee for such application. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent will immediately pay such proceeds to the Credit Facility Provider.

If a Credit Facility is in effect with respect to any Bonds, the Trustee will create within the Bond Payment Fund a separate account called the "2013 Credit Facility Account," into which all moneys drawn under the Credit Facility will be deposited and disbursed. The Authority will not have any right title or interest in the 2013 Credit Facility Account. The 2013 Credit Facility Account will be established and maintained by the Trustee and held uninvested and in trust apart from all other moneys and securities held under this Indenture or otherwise, and over which the Trustee will have the exclusive and sole right of withdrawal for the exclusive benefit of the Owners of the Bonds with respect to which such drawing was made.

SECTION 5.06. Deposit and Investments of Money in Accounts and Funds. Subject to Section 4.08(c), 5.05 and 6.14, and any other exceptions herein, all money held by the Trustee in any of the accounts or funds established pursuant hereto will be invested in Permitted Investments at the Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance herewith; provided, that if no such Written Request is received by the Trustee, the Trustee will hold such money in cash, uninvested. Subject to Sections 5.03 and 6.14, all interest or profits received on any money so invested will be deposited in the 2013 Debt Service Fund.

For investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but will account for each separately. All investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing proceeds of the Bonds will be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value.

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 include detail for all investment transactions made by the Trustee hereunder.

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

The Trustee will not be liable for any loss from any Permitted Investments acquired, held or disposed of in accordance herewith.

SECTION 5.07. Credit Facility.

(a) Maintenance and Use of Credit Facility. (i) The Trustee will hold and maintain the Credit Facility, if any, for the benefit of the Owners until the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility.

The Trustee will enforce all terms, covenants and conditions of the Credit Facility, including drawing on the Credit Facility as required to provide for all payments of principal of and interest on, Redemption Price and Purchase Price of Bonds (other than Bank Bonds), amounts due on acceleration upon an Event of Default, and all other provisions thereof relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Credit Facility, and will not consent to, agree to or permit any amendment or modification of the Credit Facility which would materially adversely affect the rights or security of the Owners of the Bonds.

If at any time during the term of the Credit Facility any successor Trustee is appointed and qualified under this Indenture, the resigning or removed Trustee will request that the Credit Facility Provider transfer the Credit Facility to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee will do so before accepting appointment.

When the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility, the Trustee will immediately surrender the Credit Facility to the Credit Facility Provider.

(ii) The Trustee will draw moneys under the Credit Facility in accordance with the terms thereof in an amount necessary to make full and timely payments of (i) principal of and interest on and Redemption Price of the Bonds (other than Bank Bonds) during the Weekly Rate Period, Daily Rate Period or Commercial Paper Rate Period (when the Bonds in a Commercial Paper Rate are covered by a Credit Facility) when due at maturity, redemption or acceleration and (ii) Purchase Price required to be made pursuant hereto.

(iii) If at any time there will have been delivered to the Trustee an Alternate Credit Facility meeting the requirements of hereof, then the Trustee will accept such Alternate Credit Facility, draw on the existing Credit Facility to the extent required pursuant to the provisions thereof and hereof for payment of the Purchase Price, and after such draw has been honored, surrender the existing Credit Facility to the Credit Facility Provider, in accordance with the terms of such Credit Facility, for cancellation. The existing Credit Facility will be returned to the Credit Facility Provider only after the Credit Facility Provider has honored any draws required to pay the Purchase Price in accordance with the terms hereof.

If at any time there cease to be any Bonds Outstanding hereunder, the Trustee will promptly surrender the Credit Facility to the Credit Facility Provider, in accordance with the terms of the Credit Facility, for cancellation. The Trustee will comply with the procedures set forth in the Credit Facility relating to the termination thereof.

(b) Alternate Credit Facility. (i) During any Interest Rate Mode other than the Index Rate or Long-Term Rate, the Authority will maintain or cause to be maintained the Credit Facility or an Alternate Credit Facility.

(ii) The Authority has the option, which can be exercised at any time, to provide for the delivery of an Alternate Credit Facility. Unless the Bonds are to be converted to an Index Rate or Long-Term Rate, prior to the expiration or termination of an existing Credit Facility the Authority is required to provide for the delivery of an Alternate Credit Facility. An Alternate Credit Facility will be (i) an irrevocable letter of credit or other irrevocable credit facility, (ii) issued by a commercial bank, savings institution or other financial institution, and (iii) the terms of which will, to the extent dictated by the terms of the Bonds, be the same as or similar to the existing Credit Facility; provided, that the expiration date of such Alternate Credit Facility will be a date not earlier than one year from its date of issuance (subject to earlier termination upon payment of all Bonds in full or provision for such payment in accordance with Section 11.03 of this Indenture).

The procedures and requirements for providing an Alternate Credit Facility are:

(1) at least 25 days prior to the expiration of the existing Credit Facility, the Authority will cause to be provided to the Trustee:

(a) a draft of a Favorable Opinion of Bond Counsel (a signed opinion will be delivered on and dated the effective date of the Alternate Credit Facility),

(b) a draft of an opinion of counsel to the provider of the Alternate Credit Facility to the effect that such Alternate Credit Facility is enforceable in

accordance with its terms, except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies, (a signed opinion will be delivered on and dated the effective date of the Alternate Credit Facility), and

(2) actual delivery to the Trustee of an Alternate Credit Facility, together with executed copies of the legal opinions in subsections (1)(a) and (1)(b) above, will be made on a Business Day at least 5 days prior to the expiration date of an existing Credit Facility, and

(3) notice thereof to the Owners of the Bonds pursuant to Section 4.12.

## ARTICLE VI

### COVENANTS OF THE AUTHORITY

SECTION 6.01. Punctual Payment. The Authority will punctually pay or cause to be paid the Principal Payments and interest to become due 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 in each case only out of Revenues, as provided in this Indenture.

SECTION 6.02. Against Encumbrances. The Authority will not mortgage or otherwise encumber, pledge, or place any charge upon the Enterprise or any part thereof, or upon any of the Revenues, except as provided in this Indenture; nor will the Authority permit any Participant to do any of the foregoing except as provided in this Indenture or in the Funding Agreement.

