
INDENTURE OF TRUST

by and between the

CITY OF LOMPOC

and

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Dated as of November 1, 2017

Relating to the
\$ _____
City of Lompoc
Wastewater Refunding Revenue Bonds, 2017 Series A

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS; RULES OF CONSTRUCTION; EQUAL SECURITY	2
Section 1.01. Definitions.....	2
Section 1.02. Rules of Construction	11
Section 1.03. Equal Security.....	11
ARTICLE II THE BONDS.....	12
Section 2.01. Authorization of the Bonds.....	12
Section 2.02. Terms of the Bonds.....	12
Section 2.03. Form of Bonds	13
Section 2.04. Execution of Bonds.....	13
Section 2.05. Transfer of Bonds	13
Section 2.06. Exchange of Bonds	13
Section 2.07. Temporary Bonds.....	14
Section 2.08. Bond Registration Books	14
Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.....	14
Section 2.10. Book Entry System.....	15
ARTICLE III ISSUE OF BONDS; APPLICATION OF PROCEEDS; COSTS OF ISSUANCE FUND	16
Section 3.01. Issuance of Bonds	16
Section 3.02. Application of Proceeds of Bonds and Other Moneys.....	16
Section 3.03. Establishment and Application of Costs of Issuance Fund.....	17
Section 3.04. Validity of Bonds.....	17
ARTICLE IV REDEMPTION OF BONDS.....	18
Section 4.01. Terms of Redemption.	18
Section 4.02. Selection of Bonds for Redemption.....	Error! Bookmark not defined.
Section 4.03. Notice of Redemption.....	19
Section 4.04. Partial Redemption of Bonds.....	20
Section 4.05. Effect of Redemption.....	20
ARTICLE V REVENUES; NET REVENUES	20
Section 5.01. Pledge of Net Revenues	20
Section 5.02. Receipt, Deposit and Application of Revenues and Net Revenues.	21
Section 5.03. Application of Interest Account.....	22

Section 5.04. Application of Principal Account	22
Section 5.05. Application of Reserve Account.....	23
Section 5.06. Application of Redemption Fund.....	24
Section 5.07. Rate Stabilization Fund.....	25
Section 5.08. Investment of Moneys in Funds and Accounts.....	25
ARTICLE VI COVENANTS OF THE CITY; TAX COVENANTS	26
Section 6.01. Punctual Payment.....	26
Section 6.02. Extension of Payment of Bonds.....	26
Section 6.03. Discharge of Claims.....	27
Section 6.04. Operation of Enterprise in Efficient and Economical Manner	27
Section 6.05. Against Encumbrance	27
Section 6.06. Records and Accounts.....	27
Section 6.07. Rates and Charges.....	28
Section 6.08. Limitations on Future Obligations Secured by Net Revenues.....	28
Section 6.09. Further Assurances.....	29
Section 6.10. Waiver of Laws.....	29
Section 6.11. Private Activity Bond Limitations	30
Section 6.12. Private Loan Financing Limitation	30
Section 6.13. Federal Guarantee Prohibition	30
Section 6.14. Rebate Requirement.....	30
Section 6.15. No Arbitrage	30
Section 6.16. Maintenance of Tax Exemption.....	30
Section 6.17. Continuing Disclosure	30
ARTICLE VII MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION.....	30
Section 7.01. Maintenance and Operation of the Enterprise	30
Section 7.02. Taxes, Assessments, Other Government Charges and Utility Charges	30
Section 7.03. Public Liability and Property Damage Insurance	31
Section 7.04. Casualty Insurance.....	31
Section 7.05. Insurance Net proceeds; Form of Policies	31
Section 7.06. Eminent Domain.....	32
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS	32
Section 8.01. Events of Default	32
Section 8.02. Acceleration of Maturities	32

Section 8.03. Application of Net Revenues and Other Funds After Default.....	33
Section 8.04. Trustee to Represent Owners	34
Section 8.05. Owners’ Direction of Proceedings.....	34
Section 8.06. Limitation on Owners’ Rights to Sue	34
Section 8.07. Absolute Obligation of City.....	35
Section 8.08. Termination of Proceedings.....	35
Section 8.09. Remedies Not Exclusive.....	35
Section 8.10. No Waiver of Default.....	36
ARTICLE IX THE TRUSTEE	36
Section 9.01. Appointment of Trustee; Duties, Immunities and Liabilities of Trustee.....	36
Section 9.02. Merger or Consolidation	37
Section 9.03. Liability of Trustee	37
Section 9.04. Right of Trustee to Rely on Documents	39
Section 9.05. Preservation and Inspection of Documents.....	40
Section 9.06. Compensation of Trustee	40
Section 9.07. Indemnification.....	40
ARTICLE X MODIFICATION OR AMENDMENT OF THE INDENTURE	40
Section 10.01. Amendments Permitted.....	40
Section 10.02. Effect of Supplemental Indenture	41
Section 10.03. Endorsement of Bonds; Preparation of New Bonds	42
Section 10.04. Amendment of Particular Bonds.....	42
ARTICLE XI DEFEASANCE	42
Section 11.01. Discharge of Indenture.....	42
Section 11.02. Discharge of Liability on Bonds.....	43
Section 11.03. Deposit of Money or Securities with Trustee	43
Section 11.04. Payment of Bonds After Discharge of Indenture.....	44
ARTICLE XII PROVISIONS RELATING TO INSURANCE/ RESERVED.....	44
ARTICLE XIII MISCELLANEOUS	44
Section 13.01. Liability of City Limited to Net Revenues	44
Section 13.02. Successor Is Deemed Included in All References to Predecessor	44
Section 13.03. Limitation of Rights to Parties and Owners.....	44
Section 13.04. Waiver of Notice.....	44

