
INDENTURE OF TRUST

by and between the

CITY OF SANTA ROSA

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION
as Trustee**

Dated as of [_____] 1, 2018

**Relating to
City of Santa Rosa
\$[_____]
Refunding Water Revenue Bonds, Series 2018**

TABLE OF CONTENTS

ARTICLE I:

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY:

SECTION 1.01. Definitions.....	3
SECTION 1.02. Rules of Construction.....	11
SECTION 1.03. Authorization and Purpose of Series 2018 Bonds.....	11
SECTION 1.04. Equal Security.....	11

ARTICLE II:

ISSUANCE OF SERIES 2016 BONDS

SECTION 2.01. Terms of Series 2018 Bonds.....	12
SECTION 2.02. Redemption of Series 2018 Bonds.....	12
SECTION 2.03. Form of Series 2018 Bonds.....	14
SECTION 2.04. Execution of Series 2018 Bonds.....	15
SECTION 2.05. Transfer of Series 2018 Bonds.....	15
SECTION 2.06. Exchange of Series 2018 Bonds.....	15
SECTION 2.07. Temporary Bonds.....	15
SECTION 2.08. Bond Registration Books.....	16
SECTION 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.....	16
SECTION 2.10. Book Entry System.....	16

ARTICLE III:

ISSUE OF SERIES 2016 BONDS; PARITY BONDS

SECTION 3.01. Issuance of Series 2018 Bonds.....	19
SECTION 3.02. Application of Proceeds of Sale of Series 2018 Bonds; Bond Proceeds Fund.....	19
SECTION 3.03. Reserved.....	20
SECTION 3.04. Cost of Issuance Fund.....	20
SECTION 3.05. Issuance of Parity Bonds.....	20
SECTION 3.06. State Loans.....	22
SECTION 3.07. Subordinate Bonds.....	22
SECTION 3.08. Validity of Bonds.....	23

ARTICLE IV:

PLEDGE OF NET REVENUES; FUNDS AND ACCOUNTS:

SECTION 4.01. Pledge of Net Revenues.....	24
SECTION 4.02. Receipt and Deposit of Revenues.....	24
SECTION 4.03. Establishment of Funds and Accounts and Allocation of Revenues Thereto.....	24
SECTION 4.04. Application of Debt Service Fund.....	25
SECTION 4.05. Reserved.....	26
SECTION 4.06. Application of Redemption Account.....	26
SECTION 4.07. Establishment of Rate Stabilization Fund.....	26
SECTION 4.08. Investments.....	26
SECTION 4.09. Valuation; Investments.....	27

ARTICLE V:

COVENANTS OF THE CITY; SPECIAL TAX COVENANTS:

SECTION 5.01. Punctual Payment; Compliance With Documents.....	28
SECTION 5.02. Against Encumbrances.....	28
SECTION 5.03. Discharge of Claims.....	28
SECTION 5.04. Acquisition, Construction or Financing of any Project and Improvements to the Water System.....	28
SECTION 5.05. Maintenance and Operation of Sewer System in Efficient and Economical Manner.....	28
SECTION 5.06. Against Sale, Eminent Domain.....	28

SECTION 5.07. Insurance.	29
SECTION 5.08. Records and Accounts.	29
SECTION 5.09. Protection of Security and Rights of Owners.	29
SECTION 5.10. Against Competitive Facilities.....	29
SECTION 5.11. Payment of Taxes, Etc.	29
SECTION 5.12. Rates and Charges.	30
SECTION 5.13. No Priority for Additional Obligations	30
SECTION 5.14. No Arbitrage.	31
SECTION 5.15. Information Report.	31
SECTION 5.16. Private Activity Bond Limitation	31
SECTION 5.17. Federal Guarantee Prohibition.	31
SECTION 5.18. Further Assurances.	31
SECTION 5.19. Continuing Disclosure.	31
SECTION 5.20. Rebate Requirement	31
SECTION 5.21. Maintenance of Tax Exemption.....	31

ARTICLE VI:
THE TRUSTEE:

SECTION 6.01. Appointment of Trustee.	32
SECTION 6.02. Acceptance of Trusts.	32
SECTION 6.03. Fees, Charges and Expenses of Trustee.....	34
SECTION 6.04. Notice to Bond Owners of Default.....	34
SECTION 6.05. Intervention by Trustee.	34
SECTION 6.06. Removal of Trustee.	34
SECTION 6.07. Resignation by Trustee.	35
SECTION 6.08. Appointment of Successor Trustee.	35
SECTION 6.09. Merger or Consolidation.	35
SECTION 6.10. Concerning any Successor Trustee.	35
SECTION 6.11. Appointment of Co-Trustee.....	36
SECTION 6.12. Indemnification; Limited Liability of Trustee.	36

ARTICLE VII:

MODIFICATION AND AMENDMENT OF THE INDENTURE:

SECTION 7.01. Amendment by Consent of Bond Owners.....	37
SECTION 7.02. Amendment Without Consent of Bondholders.	37
SECTION 7.03. Disqualified Bonds.....	37
SECTION 7.04. Endorsement or Replacement of Bonds After Amendment.....	37
SECTION 7.05. Amendment by Mutual Consent.	38

ARTICLE VIII:

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS:

SECTION 8.01. Events of Default and Acceleration of Maturities.....	39
SECTION 8.02. Application of Funds Upon Acceleration.	39
SECTION 8.03. Other Remedies; Rights of Bond Owners.	40
SECTION 8.04. Power of Trustee to Control Proceedings.	40
SECTION 8.05. Appointment of Receivers.....	41
SECTION 8.06. Non-Waiver.....	41
SECTION 8.07. Rights and Remedies of Bond Owners.....	41
SECTION 8.08. Termination of Proceedings.....	42

ARTICLE IX:

MISCELLANEOUS:

SECTION 9.01. Limited Liability of City.....	43
SECTION 9.02. Parties Interested Herein.....	43
SECTION 9.03. Discharge of Indenture.	43

SECTION 9.04. Content of Certificates.	44
SECTION 9.05. Execution of Documents by Bond Owners.	44
SECTION 9.06. Waiver of Personal Liability.	45
SECTION 9.07. Partial Invalidity.	45
SECTION 9.08. Destruction of Cancelled Bonds	45
SECTION 9.09. Funds and Accounts.	45
SECTION 9.10. Notices.	46
SECTION 9.11. Unclaimed Moneys.	46
EXHIBIT A: Form of Series 2018 Bond	
EXHIBIT B: Form of Cost of Issuance Fund Requisition	

INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture"), is made and entered into as of [_____] 1, 2018, by and between the CITY OF SANTA ROSA, a chartered city and municipal corporation organized and existing under the constitution and laws of the State of California (the "City"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, and being qualified to accept and administer the trusts hereby created, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the City operates facilities for the collection, transmission, transportation, treatment and distribution of water (the "Water System") for the purpose of providing an uninterrupted supply of high quality, safe, reliable, and low-cost water to the citizens and businesses in the City; and

WHEREAS, the City previously issued its Water Revenue Bonds, Series 2008, in the initial principal amount of \$13,850,000 (the "2008 Bonds"), pursuant to an Indenture of Trust, dated as of July 1, 2008 (the "2008 Indenture"), by and between the City and Zions Bancorporation, National Association, as trustee (the "2008 Trustee"), for the purpose of financing certain improvements to the Water System; and

WHEREAS, after due investigation and deliberation, the City has determined that it is in the interests of the City at this time to provide for the issuance of its Refunding Water Revenue Bonds, Series 2018 (the "Series 2018 Bonds") pursuant to a Resolution adopted by the City Council of the City on [_____] 1, 2018, Article XI, Section 5, of the Constitution of the State of California and Chapter 3-12 (commencing with Section 3-12.010) of the Santa Rosa City Code, enacted pursuant to Sections 3 and 53 of the charter of the City (the "Bond Law") and this Indenture for the purpose of refinancing the 2008 Bonds, funding a reserve fund for the Series 2018 Bonds (if necessary), and paying the costs of issuing and selling the Series 2018 Bonds; and

WHEREAS, the Series 2018 Bonds will be secured by a pledge of and payable from Net Revenues on a parity with obligations issued as Parity Bonds in compliance with the provisions of this Indenture; and