SECTION 6.03. Discharge of Claims. The Authority will pay from the Revenues and discharge, or cause to be paid and discharged, all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The Authority will also pay from the Revenues, or cause to be paid, all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Enterprise or upon any part thereof or upon any of the Revenues therefrom.

SECTION 6.04. Acquisition, Construction or Financing of Improvements to the Enterprise. The Authority will acquire, construct, or finance Improvements to the Enterprise to be financed with the proceeds of any Bonds or Parity Debt, or cause the same to be acquired, constructed or financed, with all practicable dispatch, and such Improvements will be made in an expeditious manner and in conformity with laws so as to complete the same as soon as possible.

SECTION 6.05. Maintenance and Operation of Enterprise in Efficient and Economical Manner. The Authority covenants and agrees to maintain, operate and preserve the Enterprise, or cause the same to be maintained, operated and preserved, in good repair and working order, and in an efficient and economical manner. The Authority will pay the budgeted Maintenance and Operation Costs, or cause the same to be paid, as such costs become due and payable, will regularly bill the Participants, or cause the Participants to be billed for such Maintenance and Operation Costs, and will collect from the Participants their pro rata share of Maintenance and Operation Costs, or cause the same to be collected.

SECTION 6.06. Against Sale, Eminent Domain.

(A) The Authority will not sell, lease or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Revenues except as herein expressly permitted; nor will the Authority permit any Participant to do any of the foregoing except as herein expressly permitted or permitted in the Funding Agreement. The Authority will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal or Redemption Price, if any, on the Bonds, or which would otherwise impair the rights of the Owners with respect to the Revenues or the operation of the Enterprise; nor will the Authority permit any Participant to do any of the foregoing. Any real or personal property which has become non-operative or which is not needed for the

efficient and proper operation of the Enterprise, or any material or equipment which has worn out, may be sold without the consent of the Owners if such sale will not reduce Revenues.

(B) If all or any part of the Enterprise will be taken by eminent domain proceedings, the Net Proceeds therefrom will be applied by the Authority to the cost of acquiring or constructing or financing Improvements to the Enterprise. Any balance of such Net Proceeds not required by the Authority for the purposes aforesaid will be paid to the Authority.

SECTION 6.07. Insurance. The Authority covenants that it, or one of the Participants as described below, will at all times maintain, or cause to be maintained, such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Enterprise will be damaged or destroyed, such part will be restored to use. The Net Proceeds of insurance against accident to or destruction of the physical Enterprise will be used for repairing, rebuilding or replacing the damaged or destroyed portions of the Enterprise (to the extent that such repair, rebuilding or replacing is determined by the Authority to be useful or of continuing value to the Enterprise).

Any such insurance will be in the form of policies or contracts for insurance with insurers of good standing and will be payable to the Authority, or to the Participant then owning or operating the Enterprise, or may be in the form of self-insurance by the Authority or the Participant then owning or operating the Enterprise. The Authority will establish, or cause to be established, such fund or funds or reserves as are necessary to provide for its share of any such self-insurance. The Authority will file or cause to be filed with the Trustee, annually within 120 days after the close of each Fiscal Year, a Certificate of the Authority or Certificate of said Participant, (a) setting forth a description in reasonable detail of the insurance then in effect, including any self-insurance fund, maintained pursuant to the requirements of this Section, (b) stating that the Authority, or said Participant, is then in compliance with the requirements of this Section, and (c) stating whether during the preceding Fiscal Year any loss has been incurred with respect to the Enterprise and, if so, the amount of Net Proceeds of insurance, including the Net Proceeds of any self-insurance fund, covering such loss and specifying the reasonable and necessary costs of repair, reconstruction or replacement thereof. The Trustee will not be required to review or inspect, and will not be deemed to have notice of, the contents of any insurance policies or statements delivered to the Trustee under this Section, it being expressly understood that the Trustee will only receive and hold such documents as a repository for examination and copying by any Owner at such Owner's expense during business hours on Business Days with reasonable prior notice.

SECTION 6.08 Records and Accounts. The Authority covenants that it will keep, or cause to be kept, proper books of record and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries will be made of all transactions relating to the Enterprise. Said books will, upon reasonable request, be subject to the inspection of the Bank and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The Authority covenants that it will cause the books and accounts of the Enterprise to be audited annually by an Independent Certified Public Accountant and will make available for inspection by the Owners at the office of the Trustee in San Francisco, California, upon reasonable request, a copy of the report of such Independent Certified Public Accountant.

The Authority covenants that it will cause to be prepared annually, not more than 180 days after the close of each Fiscal Year, as a part of its regular annual financial report, a summary statement showing the amount of Revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the Bonds and Parity Debt, the disbursements from the Revenues and other funds in reasonable detail, and a general statement of the financial and physical condition of the Enterprise. The Authority will furnish a copy of the statement to the Trustee, and upon written request, to any Owner. The Trustee will not be required to review or inspect, and will not be deemed to have notice of, the contents of any financial statement delivered to the Trustee under this Section, it being expressly understood that the Trustee will only receive and hold such documents as a repository for examination and copying by any Owner at such Owner's expense during business hours on Business Days with reasonable prior notice.

SECTION 6.09. Protection of Security and Rights of Owners. The Authority will preserve and protect the security of the Bonds and rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Authority, such Bonds will be incontestable by the Authority.

SECTION 6.10. Against Competitive Facilities. The Authority will not acquire, construct, operate or maintain, or permit any Participant to acquire, construct, operate, or maintain, wastewater treatment facilities within the service area of the Authority served by the Enterprise as of the Closing Date that would be competitive with the Enterprise.

SECTION 6.11. Payment of Taxes, Etc. The Authority will pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon any Revenues when the same will become due. The Authority will duly observe and conform with all valid requirements of any governmental authority relative to the Enterprise or any part thereof, or cause the same to be observed and conformed with, and will comply with all requirements with respect to any state or federal grants received to assist in paying for the costs of the acquisition, construction or financing of any Improvements to the Enterprise, or cause the same to be complied with.