Section 13.05. Destruction of Bonds	45
Section 13.06. Severability of Invalid Provisions.....	45
Section 13.07. Notices	45
Section 13.08. Evidence of Rights to Owners	45
Section 13.09. Disqualified Bonds.....	46
Section 13.10. Money Held for Particular Bonds.....	46
Section 13.11. Funds and Accounts.....	46
Section 13.12. Article and Section Headings and References	47
Section 13.13. Wavier of Personal Liability	47
Section 13.14. Execution in Several Counterparts.....	47
Section 13.15. Governing Law	47
FORM OF BOND	A-1

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, is dated as of November 1, 2017, by and between the CITY OF LOMPOC, a municipal corporation organized and existing under the constitution and laws of the State of California (the “City”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created (the “Trustee”);

WITNESSETH:

WHEREAS, the City is a general law city and municipal corporation duly organized and existing under the laws of the State of California, and pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the of the California Government Code (the “Act”) is authorized to issue refunding bonds to refinance outstanding obligations of the City;

WHEREAS, the City has heretofore entered into (i) an Installment Sale Agreement, dated as of January 1, 2007 (“2007 IPA”), by and between the City and the Lompoc Public Financing Authority (the “Authority”), which 2007 IPA secured the issuance of 17,080,000 Lompoc Public Financing Authority 2007 Revenue Bonds (Water and Wastewater Project) (the “2007 Bonds”); (ii) an Installment Sale Agreement, dated as of March 1, 2005 (“2005 IPA”), by and between the City and the Authority, which 2005 IPA secured the issuance of \$16,920,000 Lompoc Public Financing Authority 2005 Revenue Bonds (Water and Wastewater Project) (the “2005 Bonds”); and (iii) an Installment Sale Agreement, dated as of July 1, 1998 (“1998 IPA” and, together with the 2007 IPA and the 2005 IPA, the “City Obligations”), which 1998 IPA secured the issuance of \$9,535,000 Lompoc Public Financing Authority Revenue Bonds, 1998 Series A (Water and Wastewater Project) (the “1998 Bonds” and, together with the 2005 Bonds and the 2007 Bonds, the “Prior Bonds”) for the purpose of financing the improvement, betterment, renovation and expansion of certain facilities within the water and wastewater systems of the City;

WHEREAS, due to current legal requirements, the City desires to separate the obligations of the water and the wastewater system and account for said systems as separate enterprises for bond issuance;

WHEREAS, the payment of the City Obligations were secured by a pledge of the net revenues derived from the operation by the City of its combined water and wastewater systems;

WHEREAS, the City is authorized pursuant to the provisions of the Act to issue its revenue bonds for the purpose of refunding all or part of the City Obligations;

WHEREAS, the City, after due investigation and deliberation, has determined that it is in the interests of the City at this time to provide for the issuance of revenue bonds to refinance the City Obligations;

WHEREAS, to that end, the City has determined to issue its revenue bonds, to be designated as the City of Lompoc Wastewater Refunding Revenue Bonds, 2017 Series A, in the principal amount of \$_____ (the “Bonds”), to be secured by a pledge of the net revenues derived from the

operation of the wastewater system and the City of Lompoc Water Refunding Revenue Bonds, 2017 Series A, in the principal amount of \$_____ (“Water Bonds”), to be secured by a pledge of the net revenues from operation of the water system;

WHEREAS, the Water Bonds will be issued under a separate indenture but concurrently with the Bonds;

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

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

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

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

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION; EQUAL SECURITY

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

“Act” means the provisions of Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the of the California Government Code.

“Authority” means the Lompoc Public Financing Authority.

“Authorized Representative” means, with respect to the City, the City Manager, or Finance Director of the City or any other person designated as an Authorized Representative of the City by a Certificate of the City signed by the City Manager, or Finance Director of the City and filed with the Trustee.

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

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

“Bonds” means the City of Lompoc Wastewater Refunding Revenue Bonds, 2017 Series A, issued and at any time Outstanding hereunder.

“Bond Year” means any twelve-month period commencing on March 2 in a year and ending on the next succeeding March 1, both dates inclusive; provided, however, that the first Bond Year shall commence on the Closing Date relating to the Bonds and shall end on March 1, 2018. Bond Year with respect to the rebate requirements of the Code shall have the meaning given thereto in the tax certificate executed in connection with the issuance of the Bonds.

“Business Day” means a day of the year other than a Saturday and Sunday, and any day of the year on which banks in Los Angeles, California, and the Trust Office of the Trustee are not required or authorized to remain closed and on which The New York Stock Exchange is not closed.

“Cede & Co.” shall be given the meaning assigned thereto in Section 2.10 hereof.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by an Authorized Representative of the City. 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.

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

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

“City Obligations” shall be given the meaning assigned thereto in the preambles hereof.

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

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

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

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

“Costs of Issuance Fund” means the fund so designated and established pursuant to Section 3.03.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal amount of all Outstanding Bonds coming due and payable by their terms in such period; and

(b) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

“Defeasance Obligations” means (a) cash, and (b) Federal Securities. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Enterprise” means the entire system of the City for the collection, treatment and disposal of wastewater within the service area of the City, including but not limited to all facilities, properties, lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City.

“Escrow Agreement(s)” means, individually and/or collectively, as applicable, the three separate Escrow Deposit and Trust Agreements, each dated the Closing Date, by and among the City, the Authority and the Escrow Bank, relating to the prepayment of each of the City Obligations and the refunding of the Prior Bonds.

