

**CITY OF GARDEN GROVE**

**INTER-DEPARTMENT MEMORANDUM**

To: Scott C. Stiles  
Dept: City Manager  
Subject: ADOPTION OF RESOLUTION  
AUTHORIZING THE ISSUANCE OF THE  
WATER REVENUE REFUNDING BONDS,  
SERIES 2015 TO REFUND THE 2004  
WATER COPS

From: Kingsley Okereke  
Dept: Finance  
Date: September 22, 2015

OBJECTIVE

The purpose of this report is to request that the City Council adopt a Resolution authorizing the execution and delivery of the Water Revenue Refunding Bonds, Series 2015 ("2015 Bonds") to refund the 2004 Water Revenue Certificates of Participation ("2004 Water COPS").

BACKGROUND

On May 12, 2015, the City Council authorized the refunding of the 2004 Water COPS, directed staff to engage the services of all the required bond financing team, and to proceed with the negotiation and preparation of all necessary documentation to achieve the debt refunding. The required and assembled bond financing team includes Financial Advisor (Urban Futures Incorporated - "UFI"), Bond Counsel (Stradling, Yocca, Carlson & Rauth - "SYCR"), and Trustee (U.S. Bank National Association).

DISCUSSION

Staff working with the Financial Advisor and Bond Counsel deliberated and decided that a direct lender would offer the best cost saving and most efficient refunding alternative for the 2004 Water COPS with an outstanding balance of \$9,240,000 as of June 30, 2015. The team prepared and advertised a Request for Proposal ("RFP") for the refunding. A total of six proposals were received and analyzed by the team. JP Morgan Chase was selected as the best proposal in terms of quality of proposal and refunding costs.

The City and JP Morgan Chase have agreed on a term sheet that forms the basis for the private placement sale of the bonds to the bank. A bond purchase contract to this effect is attached (Attachment 2).

The necessary documents (an indenture of trust, escrow agreement, and a bond purchase contract) in connection with the issuance of the Water Revenue Refunding Bonds, Series 2015, are provided in substantially completed form. Bond Counsel drafted the attached resolution (Attachment 1) delineating authorization of the Water Revenue Refunding Bonds, Series 2015 to refund the 2004 Water COPS. The Resolution requires action by the City Council to approve the issuance of the Water Revenue Refunding

## ADOPTION OF WATER REVENUE REFUNDING BONDS, SERIES 2015

September 22, 2015

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Bonds, Series 2015 in an aggregate principal amount of not to exceed \$8.5 million. The resolution authorizes the execution and delivery by the City of the necessary documents and certificates and related actions to complete the refunding.

Following City Council approval the funding and adoption of the resolution, closing is tentatively scheduled for early-October 2015 wherein the water refunding bonds 2015 series proceeds would be used to pay off the outstanding 2004 Water COPs.

### FINANCIAL IMPACT

The refunding of the 2004 Water COPs is expected to reduce interest cost by approximately 2.64% and save the City approximately \$195,000 annually through the final maturity date of 2023. The terms of the refunding will not extend the maturity date. The Water Revenue Refunding Bonds, Series 2015 net present value savings as a percentage of the 2004 Water COPs' refunded principal is currently estimated at 5.7%, which is well above the recommended 3% threshold for public entities.

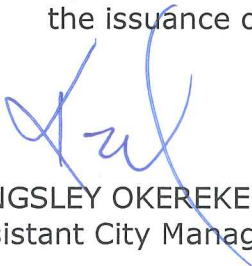
The \$1.3 million of reserve funds held for the benefit of the 2004 Water COPs investors will be terminated and applied to reduce the principal amount on the series 2015 Bonds. The reserve proceeds plus the expected principal amount of the series 2015 Bonds of approximately \$8.24 million will be used to defease the current outstanding balance of the 2004 Water COPs of \$9.24 million, and cover the cost of issuance estimated at \$150,000.

All issuance costs have been incorporated into the savings analysis. The cost of issuance funds will be used to compensate the financing team members as outlined above as well as to cover other miscellaneous financing fees.

### RECOMMENDATION

Staff recommends the City Council:

- Adopt the attached Resolution to authorize and approve the issuance of the Water Revenue Refunding Bonds, Series 2015 in an aggregate principal amount of not to exceed \$8,500,000 and authorize, in substantial form, the execution and delivery of an indenture of trust, bond purchase contract, escrow agreement, and any other necessary and related documents; and
- Authorize the City Manager or his designee to enter into all necessary and related agreements and documents for execution and delivery as applicable to finalize the issuance of the Water Revenue Refunding Bonds, Series 2015.



