INDENTURE OF TRUST

Dated as of October 1, 2016

By and between

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

and the

AMADOR WATER AGENCY

Relating to

$ AMADOR WATER AGENCY
WATER REVENUE REFUNDING BONDS,
SERIES 2016A
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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of October 1, 2016 (the "Indenture"), by and between AMADOR WATER AGENCY, a public agency organized and existing under and by virtue of the laws of the State of California (the "Agency"), and 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, as trustee hereunder (the "Trustee");

WITNESSETH:

WHEREAS, the Agency has determined that it is in the best interest of the public to refund the outstanding Amador Water System Revenue Certificates of Participation, 2006 Series A (the "2006A Certificates"); and

WHEREAS, the Agency is authorized by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, to issue bonds for the purpose of refunding any evidences of indebtedness of the Agency; and

WHEREAS, in order to provide for the authentication and delivery of the Amador Water Agency Water Systems Refunding Revenue Bonds, Series 2016A (the "2016 Bonds"), to establish and declare the terms and conditions upon which such 2016 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the Agency has authorized the execution and delivery of the Indenture; and

WHEREAS, the Agency has determined that all acts and proceedings required by law necessary to make the 2016 Bonds, when executed by the Agency, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH:

GRANTING CLAUSES

The Agency, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2016 Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2016 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the "Trust Estate") to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Agency to the 2016 Bond Owners hereinafter set forth:
GRANTING CLAUSE FIRST

All right, title and interest of the Agency in and to the Revenues (as defined herein), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Revenues payable to or receivable by the Agency under the Constitution of the State, the Water Code and the Government Code of the State of California and the Indenture and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Agency is or may become entitled to do thereunder, subject to the terms hereof.

GRANTING CLAUSE SECOND

All moneys and securities held in funds and accounts of the Indenture, except amounts held in the Rebate Fund, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the Agency or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the 2016 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2016 Bonds over any of the other 2016 Bonds;

PROVIDED, HOWEVER, that if the Agency, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2016 Bonds due or to become due thereon, at the times and in the manner provided in the 2016 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

THE INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2016 Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Agency has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2016 Bonds, as follows:
ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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


Ad Valorem Taxes. The term “Ad Valorem Taxes” means, for any period, all ad valorem property taxes actually received by the Agency during such period pursuant to Article XIIIa of the Constitution of the State of California and Section 95 et seq. of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the Agency.

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

Agency. The term “Agency” means Amador Water Agency, a public agency duly organized and existing under and by virtue of the laws of the State.

Authorized Representative. The term “Authorized Representative” means, with respect to the Agency, its President, Vice President, Secretary, General Manager, Financial Director or any other person designated as an Authorized Representative of the Agency by a Certificate of the Agency signed by its President, Vice President, Secretary, General Manager, or Financial Director and filed with the Trustee.

Bond Counsel. The term “Bond Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Year. The term “Bond Year” will have the meaning set forth in the Tax Certificate.

Bonds. The term “Bonds” means all revenue bonds or notes of the Agency authorized, executed, issued and delivered by the Agency, the payments of which are payable from Net
Revenues on a parity with the 2016 Bonds and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

**Business Day.** The term “Business Day” means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

**Certificate; Direction; Request; Requisition.** The terms “Certificate,” “Direction,” “Request,” and “Requisition” of the Agency mean a written certificate, direction, request or requisition signed in the name of the Agency by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

**Closing Date.** The term “Closing Date” means the date on which the 2016 Bonds are delivered to the original purchaser thereof.

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

**Continuing Disclosure Certificate.** The term “Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated the Closing Date, by the Agency, as originally executed and as it may be from time to time amended or supplemented in accordance with its terms.

**Contracts.** The term “Contracts” means and is limited to all contracts of the Agency previously or hereafter authorized and executed by the Agency, payments of which are payable from Net Revenues on a parity with the 2016 Bonds and which are secured by a pledge and lien on the Revenues as described in Section 5.01 hereof, including but not limited to the 1996 State Loan (Hillside), the 1997 State Loan (Ridge ID), the 2003 Installment Purchase Agreement (Buckhorn), the 2004 Installment Purchase Agreement (Buckhorn), the 2006 USDA Loan-LaMel, the 2008 Installment Purchase Agreement (Plymouth) and the 2013 Supplemental Installment Purchase Agreement (Buckhorn), but excluding any contracts entered into for maintenance and operation of the Water System.

**Corporation.** The term “Corporation” means the Amador Water Agency Financing Corporation.

**Costs of Issuance.** The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the authorization, issuance, sale and delivery of the 2016 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2016 Bonds and any other cost, charge or fee in connection with the original issuance of the 2016 Bonds.

**Costs of Issuance Fund.** The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.
Debt Service. The term “Debt Service” means, for any period of calculation, the sum of:

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

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

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

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

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

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

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

(ii) if such Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if such Bonds or Contracts have not been outstanding for the twelve prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Bonds to be issued or the Contracts to be executed;

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

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

provided further that if the Bonds or Contracts constitute paired obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the Agency with respect to such paired obligations; and

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

Debt Service Fund. The term “Debt Service Fund” means the fund by that name established pursuant to Section 5.04 and to be held by the Trustee.

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” by S&P, and (5) securities eligible for “AAA” defeasance under then existing criteria of S&P.

Depository; DTC. The term “Depository” or “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 in its capacity as Securities Depository for the 2016 Bonds.

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

Federal Securities. The term “Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on June 30 of the following year, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the Agency.

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Generally Accepted Accounting Principles. The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for public agencies in the State of California, or failing the prescription of such procedures means generally accepted accounting principles as presented and
recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

**Indenture.** The term “Indenture” means this Indenture of Trust, dated as of October 1, 2016, by and between the Agency and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

**Independent Certified Public Accountant.** The term “Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such, under the laws of the State of California, appointed and paid by the Agency, and each of whom: (1) is in fact independent and not under the domination of the Agency; (2) does not have a substantial financial interest, direct or indirect, in the operations of the Agency; and (3) is not connected with the Agency as a board member, officer or employee of the Agency, but may be regularly retained to audit the accounting records of and make reports thereon to the Agency.

**Independent Financial Consultant.** The term “Independent Financial Consultant” means any financial consultant or firm of such consultants of national reputation generally recognized to be well qualified in financial matters relating to systems similar to the Water System, appointed and paid by the Agency, and who, or each of whom: (1) is in fact independent and not under domination of the Agency; (2) does not have any substantial interest, direct or indirect, with the Agency; and (3) is not connected with the Agency as an member of the Board of Directors, an officer or an employee thereof, but who may be regularly retained to make reports thereto.

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

**Interest Payment Date.** The term “Interest Payment Date” means June 1 and December 1 of each year, commencing June 1, 2017.

**Investment Agreement.** The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated by at least two of the following rating agencies, at the time of issuance, at least “A+”, “A1” or “A+” (S&P, Moody’s or Fitch, respectively).

**Letter of Representations.** The term “Letter of Representations” means the letter of the Agency and the Trustee delivered to and accepted by the Depository on or prior to delivery of the 2016 Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the Agency and the Trustee delivered to and accepted by the Depository.

**Maintenance and Operations Costs.** The term “Maintenance and Operations Costs” means, for any Fiscal Year or other period, (a) costs spent or incurred by the Agency for maintaining and operating the Water System, calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and
other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the Agency attributable to the 2016 Bonds and other Bonds or Contracts, salaries and wages of employees, payments to employee retirement systems (to the extent paid from Revenues), overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges required to be paid by it to comply with the terms of any other Bonds or Contracts, and (b) the cost of acquiring water or rights to receive water; but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor; (b) amortization of intangibles or other bookkeeping entries of a similar nature; and (c) costs of capital additions, replacements, betterments, extensions or improvements to the Water System, which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation.

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

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorney’s fees) incurred in the collection of such proceeds.

Net Revenues. The term “Net Revenues” means, for any Fiscal Year or other period, Revenues for such Fiscal Year or other period, less Maintenance and Operations Costs for such Fiscal Year or other period.

1996 State Loan (Hillside). The term “1996 State Loan (Hillside)” means that certain construction loan and grant issued by the State of California, acting by and through its Department of Water Resources (the “DWR”), pursuant to Contract No. E58341, between the DWR and the Agency, dated September 13, 1996.