“Escrow Bank” means U.S. Bank National Association, a national banking association organized and existing under and pursuant to the laws of the United States of America.

“Escrow Fund” means the Escrow Fund established and held by the Escrow Bank pursuant to each of the three Escrow Agreements.

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

“Federal Securities” means:

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

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

“GAAP” means generally accepted accounting principles.

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

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

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

“Information Services” means Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange

Commission, Information Services will mean such other services providing information with respect to the Bonds as the City may designate in a Certificate of the City delivered to the Trustee.

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

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

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

“Interest Payment Date” means March 1 and September in each year, beginning March 1, 2018, and continuing so long as any Bonds remain Outstanding.

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

“Moody's” means Moody's Investors Service, New York, New York, or its successors.

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

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the City to maintain and operate the Enterprise, determined in accordance with GAAP, including but not limited to:

- (a) Costs of collection, treatment and disposal of wastewater by the Enterprise,
- (b) Costs of electricity and other forms of energy supplied to the Enterprise,
- (c) The reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, and
- (d) The reasonable administrative costs of the City attributable to the operation and maintenance of the Enterprise, including pension costs and post-employment benefit costs other than pensions.

Operation and Maintenance Costs do not include:

- (a) Debt service payable on obligations incurred by the City with respect to the Enterprise, including but not limited to Parity Debt;
- (b) Depreciation, replacements and obsolescence charges or reserves therefor,

(c) Amortization of intangibles or bookkeeping entries of a similar nature, and

(d) Any amounts recognized as operating expenses of the Enterprise according to GAAP that are attributable to pension benefits that constitute non-cash items and postemployment benefits other than pensions that constitute non-cash items.

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

“Original Purchaser” means the first purchaser of the Bonds from the City.

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

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

(b) Bonds paid or deemed to have been paid within the meaning of Section 11.01; and

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

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

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

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

“Permitted Investments” means the following:

(a) Federal Securities;

(b) Federal Housing Administration debentures;

(c) The following listed obligations from government-sponsored agencies, which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations, and

(iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(d) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks, which have capital and surplus of at least \$15 million or collateralized by Federal Securities for amounts in excess of FDIC insurance.

(e) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which may include the Trustee and its affiliates.

(f) Money market funds rated "Aam" by S&P, or better and if rated by Moody's rated "Aa2" or better, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services but excluding funds with a floating net asset value.

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

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

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

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

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

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

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

(iii) The principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be

sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”),

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

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

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

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

(k) Any other investments permitted under the laws of the State of California for public entities like the City.

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

“Principal Payment Date” means March 1 in each year, beginning March 1, 2018, and continuing so long as any Bonds remain Outstanding.

“Proceeds Fund” means the fund so designated and established pursuant to Section 3.02.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 5.05, provided that all of the following requirements are met as of the time of delivery thereof to the Trustee:

(a) S&P or Moody’s has assigned a long-term credit rating of such bank or insurance company which, at the time of the original issuance of the Bonds, is A or higher without regard to modifiers;

(b) Such letter of credit or surety bond has a term of at least 12 months;

(c) Such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Account Requirement with respect to which funds are proposed to be released pursuant to Section 5.05; and

(d) The Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 5.03 and 5.04.

“Rate Stabilization Fund” means the fund of such name held by the City and described in Section 5.07 hereof.

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

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

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

“Reserve Account” means the account by that name in the Bond Fund so designated and established pursuant to Section 5.02.

“Reserve Account Requirement” means, as of any date of calculation, to be equal to the least of:

- (a) Maximum Annual Debt Service on the Bonds for the then current or every subsequent Bond Year,
- (b) 125% of average Annual Debt Service on the Bonds for the then current or every subsequent Bond Year, and
- (c) 10% of the original principal amount of the Bonds.

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

“Revenues” means gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Enterprise, or otherwise arising from the Enterprise, determined in accordance with GAAP, including but not limited to:

- (a) Any amounts transferred to the Enterprise, as applicable, from a Rate Stabilization Fund in accordance with Section 5.07 of the Indenture, and
- (b) Investment earnings on amounts held in the Bond Fund.

The term “Revenues” does not include:

- (a) Refundable deposits made to establish credit,
- (b) The proceeds of any ad valorem property taxes, and
- (c) The proceeds of any special assessments or special taxes levied upon real property in the City for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Enterprise, or

(d) Connection charges or developer impact fees or other developer-paid capital fees.

“S&P” means S&P Global, Inc., New York, New York, or its successors.

“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 City may designate in a Certificate of the City delivered to the Trustee.

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

“State” means the State of California.

“Subordinate Debt” means indebtedness secured by Net Revenues on a basis subordinate to the Bonds and Parity Obligations.

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

“Term Bonds” means the Bonds maturing on March 1, ____.

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

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

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

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

ARTICLE II

THE BONDS

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

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

Date	Principal	Interest Rate
------	-----------	---------------

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

Each Bond shall bear interest from the Interest Payment Date next preceding the authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2018, in which event it shall bear interest from its date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

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

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

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

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

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

Section 2.06. Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee shall require the Owner requesting such exchange to pay any tax or

other charge required to be paid with respect to such exchange. No Bond, the notice of redemption of which has been mailed pursuant to Section 4.03, shall be subject to exchange pursuant to this Section 2.06. No exchange of Bonds shall be required during the period established by the Trustee for the selection of Bonds for redemption.