KINGSLEY OKEREKE  
Assistant City Manager/Finance Director

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By: Ellis Chang  
Accounting Manager

Attachment 1: Resolution

Attachment 2: Water Revenue Refunding Bonds, Series 2015 Indenture of Trust

Attachment 3: Water Revenue Refunding Bonds, Series 2015 Bond Purchase Contract

Attachment 4: Water Revenue Refunding Bonds, Series 2015 Escrow Agreement

Recommended for Approval



Scott C. Stiles  
City Manager

GARDEN GROVE CITY COUNCIL

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE AUTHORIZING THE EXECUTION AND DELIVERY BY THE CITY OF AN INDENTURE OF TRUST, A BOND PURCHASE CONTRACT AND AN ESCROW AGREEMENT IN CONNECTION WITH THE ISSUANCE OF WATER REVENUE REFUNDING BONDS, SERIES 2015, APPROVING THE ISSUANCE OF SUCH BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$8,500,000 AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, the City of Garden Grove, California (the "City") is a municipal corporation and general law city duly organized and existing under and pursuant to the Constitution and laws of the State of California;

WHEREAS, the City previously refinanced a portion of the costs of the acquisition, construction and installation of certain capital improvements to its water system, as set forth in the 2004 Installment Purchase Agreement described below (the "2004 Project");

WHEREAS, in order to accomplish such refinancing, the City caused the execution and delivery of the Garden Grove Public Financing Authority Refunding Revenue Certificates of Participation (Water Services Capital Improvement Program) Series 2004 (the "2004 Certificates"), which are payable from installments payments to be made by the City under the Installment Purchase Agreement, dated as of May 1, 2004 (the "2004 Installment Purchase Agreement"), by and between the City and the Garden Grove Public Financing Authority (the "Authority");

WHEREAS, the City desires to refinance all or a portion of the 2004 Project originally refinanced with the proceeds of the 2004 Certificates;

WHEREAS, the City previously entered into that certain Installment Purchase Agreement, dated as of May 1, 2010 (the "2010 Installment Purchase Agreement"), by and between the City and the Authority;

WHEREAS, the City has determined that it would be in the best interests of the City and residents of the City to authorize the preparation, sale and delivery of the "City of Garden Grove Water Revenue Refunding Bonds, Series 2015" (the "Bonds") on a parity with the 2010 Installment Purchase Agreement for the purpose of refunding the 2004 Certificates;

WHEREAS, the Bonds would be issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583;

WHEREAS, in order to facilitate the issuance of the Bonds, the City desires to enter into an Indenture of Trust (the "Indenture of Trust") with U.S. Bank National

Association (the "Trustee"), pursuant to which the Bonds will be issued and secured from revenues of the City's water system;

WHEREAS, the City has determined that debt service savings can be achieved by the prepayment and defeasance of the 2004 Certificates pursuant to an Escrow Agreement (the "Escrow Agreement") with U.S. Bank National Association, the trustee for the 2004 Certificates;

WHEREAS, the District has been presented with a term sheet from JPMorgan Chase Bank, N.A. (the "Bank") pursuant to which the Bank would agree to purchase the Bonds pursuant to a private placement;

WHEREAS, the City desires to enter into a Bond Purchase Contract (the "Bond Purchase Contract") with the Bank pursuant to which the Bank will purchase the Bonds;

WHEREAS, the City has determined that a private placement sale of the Bonds to the Bank will result in a lower overall cost to the City than a public sale;

WHEREAS, the City Council has been presented with the form of each document referred to herein relating to the refinancing contemplated hereby, and the City Council has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such refinancing; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such refinancing for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, as follows:

**Section 1.** Each of the above recitals is true and correct.

**Section 2.** The forms of the Indenture of Trust, Bond Purchase Contract and Escrow Agreement on file with the City Clerk are hereby approved, and the Mayor of the City, the Mayor Pro Tempore of the City or such other member of the City Council as the Mayor may designate, the City Manager of the City, the Assistant City Manager of the City and the Finance Director of the City (the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Indenture of Trust, Bond Purchase Contract and Escrow Agreement in substantially said forms, with such changes, insertions and omissions

therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 3.** The issuance of the Bonds is hereby approved, and the Mayor of the City, the Mayor Pro Tempore of the City and the City Clerk are each hereby authorized and directed, for and in the name and on behalf of the City, to cause the issuance of the Bonds on a parity with the 2010 Installment Purchase Agreement in substantially the form set forth as an exhibit to the Indenture of Trust, with such changes, insertions and omissions therein as the party executing the same may require or approve, such approval to be conclusively evidenced by the issuance thereof; provided, however, that: (i) the City shall realize savings of at least 3.00% net present value by refunding the 2004 Certificates; (ii) the aggregate principal amount of the Bonds shall not exceed \$8,500,000; (iii) the final maturity of the Bonds shall be no later than December 15, 2023; and (iv) the true interest cost applicable to the Bonds shall not exceed 3.00% per annum, and, provided, further, that such changes, insertions and omissions shall be consistent with the terms of the Bonds established pursuant to the Bond Purchase Contract and the Indenture.