1997 State Loan (Ridge ID). The term “1997 State Loan (Ridge ID)” means that certain construction loan and grant issued by the State of California, acting by and through the DWR, pursuant to Contract No. E58419, between the DWR and the Agency, dated March 5, 1997.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Office of the Trustee. The term “Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of 2016 Bonds, such term means the office of the Trustee at which it conducts its corporate agency business, or such other office as the Trustee may from time to time designate in writing to the Agency and the Owners.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the Agency) selected by the Agency. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2016 Bonds, means (subject to the provisions of Section 11.09) all 2016 Bonds theretofore, or
thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) 2016 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2016 Bonds with respect to which all liability of the Agency shall have been discharged in accordance with Section 10.02, including 2016 Bonds (or portions thereof) described in Section 11.09; and (iii) 2016 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2016 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

**Owner; 2016 Bond Owner.** The term “Owner” or “2016 Bond Owner,” whenever used herein with respect to a 2016 Bond, means the person in whose name the ownership of such 2016 Bond is registered on the Registration Books.

**Participants.** The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as Securities Depository.

**Permitted Investments.** The term “Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds of the Agency (provided that the Trustee shall be entitled to rely upon any investment directions from the Agency as conclusive certification to the Trustee that the investments described therein are permissible investment of funds of the Agency):

(a) Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (“Eximbank”)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (“FmHA”)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (“FHA”)

5. General Services Administration
   Participation certificates

   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations (not acceptable for certain cash-flow sensitive issues)
7. United States Maritime Administration
   Guaranteed Title XI financing

8. United States Department of Housing and Urban Development
   ("HUD")
   Project Notes
   New Communities Debentures
   United States government guaranteed debentures
   United States Public Housing Notes and Bonds
   United States government guaranteed public housing notes and bonds

   (c) Bonds, debentures, notes or other evidence of indebtedness issued or
       guaranteed by any of the following non-full faith and credit United States government agencies
       (stripped securities are only permitted if they have been stripped by the agency itself):

   1. Federal Home Loan Bank System
      Senior debt obligations

   2. Federal Home Loan Mortgage Corporation ("FHLMC")
      Participation Certificates
      Senior debt obligations

   3. Federal National Mortgage Association ("FNMA")
      Mortgage-backed securities and senior debt obligations

   4. Student Loan Marketing Association ("SLMA")
      Senior debt obligations

   5. Resolution Funding Corporation obligations

   6. Farm Credit System
      Consolidated system-wide bonds and notes

   (d) Money market funds registered under the Federal Investment Company Act
       of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by
       S&P of "AAAm-G," "AAA-m" or "AA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2,"
       including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory
       or other management services or for which the Trustee or an affiliate of the Trustee serves as
       investment administrator, shareholder servicing agent, and/or custodian or subcustodian,
       notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains a fee for
       services provided to the fund, (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.

   (e) Certificates of deposit secured at all times by collateral described in clauses
       (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of
       the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a
       third party and the bondholders must have a perfected first security interest in the collateral.
(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, or secured at all times by collateral described in clauses (a) and/or (b) above.

(g) Investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements.

(h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest Rating Categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank (including those of the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P.

(k) Repurchase agreements for 30 days or less must follow the following criteria. Repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; and:

1. Repurchase agreements must be between the municipal entity and a dealer bank or securities firm;
   A. Primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and Moody’s; or
   B. Banks rated “A” or above by S&P and Moody’s.

2. The written repurchase agreements contract must include the following:
   A. Securities which are acceptable for transfer are:
      (1) Direct United States governments, or
      (2) Federal agencies backed by the full faith and credit of the United States government (and FNMA & FHLMC)
   B. The term of a repurchase agreement may be up to 30 days
   C. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
D. Valuation of Collateral

(1) The securities must be valued weekly, marked to market at current market price plus accrued interest.

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(3) A legal opinion must be delivered to the municipal entity to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds.

(4) Any state administered pooled investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund in the treasury of the State.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the Agency account designated by the Agency as account number _____, together with other accounts created in the future and designated by action of the Board of Directors as a part of the Rate Stabilization Fund continued pursuant to Section 5.03.

Rating. The term “Rating” means any currently effective rating on the 2016 Bonds issued by a Rating Agency.

Rating Agencies. The term “Rating Agencies” means [S&P, Moody’s and Fitch] if such rating agencies are then rating the 2016 Bonds.

Rebate Fund. The term “Rebate Fund” means the fund by that name established for the 2016 Bonds pursuant to Section 5.07.

Record Date. The term “Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Redemption Date. The term “Redemption Date” means the date fixed for an optional redemption prior to maturity of the 2016 Bonds.

Redemption Fund. The term “Redemption Fund” means the fund by that name established pursuant to Section 5.02.

Redemption Price. The term “Redemption Price” means, with respect to any 2016 Bond (or portion thereof), the principal amount of such 2016 Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2016 Bond and the Indenture.
Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2016 Bonds pursuant to Section 2.05.

Reserve Fund. The term "Reserve Fund" means the fund by that name held by the Trustee and established pursuant to Section 5.05.

Reserve Requirement. The term “Reserve Requirement” means $___________.

Reserve Surety Policy. The term “Reserve Surety Policy” means the municipal bond debt service reserve insurance policy No. _________ issued by the Reserve Surety Policy Provider and deposited in the Reserve Fund to satisfy the Reserve Requirement.

Reserve Surety Policy Provider. The term “Reserve Surety Policy Provider” means ________, or any successor thereto or assignee thereof.

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust services division of the Trustee (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, with responsibility for the administration of the Indenture.

Revenue Fund. The term “Revenue Fund” means those Agency accounts designated by the Agency as account numbers _______ and ________, together with other accounts created in the future and designated by action of the Board of Directors as a part of the Revenue Fund established pursuant to Section 5.01(b).

Revenues. The term "Revenues" means, for any Fiscal Year or other period, all income and revenue received by the Agency from the operation or ownership of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges (including capacity charges) received by the Agency for the services of the Water System, investment income (to the extent generally available to pay costs with respect to the Water System) and all other money howsoever derived by the Agency from the operation or ownership of the Water System or arising from the Water System, together with Ad Valorem Taxes, but excluding (a) refundable deposits made to establish credit and advances or contributions in aid of construction; (b) special taxes, assessments or bond proceeds relating to any assessment district or community facility district formed by the Agency; and (c) ad valorem taxes to the extent required by law to pay any voter approved general obligation indebtedness of the Agency; provided, however, that Revenues shall be increased by the amounts, if any, transferred in accordance with Section 5.03 during such Fiscal Year or other period from the Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Revenues, if any, transferred in accordance with Section 5.01(b)(iv) during such Fiscal Year or other period from the Revenue Fund to the Rate Stabilization Fund.

S&P. The term “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

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

State. The term “State” means the State of California.

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

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the 2016 Bonds, issued by the Agency on the date of issuance of the 2016 Bonds, including any and all exhibits attached thereto.

Treasurer. The term “Treasurer” means the Financial Director of the Agency.

Trustee. The term “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, or its successor as Trustee hereunder as provided in Section 8.01.

2003 Installment Purchase Agreement (Buckhorn). The term “2003 Installment Purchase Agreement (Buckhorn)” means the Installment Purchase Agreement, by and between the Agency and the Corporation, dated November 20, 2003, as amended by Amendment No. 1 to Installment Purchase Agreement, dated as of October 1, 2016, by and between the Agency and the Corporation.

2004 Installment Purchase Agreement (Buckhorn). The term “2004 Installment Purchase Agreement (Buckhorn)” means the Supplemental Installment Purchase Agreement, by and between the Agency and the Corporation, dated November 10, 2004, as amended by Amendment No. 1 to Installment Purchase Agreement, dated as of October 1, 2016, by and between the Agency and the Corporation.

2006 Trust Agreement. The term “2006 Trust Agreement” means the Trust Agreement, dated as of March 1, 2006, by and among the Agency, the Amador Water Agency Financing Corporation and The Bank of New York Trust Company, N.A., as trustee thereunder, as amended by Amendment No. 1 to Trust Agreement, dated as of October 1, 2016, by and among the Agency, the Corporation and the Bank of New York Mellon Trust Company, N.A.

2006 USDA Loan-La Mel. The term “2006 USDA Loan-La Mel” means the Loan Agreement between the Agency and the USDA, dated March 9, 2006, as amended by Amendment No. 1 to Loan Agreement, dated as of October 1, 2016.

2006A Certificates. The term “2006A Certificates” has the meaning assigned thereto in the WHEREAS clauses to this Indenture.