SECTION 6.12. Enforcement of Funding Agreement. The Authority will enforce its right to receive payments from the Participants under the Funding Agreement, to ensure timely payment on the Bonds.

SECTION 6.13. No Priority for Additional Obligations. The Authority covenants that no additional bonds or other obligations will be issued or incurred having any priority in payment of principal or interest out of the Revenues over the Bonds. Nothing in this Indenture will prohibit or impair the authority of the Authority to issue bonds or other obligations secured by a lien on or Revenues which is subordinate to the lien established hereunder, upon such terms and in such principal amounts as the Authority may determine.

SECTION 6.14. Tax Covenants. With respect to the issuance of any Series of tax-exempt Bonds, the Authority agrees to comply with the following tax covenants. The covenants of this Section will survive payment in full or defeasance of the Bonds.

(A) Private Activity Bond Limitation. The Authority will 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 Tax Code or the private loan financing test of section 141(c) of the Tax Code.

(B) Federal Guarantee Prohibition. The Authority will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

(C) Rebate Requirement. The Authority will take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to any Series of the Bonds.

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

(E) Maintenance of Tax-Exemption. The Authority will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Bonds. In addition, the Authority will not take any action or fail to take any action if the action or failure adversely affect the exclusion of interest on the Refunded Bonds from the gross income of the owners of the Refunded Bonds to the same extent as such interest was permitted to be excluded from gross income for federal income tax purposes on the date of issuance of the Refunded Bonds.

(F) Record Retention. The Authority will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Issuer will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(G) Purchase by Authority. Notwithstanding Section 4.02A hereof, no variable rate Bonds may be purchased by or on behalf of the Authority without retirement of such Bonds.

(H) Compliance with Certificates. The Authority will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Bonds.

**SECTION 6.15. Further Assurances.** The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming the rights and benefits provided in this Indenture to the Owners of the Bonds.

**SECTION 6.16. Bank Purchase Date.** Prior to any Bank Purchase Date, the Authority will use its best efforts to (a) convert the Bonds to another Interest Rate Mode and remarket the Bonds pursuant to Section 4.11, (b) convert the Bonds to a new Index Rate and enter into a revised Agreement with the Bank or a new Agreement with a subsequent Bank with respect to the Bonds, or (c) otherwise refinance or redeem the Bonds pursuant to the terms of this Indenture.

## ARTICLE VII

### MODIFICATION AND AMENDMENT OF THE INDENTURE

SECTION 7.01. Amendment by Consent of Owners. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which will become binding when the written consent of the Credit Facility Provider (so long as the Credit Facility is outstanding and the Credit Facility Provider is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Credit Facility Provider) and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (except the consent of the Owners will not be necessary so long as the Credit Facility is outstanding and the Credit Facility Provider is not wrongfully dishonoring any drawings thereunder), exclusive of Bonds disqualified as provided in Section 7.03, or the Bank (during an Index Rate Period or at any time that Bonds bear interest at the Purchaser Rate) are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Credit Facility Provider and the Owner of such Bond or the Bank (during an Index Rate Period), (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

SECTION 7.02. Amendment Without Consent of Owners. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which will become binding upon execution and delivery, without consent of the Bank (during an Index Rate Period) or any Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Authority; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not adversely affect the interests of the Owners of the Bonds;

(c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

(d) to modify, alter, amend or supplement this Indenture in any other respect including amendments which would otherwise be described in Section 7.01, if such amendments will take effect:

- (1) on a mandatory tender date in connection with the purchase of tendered Bonds;

(2) on a Conversion Date; or

(3) during a Weekly Rate if notice of the proposed amended or supplemental indenture is given to Bond Owners (in the same manner as notices of redemption are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Bond Owners have the right to demand purchase of the Bonds pursuant to Section 4.07; or

(e) to provide for the issuance of one or more additional series of Bonds; or

(f) to implement a Conversion of the Interest Rate Mode; or

(g) to provide for a Credit Facility or clarify certain terms of a Credit Facility.

SECTION 7.03. Disqualified Bonds. Bonds owned or held by or for the account of the Authority (but excluding Bonds held in any employees' retirement fund) will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds in this article provided for, and will not be entitled to consent to, or take any other action in this article provided for. Upon request of the Trustee, the Authority will specify in a Bond to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such Bond.

SECTION 7.04. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as herein above provided, the Authority may determine that the Bonds will bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Trust Office of the Trustee, a suitable notation as to such action will be made on such Bond. If the Authority will so determine, new Bonds so modified as, in the opinion of the Authority, will be necessary to conform to such Owners' action, will be prepared and executed, and in that case, upon demand of the Owner of any Bond Outstanding at such effective date, such new Bonds will be exchanged at the Trust Office of the Trustee, without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

SECTION 7.05. Amendment by Mutual Consent. The provisions of this Article VII will not prevent any Owner from accepting any amendment as to the particular Bond held by him, provided that due notation thereof is made on such Bond.

## ARTICLE VIII

### THE REMARKETING AGENT AND THE TENDER AGENT

#### SECTION 8.01. Remarketing Agent.

(a) Upon Conversion of any of the Bonds to the Daily Rate, Weekly Rate, Long-Term Rate or Commercial Paper Rate at a time when no Remarketing Agent is serving as Remarketing Agent for the Bonds, the Authority will appoint a Remarketing Agent for such Bonds. The Remarketing Agent will be authorized by law to perform all the duties imposed upon it hereby. The Remarketing Agent or any successor will signify its acceptance of the duties and obligations imposed upon it hereunder by a Remarketing Agreement under which the Remarketing Agent will agree to:

(i) determine the interest rates applicable to such Bonds and give notice to the Trustee of such rates and periods in accordance with Article II hereof;

(ii) keep such books and records as will be consistent with prudent industry practice; and

(iii) use its best efforts to remarket Bonds in accordance with this Indenture and the terms hereof.

The Remarketing Agent will hold all amounts received by it in accordance with any remarketing of Bonds pursuant to Section 4.11 in trust only for the benefit of the Owners of tendered Bonds and will not commingle such amounts with any other moneys.

(b) Each Remarketing Agent will be (i) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000, and (ii) authorized by law to perform all the duties imposed upon it by this Indenture and the Remarketing Agreement.