**Section 4.** The Authorized Officers and other officers, employees and agents of the City are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, including, but not limited to, the execution of a rate lock agreement with the Bank and the execution and delivery of instructions to the Trustee relating to the notices of prepayment and defeasance of the 2004 Certificates. All actions heretofore taken by the Authorized Officers and other officers, employees and agents of the City with respect to the transactions set forth above are hereby approved, confirmed and ratified.

**Section 5.** This Resolution shall take effect from and after its date of adoption.

**INDENTURE OF TRUST**

**Dated as of October 1, 2015**

**By and between**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

**and**

**CITY OF GARDEN GROVE**

**Relating to**

**\$ \_\_\_\_\_  
CITY OF GARDEN GROVE  
WATER REVENUE REFUNDING BONDS, SERIES 2015**

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of October 1, 2015 (the "Indenture"), by and between CITY OF GARDEN GROVE, a municipality duly organized and existing under and by virtue of the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as trustee hereunder (the "Trustee");

### WITNESSETH:

WHEREAS, the City has determined that it is in the best interest of the public to refund all of the outstanding Garden Grove Public Financing Authority Refunding Revenue Certificates of Participation (Water Services Capital Improvement Program) Series 2004 (the "2004 Certificates"); and

WHEREAS, the City is authorized by Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, to issue bonds for the purpose of refunding any evidences of indebtedness of the City; and

WHEREAS, in order to provide for the authentication and delivery of refunding revenue bonds (the "2015 Bonds"), to establish and declare the terms and conditions upon which such 2015 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the City has authorized the execution and delivery of this Indenture; and

WHEREAS, the City has determined that all acts and proceedings required by law necessary to make the 2015 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 the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized; and

WHEREAS, the 2015 Bonds will be secured by a pledge of Revenues on a parity with the 2010 Installment Purchase Agreement (as such term is defined herein);

NOW, THEREFORE, THE INDENTURE WITNESSETH:

### GRANTING CLAUSES

The City, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2015 Bonds by the owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2015 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the "Trust Estate") to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the City to the 2015 Bond Owners hereinafter set forth:

## GRANTING CLAUSE FIRST

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

## GRANTING CLAUSE SECOND

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

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

IN TRUST NEVERTHELESS, upon the terms herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the 2015 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2015 Bonds over any of the other 2015 Bonds;

PROVIDED, HOWEVER, that if the City, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2015 Bonds due or to become due thereon, at the times and in the manner provided in the 2015 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2015 Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all property, rights and interests, including, without limitation, the Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, on a parity with the 2010 Installment Purchase Agreement, and the City has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2015 Bonds, as follows:

## ARTICLE I

### DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Authority. The term "Authority" means the Garden Grove Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California.

Authorized Representative. The term "Authorized Representative" means, with respect to the City, its Mayor, Vice Mayor, City Clerk, City Manager, Finance Director or any other person designated as an Authorized Representative of the City by a Certificate of the City signed by its Mayor, Vice Mayor, City Clerk, City Manager or Finance Director and filed with the Trustee.

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

Bonds. The term "Bonds" means all revenue bonds or notes of the City authorized, executed, issued and delivered by the City, the payments of which are payable from Net Revenues on a parity with the 2015 Bonds and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

Bond Year. The term "Bond Year" means the period beginning on the date of issuance of the 2015 Bonds and ending on December 15, 2015, and each successive one year or, during the last period prior to maturity, shorter period thereafter until there are no Outstanding 2015 Bonds.

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

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

City. The term "City" means City of Garden Grove, a municipality duly organized and existing under and by virtue of the laws of the State.

Closing Date. The term “Closing Date” means the date on which the 2015 Bonds are delivered to the Original Purchaser thereof.

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

Contracts. The term “Contracts” means all contracts of the City previously or hereafter authorized and executed by the City, the payments under which are payable from Net Revenues on a parity with the 2015 Bonds and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof, including the 2010 Installment Purchase Agreement; and excluding contracts entered into for operation and maintenance of the Water System.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of the 2015 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2015 Bonds and any other cost, charge or fee in connection with the original issuance of the 2015 Bonds.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Date of Operation. The term “Date of Operation” means, with respect to any uncompleted component of a Parity Project, the estimated date by which such uncompleted component of a Parity Project will have been completed and, in the opinion of an engineer, will be ready for operation by or on behalf of the City.