2006A Certificates Escrow Agreement. The term “2006A Certificates Escrow Agreement” means the 2006A Certificates Escrow Agreement, dated as of October 1, 2016, by and between the Agency and the 2006A Escrow Agent, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.


Valuation Date. “Valuation Date” means the fifth Business Day preceding the date of redemption.

Value. The term “Value,” which shall be determined as of the date of calculation, means that the value of any investments shall be calculated as follows:

(a) For the purpose of determining the amount of any fund, all Permitted Investments credited to such fund shall be valued at fair market value, with the exception of the reserve fund which shall be valued at cost. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch, and Morgan Stanley Smith Barney.

(b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest.

(c) As to any investment not specified above: market value, or, if the market value is not ascertainable by the Agency or the Trustee, at cost.

Water Service. The term “Water Service” means the water distribution service made available or provided by the Water System.

Water System. The term “Water System” means (a) all property rights, contractual rights and facilities of the Agency relating to water, including all facilities for the treatment, conservation, storage, transmission and distribution of water now owned by the Agency and all other properties, structures or works for the treatment, conservation, storage, transmission and distribution of water and the generation and delivery of hydroelectric power in connection therewith hereafter acquired and constructed by or for the Agency, and (b) all property rights, contractual rights and facilities of the Agency relating to reclaimed water, including all facilities for the transporting, treating, neutralizing, stabilizing or disposing of reclaimed water now owned by the Agency and all other properties, structures or works for the transporting, treating, neutralizing, stabilizing or disposing of reclaimed hereafter acquired and constructed by or for the Agency; together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part
thereof hereafter acquired and constructed by or for the Agency; provided, however, that the Water System shall not include any property rights, contractual rights or facilities for the collection, conveyance, treatment or disposal of wastewater.

Written Consent of the Agency; Written Order of the Agency; Written Request of the Agency; Written Requisition of the Agency. The terms “Written Consent of the Agency,” “Written Order of the Agency,” “Written Request of the Agency,” and “Written Requisition of the Agency” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the Agency by the President of its Board of Directors or its General Manager or by the Secretary of its Board of Directors or by any two persons (whether or not officers of the Board of Directors of the Agency) who are specifically authorized by resolution of the Agency to sign or execute such a document on its behalf.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in the Indenture except the certificate of destruction provided for in Section 11.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Section 1.03. Interpretation.

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

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

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

ARTICLE II

THE 2016 BONDS

Section 2.01. Authorization of 2016 Bonds. The Agency hereby authorizes the issuance hereunder from time to time of the 2016 Bonds, which shall constitute special obligations of the Agency, for the purpose of refunding the outstanding 2006A Certificates. The 2016 Bonds are hereby designated the “Amador Water Agency Water Revenue Refunding Bonds, Series 2016A” in
the aggregate principal amount of $________. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2016 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2016 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2016 Bonds. The 2016 Bonds shall be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof.

(a) The 2016 Bonds shall mature on June 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<table>
<thead>
<tr>
<th>Maturity Date (June 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
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<tr>
<td>2018</td>
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<tr>
<td>2028</td>
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</tbody>
</table>

Interest on the 2016 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars ($1,000,000) or more in principal amount, such payment may, at such Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date). Principal of and premium (if any) on any 2016 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2016 Bonds shall be payable in lawful money of the United States of America.

Each 2016 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before May 15, 2017, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2016 Bond, interest thereon is in default, such 2016 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.
Interest on the 2016 Bonds shall be calculated on the basis of a 360 day year composed of

twelve 30 day months.

Section 2.03. Transfer of 2016 Bonds. Any 2016 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2016 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2016 Bond during the period in which the Trustee is selecting 2016 Bonds for redemption and any 2016 Bond that has been selected for redemption.

Whenever any 2016 Bond or 2016 Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and shall deliver a new 2016 Bond or 2016 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2016 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2016 Bonds, the Trustee will cancel and destroy the 2016 Bonds it has received.

Section 2.04. Exchange of 2016 Bonds. 2016 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any 2016 Bond during the period in which the Trustee is selecting 2016 Bonds for redemption and any 2016 Bond that has been selected for redemption. The Trustee shall require the 2016 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2016 Bonds, the Trustee will cancel and destroy the 2016 Bonds it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2016 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the Agency and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2016 Bonds as hereinbefore provided.

The person in whose name any 2016 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption Price of by such 2016 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2016 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2016 Bonds. The 2016 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2016 Bonds shall be executed in the name and on behalf of the Agency with the manual or facsimile signature of its President. The 2016 Bonds may carry a seal, and such seal may be in the form of a facsimile of the Agency's seal and may be reproduced, imprinted or impressed on the 2016 Bonds. The 2016 Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2016 Bonds shall cease to be such officer or officers of the Agency before the 2016 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Agency, such 2016 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Agency as though those who signed
and attested the same had continued to be such officers of the Agency, and also any 2016 Bonds may
be signed and attested on behalf of the Agency by such persons as at the actual date of execution of
such 2016 Bonds shall be the proper officers of the Agency although at the nominal date of such
2016 Bonds any such person shall not have been such officer of the Agency.

Only such of the 2016 Bonds as shall bear thereon a certificate of authentication substantially
in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or
obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on
behalf of the Trustee shall be conclusive evidence that the 2016 Bonds so authenticated have been
duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2016 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2016 Bond shall
become mutilated, the Agency, at the expense of the Owner of said 2016 Bond, shall execute, and the
Trustee shall thereupon authenticate and deliver, a new 2016 Bond of like tenor, series and
authorized denomination in exchange and substitution for the 2016 Bonds so mutilated, but only
upon surrender to the Trustee of the 2016 Bond so mutilated. Every mutilated 2016 Bond so
surrendered to the Trustee shall be canceled by it. If any 2016 Bond shall be lost, destroyed or
stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such
evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the
Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and
deliver, a new 2016 Bond of like tenor, series and authorized denomination in lieu of and in
substitution for the 2016 Bond so lost, destroyed or stolen (or if any such 2016 Bond shall have
matured or shall be about to mature, instead of issuing a substitute 2016 Bond, the Trustee may pay
the same without surrender thereof). The Agency may require payment by the Owner of a sum not
exceeding the actual cost of preparing each new 2016 Bond issued under this Section and of the
expenses which may be incurred by the Agency and the Trustee in connection therewith. Any 2016
Bond issued under the provisions of this Section in lieu of any 2016 Bond alleged to be lost,
destroyed or stolen shall constitute an original additional contractual obligation on the part of the
Agency whether or not the 2016 Bond so alleged to be lost, destroyed, or stolen be at any time
enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2016
Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of
delivering a new 2016 Bond for a 2016 Bond which has been mutilated, lost, destroyed or stolen and
which has matured or has been selected for redemption, the Trustee may make payment of such 2016
Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2016 Bonds, the
Agency may provide that such 2016 Bonds shall be initially issued as book entry 2016 Bonds. If the
Agency shall elect to deliver any 2016 Bonds in book entry form, then the Agency shall cause the
delivery of a separate single fully registered bond (which may be typewritten) for each maturity date
of such 2016 Bonds in an authorized denomination corresponding to that total principal amount of
the 2016 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such
2016 Bond shall be registered in the 2016 Bond Registration Books in the name of the Nominee, as
nominee of the Depository, and ownership of the 2016 Bonds, or any portion thereof may not
thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2016 Bonds, the Agency and the Trustee shall have no
responsibility or obligation to any Participant or to any person on behalf of which such a Participant
holds an interest in such book entry 2016 Bonds. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2016 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2016 Bond Registration Books, of any notice with respect to book entry 2016 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2016 Bonds to be redeemed in the event the Agency redeems the 2016 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry 2016 Bonds. The Agency and the Trustee may treat and consider the person in whose name each book entry 2016 Bond is registered in the 2016 Bond Registration Books as the absolute Owner of such book entry 2016 Bond for the purpose of payment of principal of, premium and interest on such 2016 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2016 Bond, for the purpose of registering transfers with respect to such 2016 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2016 Bonds only to or upon the order of the respective Owner, as shown in the 2016 Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Agency’s obligations with respect to payment of principal of, premium, if any, and interest on the 2016 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2016 Bond Registration Books, shall receive a 2016 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2016 Bonds. Upon delivery by the Depository to the Agency and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) **Delivery of Letter of Representations.** In order to qualify the book entry 2016 Bonds for the Depository’s book entry system, the Agency and the Trustee shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Agency or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2016 Bonds other than the Owners, as shown on the 2016 Bond Registration Books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the Agency and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2016 Bonds for the Depository’s book entry program.