(c) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 30 days' written notice to the Authority and the Trustee (with a copy of such notice mailed by certified mail to each of the Bond owners). A Remarketing Agent may be removed at any time at the direction of the Authority, by an instrument signed by the Authority and filed at least 30 days prior to such removal with the Remarketing Agent, the Credit Provider and the Trustee.

(d) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, will thereby become vested with all the property, rights and powers of such Remarketing Agent hereunder.

(e) In the event that the Remarketing Agent will resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent will be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority will not have appointed its successor within thirty (30) days, the Trustee will apply to a court of competent jurisdiction for such appointment.

SECTION 8.02. Tender Agent. The Tender Agent and any successor to the Tender Agent will be a bank having trust powers, a national banking association, or trust company organized and doing business under the laws of the United States of America or any state and at all times when the Bonds are not Book-Entry Bonds will have an office for servicing the Bonds in New York, New York.

The Tender Agent may resign by notifying the Authority, the Trustee, the Credit Facility Provider, the Remarketing Agent and the Owners at least 30 days before the effective date of such resignation. The Trustee may, with the consent of the Credit Facility Provider, remove the Tender Agent and appoint a successor by notifying the Tender Agent, the Remarketing Agent and the Authority.

No removal or resignation of the Tender Agent will be effective until the successor has delivered an acceptance of its appointment to the Trustee and the predecessor Tender Agent.

In the event of the resignation or removal of the Tender Agent, such Tender Agent will pay over, assign and deliver any moneys held by it as Tender Agent to its successor, or if there is no successor, to the Trustee. If for any reason there is no Tender Agent or the party acting as Tender Agent is unable to perform its duties hereunder, the Trustee will act as Tender Agent.

SECTION 8.03. Several Capacities. Anything herein to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, the Calculation Agent, the Market Agent, the Remarketing Agent and the Tender Agent, and in any combination of such capacities to the extent permitted by law. Any such entity may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owners may be entitled to take with like effect as if such entity were not appointed to act in such capacity under this Indenture.

## **ARTICLE IX THE TRUSTEE**

SECTION 9.01. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A., in San Francisco, California, a national banking association organized and existing under the laws of the United States, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee having a corporate trust office in California, with a combined capital and surplus, or in the case of a bank, national banking association or trust company which is a member of a bank holding company system, the related bank holding company will have a combined capital and surplus, of at least One Hundred Million Dollars (\$100,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 9.01 the combined capital and surplus of such bank, national banking association or trust company or bank holding company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee will keep accurate records of all funds administered by it and of all Bonds paid and discharged.

SECTION 9.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties will read into this Indenture against the Trustee. In case an Event of Default hereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Indenture, and will use the same degree of care and skill in their exercise, as a prudent and reasonable man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers but will not be answerable for the selection of the same if appointed with due care, and will be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

(c) The Trustee will not be responsible for any recital herein, or in the Bonds, or for the validity or priority of this Indenture or any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee will not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder. The Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 5.06.

(d) The Trustee will not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other Bonds or evidence of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee will represent the Owners of the majority in principal amount of the Bonds then Outstanding.

(e) In the absence of bad faith on its part, the Trustee will be protected in acting upon and will incur no liability in acting or refraining from acting upon, any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee will not be required to ascertain or verify the accuracy or completeness of any factual statement or conclusion made in any notice, request, consent, certificate, order, affidavit, letter telegram, facsimile transmission, electronic mail or other paper or documentation believed by the Trustee to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, will be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee will not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person will be reflected on the Bond Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee will be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 9.02(h) hereof, will also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but will in no case be bound to secure the same. The Trustee may accept a Certificate of the Authority to the effect that an authorization in the form therein set forth has been adopted by the Authority, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee will extend to its officers, directors, employees and agents.

(h) The Trustee will not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant hereto or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee will be specifically notified in writing of such default by the Authority or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust

Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, will have the right fully to inspect the Enterprise, including all books, papers and records of the Authority pertaining to the Enterprise and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(j) The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee will have the right, but will not be required, to demand any showings, Bonds, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 10.02 (other than pursuant to an Event of Default under Section 10.01(f)) the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee will, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee will not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(n) The Trustee will not be liable for any error of judgment made in good faith by an officer or employee of the Trustee unless the Trustee was negligent in ascertaining the pertinent facts.

(o) The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(p) The Trustee will provide Moody's with any information in the possession of the Trustee which Moody's reasonably requests in order to evaluate a decision regarding maintaining its rating on the Bonds.

(q) 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 will have received an incumbency Bond listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency Bond will 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 will be deemed controlling. The Trustee will 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. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions 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.

(r) Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee will 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 Bond of the Authority, and such Bond will 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 Bond, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(s) The Trustee will 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.

(t) 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 will 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.

**SECTION 9.03. Fees, Charges and Expenses of Trustee.** The Trustee will be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, agent fees and counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively; provided, that such lien will not attach to the proceeds of remarketing of the Bonds, nor from amounts resulting from a draw on the Credit Facility.

**SECTION 9.04. Notice to Owners of Default.** If an Event of Default hereunder occurs with respect to any Bonds, of which the Trustee has been given or is deemed to have notice, as provided in Section 9.02(h) hereof, then the Trustee will promptly give written notice thereof by first-class mail to the Credit Facility Provider and the Owner of each such Bond, unless such Event of Default will have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment of principal and interest when due, the Trustee may elect not to give such notice if and so long as

the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

SECTION 9.05. Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 9.02 (l) hereof, will do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of such Bonds then Outstanding.

SECTION 9.06. Removal of Trustee. The Credit Facility Provider (so long as the Credit Facility is outstanding and the Credit Facility Provider is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Credit Facility Provider) or the Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, and the Authority may so long as no Event of Default will have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee (where applicable), whereupon the Authority, the Credit Facility Provider or such Owners, as the case may be, will appoint a successor or successors thereto; provided that any such successor will be a bank or trust company meeting the requirements set forth in Section 9.01 hereof.