WHEREAS, in order to provide for the authentication and delivery of the Series 2018 Bonds, to establish and declare the terms and conditions upon which the Series 2018 Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Council has authorized the execution and delivery of this Indenture;

WHEREAS, all of the Series 2018 Bonds will be secured by a pledge of the Net Revenues, as defined herein, and certain other moneys and securities held by the City and the Trustee hereunder; and

WHEREAS, all acts and proceedings required by law necessary to make the Series 2018 Bonds, when executed by the City, authenticated and delivered by the Trustee and duly issued, the 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 the interest and premium (if any) on all Series 2018 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 Series 2018 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 Series 2018 Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof 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 Series 2018 Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Parity Bonds Instrument and of the Series 2018 Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

"Authorized Investments" means any of the following, but only to the extent that the same are acquired at Fair Market Value, which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) (i) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, Federal Housing Administration and Federal Financing Bank. and (ii) direct obligations for any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other Government Sponsored Agencies;
- (c) U.S. dollar denominated deposit accounts federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P or are collateralized by Federal Securities and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market fund, including those of an affiliate of the Trustee, rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee,

its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(f) municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are rated in the two highest rating categories of Moody's or S&P or any successors thereto;

(g) the Local Agency Investment Fund of the State of California, 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; and

(h) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

"Authorized Official" means the Mayor, the City Manager, the Deputy City Manager, the Chief Financial Officer or an authorized designee thereof.

"Average Annual Debt Service" means the total aggregate Debt Service for the entire period during which the Bonds are Outstanding divided by the number of Fiscal Years or portions thereof during which the Bonds are Outstanding.

"Bond Counsel" means any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Law" means Article XI, Section 5, of the Constitution of the State of California and Chapter 3-12 (commencing with Section 3-12.010) of the Santa Rosa City Code, enacted pursuant to Sections 3 and 53 of the charter of the City.

"Bond Registration Books" means the books maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the Series 2018 Bonds.

"Bond Proceeds Fund" means the fund established and held by the Trustee pursuant to Section 3.02.

"Bonds" means, collectively, the Series 2018 Bonds and any Parity Bonds issued and at any time Outstanding hereunder or under a Parity Bonds Instrument.

"Bond Year" means the twelve-month period beginning on September 2 in each year and ending on September 1 in the following year except that (i) the first Bond Year shall begin on

the Closing Date, and (ii) the last Bond Year may end on a redemption date prior to maturity of the Series 2018 Bonds or the final maturity date of the Series 2018 Bonds.

"Business Day" means any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

"Certificate of the City" means a certificate in writing signed by an Authorized Official, or by any other officer of the City duly authorized by the Council for that purpose.

"Charges" means fees, tolls, rates and rentals prescribed under the Bond Law or any other law of the State by the Council for the services and facilities of the Water System furnished by the City, and includes water service charges, Demand Fees and any other connection, capacity, demand or facility fees and charges.

"City" means the City of Santa Rosa, a chartered city and municipal corporation organized and existing under the Constitution and laws of the State, and any successor thereto.

"Closing Date" means the date upon which there is an exchange of the Series 2018 Bonds for the proceeds representing the purchase of such Series by the Original Purchaser thereof.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the City and dated the date of original execution and delivery of the Series 2018 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance Fund" means the Account by that name established pursuant to Section 3.04.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Series 2018 Bonds, including but not limited to compensation, fees and expenses of the City and the Trustee and their respective counsel, compensation to any financial consultants and underwriters, legal fees and expenses, municipal bond insurance or surety bond premiums, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

"Council" means the Council of the City or any other legislative body of the City hereafter provided for pursuant to law.

"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 Serial Bonds payable by their terms in such period;

(b) The principal amount of all Outstanding Term Bonds scheduled to be paid or redeemed by operation of mandatory Sinking Fund Installments in such period; and

(c) 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 paid or redeemed as scheduled.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.03.

"Defeasance Obligations" means the Federal Securities listed in clause (a) of the definition thereof.

"Demand Fees" means the charges so denominated in City of Santa Rosa Resolution No. 28547 (or any similar charge in a successor resolution or ordinance of the City) and payable as a one-time charge at the time of and as a condition precedent to the connection of properties to the Santa Rosa portion of the Water System.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository pursuant to Section 2.11.

"Depository System Participant" means any participant in the Depository's book-entry system.

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

"Escrow Agent" means Zions Bancorporation, National Association, as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of [_____] 1, 2018, by and between the City and Zions Bancorporation, National Association, as escrow agent.

"Escrow Fund" means the fund of that name established under the Escrow Agreement.

"Event of Default" means any of the events described in Section 8.01.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable

regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means, with respect to the Bonds: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; or (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America; specifically:

U.S. treasury Obligations,
all direct or fully guaranteed obligations,
Farmers Home Administration,
General Services Administration,
Guaranteed Title IX financing,
Government National Mortgage Association (GNMA), and
State and Local Government Series.

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

"Gross Revenues" means, for any period of computation, all gross charges received for, and all other gross income and revenues derived by the City from, the ownership or operation of the Water System or otherwise arising from the Water System during such period, including but not limited to (a) all Charges received by the City, (b) all receipts derived from the investment of funds held by the City or the Trustee under this Indenture and (c) all moneys received by the City from other public entities whose inhabitants are served pursuant to contracts with the City. In addition, Gross Revenues for a Fiscal Year shall include amounts transferred into the Water Utility Fund in that Fiscal Year from the Rate Stabilization Fund but shall not include any amounts transferred into the Rate Stabilization Fund in that Fiscal Year, but only to the extent such deposits are made from amounts that would otherwise constitute Gross Revenues that were received by the City during that Fiscal Year.

"Improvement" means any addition, extension, improvement, equipment, machinery or other facilities to or for the Water System.

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

"Independent Certified Public 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 identity of interest, direct or indirect, with the City; and

(c) is not and no member of which is 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.

"Independent Consultant" means any financial or engineering consultant (including without limitation any Independent Certified Public Accountant) with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the 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 identity of interest, direct or indirect, with the City; and

(c) is not and no member of which is 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 in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the City may designate in a certificate delivered to the Trustee.

"Interest Payment Date" means, with respect to the Series 2018 Bonds, September 1 and March 1 in each year, beginning March 1, 2019, and with respect to any Parity Bonds, any date on which interest is due and payable thereon, and continuing so long as any Bonds or Parity Bonds remain Outstanding.

"Interest Requirement" means, as of any particular date of calculation, the amount equal to any unpaid interest then due and payable, plus an amount which will on the next succeeding Interest Payment Date be equal to the interest to become due and payable on the Bonds on such next succeeding Interest Payment Date.

"Maintenance and Operation Costs" means the reasonable and necessary costs of maintaining and operating the Water System, calculated on sound accounting principles, including (among other things) the reasonable expenses of management, personnel, services, equipment, repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation and

obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

"Maximum Annual Debt Service" means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Fiscal Year.

"Minimum Rating" means a long-term rating of "A" or better from S&P or Moody's or a short-term rating which is in the highest general rating category of S&P and Moody's, in any event determined without regard to any refinement or gradation of such rating by a numerical modifier, a plus or a minus sign, or otherwise.

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

"Net Revenues" means, with respect to the Water System, for any period of computation, the amount of the Gross Revenues received from the Water System during such period, less the amount of Maintenance and Operation Costs of the Water System becoming payable during such period.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, as the first purchaser of the Series 2018 Bonds.

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

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

- (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; 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 Parity Bonds Instrument.

"Owner" or "Bond Owner" or "Bondowner", 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 Bonds" means all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements) of the City payable

from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred pursuant to Section 3.05 or 3.06.

"Parity Bonds Instrument" means the resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by the City, and under which Parity Bonds are issued.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in Section 9.10, provided that for purposes of payment, cancellation, surrender, redemption, exchange and transfer of Bonds, such term means the corporate trust office of the Trustee in St. Paul, Minnesota or such other or additional offices as may be designated by the Trustee from time to time.