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

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

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the City shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed in accordance with Section 13.05 hereof. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and the Trustee and, if such evidence be satisfactory to the Trustee and indemnity for the City and the Trustee satisfactory to the Trustee shall be given, the City, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The City may require payment of a reasonable fee for each new Bond issued under this Section 2.09 and of the expenses, which may be incurred by the City and the Trustee in connection therewith. Any Bond issued under the provisions of this Section 2.09 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the City whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

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

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

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

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

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

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

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

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

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

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

(i) All notices and payments addressed to the Owners shall contain the Bonds' CUSIP number (assigned number identifying securities overseen by the Committee on Uniform Securities Identification Procedures).

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

ARTICLE III

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

Section 3.01. Issuance of Bonds. The City hereby authorizes the issuance of the Bonds pursuant to this Indenture and the Act. This Indenture constitutes a continuing agreement with the Owners of all Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of the principal and the interest on all Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. At any time after the adoption, execution and delivery of this Indenture, the City may execute and the Trustee, upon Request of the City, shall authenticate and deliver Bonds in the aggregate principal amount of _____ (\$_____).

Section 3.02. Application of Proceeds of Bonds and Other Moneys.

(a) The Trustee shall deposit the proceeds derived from the sale of the Bonds (\$_____), being the principal amount of the Bonds of \$_____, less underwriters' discount of \$_____, [less net original issue discount] [plus an original issue premium] of \$_____, less the premium for the [Insurance Policy] of \$___ which the Underwriter will transfer directly to the

[Insurer], into a temporary fund called the Proceeds Fund which the Trustee shall establish and disburse in full on the Delivery Date (whereupon said Proceeds Fund shall be closed), as follows:

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

(ii) The Trustee shall deposit to the Reserve Account the sum of \$_____;

(iii) The Trustee shall transfer to the Escrow Bank with respect to the 1998 Bonds, for deposit by the Escrow Bank in the Escrow Fund, the sum of \$_____.

(iv) The Trustee shall transfer to the Escrow Bank with respect to the 2005 Bonds, for deposit by the Escrow Bank in the Escrow Fund, the sum of \$_____.

(v) The Trustee shall transfer to the Escrow Bank with respect to the 2007 Bonds, for deposit by the Escrow Bank in the Escrow Fund, the sum of \$_____.

Section 3.03. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay Costs of Issuance upon receipt by the Trustee of a Requisition of the City stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund.

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

Section 3.04. Validity of Bonds.

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

(b) From and after the issuance of the Bonds, the findings and determinations of the City respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or

to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the proceeds of sale of the Bonds. The recital contained in the Bonds that the same are issued pursuant to the Act and this Indenture shall be conclusive evidence of their validity and of the regularity of their issuance and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning of this Indenture, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the purchaser thereof and the proceeds of sale thereof received.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

(a) Optional Redemption. The Bonds maturing on or after March 1, 2018, are subject to redemption prior to their respective stated maturities, from moneys deposited in the Optional Redemption Account from any other source of available funds, at the option of the City, in whole or in part by such maturities as are selected by the City and by lot within a maturity on any date, on or after March 1, 2018, at a redemption price equal to the principal amount of Bonds called for redemption, without premium, together with accrued interest to the date fixed for redemption.

When Bonds are to be redeemed at the option of the City as set forth in this Section 4.01, the City shall give written notice to the Trustee of the exercise of such option at least 45 days prior to the proposed redemption date, along with the form of notice to be sent to the bondholders. Such notice shall state the proposed redemption date, the principal amount of Bonds to be redeemed and the maturity or maturities from which such redemption shall be made.

(b) Mandatory Sinking Fund Redemption. The Bonds maturing on March 1, 2018, are also subject to redemption prior to their stated maturity, in part, by lot, from Mandatory Sinking Account Payments in the amounts and on the dates shown below deposited in the Term Bonds Sinking Account pursuant to Section 5.04(b), on each March 1 on or after March 1, 2018, at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as set forth below.

Redemption Date (March 1)	Principal Amount
	\$
	(1)

(1) Maturity.

In lieu of such redemption, the Trustee may apply amounts in the Sinking Account to the purchase of the Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest

Account) as may be directed by the City, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the City.

Section 4.02. Reserved.

Section 4.03. Notice of Redemption.

(a) The Trustee on behalf and at the expense of the City shall send (by first class mail, postage prepaid, or, with respect to notices to be sent to DTC or its nominee, the Information Services or the Securities Depository by a transmission method that is acceptable to such entity) notice of any redemption at least 30 but not more than 60 days prior to the redemption date (i) to any Insurer and to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and one or more Information Services designated in a Written Request of the City filed with the Trustee; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state, in the case of a redemption pursuant to (a) above, that such redemption is conditioned upon the timely delivery of the redemption price by the City to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and shall require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The City shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner and to the same recipients as the original notice of redemption was sent; provided, however, the notice of rescission shall not be required to be mailed within the time period required for the notice of redemption.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

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

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

All Bonds redeemed pursuant to the provisions of this Article IV shall be canceled upon surrender thereof and destroyed in accordance with Section 13.05 hereof.

ARTICLE V

REVENUES; NET REVENUES

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

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

The City hereby represents and warrants that it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Net Revenues that ranks prior to the pledge granted hereunder, except to secure the obligations disclosed herein that will be outstanding upon issuance of the Bonds. The City also hereby represents and warrants that it has not

described the Net Revenues in a Uniform Commercial Code financing statement that will remain effective when the Bonds are issued, except in connection with the foregoing pledges, assignments, liens, and security interests. The City shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Net Revenues that ranks prior to or on a parity with the pledge granted hereunder, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under this Indenture.