SECTION 9.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice by registered or certified mail to the Authority. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority will cause notice thereof to be given by first class mail to the Bond Owners at their respective addresses set forth on the Bond Registration Books. No resignation of the Trustee will take effect until a successor is appointed and has accepted.

SECTION 9.08. Appointment of Successor Trustee. No resignation or removal of the Trustee will become effective until a successor has been appointed and has accepted the duties of Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 9.06 or 9.07, respectively, the Authority will promptly appoint a successor Trustee. In the event the Authority will for any reason whatsoever fail to appoint a successor Trustee within forty-five (45) days following the delivery to the Trustee of the instrument described in Section 9.06 or within forty-five (45) days following the receipt of notice by the Authority pursuant to Section 9.07, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 9.01. Any such successor Trustee appointed by such court will become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such forty-five-day period.

SECTION 9.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it will be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided that such company will be eligible under Section 9.01), will be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities,

privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 9.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder will execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor will, nevertheless, on the Request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee will deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Authority.

SECTION 9.11. Appointment of Co-Trustee. It is the purpose of this Indenture that there will be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto will be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee will run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, will become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, will vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 9.12. Indemnification; Limited Liability of Trustee. The Authority will indemnify and hold the Trustee harmless from and against all claims, losses, costs, expenses, liabilities and damages including legal fees and expenses arising from the exercise and performance of its duties hereunder. Such indemnity will survive the defeasance of the Bonds

and the resignation or removal of the Trustee hereunder. No provision in this Indenture will require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee will not be liable for any action taken or omitted to be taken by it in accordance with the direction of a majority of the Owners of the principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture.

## ARTICLE X

### EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 10.01. Events of Default. Each of the following events will be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same is due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise in the amounts and at the times provided therefor.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment is due and payable.

(c) Default by the Authority in the observance of any other of the covenants, agreements or conditions on its part in this Indenture or in any Parity Debt Instrument or in the Bonds contained, and such default has continued for a period of 60 days after the Authority is given notice in writing of such default by the Trustee.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property.

(e) Default by any Participant in the observance of any of the covenants, agreements or conditions on its part in the Funding Agreement, and such default continues for a period of 30 days after the Authority gives notice in writing of such default to the Participants and the Trustee.

(f) If the Trustee receives written notice from the Credit Facility Provider that an event of default has occurred and is continuing under the Credit Facility Agreement and instructing the Trustee to accelerate the Bonds.

(g) During an Index Rate Period or in the event any Bonds constitute Unremarketed Bonds, if the Trustee receives written notice from the Bank that an event of default has occurred and is continuing under the Agreement, which notice may in addition instruct the Trustee to accelerate the Bonds.

SECTION 10.02. Remedies; Application of Funds.

(a) Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture and the Funding Agreement; including, but not limited to, declaring 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 will become and will be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Notwithstanding any other provision of this Indenture, the Trustee may not declare an event of default, cause an acceleration of the payment of the amounts payable under this Indenture or the Bonds or exercise any remedy without the prior written consent of the Credit Facility Provider (so long as the Credit Facility is in effect and the Credit Facility Provider has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Credit Facility Provider) or the Bank (so long as any Bonds bear interest at an Index Rate or the Purchaser Rate). In the event of an acceleration of the due date of the Bonds, interest will cease to accrue upon declaration of acceleration and the acceleration may be waived if the Trustee receives written notice from the Credit Facility Provider or the Bank, as applicable, that the Event of Default has been cured or waived and the Credit Facility has been fully reinstated. In the event the declaration of an Event of Default is rescinded, notice of such rescission will be given to the Authority, the Credit Facility Provider, the Bank, S&P, Moody's and Fitch.

Declaration of acceleration is subject to the condition that if, at any time after the principal of the Bonds will have been so declared due and payable, (1) the Authority will pay to or will deposit with the Trustee a sum sufficient to pay all principal on such Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate will have been made therefor, and (2) if a Credit Facility was in effect prior to the Event of Default, such Credit Facility has been reinstated with respect to the applicable Series of Bonds, then, and in every such case, the Trustee, with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, by written notice to the Authority, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

If an Event of Default will have occurred and be continuing and if requested so to do by the Credit Facility Provider, the Bank or the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and indemnified as provided in Section 9.02 (I), the Trustee will be obligated to exercise such one or more of the rights and powers conferred by this Article X, as the Trustee, being advised by counsel, will deem most expedient in the interests of the Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

(b) All moneys received, other than from drawings on the Credit Facility, by the Trustee pursuant to any right given or action taken under the provisions of this Article X will be applied by the Trustee in the order following upon presentation of the several Bonds and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee hereunder (including, but not limited to, the costs and expenses of itself and its counsel) and, after such payment to the Trustee, of the Credit Facility Provider and of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel.

Second, to the payment of the whole amount then owing and unpaid with respect to the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Bonds (but such interest on overdue installments of interest will be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid with respect to the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

SECTION 10.03. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Credit Facility Provider, the Bank or the Owners of a majority in principal amount of the Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Credit Facility Provider, the Bank and the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Credit Facility Provider, the Bank or the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds will have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 10.04. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee, the Credit Facility Provider, the Bank and of the Owners under this Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment will confer.

SECTION 10.05. Non-Waiver. Nothing in this Article X or in any other provision of this Indenture, or in the Bonds, will affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of any Owner of any of the Bonds to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Owners by the Bond Law or by this Article X may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners, as the case may be.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the Authority and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 10.06. Rights and Remedies of Owners. No Owner of any Bond issued hereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner will have previously 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 all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture will be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Notwithstanding the foregoing or any other provision of this Indenture, during any Index Rate Period, the Bank will be entitled to exercise all of the powers, consents, rights and remedies to which the Owners of a majority in aggregate principal amount of Bonds then Outstanding are entitled hereunder, including the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings on behalf of the Owners available to the Trustee under this Indenture to

be taken in connection with the enforcement of the terms of this Indenture or exercising any trust or power conferred on the Trustee by this Indenture.