"Principal Installment" means with respect to any particular Principal Payment Date, an amount equal to the sum of (i) the aggregate principal amount of Outstanding Serial Bonds payable on such Principal Payment Date as determined by the applicable Parity Bonds Instrument (but not including Sinking Fund Installments) and (ii) the aggregate of Sinking Fund Installments with respect to all Outstanding Term Bonds payable on such Principal Payment Date as determined hereby and by the applicable Parity Bonds Instrument.

"Principal Payment Date" means the date on which Principal Payments are required to be made pursuant to Section 2.01.

"Rate Stabilization Fund" means the fund by that name established and held by the City pursuant to Section 4.07.

"Record Date" means, with respect to the Series 2018 Bonds, the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date or, with respect to any Parity Bonds, any other date established in the applicable Parity Bonds Instrument.

"Redemption Account" means the Account by that name established and held by the Trustee pursuant to Section 4.03.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to this Indenture and the Parity Bonds Instrument pursuant to which the same was issued.

"Request of the City" means a request in writing signed by the City Manager, Deputy City Manager, Chief Financial Officer or by any other officer of the City duly authorized by the Council for that purpose.

"S&P" means Standard & Poor's Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; 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 writing to the Trustee.

"Serial Bonds" means all Bonds other than Term Bonds.

"Series" when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to Sections 2.02(g), 2.05, 2.06, 2.07, 2.09 and 7.04.

"Series 2018 Bonds" means the City of Santa Rosa Refunding Water Revenue Bonds, Series 2018, issued and at any time Outstanding hereunder.

"Sinking Fund Installment" means, with respect to any particular date, the amount of money required hereby or by or pursuant to a Parity Bonds Instrument to be paid by the City on such date toward the retirement of any particular Term Bonds prior to their respective stated maturities.

"State" means the State of California.

"Subordinate Bonds" means all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements) of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred pursuant to Section 3.07.

"Subordinate Bonds Instrument" means the resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by the City, and under which Subordinate Bonds are issued.

"Supplemental Indenture" means any supplement or amendment to this Indenture which complies with the provisions of Section 7.01 or 7.02.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

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

"Term Bonds" means, with respect to any Series 2018 Bonds or any Parity Bonds, such Series 2018 Bonds or Parity Bonds which are payable prior to their stated maturity by operation of Sinking Fund Installments.

"Trustee" means Zions Bancorporation, National Association, appointed by the City to act as trustee hereunder pursuant to Section 6.01, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

"Water Utility Fund" means the fund by that name established and held by the City pursuant to Section 4.02 hereof.

"Water System" means the water system of the City, comprising all facilities, properties and improvements for the collection, transmission, transportation, treatment and distribution of water for the City's water customers.

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.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

SECTION 1.03. Authorization and Purpose of Series 2018 Bonds. The City has reviewed all proceedings heretofore taken relative to the authorization of the Series 2018 Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Series 2018 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, as an exercise of the municipal affairs power of the City as a chartered city under the constitution and laws of the State and pursuant to the Bond Law and each and every requirement of law, to issue the Series 2018 Bonds in the manner and form provided in this Indenture. Accordingly, the City hereby authorizes the issuance of the Series 2018 Bonds pursuant to the Bond Law and this Indenture for the purposes specified in this Indenture.

SECTION 1.04. Equal Security. In consideration of the acceptance of the Series 2018 Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the City, the Trustee and the Owners from time to time of the Series 2018 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 Series 2018 Bonds without preference, priority or distinction as to security or otherwise of any of the Series 2018 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

ISSUANCE OF SERIES 2018 BONDS

SECTION 2.01. Terms of Series 2018 Bonds. The Series 2018 Bonds authorized to be issued by the City under and subject to the Bond Law and the terms of this Indenture shall be designated the "City of Santa Rosa Refunding Water Revenue Bonds, Series 2018", and shall be issued in the original principal amount of [_____] Dollars (\$[____]).

The Series 2018 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2018 Bond shall have more than one maturity date. The Series 2018 Bonds shall mature on September 1 in each of the years and in the amounts, and shall bear interest at the rates, as follows:

Maturity Date <u>(September 1)</u>	Principal <u>Amount</u>	Interest Rate <u>Per Annum</u>
[__]	[\$[__]]	%[__]

Interest on the Series 2018 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 by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books. In the event there exists a default in payment of interest due on such Interest Payment Date, such interest shall be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not less than 15 days preceding such special record date. Principal of and premium (if any) on any Series 2018 Bond shall be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Series 2018 Bonds shall be payable in lawful money of the United States of America.

The Series 2018 Bonds shall be dated the Closing Date and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding the date of authentication thereof, 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 prior to February 15, 2019, in which event such interest is payable from the Closing Date; provided, however, that if, as of the date of authentication of any Series 2018 Bond, interest thereon is in default, such Series 2018 Bond shall bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

SECTION 2.02. Redemption of Series 2018 Bonds.

(a) Optional Redemption.

The Series 2018 Bonds maturing on or before September 1, 20[] shall not be subject to optional redemption prior to maturity. The Series 2018 Bonds maturing on or after September 1, 20[] shall be subject to redemption prior to their respective maturity dates, at the option of the City, as a whole, or in part as determined by the City, on any date on or after September 1, 20[], from any source of available funds, at the principal amount of the Series 2018 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The City shall be required to give the Trustee written notice of its intention to redeem Series 2018 Bonds under this subsection (a) at least sixty (60) days prior to the date fixed for redemption (or such later date that is acceptable to the Trustee).

(b) Mandatory Sinking Fund Redemption. The Series 2018 Bonds maturing on September 1, 20__ and September 1, 20__ (the “Term Series 2018 Bonds”) shall also be subject to redemption in whole, or in part by lot, on September 1 in each year commencing September 1, 20__ (with respect to the Term Series 2018 Bonds maturing on September 1, 20__) and commencing September 1, 20__ (with respect to the Term Series 2018 Bonds maturing on September 1, 20__) from Sinking Fund Installments made by the City into the Series 2018 Sinking Fund Account of the Debt Service Fund pursuant to Section 4.03(b), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, or in lieu thereof shall be purchased pursuant to Section 4.05(b), in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following tables; provided, however, that if some but not all of the Term Series 2018 Bonds have been redeemed pursuant to subsections (a) or (b) above, the total amount of all future Sinking Fund Installments shall be reduced by the aggregate principal amount of Term Series 2018 Bonds so redeemed, to be allocated among such Sinking Fund Installments on a pro rata basis in integral multiples of \$5,000 as determined by the City (written notice of which determination shall be given by the City to the Trustee).

The Sinking Fund Installments applicable to the Term Series 2018 Bonds maturing September 1, 20__ are as follows:

Sinking Fund Account	Sinking Fund Installments
Redemption Date	<u>Redeemed or Purchased</u>
<u>(September 1)</u>	

(Maturity)

The Sinking Fund Installments applicable to the Term Series 2018 Bonds maturing September 1, 20__ are as follows:

Sinking Fund Account	Sinking Fund Installments
Redemption Date	<u>Redeemed or Purchased</u>
<u>(September 1)</u>	

(Maturity)

(c) Additional Bonds. Any Parity Bonds issued pursuant to Section 3.05 of this Indenture may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of the principal amount thereof and accrued interest thereon

plus such premium or premiums, if any, as may be determined by the City in the applicable Parity Bonds Instrument.

(d) Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the City, by the Trustee by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds. Any such notice also shall be given to the Securities Depositories and the Information Services on the same date that it is given to the Owner of the Bonds.

(e) Contents of Notice. All notices of redemption shall be dated and shall state:

- (i) the CUSIP numbers of all Outstanding Bonds being redeemed;
- (ii) the stated interest rate with respect to each Bond being redeemed;
- (iii) the maturity date of each Bond being redeemed;
- (iv) the Redemption Price;
- (v) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date; and
- (vi) the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Principal Corporate Trust Office of the Trustee.

The City may send a conditional notice of redemption that notifies the Owners of the Bonds to be redeemed that the redemption is subject to the availability of funds. 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 Outstanding 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 as the original notice of redemption was sent.

(f) Consequences of Notice. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall

cease to have interest accrue thereon. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be redelivered. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

(g) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(h) Manner of Redemption. Whenever any Bonds are to be selected for redemption and unless otherwise provided herein, the City shall determine the Bonds or portions thereof to be redeemed among series and maturities within a series and notify the Trustee, and the Trustee shall select the Bonds or portions thereof to be redeemed by lot within a maturity and notify the City.