The pledge of Net Revenues and all moneys in all funds and accounts held by the Trustee hereunder constitutes a lien on and security interest in the Net Revenues and such amounts, and shall attach, be perfected and be valid and binding from and after the Closing Date without the need for any physical delivery thereof or further act.

Section 5.02. Receipt, Deposit and Application of Revenues and Net Revenues.

(a) Application of Revenues. All of the Revenues shall be deposited by the City immediately upon receipt in the Revenue Fund. All Revenues shall be held in trust by the City in the Revenue Fund and shall be applied, transferred, used and withdrawn only for the following purposes:

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

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

(iii) Reserve Account. After making the payments, allocations and transfers provided for in subparagraphs (i) and (ii) above, (A) if the balance in the Reserve Account is less than the Reserve Requirement, the notice of which deficiency shall have been given by the Trustee to the City, or (B) if the balance in a bond reserve account established for any Parity Obligations is less than the bond reserve requirement established for such Parity Obligations, the notice of which deficiency shall have been given to the City, or (C) if any reserve surety bond for the Bonds or for any Parity Obligations has been drawn upon to make delinquent payments, the notice of which deficiency shall have been given to the City, the deficiency shall be restored by transfers from the first moneys which become available in the Revenue Fund to the Trustee for deposit in the Reserve Account and for deposit in the bond reserve account established for such Parity Obligations, such transfers to be made no less than semiannually.

(iv) Surplus. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above in subsections (ii) and (iii), inclusive any moneys remaining in the Revenue Fund may at any time be treated as surplus and applied for any lawful purpose.

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

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

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

Third: to the Reserve Account, the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account; provided that no deposit need be made into the Reserve Account so long as the balance in said account shall be at least equal to the Reserve Account Requirement.

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

Section 5.04. Application of Principal Account.

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

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

With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds, upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Trustee upon the Order of the City shall apply moneys in the Revenue Fund to the purchase of Term Bonds made by the City at public or private

sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the City, except that the purchase price (excluding accrued interest) shall not exceed the Redemption Price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the City has purchased Term Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the City has deposited Term Bonds with the Trustee, or Term Bonds were at any time purchased by the City or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be canceled and destroyed by the Trustee in accordance with Section 13.05 hereof. Any amounts remaining in the Sinking Account when all of the Term Bonds are no longer Outstanding shall be withdrawn by the Trustee and transferred to the City for deposit in the Revenue Fund. All Term Bonds purchased from the Sinking Account or deposited by the City with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then pro-rata to the remaining Mandatory Sinking Account Payments in proportion to the amount of such Mandatory Sinking Account Payments.

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

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

Section 5.05. Application of Reserve Account. All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (a) paying interest on or principal of the Bonds when due and payable to the extent that moneys deposited in the Interest Account or Principal Account, respectively, are not sufficient for such purpose, and (b) making the final payments of principal of and interest on the Bonds. On the date on which all Bonds shall be retired hereunder or provision made therefor pursuant to Article X, all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the City.

Amounts in the Reserve Account shall be valued by the Trustee no less often than semiannually on or before an Interest Payment Date. If, on any date of computation, moneys and securities on deposit in the Reserve Account are less than the Reserve Account Requirement (unless such deficiency is a result of a transfer therefrom), the City covenants and agrees that it will, within 12 months thereof, increase the amount therein to the Reserve Account Requirement. If such deficiency is a result of a transfer therefrom, the City covenants and agrees that it will, within 24 months thereof, increase the amount therein to the Reserve Account Requirement. If, on any date of computation, moneys and securities on deposit in the Reserve Account are in excess of the Reserve

Account Requirement, the Trustee shall withdraw such excess amount and transfer such amount to the Interest Account.

The City shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause interest with respect to the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, the Trustee shall transfer such funds from the Reserve Account to the Bond Fund or, if permitted by an opinion of Bond Counsel to a segregated account maintained by the City and used exclusively for the acquisition, construction and installation of improvements to the Enterprise. Prior to the expiration of any Qualified Reserve Account Credit Instrument, the City shall be obligated either (a) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (b) to remit or cause to be remitted to the Trustee for deposit in the Reserve Account an amount of moneys equal to the Reserve Account Requirement, to be derived from Net Revenues; provided, however, that if the City shall fail to replace an expiring Qualified Reserve Account Credit Instrument or to deposit moneys equal to the Reserve Account Requirement, the Trustee shall draw on such Qualified Reserve Account Credit Instrument before such expiration and deposit the proceeds of such draw in the Reserve Account.

In the event that the Reserve Account Requirement shall at any time be maintained in the form of a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Reserve Account before the Trustee shall draw any moneys under such Qualified Reserve Account Credit Instrument for such purpose. In the event that more than one Qualified Reserve Account Credit Instrument shall be maintained as all or a portion of the Reserve Account Requirement, and the Trustee is otherwise required hereunder to draw on such Qualified Reserve Account Credit Instruments, the Trustee shall draw pro rata on each such Qualified Reserve Account Credit Instrument. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from the Reserve Account, the Net Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made pursuant to this Section 5.05, shall be used to reinstate the Qualified Reserve Account Credit Instrument.

Notwithstanding any other provision of this Indenture, the City need not replace any Qualified Reserve Account Credit Instrument or deposit cash in the Reserve Account in the event that the provider of the Qualified Reserve Account Credit Instrument is downgraded by S&P or Moody's or fails to honor a draw thereon; it being the intent of the City that if the Qualified Reserve Account Credit Instrument meets the requirement of this Indenture at the time it is delivered to the Trustee, it will remain a Qualified Reserve Account Credit Instrument for its stated term.

