

**IRREVOCABLE REFUNDING INSTRUCTIONS
Relating to**

**\$13,850,000
City of Santa Rosa
Water Revenue Bonds, Series 2008**

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions"), dated _____, 2018, are given by the CITY OF SANTA ROSA, a charter city and municipal corporation organized and existing under the Constitution and the laws of the State of California (the "City"), to ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as successor trustee (the "2008 Bonds Trustee") for the captioned bonds (the "2008 Bonds");

W I T N E S S E T H :

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 the 2008 Bonds pursuant to an Indenture of Trust, dated as of July 1, 2008 (the "2008 Indenture"), by and between the City and the 2008 Bonds Trustee for the purpose of financing certain improvements to the Water System; and

WHEREAS, the 2008 Bonds are subject to prior redemption on any date without a redemption premium and Section 2.02(e) of the 2008 Indenture authorizes the City to send a conditional notice of optional redemption; and

WHEREAS, the City, after due investigation and deliberation, has determined that it is in the interests of the City at this time to issue its City of Santa Rosa Refunding Water Revenue Bonds, Series 2018 (the "Refunding Bonds") pursuant to an Indenture of Trust, dated as of [] 1, 2018 (the "Refunding Indenture"), by and between the City and Zions Bancorporation, National Association, as trustee (the "Refunding Trustee") for the purpose of refinancing the 2008 Bonds; and

WHEREAS, the City desires to give these Instructions to the 2008 Bonds Trustee for the purpose of providing the terms and conditions relating to the deposit and application of moneys to provide for the payment and redemption of all of the 2008 Bonds pursuant to Section 2.03(a) of the 2008 Indenture;

NOW, THEREFORE, the City hereby irrevocably instructs the 2008 Bonds Trustee as follows:

Section 1. 2008 Bonds Debt Service Fund; Redemption Account. Pursuant to Section 4.03 of the 2008 Indenture, there has heretofore been established an account held by the 2008 Bonds Trustee known as the "Debt Service Fund" (the "2008 Bonds Debt Service Fund"), and within the 2008 Bonds Debt Service Fund a Reserve Account and Redemption Account. All

cash and securities deposited in or transferred to the 2008 Bonds Debt Service Fund and the Redemption Account therein pursuant to these Instructions are hereby irrevocably pledged as a special trust fund for the redemption of all of the 2008 Bonds on _____, 2018, in accordance with the 2008 Indenture. The 2008 Bonds Trustee shall have no lien upon or right of set off against the securities and cash at any time on deposit in the 2008 Bonds Debt Service Fund or the accounts therein, and such amounts shall be applied only as provided herein.

Section 2. Deposit and Transfer into 2008 Bonds Service Fund and the Interest Account and Redemption Account therein; Investment of Amounts. Concurrently with delivery of the 2018 Refunding Bonds, the City shall cause to be transferred to the 2008 Bonds Trustee the amount of \$_____ in immediately available funds to be derived from a portion of the proceeds of sale of the 2018 Refunding Bonds, which amount the 2008 Bonds Trustee shall then deposit in the 2008 Bonds Debt Service Fund for the 2008 Bonds in the amount of \$_____ (to pay accrued interest on the 2008 Bonds on ____, 2018) and the Redemption Account for the 2008 Bonds in the amount of \$_____ (to pay principal of the 2008 Bonds on ____, 2018). Concurrently, the 2008 Bonds Trustee will transfer \$_____ from the Reserve Account for the 2008 Bonds to the Redemption Account for the 2008 Bonds. The 2008 Bonds Trustee shall hold all amounts deposited in the 2008 Bonds Debt Service Fund and Redemption Account for the 2008 Bonds in cash, uninvested, pursuant to these Instructions.

The City confirms that by making the deposits described herein, it is discharging all of the 2008 Bonds pursuant to Section 9.03(b) of the 2008 Indenture.

Section 3. Proceedings for Redemption of 2008 Bonds. The City hereby irrevocably elects, and directs the 2008 Bonds Trustee, to redeem, on _____, 2018, all of the 2008 Bonds pursuant to the provisions of Section 2.03(a) of the 2008 Indenture. The City previously instructed the 2008 Bonds Trustee to mail a notice of redemption to the owners of the 2008 Bonds and any insurer of such 2008 Bonds in substantially in the form attached hereto as Exhibit A. The 2008 Bonds Trustee is hereby instructed to file on _____, 2018, the notice substantially in the form attached hereto as Exhibit B on the Municipal Securities Rulemaking Board's EMMA System.

Section 4. Application of Funds to Redeem the 2008 Bonds. The 2008 Bonds Trustee shall apply the amounts on deposit in the 2008 Bonds Debt Service Fund and the Redemption Account to redeem all of the 2008 Bonds on _____, 2018, at a price equal to 100% of the principal amount thereof, plus accrued interest.