All Series 2018 Bonds redeemed pursuant to this Section and all Series 2018 Bonds purchased by the City pursuant to this subsection shall be cancelled and destroyed pursuant to Section 9.08.

SECTION 2.03. Form of Series 2018 Bonds. The Series 2018 Bonds, the Trustee's certificate of authentication, and the 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 Series 2018 Bonds. The Series 2018 Bonds shall be signed in the name and on behalf of the City with the manual or facsimile signatures of its City Manager and attested by the manual or facsimile signature of its City Clerk under the seal of the City. Such seal may be in the form of a facsimile of the City's seal and shall be imprinted or impressed upon the Series 2018 Bonds. The Series 2018 Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Series 2018 Bonds shall cease to be such officer before the Series 2018 Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the City, such Series 2018 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 Series 2018 Bond may be signed on behalf of the City by any individual who on the actual date of the execution of such Series 2018 Bond shall be the proper officer although on the nominal date of such Series 2018 Bond such individual shall not have been such officer.

Only such of the Series 2018 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 Series 2018 Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.05. Transfer of Series 2018 Bonds. Any Series 2018 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 Series 2018 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Series 2018 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 tenor, maturity and aggregate principal amount. No Series 2018 Bonds the notice of redemption of which has been mailed pursuant to Section 2.02(d) shall be subject to transfer pursuant to this Section.

SECTION 2.06. Exchange of Series 2018 Bonds. Series 2018 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for Series 2018 Bonds of the same tenor and maturity and of other authorized denominations. No Series 2018 Bonds the notice of redemption of which has been mailed pursuant to Section 2.02(d) shall be subject to exchange pursuant to this Section.

SECTION 2.07. Temporary Bonds. The Series 2018 Bonds may be issued initially in temporary form exchangeable for definitive Series 2018 Bonds when ready for delivery. The temporary Series 2018 Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Series 2018 Bond shall be executed by the City and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Series 2018 Bonds. If the City issues temporary Series 2018 Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Series 2018 Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate 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 Series 2018 Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.08. Bond Registration Books. The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the Bonds, which shall at all times during regular business hours, and upon reasonable notice, 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, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount 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 cancelled by it and delivered to, or upon the order of, the City. 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 them and indemnity satisfactory to them 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 maturity and principal amount 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 indemnity satisfactory to the Trustee). The City may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the City and the Trustee. Any Bond issued under the provisions of this Section 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.

(a) Original Delivery. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered on the Bond Registration Books maintained by the Trustee pursuant to Section 2.08 hereof in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on such Bond Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the City and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the City holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest represented by the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The City and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of

payment of principal, premium, if any, and interest represented by such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal, interest and premium, if any, represented by the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal, interest and premium, if any, represented by the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the City to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the City shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the City shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the City or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the City may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the City determines to terminate the Depository as such, then the City shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the City and the Trustee in the execution of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the City fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

In the event the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will execute, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the City shall cooperate with the Depository in taking appropriate action (y) to make available one

or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the City's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, interest and premium, if any, represented by such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

ARTICLE III

ISSUE OF SERIES 2018 BONDS; PARITY BONDS

SECTION 3.01. Issuance of Series 2018 Bonds. Upon the execution and delivery of this Indenture, the City shall execute and deliver Series 2018 Bonds in the aggregate principal amount of [_____] Dollars (\$[_____]) to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the City.

SECTION 3.02. Application of Proceeds of Sale of Series 2018 Bonds and Other Moneys; Bond Proceeds Fund.

(a) Receipt of Bond Proceeds and Other Moneys. On the Closing Date, the original purchaser of the 2018 Bonds will wire the amount of \$[_____] to the Trustee, which is equal to the original principal amount of the 2018 Bonds, [plus][less] a net original issue [premium][discount] in the amount of \$[_____] and less an underwriter's discount in the amount of \$[_____].

(b) Deposits into and use of Moneys in the Bond Proceeds Fund. On the Closing Date, the Trustee shall deposit the proceeds of the 2018 Bonds described in Section 3.02(a) into the Bond Proceeds Fund, which is hereby established as a separate fund to be held by the Trustee in trust. The Trustee shall apply moneys in the Bond Proceeds Fund as follows:

(i) the Trustee shall transfer to the Escrow Agent for deposit in the Escrow Fund the amount of \$[_____] to provide for the defeasance and redemption of the 2008 Bonds; and

(ii) the Trustee shall transfer to the Cost of Issuance Fund the amount of \$[_____].

(c) Closing the Bond Proceeds Fund. After making the transfers from the Bond Proceeds Fund described in Section 3.02(b), and after transferring any moneys that remain in the Bond Proceeds Fund to the Debt Service Fund, the Trustee shall close the Bond Proceeds Fund.

SECTION 3.03. Reserved.

SECTION 3.04. Cost of Issuance Fund. There is hereby created a fund to be known as the "City of Santa Rosa Refunding Water Revenue Bonds, Series 2018, Cost of Issuance Fund," which the City hereby covenants and agrees to cause to be maintained and which shall be held in trust by the Trustee. The moneys in the Cost of Issuance Fund shall be used in the manner provided by law solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of one or more Requests of the City therefor, on or after the Closing Date, in the form of Exhibit B. Any funds remaining in the Cost of Issuance Fund on May 1, 2019, shall be transferred by the Trustee to the Debt Service Fund.

SECTION 3.05. Issuance of Parity Bonds. In addition to the Series 2018 Bonds, the City may, by a Parity Bonds Instrument, issue or incur other loans, advances or indebtedness payable from Net Revenues to be derived from the Water System, to provide financing for the Water System, in such principal amount as shall be determined by the City. The City may issue or incur any such Parity Bonds subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Bonds:

(a) The City shall be in compliance with all covenants set forth in this Indenture.

(b) The Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City, in either case verified by an Independent Certified Public Accountant or Independent Consultant or shown in the audited financial statements of the City, plus, at the option of the City, any or all of the items hereinafter in this paragraph designated (i) and (ii), shall at least equal one hundred percent (100%) of Maximum Annual Debt Service, excluding Demand Fees, and one hundred twenty-five percent (125%) of Maximum Annual Debt Service, including Demand Fees, with Maximum Annual Debt Service calculated, in each case, on all Bonds to be Outstanding immediately subsequent to the issuance of such Parity Bonds. The items any or all of which may be added to such Net Revenues for the purpose of issuing or incurring Parity Bonds hereunder are the following:

(i) An allowance for Net Revenues from any additions to or improvements or extensions of the Water System to be made with the proceeds of such Parity Bonds, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such Fiscal Year or such twelve (12) month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Consultant engaged by the City.

(ii) An allowance for earnings arising from any increase in the Charges which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to 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 or such twelve (12) month period, all as shown in the written report of an Independent Consultant engaged by the City.

(c) The Parity Bonds Instrument providing for the issuance of such Parity Bonds under this Section 3.05 shall provide that:

(i) The proceeds of such Parity Bonds shall be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Water System, or otherwise for facilities, improvements or property which the City determines are of benefit to the Water System, or for the purpose of refunding any Bonds in whole or in part, including all costs (including costs of issuing such Parity Bonds and including capitalized interest on such Parity Bonds during any period which the City deems necessary or advisable) relating thereto;

(ii) Interest on such Parity Bonds shall be payable on an Interest Payment Date; and

(iii) The principal of such Parity Bonds shall be payable on September 1 in any year in which principal is payable.

SECTION 3.06. State Loans. The City may borrow money from the State to finance improvements to the Water System, without complying with the provisions of Section 3.05 (c) (ii) or (iii), and the obligation of the City to make payments to the State under the installment sale or loan agreement memorializing said borrowing (the "State Loan") may be treated as Parity Bonds for purposes of this Indenture; provided that the City shall not make a payment on such State Loan (except as provided in this Indenture) to the extent it would have the effect of causing the City to fail to make a timely payment on the Bonds as determined by the City in its sole discretion. In the event the Net Revenues are ever insufficient to pay the full amount of payments on the Bonds then Outstanding and such State Loans, the City shall make payments on the Outstanding Bonds and such State Loans on a pro rata basis.