(c) **Selection of Depository.** In the event that: (i) the Depository determines not to continue to act as Securities Depository for book entry 2016 Bonds; or (ii) the Agency determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2016 Bonds or the Agency, then the Agency will discontinue the book entry system with the Depository. If the Agency determines to replace the Depository with another qualified Securities Depository, the Agency shall prepare or direct the preparation of a new single, separate, fully registered 2016 Bond for each of the maturity dates of such book entry 2016 Bonds, registered in the name of such successor or substitute qualified Securities Depository or its Nominee as provided in subsection (e) hereof. If the Agency fails to identify another qualified Securities Depository to replace the Depository, then the 2016 Bonds shall no longer be restricted to being registered in such 2016 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name
or names the Owners transferring or exchanging such 2016 Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2016 Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2016 Bond and all notices with respect to such 2016 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2016 Bonds to Substitute Depository.

(i) The 2016 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2016 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Agency that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Agency that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2016 Bonds by the Trustee, together with a Written Request of the Agency to the Trustee designating the Substitute Depository, a single new 2016 Bond, which the Agency shall prepare or cause to be prepared, shall be issued for each maturity of 2016 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the Agency. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2016 Bonds by the Trustee, together with a Written Request of the Agency to the Trustee, new 2016 Bonds, which the Agency shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the Agency, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new 2016 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the Agency.

(iii) In the case of a partial redemption or an advance refunding of any 2016 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2016
Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the
Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such
Depository’s failure to make such notations or errors in making such notations and the records of the
Trustee as to the Outstanding principal amount of such 2016 Bonds shall be controlling.

(iv) The Agency and the Trustee shall be entitled to treat the person in
whose name any 2016 Bond is registered as the Owner thereof for all purposes of the Indenture and
any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the
Agency; and the Agency and the Trustee shall have no responsibility for transmitting payments to,
communicating with, notifying, or otherwise dealing with any beneficial owners of the 2016 Bonds.
Neither the Agency nor the Trustee shall have any responsibility or obligation, legal or otherwise, to
any such beneficial owners or to any other party, including DTC or its successor (or Substitute
Depository or its successor), except to the Owner of any 2016 Bonds, and the Trustee may rely
conclusively on its records as to the identity of the Owners of the 2016 Bonds.

ARTICLE III

ISSUANCE OF 2016 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of 2016 Bonds. At any time after the execution of the Indenture,
the Agency may execute and the Trustee shall authenticate and, upon Written Request of the Agency,
deliver the 2016 Bonds in the aggregate principal amount of $_______.

Section 3.02. Application of Proceeds of the 2016 Bonds and Certain Other Moneys. The
proceeds received from the sale of the 2016 Bonds shall be deposited with the Trustee, who shall
transfer: (a) $_______ from the proceeds of the 2016 Bonds to the 2006A Escrow Agent for
deposit in the 2006A Certificates Escrow Fund (as such term is defined in the 2006A Certificates
Escrow Agreement), (b) $_______ from the proceeds of the 2016 Bonds to the Reserve Surety
Policy Provider and (c) deposit the amount of $_______ from the proceeds of the 2016 Bonds in
the Costs of Issuance Fund. The Trustee may establish temporary funds or accounts in its records to
record and facilitate such deposits and transfer.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall
establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The
moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of
Issuance upon submission of Requisitions of the Agency stating the person to whom payment is to be
made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is
proper charge against said fund and that payment for such charge has not previously been made.
Each such Requisition of the Agency shall be sufficient evidence to the Trustee of the facts stated
therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month
anniversary of the issuance of the 2016 Bonds, or upon the earlier Written Request of the Agency, all
amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Agency
for deposit to the Revenue Fund and the Costs of Issuance Fund shall be closed. Investment earnings
on amounts on deposit in the Costs of Issuance Fund shall be retained in the Cost of Issuance Fund.

Section 3.04. Validity of 2016 Bonds. The validity of the authorization and issuance of the
2016 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the
Agency or the Trustee with respect to any other agreement. The recital contained in the 2016 Bonds
that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF 2016 BONDS

Section 4.01. Terms of Redemption.

(a) The 2016 Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the Agency in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of $5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.05 and 6.11, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The 2016 Bonds with stated maturities on or after _______ , 20__ shall be subject to optional redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the Agency in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of $5,000, on or after _______ , 20__ at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Section 4.02. Selection of 2016 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2016 Bonds, the Trustee shall select the 2016 Bonds for redemption as a whole or in part on any date as directed by the Agency and by lot within each maturity in integral multiples of $5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the Agency in writing of the numbers of the 2016 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2016 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2016 Bonds to be redeemed, provided that such notice may be cancelled by the Agency upon Written Request delivered to the Trustee not less than five (5) days prior to such Redemption Date. Each notice of redemption shall state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2016 Bonds of any such maturity are to be redeemed, the serial numbers of the 2016 Bonds of such maturity to be redeemed by giving the individual number of each 2016 Bond or by stating that all 2016 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2016 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the Redemption
Date there will become due and payable on each of said 2016 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2016 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2016 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2016 Bond. Notice of redemption of 2016 Bonds shall be given by the Trustee at the expense of the Agency.

With respect to any notice of optional redemption of 2016 Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2016 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2016 Bonds. In the event that such notice of optional redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2016 Bonds. Upon surrender of any 2016 Bond redeemed in part only, the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2016 Bond or 2016 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2016 Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2016 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2016 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2016 Bonds so called for redemption shall cease to accrue, said 2016 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2016 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee shall, upon surrender for payment of any of the 2016 Bonds to be redeemed on their Redemption Dates, pay such 2016 Bonds at the Redemption Price.

All 2016 Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof to the Trustee.

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS;
PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Revenue Funds.

(a) All of the Revenues, all amounts held in the Revenue Fund described in subsection (b) below, the Rate Stabilization Fund described in Section 5.03 below and any other
amounts (including proceeds of the sale of the 2016 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2016 Bonds in accordance with their terms and the provisions of the Indenture, subject however to the pledge thereon securing Bonds and Contracts, and the Revenues shall not be used for any other purpose while the 2016 Bonds remain Outstanding, except as expressly provided in Section 5.01(b) herein. Said pledge, together with the pledge created for the benefit of other Bonds and Contracts, shall constitute a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit in the Revenue Fund and the Rate Stabilization Fund as permitted herein, the Revenue Fund, the Rate Stabilization Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if any, on the 2016 Bonds in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice hereof.

(b) The Agency covenants and agrees that all Revenues, when and as received, will be received and held by the Agency and will be deposited by the Agency in the Revenue Fund (which the Agency hereby covenants and agrees to maintain so long as any 2016 Bonds remain Outstanding) and will be accounted for and held in trust for the benefit of 2016 Bond Owners and for payments with respect to Bonds and Contracts in the Revenue Fund. All Revenues shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Article V. Additionally, amounts may, from time to time as the Agency deems necessary or appropriate, be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund, as provided in Section 5.03 hereof.

All Revenues in the Revenue Fund shall be set aside by the Agency as follows and in the following order of priority:

(i) **Maintenance and Operations Costs.** In order to carry out and effectuate the pledge and lien contained herein, the Agency agrees and covenants to pay all Maintenance and Operations Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operations Costs, the payment of which is not then immediately required) from the Revenue Fund as they become due and payable.

(ii) **Debt Service Funds.** Payment of principal and interest on the 2016 Bonds or with respect to Bonds or Contracts, shall be paid in accordance with the terms hereof and of such Bonds or Contracts, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(iii) **Reserve Funds.** Payments to replenish debt service reserve funds established for Bonds or Contracts of the Agency, including any amounts owed to the Reserve Surety Policy Provider as provided in Section 5.05, shall be made in accordance with the terms hereof and of such Bonds or Contracts, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(iv) **General Expenditures/Rate Stabilization Fund.** All Revenues not required to be withdrawn pursuant to the provisions (i) through (iii) above shall be used for expenditure for any lawful purpose of the Agency. From time to time the Agency may deposit in the
Rate Stabilization Fund, from remaining Net Revenues described in this subsection (iv) or other available funds of the Agency, such amounts as the Agency shall determine. The Agency may withdraw amounts from the Rate Stabilization Fund (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the Agency. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues.