SECTION 10.07. Termination of Proceedings. In case the Trustee will have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings will have been discontinued or abandoned for any reason, or will have been determined adversely, then and in every such case, the Authority, the Trustee, the Credit Facility Provider and the Owners will be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

SECTION 10.08. Right of Bank to Require Assignment by Trustee. At any time during an Index Rate Period, upon the occurrence and during the continuance of an Event of Default, the Bank, if it is then the sole Owner of all of the Bonds then Outstanding, will have the right, at its option, exercised by delivery of a written instrument to the Trustee with a copy to the Authority, to require the Trustee to assign to the Bank all of the rights, powers, and prerogatives of the Trustee under the Indenture to enforce the provisions of this Indenture, exercise any remedies and otherwise take actions and institute proceedings for the benefit of and on behalf of the Owners, and the Trustee covenants and agrees that upon its release and indemnification with respect to any action or failure to act of the Bank subsequent to the aforesaid assignment, it will execute and deliver all such documents as are necessary to accomplish the foregoing and vest such rights, remedies and title in the Bank.

**ARTICLE XI**  
**MISCELLANEOUS**

SECTION 11.01. Limited Liability of the Authority. Notwithstanding anything in this Indenture contained, the Authority will not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the Swap Periodic Payments, the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

SECTION 11.02. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the Bank, the Credit Facility Provider and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority will be for the sole and exclusive benefit of the Trustee, the Bank and the Owners of the Bonds.

SECTION 11.03. Discharge of Indenture. The Bonds or a portion thereof may be paid by the Authority in any of the following ways:

- (a) by paying or causing to be paid the principal amount of and interest on such Outstanding Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, Defeasance Obligations in the necessary amount (as provided below) to pay or redeem such Outstanding Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

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

If the Authority deposits Defeasance Obligations with the Trustee in such amount as the Authority determines will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates; and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption will have been mailed pursuant to Section 4.04 or provision satisfactory to the Trustee will have been made for the mailing of such notice, then, at the election of the Authority, and notwithstanding that any of such Bonds will not have been surrendered for payment, the pledge of the Revenues and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under this Indenture with respect to all such Bonds, will cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election will be filed with the Trustee.

To accomplish defeasance under paragraph (b) above with respect to a refunding of Bonds on an advance basis, the Authority will cause to be delivered (i) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or earlier redemption date ("Verification"), (ii) an escrow deposit agreement or irrevocable refunding instructions, and (iii) an Opinion of Bond Counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; each Verification and defeasance opinion will be acceptable in form and substance, and addressed, to the Authority and the Trustee.

For defeasance of Bonds bearing interest other than for a Long-Term Rate Period ending on or after the date of redemption, interest amounts to be provided pursuant to subsection (a) or (b) above will be calculated at the Maximum Rate.

Notwithstanding anything contained herein to the contrary, in the event that the interest or the principal of the Bonds will be paid by the Credit Facility Provider pursuant to the Credit Facility, such Bonds will remain Outstanding hereunder for all purposes, will not be defeased or otherwise satisfied and will not be considered paid, and all agreements, covenants and other obligations of the Authority for the benefit of the Credit Facility Provider will continue to exist and will run to the benefit of the Credit Facility Provider, and the Credit Facility Provider will be subrogated to the rights of such Owners.

Any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for two years after such principal, Redemption Price of, or interest on the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date will be repaid to the Authority free from the trust created by this Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee 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. All moneys held by or on behalf of the Trustee for the payment of principal of

or interest or premium on Bonds, whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Trustee will not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the Authority) for any interest earned on, moneys so held. Any interest earned thereon will belong to the Authority.

SECTION 11.04. Content of Certificates. Every certificate with respect to compliance with a condition or covenant provided for in this Indenture will include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

SECTION 11.05. Execution of Documents by Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Owners in person or by 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, will be sufficient for any purpose of this Indenture and will be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 12.05.

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 affidavit of a witness of such execution or 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 or writing acknowledged to him the execution thereof.

The ownership of Bonds will be provided by the Bond Registration Books.

Any request, consent or vote of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of any 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 pursuance of such request, consent or vote.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture,

Bonds which are owned or held by or for the account of the Authority (but excluding Bonds held in any employees' retirement fund) will be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee will be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held will be disregarded. Upon request of the Trustee, the Authority will specify in a Bond to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such Bond.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

SECTION 11.06. Waiver of personal Liability. No officer, agent or employee of the Authority will be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained will relieve any such officer, agent or employee from the performance of any official duty provided by law.

SECTION 11.07. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, will be null and void and will be deemed separable from the remaining covenants and agreements or portions thereof and will in no way affect the validity of this Indenture or of the Bonds; but the Owners will retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 11.08. Destruction of Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the Authority of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee will destroy such Bonds and furnish to the Authority a Bond of such destruction.

SECTION 11.09. Funds and Accounts. Any Fund or Account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a Fund or an Account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a Fund or as an Account. All such records with respect to all such Funds and Accounts held by the Authority will at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such Funds and Accounts held by the Trustee will be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof and the Swap Counterparty.

SECTION 11.10. Notices. Any notice, request, complaint, demand, communication or other paper will be sufficiently given and will be deemed given when delivered or mailed by

registered or certified mail, postage prepaid, or sent by telegram, addressed as follows: if to the Authority, to South Placer Wastewater Authority c/o Director of Environmental Utilities of the City of Roseville, 2005 Hilltop Circle, Roseville, CA 95747, if to the Trustee, at 100 Pine Street, Suite 3100, San Francisco, CA 94111, Attention: Corporate Trust Services, tel: 415.263.2412, fax: 415.263.2064; if to the Bank, at 633 W. Fifth Street, 25<sup>th</sup> Floor, Los Angeles, CA 90071, Attention: Ashley Martin, tel: 213.615.6241, fax: 213.615.6199; if to S&P, at Standard & Poor's, 55 Water Street, 38th Floor, New York, New York, 10041, Attention: Municipal Structured Surveillance, tel: 212.438.2021, fax: 212.438.2151, email: pubfin\_structured@sandp.com; if to Moody's; Moody's Investors Service, Attn: Municipal Structured Products Group, 7 World Trade Center at 250 Greenwich Street, Public Finance Group - 23rd Floor, New York, NY 10007; if to Fitch, at Fitch Ratings, Municipal Structured Finance, 1 State Street Plaza, New York, NY 10004, and if to the Credit Facility Provider, at the address provided in the Credit Facility Agreement.