SECTION 3.07. Subordinate Bonds. Nothing in this Indenture shall prohibit or impair the authority of the City to issue bonds or other obligations secured by a lien on Gross Revenues or Net Revenues which is subordinate to the lien established hereunder, upon such terms and in such principal amounts as the City may determine.:

SECTION 3.08. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the City in connection with the Water System, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

PLEDGE OF NET REVENUES; FUNDS AND ACCOUNTS

SECTION 4.01. Pledge of Net Revenues.

(a) The City hereby transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners, that portion of the Net Revenues which is necessary to pay the principal or Redemption Price of and interest on the Bonds in any Fiscal Year, together with all moneys on deposit in the Debt Service Fund, and such portion of the Net Revenues is hereby irrevocably pledged to the punctual payment of the principal or Redemption Price of and interest on the Bonds. The Net Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by this Article. Said pledge shall constitute a first, direct and exclusive charge and lien on the Net Revenues for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms thereof.

(b) The Net Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of and interest on the Bonds. The general fund of the City is not liable and the 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 Owner of the Bonds shall not compel the exercise of the taxing power by the City or the forfeiture of its property. The principal or Redemption Price of and interest on the Bonds are not a debt of the City within the meaning of any Constitutional limitation on indebtedness, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues of the Water System.

SECTION 4.02. Receipt and Deposit of Revenues. The City covenants and agrees that all Gross Revenues, when and as received, will be received and held by the City in trust hereunder and will be deposited by the City in a Water Utility Fund to be established and held by the City, and will be accounted for through and held in trust in the Water Utility Fund, and the City shall only have such beneficial right or interest in any of such money as in this Indenture provided. All such Gross Revenues shall be transferred, disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

SECTION 4.03. Establishment of Funds and Accounts and Allocation of Revenues Thereof. The Debt Service Fund, as a special fund, and the Sinking Fund Account and Redemption Account, as special accounts therein, are hereby created.

The Debt Service Fund, Sinking Fund Account and Redemption Account therein shall be held and maintained by the Trustee.

All Gross Revenues shall be held in trust by the City in the Water Utility Fund and shall be applied, transferred, used and withdrawn only for the purposes hereinafter authorized in this Article.

(a) Maintenance and Operation Costs. The City shall first pay from the moneys in the Water Utility Fund the budgeted Maintenance and Operation Costs as such Maintenance and Operation Costs become due and payable.

(b) Debt Service Fund. On or before the second Business Day prior to each Interest Payment Date, the City shall transfer from the Water Utility Fund to the Trustee for deposit in the Debt Service Fund (i) an amount equal to the aggregate amount of interest to become due and payable on all Outstanding Series 2018 Bonds on the next succeeding Interest Payment Date, plus (ii) an amount equal to the aggregate amount of Principal Installments becoming due and payable on all Outstanding Series 2018 Bonds on the next succeeding Principal Payment Date. All interest earnings and profits or losses on the investment of amounts in the Debt Service Fund shall be deposited in or charged to the Debt Service Fund and applied to the purposes thereof. No transfer and deposit need be made into the Debt Service Fund if the amount contained therein, taking into account investment earnings and profits, is at least equal to the Interest Requirement or Principal Installments to become due on the next Interest Payment Date or Principal Payment Date upon all Outstanding Series 2018 Bonds.

(c) Debt Service Funds for Parity Bonds. On or before the second Business Day prior to each Interest Payment Date, the City shall transfer from the Water Utility Fund to the Trustee for deposit in the debt service funds created for each Series of Parity Bonds (i) an amount equal to the aggregate amount of interest to become due and payable on all Outstanding Parity Bonds on the next succeeding Interest Payment Date, plus (ii) an amount equal to the aggregate amount of Principal Installments becoming due and payable on all Outstanding Parity Bonds on the next succeeding Principal Payment Date. All interest earnings and profits or losses on the investment of amounts in the Debt Service Fund shall be deposited in or charged to the Debt Service Fund and applied to the purposes thereof. No transfer and deposit need be made into the Debt Service Fund if the amount contained therein, taking into account investment earnings and profits, is at least equal to the Interest Requirement or Principal Installments to become due on the next Interest Payment Date or Principal Payment Date upon all Outstanding Parity Bonds.

(d) Reserve Accounts. The City did not establish a debt service reserve account for the Series 2018 Bonds. However, the City may establish a debt service reserve account for one or more Series of Parity Bonds. After making the payments, allocations and transfers provided for in subsections (a), (b) and (c) above, if the balance on hand in the reserve account for any Series of Parity Bonds is less than the applicable reserve requirement, such deficiency shall be restored by transfers from the first moneys which become available in the Water Utility Fund to the Trustee to replenish the reserve account for any Series of Parity Bonds, on a pro rata basis.

(e) 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 (a) to (d), inclusive, any moneys

remaining in the Water Utility Fund may at any time be treated as surplus and applied for any lawful purpose.

SECTION 4.04. Application of Debt Service Fund.

(a) The Trustee shall withdraw from the Debt Service Fund, prior to each Interest Payment Date, an amount equal to the Interest Requirement payable on such Interest Payment Date, and shall cause the same to be applied to the payment of said interest when due and is hereby authorized to apply the same to the payment of such interest.

(b) The Trustee shall withdraw from the Debt Service Fund, prior to each Principal Payment Date, an amount equal to the Principal Installment due and payable on said Principal Payment Date, and shall cause the same to be applied to the payment of the Principal Installment when due and is hereby authorized to apply the same to the payment of such Principal Installment.

(c) All withdrawals and transfers under the provisions of subsection (a) or subsection (b) of this Section shall be made not earlier than one (1) day prior to the Interest Payment Date or Principal Payment Date to which they relate, and the amount so withdrawn or transferred shall, for the purposes of this Indenture, be deemed to remain in and be part of the appropriate Account until such Interest Payment Date or Principal Payment Date.

SECTION 4.05. Application of Sinking Fund Accounts.

(a) The Trustee shall establish and maintain a separate Account for each Series having Outstanding Term Bonds for which Sinking Fund Installments are established in accordance with the applicable Supplemental Indenture, such Account to be designated "Series __ Sinking Fund Account" (inserting therein the Series designation of such Term Bonds).

(b) The Trustee shall apply moneys in any Sinking Fund Account established as provided in subsection (a) of this Section to the purchase or the redemption of the Term Bonds for which such Sinking Fund Account is maintained in the manner provided in this Section and to the payment of the Principal Installment thereof at maturity, provided that no such Bonds shall be so purchased with a trade settlement date after the June 15th next preceding the date of a Sinking Fund Installment established for such Bonds. The purchase price paid by the Trustee, at the direction of the City (excluding accrued interest (which shall be paid from the Debt Service Fund) but including any brokerage and over charges) for any Bond purchased pursuant to this Section shall not exceed the Redemption Price of such Bond applicable upon its redemption by operation of the Sinking Fund Account through application of the moneys available for such purchase on the next date of a Sinking Fund Installment established for such Bonds. Subject to the limitations hereinbefore set forth or referred to in this Section, the City may purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the City in its discretion may determine and as may be possible with the amount of moneys available therefor in the applicable Sinking Fund Account. If on any date there shall be moneys in any such Sinking Fund Account and there shall be Outstanding none of the Bonds for which such Account was established, such Sinking Fund Account shall be closed and Trustee shall transfer any moneys therein to the City for deposit in the Water Utility Fund. The City shall, at the time of any such purchase, pay to the Trustee for deposit in the Sinking Fund Account the amount of any deficiency in such Account which may be caused by such purchase.

(c) As soon as practicable after the 60th and before the 30th day prior to a Principal Payment Date on which a Sinking Fund Installment is due, the Trustee shall call for redemption in the manner provided in Article II on such Principal Payment Date of said Sinking Fund Installment, and on such redemption date the Trustee shall apply the moneys in such Sinking Fund Account to the payment of the Redemption Price of the Bonds so called for redemption.

(d) There is hereby created a Series 2018 Sinking Fund Account. Not less than 5 Business Days before each Principal Payment Date, and after any moneys in the Series 2018 Sinking Fund Account have been applied, the City shall transfer from the Water Utility Fund to the Trustee for deposit in the Series 2018 Sinking Fund Account an amount equal to the aggregate amount of the Sinking Fund Installments payable on the Principal Payment Date next succeeding the date of such transfer. Such moneys shall be transferred to the Series 2018 Sinking Fund Account without preference or priority over any other Sinking Fund Account.