Section 5.06. Application of Redemption Fund. The Trustee shall establish and maintain within the Redemption Fund (which the Trustee shall establish when needed, maintain and hold in trust) a separate Optional Redemption Account. The City may at any time deposit moneys into the Optional Redemption Account for the purposes of redeeming Bonds in accordance with the terms of Section 4.01(a). All amounts deposited in the Optional Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the

terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account; provided that, at any time prior to giving such notice of redemption, the Trustee upon Order of the City shall apply such amounts to the purchase of Bonds made by the City at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the City, except that the purchase price (exclusive of accrued interest) may not exceed the par value of such Bonds.

Section 5.07. Rate Stabilization Fund. The City has previously established a special fund called the “Rate Stabilization Fund” and shall hold said fund as provided herein. The Rate Stabilization Fund is not pledged or intended to be security for the Bonds. On the Closing Date, the Rate Stabilization Fund is funded at \$ _____. Thereafter, the City may, during or within 310 days after the close of each Fiscal Year, deposit surplus Net Revenues transferred from the Revenue Fund attributable to such Fiscal Year (determined in accordance with GAAP) into the Rate Stabilization Fund. Amounts on deposit in the Rate Stabilization Fund may be withdrawn by the City at any time and transferred by the City to the Revenue Fund. Notwithstanding anything to the contrary in the Indenture, Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as Net Revenues for purposes of the calculations for compliance with the Rate Covenant or the issuance of Parity Obligations in the Fiscal Year to which such deposit is attributable; however, any amounts withdrawn from the Rate Stabilization Fund and deposited into the Revenue Fund may be taken into account as Revenues and as Net Revenues for purposes of the calculations required for compliance with the Rate Covenant or the issuance of Parity Obligations in such Fiscal Year or any subsequent Fiscal Year in the year transferred.

Section 5.08. Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts established pursuant to this Indenture shall, upon Request of the City provided at least two Business Days prior to the date of investment, be invested by the Trustee, but solely in Permitted Investments. In the absence of such Request of the City, the Trustee shall invest available moneys in investments described in paragraph (f) of the definition of Permitted Investments, to the extent practicable; provided, however, that the City shall identify in writing the specific fund or funds authorized for such investments and, provided further, that in the absence of timely and specific written direction of the specific fund by the City, amounts shall be held uninvested by the Trustee. All Permitted Investments shall be acquired subject to the limitations as to maturities hereinafter set forth in this Section 5.08 and such additional limitations or requirements consistent with the foregoing as may be established by Request of the City.

Moneys in the funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required by the Trustee. Moneys held by the City may be invested in lawful investments permitted under the laws of the State.

All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Indenture shall be deposited when received in the Bond Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any,

paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account for the credit of which such Permitted Investment was acquired.

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

The City acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the City periodic cash transaction statements, which include detail for all investment transactions made by the Trustee hereunder. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

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

ARTICLE VI

COVENANTS OF THE CITY; TAX COVENANTS

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

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

to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

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

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

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

The City further covenants that the Net Revenues or any other funds pledged or otherwise made available to secure payment of the principal of and interest on the Outstanding.

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

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

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

Section 6.07. Rates and Charges.

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

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

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

(iii) the amount, if any, required to restore the balance in the Reserve Account, and in any reserve account established for Parity Obligations, to the full amount of the Reserve Requirement and the reserve requirement with respect to any such Parity Obligations; and

(iv) All other payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable, from the Revenues during such Fiscal Year.

(b) Covenant Regarding Net Revenues. In addition, the City covenants to fix, prescribe, revise and collect, or cause to be fixed, prescribed, revised and collected, rates, fees and charges for the services and improvements furnished by the Enterprise during each Fiscal Year which are sufficient to yield Net Revenues (which may include revenues transferred from the Rate Stabilization Fund) for the Enterprise, which are at least equal to 125% of the total Debt Service Payments on the Bonds and annual debt service on any Parity Obligations coming due and payable in such Fiscal Year.

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

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

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

(i) No Event of Default shall have occurred and be continuing under the Indenture;

(ii) Net Revenues, calculated in accordance with generally accepted accounting procedures, as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements are available, or for any more recent consecutive 12 month period selected by the City, in the latter case verified by a certificate or opinion of an Independent Accountant or financial consultant, are at least equal to 1.25 times Maximum Aggregate Annual Debt Service on the Bonds and on all Parity Obligations then outstanding (including the Parity Obligations proposed to be issued).

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (ii):

(A) An allowance for revenues from any additions to, or improvements, or extensions of, the Enterprise to be constructed with the proceeds of such Parity Obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Obligations, all as shown by the certificate or opinion of an Independent Accountant or financial consultant employed by the City.

(B) An allowance for earnings arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such Parity Obligations, as shown by the certificate or opinion of an Independent Accountant or financial consultant employed by the City.

(C) Subordinate Obligations. Additional obligations may be issued on a basis subordinate to the Bonds and Parity Obligations to the extent required.

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

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

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

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

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

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

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

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

Section 6.17. Continuing Disclosure. The City 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 the Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default; however, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

ARTICLE VII

MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION

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

Section 7.02. Taxes, Assessments, Other Government Charges and Utility Charges. The City covenants and agrees that it will pay and discharge all taxes, assessments, governmental charges of any kind whatsoever, and utility charges which may be or have been assessed or which may have become liens upon the Enterprise or the interest therein of the Trustee or of the Owners of the Bonds,

and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Enterprise or any part thereof, and upon request, will furnish to the Trustee receipts for all such payments, or other evidence satisfactory to the Trustee; provided, however, that the City shall not be required to pay any tax, assessment, rate or charge as herein provided as long as it shall in good faith contest the validity thereof, provided that the City shall have set aside adequate reserves with respect thereto.