Debt Service. The term “Debt Service” means, for any period of calculation, the sum of:

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

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

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

(4) those portions of the Contracts required to be made during such period, (except to the extent that the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and

Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be the greater of: (a) the actual interest rate on such Bonds or Contracts on the date of calculation, or if the indebtedness is not yet outstanding, the initial interest rate (if established and binding); (b) if the Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve calendar months immediately preceding the date of calculation; and (c) (i) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Securities Industry and Financial Markets Association Index for tax-exempt variable rate obligations; or (ii) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any portion of Section 6.14 (Additional Bonds and Contracts) and Section 6.21 (Amount of Rates and Charges), measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period; and

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

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

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

provided further that, Debt Service shall not include interest which is paid from investment earnings on amounts on deposit in reserve funds and transferred to the Payment Fund.

Default Rate. The term “Default Rate” means the then applicable interest rate on the 2015 Bonds plus 4.00%.

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

Event of Taxability. The term “Event of Taxability” means a determination by the Internal Revenue Service that interest on the 2015 Bonds is includible for federal income tax purposes in the gross income of the owner thereof due to the City’s action or failure to take any action with respect to its obligations hereunder.



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

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

Indenture. The term “Indenture” means the Indenture of Trust, dated as of October 1, 2015, by and between the City and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, each of whom is independent of the City pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the City, which may, for purposes of the certification described in the definition of “Paired Obligations” be an interest rate swap adviser, and who, or each of whom: (1) is in fact independent and not under domination of the City; (2) does not have any substantial interest, direct or indirect, with the City; and (3) is not connected with the City as an officer or employee thereof, but who may be regularly retained to make reports thereto.

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

Initial Rating Requirement. The term “Initial Rating Requirement” means the rating requirement described in Section 11.16(a).

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

Interest Payment Date. The term “Interest Payment Date” means [December 15, 2015 and each June 15 and December 15] thereafter.

Investment Agreement. The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel, provided that the guarantor thereof is rated at least “AA” and “Aa” by S&P and Moody’s, respectively, and as further described in the definition of “Permitted Investments.”

Material Adverse Effect. The term “Material Adverse Effect” means: (1) a material adverse change in, or a material adverse effect on, the operations, business, assets, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the City; (2) a material impairment of the rights and remedies of the Original Purchaser under this Indenture or the 2015

Bonds, or the ability of the City to perform its obligations thereunder; or (3) a material adverse effect upon the legality, validity, binding effect or enforceability of this Indenture and the 2015 Bonds against the City.

Minimum Rating Requirement. The term “Minimum Rating Requirement” means the rating requirement described in Section 11.16(b).

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

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

Net Revenues. The term “Net Revenues” means, for any period, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such period. When held by the Trustee in any funds or accounts established hereunder, Net Revenues shall include all interest or gain derived from the investment of amounts in any of such funds or accounts.

Office. The term “Office” means with respect to the Trustee, the principal corporate trust office of the Trustee in Los Angeles, California, and for transfer, exchange, registration, presentment and payment of the Bonds means the corporate trust operations office of the Trustee in St. Paul, Minnesota, or such other or additional offices as may be specified in writing by the Trustee to the City, except that with respect to presentation of 2015 Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than Debt Service payments) required to be paid by it to comply with the terms of the 2015 Bonds, the Indenture, any Bonds or Contracts or any resolution or indenture authorizing the issuance or execution of any Bonds or Contracts; and (ii) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

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

Original Purchaser. The term “Original Purchaser” means JPMorgan Chase Bank, N.A.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2015 Bonds, means (subject to the provisions of Section 11.09) all 2015 Bonds theretofore or thereupon being authenticated and delivered by the Trustee under the Indenture except: (i) 2015 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2015 Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 10.02, including 2015 Bonds (or portions thereof) described in Section 11.09; and (iii) 2015 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2015 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2015 Bond Owner. The term “Owner” or “2015 Bond Owner,” whenever used herein with respect to a 2015 Bond, means the person in whose name the ownership of such 2015 Bond is registered in the Registration Books, initially JPMorgan Chase Bank, N.A., and its successors and assigns.

Paired Obligation Provider. The term “Paired Obligation Provider” means a party to a Paired Obligation other than the City.

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered: (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, are reasonably expected to result in a fixed interest rate obligation of the City for the term of such Bond or Contract, as certified by an Independent Financial Consultant in writing, and which comply with the provisions of Section 11.16 hereof.