SECTION 4.06. Application of Redemption Account. On or before the date which is at least one day prior to any date on which any Bonds are subject to optional redemption, the City shall transfer from the Water Utility Fund to the Trustee for deposit in the Redemption Account

an amount at least equal to the Redemption Price (excluding accrued interest, which is payable from the Debt Service Fund) of such Series 2018 Bonds to be redeemed on such date. If after all of the Bonds have been paid or deemed to have been paid, there are moneys remaining in the Redemption Account, such moneys shall be transferred by the Trustee to the City for deposit in the Water Utility Fund.

SECTION 4.07. Establishment of Rate Stabilization Fund. The City has the right at any time to establish a rate stabilization fund (the "Rate Stabilization Fund") to be held by it and administered in accordance with this Section 4.07, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Water System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Bonds, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Water Utility Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Water Utility Fund shall be applied for the purposes of the Water Utility Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Bonds. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the City.

SECTION 4.08. Investments. All moneys in the Water Utility Fund and the Rate Stabilization Fund may be invested by the City from time to time in any investments authorized by law, consistent with the City's investment policy.

All moneys in the Debt Service Fund and Cost of Issuance Fund shall be invested by the Trustee solely in Authorized Investments, as directed pursuant to a Request of the City. In the absence of any such Request of the City, the Trustee will invest any such moneys in money market funds whose investments are restricted to Federal Securities, provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the City specifying a specific money market fund and, if no such written direction is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any Fund or Account shall be deemed to be part of such Fund or Account, and all interest or gain derived from the investment of amounts in any of the Funds or Accounts established hereunder shall be deposited in the Fund or Account from which such investment was made; and shall be accounted for and applied as provided in Section 4.04(c) (with respect to the Debt Service Fund). For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder with the written approval of the City. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment, and shall be entitled to its customary fees therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The Trustee shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. 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 City waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, 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.

SECTION 4.09. Valuation; Investments.

In computing the amount in any Fund or Account, Authorized Investments shall be valued at Fair Market Value. With respect to all Funds and Accounts, valuation shall occur annually.

Except as otherwise provided in the following sentence, the City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Series 2018 Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at their present value (within the meaning of section 148 of the Tax Code).

ARTICLE V

COVENANTS OF THE CITY; SPECIAL TAX COVENANTS

SECTION 5.01. Punctual Payment; Compliance With Documents. The City shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Parity Bonds Instruments.

SECTION 5.02. Against Encumbrances. The City will not mortgage or otherwise encumber, pledge or place any charge upon the Water System or any part thereof, or upon any of the Net Revenues, except as provided in the Indenture.

SECTION 5.03. 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 Water System 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 of the Water System or upon any part thereof or upon any of the Net Revenues therefrom.

SECTION 5.04. Acquisition, Construction or Financing of Improvements to the Water System. The City will acquire, construct, or finance Improvements to the Water System to be financed with the proceeds of any Parity Bonds with all practicable dispatch, and such Improvements will be made in an expeditious manner and in conformity with laws so as to complete the same as soon as possible.

SECTION 5.05. Maintenance and Operation of Water System in Efficient and Economical Manner. The City covenants and agrees to maintain and operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

SECTION 5.06. Against Sale, Eminent Domain.

(a) The City will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Revenues except as herein expressly permitted. The City will not enter into any lease or agreement which impairs the operation of the Water System or any part thereof necessary to secure adequate Net Revenues for the payment of the interest on and principal or Redemption Price, if any, on the Bonds, or which would otherwise impair the rights of the Holders with respect to the Net Revenues or the operation of the Water System. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has worn out, may be sold

at not less than the market value thereof without the consent of the Holders if such sale will not reduce Net Revenues and if all of the Net Proceeds of such sale are deposited in the Water Utility Fund.

(b) If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund in trust and applied by the City to the cost of acquiring or constructing or financing Improvements to the Water System or to the redemption of the Series 2018 Bonds or any Parity Bonds.

SECTION 5.07. Insurance. The City covenants that it shall at all times maintain such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Water System shall be damaged or destroyed, such part shall be restored to use. The Net Proceeds of insurance against accident to or destruction of any useful part of the physical Water System shall be used for repairing or rebuilding the damaged or destroyed portions of the Water System or for any lawful purpose of the Water System.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or may be in the form of self-insurance by the City. The City shall establish such fund or funds or reserves as it determines, in its sole judgment, are necessary to provide for its share of any such self-insurance.

SECTION 5.08. Records and Accounts. The City covenants that it shall keep proper books of record and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water System. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than ten percent (10%) of the Outstanding Bonds or their representatives authorized in writing.

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

The City covenants that it will cause to be prepared annually, not more than one hundred eighty (180) days after the close of each Fiscal Year, as a part of its regular annual financial report, a summary statement showing the amount of Gross Revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the Bonds, the disbursements from the Gross Revenues and other funds in reasonable detail. The City shall furnish a copy of the statement to the Trustee, and upon written request, to any Bond Owner.

SECTION 5.09. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend

their rights against all claims and demands of all persons. From and after the sale and delivery of any Parity Bonds by the City, such Parity Bonds shall be incontestable by the City.

SECTION 5.10. Against Competitive Facilities. The City will not acquire, construct, operate or maintain the Water System or utility within the service area of the City that would be competitive with the Water System.

SECTION 5.11. Payment of Taxes, Etc. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof or upon any Revenues when the same shall become due. The City will duly observe and conform with all valid requirements of any governmental authority relative to the Water System or any part thereof, and will comply with all requirements with respect to any state or federal grants received to assist in paying for the costs of the acquisition, construction or financing of any Improvements to the Water System.

SECTION 5.12. Rates and Charges. (a) The City shall fix, prescribe, revise and collect Charges for the Water System during each Fiscal Year which (together with other funds accumulated from Gross Revenues and which are lawfully available to the City for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to produce Gross Revenues (excluding Demand Fees, connection fees and transfers to the Water Utility Fund from the Rate Stabilization Fund) which will be sufficient to pay the following amounts in the following order of priority:

(i) all Maintenance and Operation Costs of the Water System estimated by the City to become due and payable in such Fiscal Year;

(ii) the Debt Service on the Bonds (including any State Loans) due and payable in that Fiscal Year; and

(iii) all other payments due and payable in that Fiscal Year required for compliance with this Indenture and the instruments pursuant to which any Parity Bonds relating to the Water System shall have been issued.

For purposes of meeting the covenant set forth in this paragraph (a), the City shall not be required to include in the computation of Maintenance and Operation Costs any costs of repairing the Water System to the extent those costs are directly or indirectly caused by the occurrence of one or more events cited in a proclamation or declaration of the President of the United States or the Governor of California in which the President or the Governor proclaimed the existence of a state of emergency because of damage caused by such event(s), but only if the City reasonably determines that it will have sufficient moneys from a source other than Charges to be levied and collected in that Fiscal Year to pay those costs.

(b) In addition, the City shall fix, prescribe, revise and collect Charges during each Fiscal Year which are sufficient to yield (i) Net Revenues, including Demand Fees, connection fees and transfers to the Water Utility Fund from the Rate Stabilization Fund, at least equal to one

hundred twenty-five percent (125%) of the amounts payable under the preceding clause (a)(ii) in such Fiscal Year, and (ii) Net Revenues, excluding Demand Fees, at least equal to one hundred percent (100%) of the amounts payable under the preceding clause (a)(ii) in such Fiscal Year.

SECTION 5.13. No Senior Priority for Additional Obligations. The City covenants that no additional bonds or other obligations shall be issued or incurred having any priority in payment of principal or interest out of the Net Revenues over the Bonds.

SECTION 5.14. No Arbitrage. The City shall not take, nor permit nor suffer to be taken any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be "arbitrage bonds" within the meaning of the Tax Code.

SECTION 5.15. Information Report. The Chief Financial Officer is hereby directed to assure the filing of an information report for the Series 2018 Bonds in compliance with Section 149 (e) of the Tax Code.