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

Section 7.04. Casualty Insurance. The City shall procure and maintain or cause to be procured and maintained, so long as any Bonds or Parity Obligations remain outstanding, but only in the event and to the extent available from reputable insurers at reasonable cost, casualty insurance against loss or damage to any improvements constituting any part of the Enterprise, covering such hazards as are customarily covered with respect to works and property of like character. Such insurance may be subject to deductible clauses, which are customary with respect to works and property of a like character. Such insurance may be maintained as part of or in conjunction with any other casualty insurance coverage carried by the City and may be maintained, in whole or in part, in the form of self-insurance by the City, subject to the provisions of Section 7.05, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Enterprise shall be used to repair, rebuild or replace such damaged or destroyed portion of the Enterprise and, to the extent not so applied or to the extent the City determines it is not economically feasible or in the best interests of the City to so repair, rebuild or replace such damaged or destroyed portion of the Enterprise, shall be applied to redeem the Bonds pro rata with any Parity Obligations, if appropriate.

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

be obligated to make any payment with respect to any insured event except from Revenues or from such reserves.

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

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

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

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

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

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

Section 8.02. Acceleration of Maturities. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the City, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with

interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

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

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

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

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

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

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

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to

the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

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

Section 8.05. Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction or would expose the Trustee to liability for which it has not been indemnified to its satisfaction.

Section 8.06. Limitation on Owners' Rights to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act or any other applicable law with respect to such Bond, unless:

(a) Such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default;

(b) The Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding (or, if more than one such request is received, the written request executed by the Owners of the greatest percentage of Bonds then Outstanding in excess of 25%) shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name;

(c) Such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) The Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

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

Section 8.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Owners, then in every such case the City, the Trustee and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Owners shall continue as though no such proceedings had been taken.

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

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

ARTICLE IX

THE TRUSTEE

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

(a) U.S. Bank National Association is hereby appointed to serve as Trustee under this Indenture. By execution hereof, the Trustee accepts such appointment.

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

(c) The City 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 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (f) of this Section 9.01, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(d) The Trustee may at any time resign by giving 30 days prior written notice of such resignation to the City and by giving the Owners notice of such resignation by mail to the addresses shown on the Bond Registration Books. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing.

(e) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any

further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City 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 City shall mail a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the registration books maintained by the Trustee. If the City fails to mail such notice within 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 City.

(f) Any Trustee appointed under the provisions of this Section 9.01 in succession to the Trustee shall be a trust company, national banking association or bank having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining City above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (f), the Trustee shall resign immediately in the manner and with the effect specified in this Section 9.01.

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

Section 9.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Indenture or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the owner of Bonds with the same rights

it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

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

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

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

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

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

(g) The Trustee makes no representation, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Enterprise.

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

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

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

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

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

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

(n) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee’s understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

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

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

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

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

ARTICLE X

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 10.01. Amendments Permitted.

(a) This Indenture and the rights and obligations of the City and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may execute when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section 10.01. No such modification or amendment shall:

(i) Extend the fixed maturity of any Bond, or reduce the amount of principal thereof, provided in this Indenture for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or

(ii) Reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien

on the Net Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, other than Parity Obligations, or deprive the Owners of the Bonds of the lien created by this Indenture on such Net Revenues and other assets (except as expressly provided in this Indenture), or terminate the insurance of the Bonds, without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners at the addresses shown on the Bond Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture

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

(i) To add to the covenants and agreements of the City in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Owners of the Bonds;

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

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

(iv) To issue Parity Obligations or to substitute a Qualified Reserve Account Credit Instrument.

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

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

amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

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

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

ARTICLE XI

DEFEASANCE

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

- (a) By paying or causing to be paid the principal or Redemption Price of and interest on such Bonds Outstanding, as and when the same become due and payable;
- (b) By depositing with the Trustee, in trust, at or before maturity, money or Permitted Investments described in paragraph (a) of the definition thereof (“Defeasance Obligations”) in the necessary amount (as provided in Section 11.10) to pay or redeem such Bonds Outstanding; or
- (c) By delivering to the Trustee, for cancellation by it, such Bonds Outstanding.

If the City shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (evidenced by a Certificate of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Net Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the City under this Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 11.02. In such event, upon Request of the City, the Trustee shall cause an

accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

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

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

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

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

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

Section 11.04. Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal or redemption premium of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the City free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee, as the case may be, may (at the cost of the City) first mail a notice, in such form as may be deemed appropriate by the Trustee, to the Owners of the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

ARTICLE XII

PROVISIONS RELATING TO INSURANCE – RESERVED

ARTICLE XIII

MISCELLANEOUS

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

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

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

Section 13.04. Waiver of Notice. Whenever the giving of notice by mail or otherwise is required in this Indenture, the giving of such notice may be waived in writing by the person entitled

to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and deliver a certificate of such destruction to the City.

Section 13.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

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

To the City: City of Lompoc
100 Civic Center Plaza
Lompoc, CA 93436
Attention: City Manager
Fax: (805) 736-5341

To the Trustee: U.S. Bank National Association
Global Corporate Trust Services
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Fax: (213) 615-6199

If to the Insurer:

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

and shall be conclusive in favor of the Trustee and of the City if made in the manner provided in this Section 13.08.