In addition to any other notices to be given under this Indenture, the Trustee will give notice to S&P, Moody's and Fitch of the following events: (i) termination, extension, substitution and expiration of the Credit Facility, (ii) redemption in whole, acceleration, mandatory tender, and defeasance of the Bonds, (iii) material changes in the Indenture or Credit Facility documents, (iv) substitution of the Trustee, Remarketing Agent, Paying Agent or Tender Agent, (v) Conversion.

The Authority and the Trustee may designate any further or different addresses to which subsequent notices, Bonds or other communications will be sent.

SECTION 11.11. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when interest on or principal of such Bonds has become due and payable, either at their stated Maturity Dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when interest on or principal of such Bonds becomes due and payable, will, at the Request of the Authority, be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee will, at the expense of the Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SECTION 11.12. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts will for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee will preserve undestroyed, will together constitute but one and the same instrument.

SECTION 11.13. Governing Law. This Indenture will be construed and governed in accordance with the laws of the State of California.

SECTION 11.14. Binding Effect; Successors; Benefits Limited to Parties. This Indenture will be binding upon and inure to the benefit of the parties and their respective successors and

assigns. Whenever herein either the Authority or the Trustee is named or referred to, such reference will be deemed to include the successors or assigns thereof, and all the covenants and agreements contained herein by or on behalf of the Authority or the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. Nothing herein expressed or implied is intended or will be construed to confer upon, or to give to, any person or entity, other than the Authority, the Trustee, the Bank, the Swap Counterparty (to the extent provided in the Swap Agreement) or the Owners, any right, remedy or claim hereunder or by reason hereof or of any covenant, condition or stipulation contained herein. All covenants, stipulations, promises and agreements contained herein by or on behalf of the Authority will be for the sole and exclusive benefit of the Authority, the Trustee, the Swap Counterparty (to the extent provided in the Swap Agreement), the Bank and the Owners.

SECTION 11.15. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, will be solely for convenience of reference and will not affect the meaning, construction or effect hereof. All references herein to "Articles", "Sections", and other subdivisions are to the corresponding Articles, Sections or subdivisions hereof; and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 11.16. Waiver of Notice. Whenever the giving of notice by mail or otherwise is required hereunder, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

IN WITNESS WHEREOF, SOUTH PLACER WASTEWATER AUTHORITY has caused this Indenture to be signed in its name by its Treasurer and attested by its Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

SOUTH PLACER WASTEWATER  
AUTHORITY

By: \_\_\_\_\_  
Treasurer

Attest:

By: \_\_\_\_\_  
Secretary

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

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

**EXHIBIT A**  
**FORM OF 2013 BOND**

**SOUTH PLACER WASTEWATER AUTHORITY**  
**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2013**  
**(VARIABLE RATE DEMAND BONDS)**

**[The Transferability of this Bond is Restricted as Described in Section 2.11 of  
the Indenture]**

No. R-\_\_\_\_\_ \$60,325,000

<b><u>Bond</u></b> <b><u>Dated Date</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate</u></b>
April __, 2013	November 1, 20__	Variable

REGISTERED OWNER: U.S. Bank National Association

PRINCIPAL SUM: \$

The South Placer Wastewater Authority, a joint exercise of powers agency duly created under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the sources provided below), to the registered owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Bond, on the Maturity Date specified above, unless this Bond will have been called for redemption, and payment of the redemption price will have been duly made or provided for, upon presentation and surrender of this Bond, the Principal Amount specified above, and to pay (but only out of the sources provided below) interest on the balance of said Principal Amount from time to time remaining unpaid from and including the original issue date specified above, or from and including the most recent Interest Payment Date (as defined in the Indenture), with respect to which interest has been paid or duly provided for, until payment of said Principal Amount has been made or duly provided for.

This Bond is one of a duly authorized issue of bonds of the Authority, issued in the initial aggregate principal amount of \$60,325,000, known as the South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds) (the "Bonds"). The Bonds are limited obligations of the Authority, payable solely from Revenues, as defined and provided under the Wastewater Revenue Bond Indenture, dated as of April 1, 2013 (the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Such payment of the Bonds from Revenues is on a parity basis with the Authority's obligation to pay the 2011 Bonds (as defined in the Indenture). The Authority was created pursuant to a joint exercise of powers agreement, as amended and restated, effective October 1, 2012, among the City of Roseville (the "City"), the County of Placer (the "County") and the South Placer Municipal Utility District (the "District"). The City, the County and the District are referred to herein collectively as the

“Participants”. The Revenues and certain other rights and interests under the Indenture have been assigned under the Indenture to the Trustee, having a corporate trust office in San Francisco, California (the “Trust Office”).

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Amounts due on this Bond in respect of principal and premium, if any, are payable in lawful money of the United States of America upon the surrender thereof at the corporate trust office of the Trustee (or any successors thereto), or any paying agent appointed by the Trustee. Amounts representing interest are payable by check mailed to the owner of the Bond at such owner's address as it appears on the Bond register as of the Regular Record Date preceding the day such payment is due, or by wire transfer to any Owner of \$1,000,000 or more of Bonds to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the first day of the month preceding the day such payment is due. Payments of defaulted interest, if any, with respect to such Bond will be paid by check to the registered owner of such Bond as provided in the Indenture.

Interest on this Bond will be payable at a Daily Rate, the Weekly Rate, the Commercial Paper Rate or the Index Rate, as provided in the Indenture. This Bond will initially bear interest at a LIBOR Index Rate. If the interest rate mode is subsequently adjusted, this Bond will be subject to mandatory tender for purchase, as described herein, except no mandatory tender is applicable between Daily Rate and Weekly Rate modes. Capitalized terms not defined herein will have the meanings ascribed to them in the Indenture.

The Bonds are initially executed and delivered in denominations of \$250,000 and any larger denomination constituting an integral multiple of \$5,000.

The Trustee has no obligation or liability to the Owners to make payments of principal or interest on the Bonds, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Bond owners the various funds and accounts established under the Indenture.