SECTION 5.16. Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

SECTION 5.17. 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 Series 2018 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

SECTION 5.18. 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 the rights and benefits provided in this Indenture.

SECTION 5.19. 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 this 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.

SECTION 5.20. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

SECTION 5.21. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners

of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Bonds.

SECTION 5.22. Record Retention. The City will retain its records of all accounting and monitoring it carries out with respect to the Series 2018 Bonds for at least 3 years after the Series 2018 Bonds mature or are redeemed (whichever is earlier); however, if the Series 2018 Bonds are redeemed and refunded, the Issuer will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Series 2018 Bonds.

SECTION 5.23. Compliance with Tax Certificate. The City will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Series 2018 Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Series 2018 Bonds.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. Appointment of Trustee. Zions Bancorporation, National Association, with an office in San Francisco, California, a banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the City for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The City agrees that it will maintain a Trustee having a corporate trust office in San Francisco, California, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 5.01 the combined capital and surplus of such bank 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.

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

SECTION 6.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

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

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers but shall be answerable for the selection of the same in accordance with the standard specified above, and shall be entitled to rely conclusively on advice of counsel of its choice concerning all matters of trust and its duty hereunder.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for the validity of this Indenture or any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire

as to the observance or performance of any covenants, conditions or agreements on the part of the City hereunder. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.08.

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

(e) In the absence of bad faith on its part, the Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Bond Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the City as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.02(h) hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Certificate of the City to the effect that an authorization in the form therein set forth has been adopted by the City, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

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

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the City to make any of the payments to the Trustee required to be made by the City pursuant hereto or failure by the City to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the City or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

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

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

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

(l) Before taking the action referred to in Section 8.03 the Trustee may require that an indemnity bond satisfactory in terms and amount be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is finally adjudicated by a court of law to have resulted from its negligence or willful default in connection with any such action.

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

SECTION 6.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first

lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

SECTION 6.04. Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds, of which the Trustee has been given or is deemed to have notice, as provided in Section 6.02(h) hereof, then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the City to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

SECTION 6.05. Intervention by Trustee. In any judicial proceeding to which the City is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.02 hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of such Bonds then Outstanding.

SECTION 6.06. Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, and the City may so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee (where applicable), whereupon the City or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in Section 6.01 hereof.

SECTION 6.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice by registered or certified mail to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the City shall cause notice thereof to be given by first class mail to the Bond Owners at their respective addresses set forth on the Bond Registration Books. No resignation of the Trustee shall take effect until a successor is appointed and has accepted.

SECTION 6.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, the City shall promptly appoint a successor Trustee. In the event the City shall for any reason whatsoever fail to appoint a successor Trustee within forty-five (45) days following the delivery to the Trustee of the instrument described in Section 6.06 or within forty-five (45) days following the receipt of notice by the City pursuant to Section 6.07, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the City purporting to appoint a successor Trustee following the expiration of such forty-five-day period.

Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed; provided, however, that if for any reason whatsoever no successor Trustee shall have been appointed within 45 days following receipt of notice by the City pursuant to Section 6.07 above, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee which meets the requirements of Section 6.01 hereof.

SECTION 6.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be eligible under Section 6.01), shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 6.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the City an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the City, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

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

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised

by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

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

SECTION 6.12. Indemnification; Limited Liability of Trustee. The City shall indemnify and hold the Trustee harmless from and against all claims, losses, costs, expenses, liabilities and damages including legal fees and expenses arising from the exercise and performance of its duties hereunder and the termination of this Indenture. Such indemnity shall survive the resignation or removal of the Trustee hereunder. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if it shall have reasonable grounds for believing repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of a majority of the Owners of the principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THE INDENTURE

SECTION 7.01. Amendment by Consent of Bond Owners. This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.03 hereof, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

SECTION 7.02. Amendment Without Consent of Bondholders. This Indenture and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery, without consent of any Bond Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

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

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

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

SECTION 7.03. Disqualified Bonds. Bonds owned or held by or for the account of the City (but excluding Bonds held in any employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds in this article provided for, and shall not be entitled to consent to, or take any other action in this article provided for.

SECTION 7.04. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the City may determine that the Bonds shall bear a notation, by endorsement in form approved by the City, as to such action,

and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such Bond Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.01. Events of Default and Acceleration of Maturities. The following events shall be Events of Default hereunder:

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

(b) Default in the due and punctual payment of any installment of interest on any Bond 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 any Parity Bonds Instrument or in the Bonds contained, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Trustee; or

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

Upon the occurrence of an Event of Default, the Trustee may, and shall at the direction of the owners of a majority of the principal amount of the Bonds, by written notice to the City, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and there interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable 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 of the principal of and interest on the Bonds having come due prior to such declaration, with interest on such overdue principal and interest calculated at the rate of interest per annum then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee and those of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of the principal of and interest on the Bonds having come 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 a majority in aggregate principal amount of the Bonds at the time Outstanding may, by written notice to the City and to the

Trustee, on behalf of the Owners of all of the Outstanding Bonds, rescind and annul such declaration and its consequences. However, 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 8.02. Application of Funds Upon Acceleration. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the costs and expenses of the Trustee and of Bond Owners in declaring such Event of Default, including reasonable compensation to their agents, attorneys and counsel, and to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably in proportion to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.03. Other Remedies; Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, in addition to the remedy specified in Section 8.01, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and indemnified as provided in Section 6.02 (l), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

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

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of

Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

SECTION 8.04. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 8.05. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 8.06. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Net Revenues and other moneys herein pledged for such payment.

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

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

SECTION 8.07. Rights and Remedies of Bond Owners. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

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

SECTION 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the City, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX
MISCELLANEOUS

SECTION 9.01. Limited Liability of City. Notwithstanding anything in this Indenture contained, the City shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Gross Revenues). The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the City for such purpose without incurring indebtedness.

SECTION 9.02. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Trustee and the Owners any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the Owners.

SECTION 9.03. Discharge of Indenture. If the City shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

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

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by depositing with a qualified escrow holder, in trust, Defeasance Obligations in such amount as the City (verified by an Independent Certified Public Accountant) shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the Funds and Accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to Section 2.02(d) or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the election of the City, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the City under this Indenture with respect to all

such Bonds, shall cease and terminate, except only the obligation of the City to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee.

Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the City.

Refunding bonds may be issued at any time without regard to whether an Event of Default exists.

To accomplish defeasance the City shall cause to be delivered (i) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or earlier redemption date ("Verification"), (ii) an escrow deposit agreement, and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City and the Trustee.

SECTION 9.04. Content of Certificates. Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

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

SECTION 9.05. Execution of Documents by Bond Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing

appointing any such agent, 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 9.05.

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

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

Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the City in pursuance of such request, consent or vote.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded.

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

SECTION 9.06. Waiver of Personal Liability. No officer, agent or employee of the City shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the City (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The City hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections,

paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 9.08. Destruction of Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the City of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds and furnish to the City a certificate of such destruction.

SECTION 9.09. Funds and Accounts. Any Fund or Account required by this Indenture to be established and maintained by the City or the Trustee may be established and maintained in the accounting records of the City or the Trustee, as the case may be, either as a Fund or an Account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a Fund or as an Account. All such records with respect to all such Funds and Accounts held by the City shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such Funds and Accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 9.10. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by fax or other electronic transmission, addressed as follows:

(a) if to the City, to City of Santa Rosa, City Hall, 100 Santa Rosa Avenue, Santa Rosa, California 95402, Attention: Chief Financial Officer, Fax: [____]; Email: [____]; and [Confirm whether to use address of Finance Department (90 Santa Rosa Avenue)]

(b) if to the Trustee, at Zions Bancorporation, National Association, One California Street, Suite 1000, San Francisco, CA 94111 Attention: Corporate Trust Department, Fax: [____], Email: [____].

The City and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 9.11. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall, at the Request of the City, be repaid by the Trustee to the City, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the City for the payment of such Bonds.