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

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

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

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

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

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

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

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

Section 13.13. Wavier of Personal Liability. No member of the City Council, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member of the City Council, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

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

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

IN WITNESS WHEREOF, the CITY OF LOMPOC has caused this Indenture to be signed in its name by the Mayor or City Manager of the City and attested by the City Clerk, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by one of its authorized officers, all as of the day and year first above written.

CITY OF LOMPOC

By _____
Bob Lingl, Mayor

Attest:

Stacey Haddon, City Clerk

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Officer

City Manager

EXHIBIT A

FORM OF BOND

**United States of America
State of California
County of Los Angeles**

CITY OF LOMPOC

WASTEWATER REVENUE REFUNDING BONDS, 2017 SERIES A

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
%	March 1,		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The CITY OF LOMPOC, a municipal corporation duly organized and existing under the laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner named above or registered assigns (the "Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Amount stated above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the March 1 or September 1 (each an "Interest Payment Date") next preceding the date of authentication hereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is on or before February 15, 2018, in which event such interest is payable from the Dated Date stated above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the date to which interest has previously been paid or made available for payment on this Bond in full at the Interest Rate per annum stated above, payable semiannually on each Interest Payment Date, commencing March 1, 2018. The principal amount of this Bond is payable at the principal corporate trust office of U.S. Bank National Association, as trustee (the "Trustee"), in Los Angeles, California, or at such office as the Trustee may designate, upon presentation and surrender of this Bond to the Trustee. Payment of the interest on this Bond will be made to the person whose name appears on the bond registration books of the Trustee as the Owner thereof as of the fifteenth day of the month immediately preceding an Interest Payment Date whether or not said day is a business day (the "Record Date"), such interest to be paid by check mailed on the Interest Payment Date to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of Bonds and upon written notice received by the Trustee prior to the Record Date, by wire transfer, at the Owner's address as it appears on such bond registration books or to such account as shall have been identified by the Owner in the notice requesting payment by wire transfer. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Owner on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a special record

date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Owners not less than 10 days prior to such special record date.

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

This Bond is one of a series of Bonds of various maturities designated as “City of Lompoc Wastewater Refunding Revenue Bonds, 2017 Series A” (the “Bonds”), issued in the aggregate principal amount of \$_____, all of like tenor (except for such variations, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions), issued under and pursuant to an Indenture of Trust (the “Indenture”) by and between the City and the Trustee, dated as of November 1, 2017, approved by the City by Resolution No. 2141(17) adopted by the City Council of the City on October 17, 2017, under and pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the of the California Government Code. A copy of the Indenture is on file at the office of the Trustee, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Indenture, and the rights of the Owners of the Bonds. All the terms of the Indenture and the Act are hereby incorporated herein and constitute a contract between the City and the Owners from time to time of this Bond, and to all the provisions thereof the Owner of this Bond, by his or her acceptance hereof, consents and agrees. Each taker and subsequent Owner hereof shall have recourse to all of the provisions of the Act and the Indenture and shall be bound by all of the terms and conditions thereof.

The Bonds are issued to (a) refund, on a current basis, the certain outstanding obligations of the City delivered in 1998, 2005 and 2007 related to the Enterprise, (b) fund a reserve fund or reserve fund surety for the Bonds, and (c) pay the costs of issuance of the Bonds.

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

The principal or redemption price of and interest on the Bonds are payable solely from the Net Revenues, and the City is not obligated to pay the Bonds except from the Net Revenues. The General Fund of the City is not liable, and the full faith and credit or taxing power of the City is not pledged, for the payment of the principal or redemption price of and interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except the Net Revenues.

The City covenants that, so long as any of the Bonds are outstanding, it will fix, prescribe and collect charges so as to yield Net Revenues at least equal to the amounts thereof prescribed by

the Indenture and sufficient to pay the principal or redemption price of and interest on the Bonds in accordance with the provisions of the Indenture.

The Bonds maturing on or after March 1, ____, are also subject to redemption prior to their respective stated maturities, from moneys deposited in the Optional Redemption Account from any other source of available funds, at the option of the City, in whole on any date, or in part by such maturities as are selected by the City and by lot within a maturity on any date, on or after March 1, ____, at a redemption price equal to the principal amount of Bonds called for redemption, without premium, together with accrued interest to the date fixed for redemption.

The Bonds maturing on March 1, ____, are also subject to mandatory redemption, on March 1 in each year, commencing March 1, ____, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, from mandatory sinking fund account payments made by the City under the Indenture in the years and amounts as follows:

[INSERT TABLE]

*Maturity

The Bonds are subject to redemption as a whole or in part, on any date, pro rata by maturity and by lot within a maturity, from and to the extent insurance proceeds received with respect to the Enterprise are not used to repair, rebuild or replace the Enterprise, or from and to the extent of eminent domain proceeds received with respect to the Enterprise are elected for such use by the City, 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 given by first class mail not less than 30 days prior to the redemption date to the respective registered Owners of the Bonds designated for redemption at their addresses appearing on the bond registration books, but no defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

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

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

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

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

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

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

IN WITNESS WHEREOF, the City of Lompoc has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Mayor and the manual or facsimile signature of its City Clerk and its seal, if available, to be reproduced hereon all as of the Bond Date stated above.

CITY OF LOMPOC

By _____
Patrick Wiemiller, City Manager

ATTEST:

Stacy Haddon, City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

ASSIGNMENT

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

whose address and social security or other tax identifying number is

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

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

Dated: _____

Signature Guaranteed:

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

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