Section 5. Transfer of Remaining Funds. On ____, 2018, following the payment and redemption of the 2008 Bonds, the 2008 Bonds Trustee shall withdraw any amounts remaining on deposit in the 2008 Bonds Debt Service Fund and the Redemption Account for the 2008 Bonds and transfer such amounts to the 2018 Refunding Bonds Trustee for deposit into the Debt Service Fund established under the Indenture for the 2018 Refunding Bonds to be used solely for the purpose of paying interest on the 2018 Refunding Bonds.

Section 6. Amendment. These Instructions shall be irrevocable by the City. These Instructions may be amended or supplemented by the City, but only if the City shall file with the 2008 Bonds Trustee (a) an opinion of nationally recognized bond counsel engaged by the City stating that such amendment or supplement will not, of itself, adversely affect the exclusion from gross income of interest represented by the 2008 Bonds or the 2018 Refunding Bonds under federal income tax law, and (b) a certification of an independent accountant or independent financial adviser engaged by the City stating that such amendment or supplement will not affect

the sufficiency of funds invested and held hereunder to make the payments required by Section 4.

Section 7. Governing Law. These Instructions shall be construed in accordance with and governed by the laws of the State of California.

CITY OF SANTA ROSA

By: _____
City Manager

ACCEPTED:

ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as 2008 Bonds Trustee

By: _____
Authorized Representative

ACCEPTED with respect to Section 5:

ZIONS BANCORPORATION, NATIONAL ASSOCIATION
as 2018 Refunding Bonds Trustee

By: _____
Authorized Representative

EXHIBIT A

FORM OF CONDITIONAL NOTICE OF FULL OPTIONAL REDEMPTION

**Conditional Notice of Redemption
City of Santa Rosa
Water Revenue Bonds, Series 2008
(Water System Improvement Projects)**

Date of Issuance: _____, 2008

<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>*CUSIP</u> <u>No. for</u> <u>Redeemed</u> <u>Bonds</u>	<u>Principal</u> <u>Amount to</u> <u>be</u> <u>Refunded</u>
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NOTICE IS HEREBY GIVEN that all of the above described bonds (the "Bonds") have been called for optional redemption on [____], 2018 (the "Redemption Date") pursuant to that certain Indenture of Trust, dated as of July 1, 2008 ("Indenture"), by and between the City and Zions Bancorporation, National Association, as successor trustee (the Trustee"), at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium (the "Redemption Price").

On the Redemption Date, there will become due and payable on each of the Bonds the Redemption Price. Interest will not accrue on the Bonds after the Redemption Date.

The City will pay the Redemption Price with, among other things, proceeds of its City of Santa Rosa Refunding Water Revenue Bonds, Series 2018 (the "2018 Refunding Bonds"), which the City expects to issue on or about [____], 2018. This notice shall be subject to rescission if the City does not issue the 2018 Refunding Bonds as expected.

Payment of the Redemption Price on the Bonds called for redemption will be paid upon presentation of the Bonds. Surrender thereof can be made in the following manner:

Delivery Instructions:
[to come]

REQUIREMENT INFORMATION

For a list of redemption requirements please visit our website at _____ and click on the "**Bondholder Information**" link

IMPORTANT NOTICE

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), 28% will be withheld if tax identification number is not properly certified.

**The Undersigned shall not be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness indicated in the Redemption Notice. It is included solely for the convenience of the Holders.*

Dated: _____, 2018

**Zions Bancorporation, National
Association,
as Trustee**

EXHIBIT B

FORM OF NOTICE OF DEFEASANCE

**City of Santa Rosa
Water Revenue Bonds, Series 2008
(Water System Improvement Projects)**

Date of Issuance: _____, 2008

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Interest Rate</u>	<u>*CUSIP No.</u>	<u>Principal Amount Defeased</u>
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NOTICE IS HEREBY GIVEN, by the City of Santa Rosa (the "City") with respect to the above-captioned bonds (the "Bonds"), that the Bonds have been defeased and discharged under and within the meaning of that certain Indenture of Trust, dated as of July 1, 2008 ("Indenture"), by and between the City and Zions Bancorporation, National Association, as successor trustee (the "Trustee"). Funds for the payment of the Bonds have been deposited with the Trustee and are being held uninvested.

As a consequence of the foregoing actions and in accordance with the Indenture, the Bonds are no longer secured by a pledge of net revenues under the Indenture, and the Bonds are now payable solely from the moneys set aside in escrow as described above and, if necessary, from other legally available funds of the City.

The City has irrevocably elected to redeem all of the outstanding Bonds on [____], 2018, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

*The City and the Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Bond. They are included solely for the convenience of the holders.

Dated: _____, 2018

**Zions Bancorporation, National
Association
as Trustee**