IN WITNESS WHEREOF, the CITY OF SANTA ROSA has caused this Indenture to be signed in its name by its Chief Financial Officer and its seal to be affixed hereon and attested by its City Clerk, and Zions Bancorporation, National Association, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

CITY OF SANTA ROSA

Chief Financial Officer

[SEAL]

ATTEST:

City Clerk

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Trustee

By _____
Authorized Officer

SIGNATURE PAGE

EXHIBIT A

FORM OF SERIES 2018 BOND

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SONOMA

CITY OF SANTA ROSA
REFUNDING WATER REVENUE BOND, SERIES 2018

NO. R-__ \$ _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
	September 1, ____	[____] [__], 2018	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ DOLLARS***

The City of Santa Rosa, a charter city and municipal corporation organized and existing under the laws of the State of California (the "City"), for value received, will (subject to any right of prior redemption hereinafter provided for), on the Maturity Date specified above, pay to the Registered Owner named above, or registered assigns (the "Owner"), the Principal Amount stated above, in lawful money of the United States of America, and pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Series 2018 Bond (unless (i) this Series 2018 Bond is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) this Series 2018 Bond is authenticated prior to February 15, 2019, in which event it shall bear interest from the Dated Date stated above; provided, however, that if at the time of authentication of this Series 2018 Bond, interest is in default on this Series 2018 Bond, this Series 2018 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Series 2018 Bond) until payment of such Principal Amount in full, at the Interest Rate per annum stated above, payable on March 1 and September 1 in each year, commencing March 1, 2019 (each an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months.

Principal hereof, whether at maturity or upon early redemption hereof, are payable at the corporate trust office of Zions Bancorporation, National Association (the "Trustee") in San Francisco, California. Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Trustee mailed by first class mail to the

Owner at the Owner's address as it appears on the registration books maintained by the Trustee as of the close of business on the fifteenth (15th) day of the month next preceding such Interest Payment Date (the "Record Date"); provided, that at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, such interest may be paid by wire transfer.

This Series 2018 Bond is one of a duly authorized issue of bonds of the City designated as its "Refunding Water Revenue Bonds, Series 2018" (the "Series 2018 Bonds") issued under and pursuant to an Indenture of Trust (the "Indenture") by and between the City and the Trustee, dated as of [____] 1, 2018, and approved by the City by a Resolution, adopted by the Council of the City on [____] [__], 2018 (the "Resolution"). Copies of the Indenture are on file at the office of the City Clerk and at the above-mentioned office of the Trustee, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Bond Law is made for a description of the terms on which the Series 2018 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 Series 2018 Bonds. All the terms of the Indenture and the Bond Law are hereby incorporated herein and constitute a contract between the City and the Owner from time to time of this Series 2018 Bond, and to all the provisions thereof the Owner of this Series 2018 Bond, by acceptance hereof, consents and agrees. Each taker and subsequent Owner hereof shall have recourse to all of the provisions of the Bond Law and the Indenture and shall be bound by all of the terms and conditions thereof.

The Series 2018 Bonds are being issued to (i) defease and redeem the City's outstanding \$13,850,000 City of Santa Rosa Water Revenue Bonds, Series 2008, (ii) provide for a reserve fund, if necessary, and (iii) pay the costs of issuing the Series 2018 Bonds.

The Series 2018 Bonds are special obligations of the City and are secured by amounts held from time to time in the Debt Service Fund established and held by the Trustee under the Indenture and, subject to certain restrictions set forth in the Indenture, a pledge of and lien on certain Net Revenues (as defined in the Indenture) generated by the City's Water System.

Neither the general fund, the full faith and credit, nor the taxing power of the City, the State of California or any other political subdivision thereof is pledged to the payment of the Series 2018 Bonds. The Series 2018 Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the Net Revenues.

The City covenants in the Indenture that it will fix, prescribe, revise and collect Charges (as defined in the Indenture) for the Water System in each Fiscal Year which are sufficient to pay [120] percent of principal of and interest payable in that fiscal year on all outstanding Bonds (the Series 2018 Bonds and any Parity Bonds) payable from Net Revenues of the Water System.

The Series 2018 Bonds maturing on or before September 1, 20[____] shall not be subject to optional redemption prior to maturity. The Series 2018 Bonds maturing on or after September 1, 20[____] shall be subject to redemption prior to their respective maturity dates, at the option of the City, as a whole, or in part, as determined by the City, on any date on or after September 1,

20[___], from any source of available funds, at the principal amount of the Series 2018 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The Series 2018 Bonds maturing September 1, 20___, are subject to mandatory redemption, on any September 1 on or after September 1, 20___, 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 minimum sinking fund account payments made by the City under the Indenture in the years and amounts as follows:

Redemption Date (September 1)	Amount
----------------------------------	--------

(Maturity)

The Series 2018 Bonds maturing September 1, 20___, are subject to mandatory redemption, on any September 1 on or after September 1, 20___, 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 minimum sinking fund account payments made by the City under the Indenture in the years and amounts as follows:

Redemption Date (September 1)	Amount
----------------------------------	--------

(Maturity)

Any Parity Bonds issued pursuant to the Indenture may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of the principal amount thereof and accrued interest thereon plus such premium or premiums, if any, as may be determined by the City in the applicable Parity Bonds Instrument.

Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the City, by the Trustee by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds. The City may send a conditional notice of redemption that notifies the Owners of the Series 2018 Bonds to be redeemed that the redemption is subject to the availability of funds. Any notice of an optional redemption may be rescinded as set forth in the Indenture.

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.

The Series 2018 Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Series 2018 Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person, or by his attorney duly authorized in writing, at said office of the Trustee in Los Angeles, California, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of any authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

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

The Indenture may be amended without the consent of the Owners of the Bonds to the extent set forth in the Indenture.

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

This Bond shall not become valid or obligatory for any purpose or be entitled to the benefits of the Indenture until the certificate of authentication and registration hereon shall have been manually signed by an authorized officer or signatory of the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any certificate 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 Santa Rosa has caused this Series 2018 Bond to be executed in its name and on its behalf with the facsimile signatures of its Mayor and its seal to be reproduced hereon and attested by the facsimile signature of its City Clerk, all as of the ____ day of ____, 2018.

CITY OF SANTA ROSA

By _____
Mayor

ATTEST:

By _____
City Clerk

CERTIFICATE OF AUTHENTICATION

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

Dated: _____, 2018

Zions Bancorporation, National
Association,
as Trustee

By: _____
Authorized Signatory

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 registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, saving and loan associations and credit unions with membership in an approved signature medallion program) pursuant to Securities and Exchange Agency Rule 17Ad-15.	Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without alteration or enlargement or any change whatsoever.
--	---

EXHIBIT B

FORM OF COST OF ISSUANCE FUND REQUISITION

\$[____]
CITY OF SANTA ROSA
(Sonoma County, California)
Refunding Water Revenue Bonds, Series 2018

REQUISITION NO. 1 FOR
DISBURSEMENT FROM COST OF ISSUANCE FUND

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting Chief Financial Officer of the City of Santa Rosa, a chartered city and municipal corporation duly organized and validly existing under the Constitution and the laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that the undersigned is an "Authorized Official" of the City, as such term is defined in that certain Indenture of Trust, dated as of [____] 1, 2018 (the "Indenture"), by and between the City and Zions Bancorporation, National Association, as trustee (the "Trustee");

(iii) that pursuant to Section 3.05 of the Indenture, the Trustee is hereby requested to disburse this date, from the Cost of Issuance Fund established under the Indenture, upon receipt of an invoice from each of the payees designated on Attachment 1 attached hereto and by this reference incorporated herein, the amount set forth in such invoice but no more than the amount set forth opposite each such payee, in payment of Costs of Issuance described on said Attachment 1, and all such payments shall be made by check or wire transfer in accordance with payment instructions contained in Attachment 1 or the invoice submitted in accordance therewith and the Trustee shall have no duty or obligation to authenticate such payment instructions or the authorization thereof;

(iv) that each obligation identified on the attached Attachment 1 has been properly incurred, is a proper charge against the Cost of Issuance Fund and has not been the basis of any previous disbursement; and

(v) that attached hereto is an invoice or other evidence supporting the amounts due as identified on Attachment 1.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

Dated: ____, 2018

CITY OF SANTA ROSA

By: _____
Authorized Official

ATTACHMENT 1

**REQUISITION NO. 1 FOR
DISBURSEMENTS FROM COST OF ISSUANCE FUND**

Payee Name and Address

Purpose of Obligation

*: Represents a not-to-exceed amount