The Bonds are subject to optional, special and mandatory sinking fund redemption, optional and mandatory tender and purchase as provided in the Indenture. The Bonds are subject to mandatory redemption in part from Sinking Fund Installments to be made by the Authority on November 1, 20\_\_ and on each November 1 thereafter up to and including November 1, 20\_\_, at a Redemption Price equal to the principal amount thereof plus accrued interest, if any, to the redemption date without premium, as follows:

November 1

Principal  
Amount

This Bond has been issued by the Authority pursuant to the terms of the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and the Indenture. The Authority has certified that it is authorized to enter into the Indenture under the Bond Law and laws of the State of California. The Authority and the Participants have entered into an Amended and Restated Funding Agreement, dated as of October 1, 2012 (the "Funding Agreement"), under which the Authority has agreed to issue the bonds to finance or refinance the costs of acquiring and constructing a wastewater treatment facility, in consideration of the agreement of the Participants to make payments to the Trustee, from Participant Net Revenues (as described below) which are sufficient to pay debt service on the Bonds and any Parity Debt for such purpose. Reference is hereby made to the Funding Agreement and the Indenture (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Bonds are delivered, the rights thereunder of the owners of the Bonds, the rights, duties and immunities of the Trustee and the rights and obligations of the Participants under the Funding Agreement, and to all of the provisions of the Funding Agreement and the Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Participants are obligated under the Funding Agreement to pay their Proportionate Share of Debt Service (as defined in the Funding Agreement) from the Participant Net Revenues (as such term is defined in the Funding Agreement), derived by the Participants from their respective Participant Systems (as defined in the Funding Agreement). The obligations of the Participants to pay the Participant Net Revenues do not constitute obligations of the Participants for which the Participants are obligated to levy or pledge any form of taxation or for which the Participants have levied or pledged any form of taxation. The obligations of the Participants to pay their Proportionate Share of Debt Service from Participant Net Revenues do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee, and reference to the Indenture and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the Bonds, and the limitations on such rights and remedies.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended by the parties thereto with the written consents of the owners of a majority in aggregate principal amount of the Bonds then outstanding, and may be amended with the written consent or without the consent of the Bond owners under certain circumstances; provided that no such amendment will materially adversely affect the interests of the owners of the Bonds or will impair the right of any owner to receive in any case such owner's principal and interest payments in accordance with such owner's Bond.

Registration of this Bond is transferable by the Owner hereof, in person or by such Owner's attorney duly authorized in writing, at the aforesaid offices 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 such registration of transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Authority and the Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond will be overdue, and will not be affected by any notice to the contrary. This Bond will not be entitled to any benefit under the Indenture or become valid for any purpose until it has been duly executed and delivered by the Trustee.

The Trustee has no obligation or liability to the registered owners of the Bonds to make payments of principal or interest on the Bonds, except from funds held by the Trustee under the Indenture. The Trustee's primary obligations are to administer, for the benefit of the registered owners of the Bonds, the various funds and accounts established under the Indenture. The Trustee is not responsible for the recitals of fact in this Bond.

IN WITNESS WHEREOF, the South Placer Wastewater Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director and attested by the manual or facsimile signature of its Secretary.

SOUTH PLACER WASTEWATER  
AUTHORITY

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

Attest:

By: \_\_\_\_\_  
Secretary

**[FORM OF CERTIFICATE OF AUTHENTICATION]**

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

Authentication Date: \_\_\_\_\_

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

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

**[FORM OF ASSIGNMENT TO APPEAR ON BONDS]**

For value received the undersigned do(es) hereby sells, assigns and transfers unto

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

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

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

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

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

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

## EXHIBIT B

### FORM OF PURCHASER LETTER

Re: [\$60,325,000]  
South Placer Wastewater Authority  
Wastewater Revenue Refunding Bonds,  
Series 2013  
(Variable Rate Demand Bonds)

Ladies and Gentlemen:

\_\_\_\_\_ (“Purchaser”) has agreed to purchase the above-referenced Bonds of Participation (the “Bonds”) in the amount of \$60,325,000 which were issued pursuant to a Wastewater Revenue Bond Indenture between The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the South Placer Wastewater Authority (the “Authority”), dated as of April 1, 2013 (together with any amendments and supplements or modifications thereto, the “Indenture”). The Purchaser is purchasing the Bonds pursuant to a Continuing Covenant Agreement dated as of April 1, 2013, between the Authority and the Purchaser and a Bond Purchase Agreement dated as of the date hereof between the Authority and the Bank. All capitalized terms used herein, but not defined herein, will have the respective meanings set forth in the Indenture. The undersigned, an authorized representative of the Purchaser, hereby represents to you that:

1. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits represented by the purchase of the Bonds.

2. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

3. The Purchaser is a national bank organized under the laws of the United States and is able to bear the economic risks of purchasing the Bonds.

4. The Purchaser understands that an official statement, prospectus, offering circular, or other comprehensive offering statement has not been provided with respect to the Bonds. The Purchaser has made its own inquiry and analysis with respect to the Authority, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds.

5. The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information, regarding the Authority, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the Bonds and the security therefor, so that it has been able to make an informed decision to purchase the Bonds; provided, however, that this letter will not constitute a waiver of any rights or remedies the Purchaser may have with respect to any untrue information it may have received or any material information which was withheld from its review.

6. The Purchaser understands that (a) the Bonds are limited obligations of the Authority, payable solely from funds and moneys pledged and assigned under the Indenture, and that the liabilities and obligations of the Authority with respect to the Bonds are expressly limited as set forth in the Indenture and related documents, (b) the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision thereof and that the Authority has no taxing power, and (c) the Bonds do not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of California or any political subdivision thereof.

7. The Bonds are being acquired by the Purchaser for its own account and not with a present view toward resale, transfer or distribution; provided, however, that the Purchaser reserves the right to sell, transfer or distribute the Bonds, but agrees that any such sale, transfer or distribution by the Purchaser will be to a Person:

(a) that is an affiliate of the Purchaser;

(b) that is a trust or other custodial arrangement established by the Purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers; or

(c) that the Purchaser reasonably believes is a qualified institutional buyer that executes and delivers a letter substantially in the form of this letter.