The parties hereto acknowledge that although all Bonds and Contracts are secured equally and ratably by applicable Revenues, moneys with respect to obligations other than the 2016 Bonds may be held by the Trustee or by trustees other than the Trustee under documents and agreements other than the Indenture, and the Indenture imposes no obligations upon the Trustee with respect to such other obligations. The Agency shall make such transfers from the Revenue Fund necessary to effectuate such obligations' parity claim on such Revenues contemplated hereby.

(c) All moneys held by the Agency in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit therein.

Section 5.02. Application of Redemption Fund. There is hereby established with the Trustee a special fund designated as the “Redemption Fund.” All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2016 Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2016 Bonds, upon written direction of the Agency, the Trustee shall apply such amounts to the purchase of 2016 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 Revenue Fund) as shall be directed pursuant to a Written Request of the Agency, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2016 Bonds.

Section 5.03. Rate Stabilization Fund. There is hereby continued a special fund designated as the “Rate Stabilization Fund” to be held by the Agency in trust for the benefit of the Owners of the 2016 Bonds, which fund the Agency agrees and covenants to maintain and to hold separate and apart from other funds so long as any 2016 Bonds remain unpaid. On the date of execution of the Indenture, the Agency has on deposit $__________ in the Rate Stabilization Fund. Money transferred by the Agency from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.01(b)(vi) shall be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The Agency may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 5.01 hereof or, in the event that all or a portion of the 2016 Bonds are discharged in accordance with Article X hereof, transfer all or any portion of such amounts for application in accordance with said Article X. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to this Section 5.03 during or within 270 days after a Fiscal Year, may be taken into account as Revenues for purposes of the calculations in Sections 5.09 and 6.12(a) in such Fiscal Year.

Section 5.04. Debt Service Fund. There is hereby established with the Trustee the Debt Service Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2016 Bonds remain unpaid. No
later than one Business Day prior to each Interest Payment Date for the 2016 Bonds, the Agency shall deliver moneys to the Trustee in an amount not less than the principal and interest on the 2016 Bonds due on such Interest Payment Date. Except as directed herein, all payments of interest and principal on the 2016 Bonds transferred by the Agency from the Revenue Fund to the Debt Service Fund pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Debt Service Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2016 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

The Trustee shall transfer from the Debt Service Fund: (1) amount necessary for the purpose of paying interest on the 2016 Bonds as such amounts shall become due and payable (including accrued interest on the 2016 Bonds purchased or accelerated prior to maturity pursuant to the Indenture); and (2) amounts necessary to pay the principal amount of the 2016 Bonds at maturity, purchase or acceleration.

Section 5.05. Investments. All moneys in any of the funds or accounts established with the Agency or the Trustee pursuant to the Indenture shall be invested by the Agency or the Trustee, as the case may be, solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement. Any investments by the Trustee shall be directed by the Agency pursuant to a Written Request of the Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). Amounts on deposit in the Reserve Fund, if any, shall be invested by the Trustee, in accordance with written directions from the Agency, in Permitted Investments (i) having an average aggregate weighted term to maturity not greater than five (5) years, or (ii) of any maturity, but callable at par for any purpose required by this Indenture. Investment directions shall be received at least two (2) Business Days prior to the date of making the investment. In the absence of any such directions from the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the Agency specifying a specific money market fund and, if no such written direction from the Agency is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Reserve Fund to the extent the amount on deposit therein is less than the Reserve Requirement, and thereafter to the Revenue Fund, and all interest or gain derived from the investment of amounts in any of the funds or accounts established with the Trustee hereunder shall be deposited in the Debt Service Fund, unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.05.

The Agency acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such
conclusively on the Agency's compliance it Trustee: purposes the Trustee an governed the money amounts will designated the "Rebate Trustee Policy Provider

The Agency shall draw upon the Reserve Surety. The Agency shall cause the Reserve Surety Policy to be deposited in the Reserve Fund and the Trustee shall draw upon the Reserve Surety Policy in accordance with this Section 5.06.

As long as the Reserve Surety Policy shall be in full force and effect, and the Reserve Surety Policy Provider has not defaulted on any obligation under the Reserve Surety Policy, the Agency and Trustee agree to comply with the following provisions:

[TO COME FROM RESERVE SURETY PROVIDER]

Section 5.07. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the 2016 Bonds designated the "Rebate Fund." Except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds will not be adversely affected, the Agency shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the 2016 Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the Agency delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions hereof and thereof if it follows all Requests of the Agency; and (ii) shall have no liability or responsibility to enforce compliance by the Agency with the terms of this Section and the Tax Certificate; and (iii) may rely conclusively on the Agency's calculations and determinations and certifications relating to rebate
matters; and (iv) shall have no responsibility to independently make any calculations or
determinations or to review the Agency’s calculations or determinations thereunder.

(i) **Annual Computation.** Within 55 days of the end of each Bond Year
(as such term is defined in the Tax Certificate), the Agency shall calculate or cause to be calculated
the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and
Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with
respect to the computation of the rebatable arbitrage, described, if applicable, in this Section or the
Tax Certificate, for this purpose treating the last day of the applicable Bond Year as a computation
date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable
Arbitrage”). The Agency shall obtain expert advice as to the amount of the Rebatable Arbitrage to
comply with this Section.

(ii) **Annual Transfer.** Within 55 days of the end of each Bond Year, upon
the Written Request of the Agency an amount shall be deposited to the Rebate Fund by the Trustee
from any Net Revenues legally available for such purpose (as specified by the Agency in the
aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund shall
equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this
subsection (a). In the event that immediately following the transfer required by the previous
sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to
be on deposit therein, upon Written Request of the Agency the Trustee shall withdraw the excess
from the Rebate Fund and then credit the excess to the Revenue Fund.

(iii) **Payment to the Treasury.** The Trustee shall pay, as directed by
Written Request of the Agency, to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than 60 days after the end of: (X) the fifth Bond
Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the
Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all the 2016
Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such
applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in
accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund,
the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the
Agency shall calculate or cause to be calculated the amount of such deficiency and deposit an
amount received from any legally available source equal to such deficiency prior to the time such
payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to
the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such
payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by
the Agency), or shall be made in such other manner as provided under the Code.

(b) **Disposition of Unexpended Funds.** Any funds remaining in the Rebate Fund
after redemption and payment of the 2016 Bonds and the payments described in subsection (a) above
being made may be withdrawn by the Agency and utilized in any manner by the Agency.
(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the 2016 Bonds.

Section 5.08. Application of Funds and Accounts When No 2016 Bonds are Outstanding. On the date on which all 2016 Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the Agency for use by the Agency at any time for any purpose permitted by law.

Section 5.09. Additional Contracts and Bonds.

(a) So long as any 2016 Bonds are Outstanding, the Agency shall not issue or incur any obligations payable from Net Revenues, or secured by a lien of Revenues, senior or superior to the Debt Service on the 2016 Bonds. The Agency may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Revenues and secured by a lien of Revenues on a parity with Debt Service on the 2016 Bonds to provide financing for the Water System in such principal amount as shall be determined by the Agency. The Agency may issue or incur any such Bonds or Contracts subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Bonds or Contracts:

(i) No Event of Default shall have occurred and be continuing, unless such Event of Default shall be cured upon the execution or issuance of such additional Contract or Bond; and

(ii) The Agency obtains or provides a certificate prepared by an Independent Certified Public Accountant or Independent Financial Advisor showing that the Net Revenues as shown by the books of the Agency for any 12 consecutive calendar months during the 18 calendar month period ending prior to the incurring of such Bonds or Contracts shall have amounted to at least 125% of the Debt Service for all Bonds or Contracts to be outstanding immediately after incurring such additional Bonds or Contracts including Debt Service which would have been payable on any Bonds or Contracts incurred since the end of such 12 month period assuming such Bonds or Contracts had been incurred at the beginning of such twelve month period, and Debt Service which would have been payable had the Bonds or Contracts being incurred been incurred at the beginning of such 12 month period.

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

The certificate described in subsection (ii), as set forth above, shall not be required if (x) the Bonds or Contracts being incurred are for the exclusive purpose of refunding then outstanding Bonds or Contracts, (y) at the time of the incurring of such Bonds or Contracts, a certificate of an Authorized Representative of the Agency shall be delivered showing that Debt Service on the refunding Bonds or Contracts will not exceed by more than 10% Debt Service on the refunded Bonds.
or Contracts in each Fiscal Year, and (z) the final maturity of the refunding Bonds or Contracts is not later than the final maturity of the refunded Bonds or Contracts.

(b) The Agency may at any time incur obligations payable from Net Revenues subordinate to Bonds and Contracts.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. **Compliance with Indenture.** The Trustee will not authenticate or deliver any 2016 Bond in any manner other than in accordance with the provisions of this Indenture, and the Agency will not suffer or permit any default by it to occur under this Indenture, but will faithfully observe and perform all the covenants, conditions and requirements hereof.

Section 6.02. **Budgets.** On or prior to the fifteenth day of each Fiscal Year, the Agency shall certify to the Trustee the amounts budgeted for payment of principal and interest on the 2016 Bonds are fully adequate for the payment of all principal and interest on the 2016 Bonds for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of all principal and interest on the 2016 Bonds, the Agency will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the Agency in the then ensuing Fiscal Year for the payment of all principal and interest on the 2016 Bonds and will notify the Trustee of the proceedings then taken or proposed to be taken by the Agency.

Section 6.03. **Payment of Taxes and Compliance with Governmental Regulations.** The Agency will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof or upon the Revenues when the same shall become due. The Agency will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the Agency shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.04. **Observance of Laws and Regulations.** To the extent necessary to assure its performance hereunder, the Agency will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Agency, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.05. **Eminent Domain Proceeds.** If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (i) the Agency files with the Trustee a certificate showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the Agency by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the Agency from
such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the Agency, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the Agency to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the Agency shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the Agency for such purpose shall be deposited in the Revenue Fund as directed by the Agency.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the Agency in part to the redemption of the 2016 Bonds as provided in Article IV and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of principal and Interest due on the 2016 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.06. Against Sale or Other Disposition of Property. The Agency will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate System Revenues for the payment of the principal and interest due on the 2016 Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the Agency to pay the principal and interest on the 2016 Bonds when due and if the proceeds of such sale are deposited in the Revenue Fund as directed by the Agency.

Nothing herein shall restrict the ability of the Agency to sell any portion of the Water System if such portion is immediately repurchased by the Agency and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the Agency of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.07. Against Competitive Facilities. To the extent permitted by law, the Agency covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the Agency any water system competitive with the Water System; provided however, that for purposes of this covenant, the Recycled Water System shall not be considered to be competitive with the Water System.

Section 6.08. Maintenance and Operation of the Water System. The Agency will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operations Costs as they become due and payable.
Section 6.09. **Payment of Claims.** The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the Agency pledged to pay the principal and interest on the 2016 Bonds or to the Owners prior or superior to the lien of the 2016 Bonds or which might impair the security of the principal and interest due on the 2016 Bonds.

Section 6.10. **Compliance with Contracts.** The Agency will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the Agency to pay the principal and interest on the 2016 Bonds when due; and the Agency will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the Agency is a party thereto. Notwithstanding the foregoing, nothing in this Section 6.10 shall require the Agency to comply with, keep, observe or perform any such agreement, condition, covenant or term, express or implied, contained in any such contracts if the Agency is contesting in good faith the interpretation, validity or enforceability of such agreement, condition, covenant or term, express or implied, unless required by the terms of a final order of a court of competent jurisdiction from which no opportunity for further appeal exists.

Section 6.11. **Insurance.**

(a) The Agency will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The Agency shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System then the excess Net Proceeds shall be applied in part to the prepayment of principal and interest on the 2016 Bonds as provided in Article X and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of the 2016 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the Agency to retire the entire obligation evidenced hereby prior to the final due date of the principal and interest on the 2016 Bonds as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the Agency may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System and/or not to construct other additions, betterments, extensions or improvements to the Water System.
System; and thereupon such Net Proceeds shall be applied to the prepayment of principal and interest on the 2016 Bonds as provided in Article X and to the retirement of such Bonds and Contracts.

(b) The Agency will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the Agency determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.


(a) To the fullest extent permitted by law, the Agency will fix and prescribe rates and charges for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 125% of Debt Service on Bonds and Contracts for such Fiscal Year. The Agency may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this Section.

For purposes of this Section 6.12, Policy Costs due and owing shall be treated as Debt Service.

(b) So long as the Agency has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues to meet the threshold set forth in Section 6.12(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the Agency has complied with Section 6.12(a) at the commencement of the succeeding Fiscal Year.

Section 6.13. Collection of Rates and Charges. The Agency will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.14. Enforcement of Contracts. The Agency will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the Agency to pay principal and interest on the 2016 Bonds.

Section 6.15. Continuing Disclosure. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations.
under this Section. For purposes of this Section, “Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2016 Bond (including persons holding 2016 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2016 Bond for federal income tax purposes.

Section 6.16. Punctual Payment. The Agency shall cause the Trustee to pay the principal and interest to become due in respect of all of the 2016 Bonds, in strict conformity with the terms of the 2016 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.17. Extension of Payment of 2016 Bonds. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2016 Bonds or the time of payment of any claims for interest by the purchase of such 2016 Bonds or by any other arrangement, and in case the maturity of any of the 2016 Bonds or the time of payment of any such claims for interest shall be extended, such 2016 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the 2016 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended.

Section 6.18. Against Encumbrances. The Agency will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund or the Rate Stabilization Fund. The Agency shall not make any pledge or place any lien on the Revenue Fund or the Rate Stabilization Fund except as provided herein. The Agency may at any time, or from time to time, execute Contracts or issue Bonds as permitted in Section 5.09 hereof and, in addition, incur notes, bonds, contracts or other obligations for any lawful purpose which are payable from Net Revenues and secured by a pledge of lien on Net Revenues or any moneys in the Revenue Fund and the Rate Stabilization Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein to secure the 2016 Bonds and other Bonds and Contracts.

Section 6.19. Power to Issue 2016 Bonds and Make Pledge and Assignment. The Agency is duly authorized pursuant to law to issue the 2016 Bonds and to enter into the Indenture and to pledge and assign the Net Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2016 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Agency in accordance with their terms, and the Agency and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Net Revenues and other assets and all the rights of the 2016 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.20. Accounting Records and Financial Statements.

(a) The Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Agency, which records shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions.

(b) The Agency will prepare and file with the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2016) financial statements of the Agency for the preceding Fiscal Year prepared in
accordance with generally accepted accounting principles, together with an Accountant’s Report thereon. The Trustee shall have no duty to review such financial statements or Accountant’s Report.

Section 6.21. **Tax Covenants.** Notwithstanding any other provision of the Indenture, and except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income of the interest on the 2016 Bonds will not be adversely affected for federal income tax purposes, the Agency covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income of interest with respect to the 2016 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) **Private Activity.** The Agency will take no action or refrain from taking any action or make any use of the proceeds of the 2016 Bonds or of any other moneys or property which would cause the 2016 Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) **Arbitrage.** The Agency will make no use of the proceeds of the 2016 Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2016 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) **Federal Guarantee.** The Agency will make no use of the proceeds of the 2016 Bonds or take or omit to take any action that would cause the 2016 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) **Information Reporting.** The Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2016 Bonds pursuant to Section 103(a) of the Code;

(e) **Hedge Bonds.** The Agency will make no use of the proceeds of the 2016 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2016 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Agency takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2016 Bonds for federal income tax purposes; and

(f) **Miscellaneous.** The Agency will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the Agency in connection with the issuance of the 2016 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the Agency from issuing Bonds or Contracts the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Section 6.22. **Waiver of Laws.** The Agency shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture
or in the 2016 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Agency to the extent permitted by law.

Section 6.23. **Further Assurances.** The Agency will make, execute and deliver any and all such further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2016 Bonds of the rights and benefits provided in the Indenture.

Section 6.24. **Prosecution and Defense of Suits.** The Agency shall promptly, upon request of the Trustee or any 2016 Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Revenues or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors) and every 2016 Bond Owner harmless from all loss, cost, damage and expense, including attorneys’ fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The Agency shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2016 Bond Owner upon any claim by a 2016 Bond Owner or a third party arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2016 Bonds or involving the rights of the Trustee or any 2016 Bond Owner under the Indenture; provided that the Trustee or any 2016 Bond Owner at such party’s election may appear in and defend any such suit, action or proceeding. The Agency shall indemnify and hold harmless the Trustee and the 2016 Bond Owners against any and all liability claimed or asserted by any such person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2016 Bond Owners against any attorneys’ fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2016 Bonds. The Agency shall promptly reimburse any 2016 Bond Owner in the full amount of any attorneys’ fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party’s rights under the Indenture or the 2016 Bonds, provided that such litigation shall be concluded favorably to such party’s contentions therein.

**ARTICLE VII**

**EVENTS OF DEFAULT AND REMEDIES OF 2016 BONDS OWNERS**

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

(a) Default by the Agency in the due and punctual payment of the principal of any 2016 Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Agency in the due and punctual payment of the interest on any 2016 Bonds when and as the same shall become due and payable.

(c) Default by the Agency in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2016 Bonds if such default shall have
continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Agency by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2016 Bonds Outstanding; provided, however, that if in the reasonable opinion of the Agency the default stated in the notice can be corrected, but not within such thirty (30) day period and corrective action is instituted by the Agency, within such thirty (30) day period and diligently pursued in good faith until the default is corrected such default shall not be an Event of Default hereunder.

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

(c) Payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms.

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, and for any other Event of Default, the Trustee may, in each case, upon notice in writing to the Agency, declare the principal of all of the 2016 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2016 Bonds contained to the contrary notwithstanding.

Nothing contained herein shall permit or require the Trustee to accelerate payments due under the Indenture if the Agency is not in default of its obligation hereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all the principal of and interest on the 2016 Bonds which is overdue, with interest on such overdue principal at the rate borne by the respective 2016 Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee, shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall on behalf of the Owners of all of the 2016 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues held or thereafter received by the Trustee, amounts on deposit in the Rate Stabilization Fund, and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) shall be applied in the following order:
(i) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2016 Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its accountants and counsel) incurred in and about the performance of its powers and duties under the Indenture;

(ii) To the payment of Maintenance and Operations Costs of the Water System;

(iii) To the payment of the principal of and interest then due on the 2016 Bonds and any other Bond or Contract, in accordance with the provisions of the Indenture, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2016 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of all installments of unpaid principal of any 2016 Bond, with respect to such Contract or on such Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2016 Bonds together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to the Agency to be expended as described in Section 5.01(b)(iv) hereof.

Section 7.04. Trustee to Represent 2016 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2016 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2016 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2016 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2016 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2016 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2016 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Net Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2016 Bonds or otherwise may be
prosecuted and enforced by the Trustee without the possession of any of the 2016 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2016 Bonds, subject to the provisions of the Indenture.

Section 7.05. 2016 Bond Owners’ Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2016 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2016 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2016 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2016 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2016 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2016 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2016 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2016 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2016 Bonds, or to enforce any right under the 2016 Bonds, the Indenture, or applicable law with respect to the 2016 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2016 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the Agency. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2016 Bonds shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the principal of and interest on the 2016 Bonds to the respective Owners of the 2016 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Net Revenues, the amounts on deposit in the Rate Stabilization Fund and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2016 Bonds.
Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2016 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2016 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

ARTICLE VIII
THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

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

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2016 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the 2016 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2016 Bond Owner (on behalf of himself and all other 2016 Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing
and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Agency shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each Rating Agency which is then rating the 2016 Bonds and to the 2016 Bond Owners at the addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Agency.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy-Five Million Dollars ($75,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

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

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2016 Bonds shall be taken as statements of the Agency, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2016 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2016 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its
certificate of authentication on the 2016 Bonds. The Trustee shall not be liable in connection with
the performance of its duties hereunder, except for its own negligence or willful misconduct. The
Trustee may become the Owner of 2016 Bonds with the same rights it would have if it were not
Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers
or directors to act as a member of, or in any other capacity with respect to, any committee formed to
protect the rights of 2016 Bond Owners, whether or not such committee shall represent the Owners
of a majority in principal amount of the 2016 Bonds then Outstanding.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to
be taken by it in good faith in accordance with the direction of the Owners of not less than a majority
(or such other percentage provided for herein) in aggregate principal amount of the 2016 Bonds at
the time Outstanding relating to the time, method and place of conducting any proceeding for any
remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under
the Indenture.

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

(e) The Trustee shall not be deemed to have knowledge of any default or Event
of Default hereunder or any other event which, with the passage of time, the giving of notice, or both,
would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee
shall have actual knowledge of such event or the Trustee shall have been notified in writing, in
accordance with Section 11.07, of such event by the Agency or the Owners of not less than fifty
percent (50%) of the 2016 Bonds then Outstanding. Except as otherwise expressly provided herein,
the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the
Agency of any of the terms, conditions, covenants or agreements herein of any of the documents
executed in connection with the 2016 Bonds, or as to the existence of an Event of Default thereunder
or an event which would, with the giving of notice, the passage of time, or both, constitute an Event
of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority
of any collateral given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its
own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in
the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or
powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture,
unless such Owners shall have offered to the Trustee reasonable security or indemnity against the
costs, expenses and liabilities which might be incurred by it in compliance with such request or
direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be
construed to impose a duty to exercise such power, right or remedy and the Trustee shall not be
answerable for other than its negligence or willful misconduct.
(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2016 Bonds.

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

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, which affect the Trustee’s ability to perform its obligations hereunder, 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 zoning or other governmental action or inaction pertaining to the Revenues, malicious mischief, condemnation, and 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.

(m) The Trustee shall hold the financial statements in compliance with Section 6.20(b) solely as an accommodation to the Bond Owners and shall have no duty or obligation to review such financial statements.

(n) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Agency shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Agency whenever a person is to be added or deleted from the listing. If the Agency elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Agency understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Agency and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes,
passwords and/or authentication keys upon receipt by the Agency. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Agency agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Agency; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

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

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2016 Bonds appearing in the Trustee’s Registration Books as the absolute owners of the 2016 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the Agency and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, 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.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its respective possession and shall be subject at all reasonable times to the inspection of the Agency, and any 2016 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The Agency shall pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their
attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The Agency shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) without negligence or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the indemnification obligations of the Agency shall survive removal or resignation of the Trustee hereunder or the discharge of the 2016 Bonds and the Indenture.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01.  Amendments Permitted.

(a)  The Indenture and the rights and obligations of the Agency, the Owners of the 2016 Bonds, and the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, subject to subsections (b) – (e) of this Section. No such modification or amendment shall: (1) extend the fixed maturity of any 2016 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2016 Bond so affected; (2) permit the creation of any lien on the Net Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2016 Bonds of the lien created by the Indenture on such Net Revenues and other assets except as permitted herein; or (3) reduce the percentage of Owners required to provide consent or direction under this Indenture. Promptly after the execution by the Agency and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2016 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b)  The Indenture and the rights and obligations of the Agency, the Trustee and the Owners of the 2016 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Agency and the Trustee may enter into without the consent of any 2016 Bond Owners if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2016 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Agency contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2016 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Agency;
(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Agency may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms and conditions and provisions as may be permitted by said act or similar federal statute; and

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the 2016 Bonds to remain excludable from gross income under the Code.

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

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2016 Bonds from federal income taxation and from state income taxation.

(e) Any amendment, supplement, modification to, or waiver of this Indenture or any other document executed in connection with the 2016 Bonds (collectively, the “Security Documents”) that requires the consent of the Owners of the 2016 Bonds or adversely affects the rights or interest of the Reserve Surety Policy Provider shall be subject to the prior written consent of the Reserve Surety Policy Provider.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Trustee and all Owners of 2016 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2016 Bonds; Preparation of New 2016 Bonds. 2016 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Agency and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2016 Bonds Outstanding at the time of such execution and presentation of his or her 2016 Bonds for such purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for such purpose, a suitable notation shall be made on such 2016 Bonds. If the Supplemental Indenture shall so provide, new 2016 Bonds so modified as to conform, in the opinion of the Agency and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Agency and authenticated by the Trustee, and upon demand on the Owners of any 2016 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any
2016 Bond Owner, for 2016 Bonds then Outstanding, upon surrender for cancellation of such 2016 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2016 Bonds. The provisions of this Article shall not prevent any 2016 Bond Owner from accepting any amendment as to the particular 2016 Bonds held by such 2016 Bond Owner.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The 2016 Bonds may be paid by the Agency in any of the following ways, provided that the Agency also pays or causes to be paid any other sums payable hereunder by the Agency:

(a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on such 2016 Bonds, as and when the same become due and payable;

(b) by the deposit with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2016 Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all of the 2016 Bonds then Outstanding.

If the Agency shall also pay or cause to be paid all other sums payable hereunder by the Agency, then and in that case, at the election of the Agency (as evidenced by a Certificate of the Agency filed with the Trustee, signifying the intention of the Agency to discharge all such indebtedness and the Indenture), and notwithstanding that any such 2016 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Net Revenues and other assets made under the Indenture, and all covenants, agreements and other obligations of the Agency under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Agency, the Trustee shall execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of such 2016 Bonds not theretofore surrendered for such payment or redemption to the Agency.

This Indenture shall not be discharged until all Policy Costs owing to the Reserve Surety Policy Provider shall have been paid in full. The Agency’s obligation to pay such amount shall expressly survive payment in full of the 2016 Bonds.

Section 10.02. Discharge of Liability on 2016 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2016 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2016 Bonds), provided that, if such Outstanding 2016 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Agency in respect of such 2016 Bonds shall cease, terminate and be completely
discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The Agency may at any time surrender to the Trustee for cancellation by it any 2016 Bonds previously issued and delivered, which the Agency may have acquired in any manner whatsoever, and such 2016 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2016 Bonds, the money or securities so to be deposited or held shall be invested in Defeasance Securities and shall be held by the Trustee in the funds and accounts established pursuant to the Indenture. Defeasance may be accomplished by depositing with the Trustee:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2016 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2016 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2016 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Defeasance Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the Agency and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2016 Bonds to be paid or redeemed as directed by the Agency as such principal, interest and premium, if any, become due, provided that in the case of 2016 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Agency) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2016 Bonds as directed by the Agency; (ii) the Agency shall have delivered to the Trustee an opinion of Bond Counsel addressed to the Agency and the Trustee to the effect that such 2016 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant’s or Independent Financial Consultant’s opinion referred to above); (iii) the Agency shall have delivered an escrow agreement; and (iv) the Agency shall have delivered a certificate of discharge of the Trustee with respect to the 2016 Bonds. The opinion of Bond Counsel and Independent Certified Public Accountant’s or Independent Financial Consultant’s opinion referred to above shall be acceptable in form and substance, and addressed, to the Agency and the Trustee.

The 2016 Bonds shall be deemed Outstanding under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

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Section 10.04. Payment of 2016 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2016 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2016 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2016 Bonds became due and payable, shall be repaid to the Agency free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the Agency and the Trustee indemnifying the Trustee with respect to claims of Owners of 2016 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Agency as aforesaid, the Trustee shall at the written direction of the Agency (at the cost of the Agency), first mail to the Owners of 2016 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2016 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Agency of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability Limited. Notwithstanding anything in the Indenture or the 2016 Bonds, but subject to the priority of payment with respect to Maintenance and Operations Costs, the Agency shall not be required to advance any moneys derived from any source other than the Net Revenues, the Revenue Fund, the Rate Stabilization Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2016 Bonds or for any other purpose of the Indenture. Nevertheless, the Agency may, but shall not be required to, advance for any of the purposes hereof any funds of the Agency which may be made available to it for such purposes.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and 2016 Bond Owners. Nothing expressed or implied in the Indenture or in the 2016 Bonds is intended or shall be construed to give to any person other than the Agency, the Trustee and the Owners of the 2016 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Agency, the Trustee and the Owners of the 2016 Bonds.

Notwithstanding the foregoing, the Reserve Surety Policy Provider is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

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

Section 11.05. Destruction of 2016 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Agency of any 2016 Bonds, the Trustee shall destroy such 2016 Bonds as may be allowed by law, and deliver a certificate of such destruction to the Agency.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2016 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Agency hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2016 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the Agency or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or email or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the Agency at Amador Water Agency, 12800 Ridge Road, Sutter Creek, CA 95685, Attention: General Manager (or such other address as may have been filed in writing by the Agency with the Trustee) or to the Trustee at The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite 500, Los Angeles, CA 90071, Attention: _________, Reference: Amador Water Agency, Series 2016. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2016 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2016 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2016 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2016 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Agency if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.
The Ownership of 2016 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2016 Bond shall bind every future Owner of the same 2016 Bond and the Owner of every 2016 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Agency in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2016 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2016 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2016 Bonds which are known by the Trustee to be owned or held by or for the account of the Agency, or by any other obligor on the 2016 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Agency or any other obligor on the 2016 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2016 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee’s right to vote such 2016 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Agency or any other obligor on the 2016 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the Agency shall certify to the Trustee those 2016 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2016 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2016 Bonds (or portions of 2016 Bonds in the case of registered 2016 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2016 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.21(a) and for the protection of the security of the 2016 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the Agency shall be individually or personally liable for the payment of the principal of or premium or interest on the 2016 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an
original; and all such counterparts, or as many of them as the Agency and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the Agency shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2016 Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2016 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2016 Bondholders and that neither the Agency nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.15. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.16. Interest Rate Exchange Agreement. Any interest rate exchange agreement ("Swap Agreement") entered into by the Agency shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by S&P and Moody's. If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement. If the counterparty or the guarantor's long term unsecured rating falls below "Baa1" or "BBB+", a replacement counterparty or guarantor, shall be required.
IN WITNESS WHEREOF, the Agency has caused the Indenture to be signed in its name by its President, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

AMADOR WATER AGENCY

By: __________________________________________

Its: President of the Board of Directors

Attest:

_____________________________

Clerk of the Board of Directors

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

By: __________________________________________

Its: Authorized Officer

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EXHIBIT A

FORM OF 2016A BOND

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

No. _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

AMADOR WATER AGENCY
WATER REVENUE REFUNDING BOND,
SERIES 2016A

INTEREST RATE   MATURITY DATE   ORIGINAL ISSUE DATE   CUSIP
_____%   _____, 20__   _____, 2016   _____

REGISTERED OWNER   CEDE & CO.

PRINCIPAL AMOUNT: _______________________________ DOLLARS

The AMADOR WATER AGENCY, a public agency duly organized and existing under the laws of the State of California (the “Agency”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before May 15, 2017, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2017. Interest on this Bond shall be calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early
redemption hereof are payable by check of The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) upon presentation and surrender hereof at the Office of the Trustee (as defined in the hereinafter described Indenture). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner’s address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars ($1,000,000) or more in principal amount, such payment may, at such registered owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the Agency), and neither the State, nor any of its political subdivisions (other than the Agency), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Agency other than the Net Revenues (as such term is defined in the Indenture of Trust, dated as of October 1, 2016 (the “Indenture”), by and between the Agency and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the Agency to make payments in accordance with the Indenture is a special obligation of the Agency as set forth in the Indenture and the Agency shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. The Bonds do not constitute an indebtedness of the Agency in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the “Amador Water Agency Water System Refunding Revenue Bonds, Series 2016A” (the “Bonds”), of an aggregate principal amount of [AMOUNT] ($__________), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, and pursuant to the Indenture and the resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the Owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The Bonds have been issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof.

The Bonds have been issued by the Agency to refund certain obligations of the Agency, as more fully described in the Indenture.

This Bond and the interest, premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Agency, secured by a pledge and lien on Revenues and payable from the Net Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture. As and to the extent set forth in the Indenture, all of the Revenues are irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.
The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto. No such modification or amendment shall: (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; (ii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted in the Indenture or (iii) reduce the percentage of Owners required to provide consent or direction under the Indenture.

The Indenture and the rights and obligations of the Agency, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a supplemental indenture, which the Agency and the Trustee may enter into without the consent of any Bond Owners if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture shall not materially adversely affect the interests of the Owners of the Outstanding Bonds.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the Agency in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of $5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds with stated maturities on or after ________, 20__ are subject to optional redemption prior to their respective stated maturities, as a whole or in part on any date as in the order of maturity as directed by the Agency in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of $5,000, on or after ________, 20__, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the Redemption Date to the respective Owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

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

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

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at said Office of the Trustee but only in the manner subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

Bonds may be exchanged at said Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption.

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

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

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.
IN WITNESS WHEREOF, the Agency has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its President as of this ___ day of _____, 2016.

AMADOR WATER AGENCY

By: ________________________________

Its: President of the Board of Directors

[FORM OF TRUSTEE’S CERTIFICATE OF AUTHENTICATION TO APPEAR ON BONDS]

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

Dated: _____ __, 20___

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

By: ________________________________

Its: Authorized Signatory
For value received the undersigned 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: __________________________

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.

Signature Guaranteed:

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