Parity Project. The term “Parity Project” means any additions, betterments, extensions or improvements to the City’s Water System designated by the City Council as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Contracts or Bonds.

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

Permitted Investments. The term “Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(A) for all purposes, including: (i) as defeasance investments in refunding escrow accounts; and (ii) for the purpose of investing (and receiving premium credit for) accrued and capitalized interest: (1) cash; or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America; and

(B) for all purposes other than: (i) defeasance investments in refunding escrow accounts; and (ii) investing (and receiving credit for) accrued and capitalized interest: (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export-Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government

National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness rated "AAA" and "Aaa" by the applicable Rating Agency issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, certificates of deposit, federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (5) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services; (6) pre-refunded 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 not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P and Moody's, or any successor thereto; (7) any Investment Agreement; (8) the Local Agency Investment Fund of the State of California; and (9) any other investment permitted by law.

Principal Account. The term "Principal Account" means the account by that name in the Payment Fund established pursuant to Section 5.02.

Rating Agencies. The term "Rating Agencies" means S&P and Moody's.

Rebate Fund. The term "Rebate Fund" means the fund by that name established pursuant to Section 5.08.

Record Date. The term "Record Date" means, with respect to any Interest Payment Date, the first day of the calendar month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

Redemption Date. The term "Redemption Date" means the date fixed for an optional or mandatory sinking fund redemption prior to maturity of the 2015 Bonds.

Redemption Fund. The term "Redemption Fund" means the fund by that name established pursuant to Section 5.06.

Redemption Price. The term "Redemption Price" means, with respect to any 2015 Bond (or portion thereof), the principal amount of such 2015 Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2015 Bond and the Indenture.

Registration Books. The term "Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2015 Bonds pursuant to Section 2.05.

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

Revenue Fund. The term “Revenue Fund” means the fund by that name continued pursuant to Section 5.01(b).

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, including, without limiting the generality of the foregoing: (1) all income, rents, rates, fees, charges or other moneys derived by the City from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; (2) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the City with respect to the Water System; (3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above including City Water System reserves; (4) any interest payments on Bonds or Contracts reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program; but excluding (x) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; (y) any proceeds of taxes or assessments restricted by law to be used by the City to pay Bonds or Contracts or other obligations heretofore or hereafter issued; and (z) revenues of any water system acquired through merger, consolidation or similar action to the extent that the exclusion of such acquired water system is required pursuant to the terms of such merger, consolidation or similar action.

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

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

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

Taxable Rate. The term “Taxable Rate” means an interest rate sufficient such that the total interest to be paid to the Original Purchaser on any Interest Payment Date would, after such interest was reduced by the amount of any U.S. federal, state and local income tax (including any interest or penalties) actually imposed thereon, equal the amount of interest due on the then unpaid principal amount of the 2015 Bonds; provided, however, that in no event shall the Taxable Rate exceed twelve percent (12%) per annum.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the 2015 Bonds

issued by the City on the date of issuance of the 2015 Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in Section 8.01.

2004 Certificates. The term “2004 Certificates” means the Garden Grove Public Financing Authority Refunding Revenue Certificates of Participation (Water Services Capital Improvement Program) Series 2004.

2004 Trust Agreement. The term “2004 Trust Agreement” means the Trust Agreement, dated as of May 1, 2004, by and among the Trustee, the City and the Authority, pursuant to which the 2004 Certificates were executed and delivered.

2010 Installment Purchase Agreement. The term “2010 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of May 1, 2010, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

2015 Bonds. The term “2015 Bonds” means the City of Garden Grove Water Revenue Refunding Bonds, Series 2015 issued by the City and at any time Outstanding pursuant to the Indenture.

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

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

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

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

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

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

Water System. The term “Water System” means the entire water supply, treatment, storage and distribution system of the City, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the City for the supply, treatment and storage of water to residents of the City and adjacent areas, and any necessary lands, rights,

entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City.

Written Consent of the City; Written Order of the City; Written Request of the City; Written Requisition of City. The terms “Written Consent of the City,” “Written Order of the City,” “Written Request of the City” and “Written Requisition of the City” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the City by an Authorized Representative or by any two persons (whether or not members of the City Council) who are specifically authorized by resolution of the City to sign or execute such a document on its behalf.

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

Any such certificate or opinion made or given by an officer of the City may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Independent Certified Public Accountant or Independent Financial Consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Independent Certified Public Accountant or Independent Financial Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City) upon a certificate or opinion of or representation by an officer of the City, unless such counsel or Independent Certified Public Accountant or Independent Financial Consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the City, or the same counsel or Independent Certified Public Accountant or Independent Financial Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture, but different officers, counsel or Independent Certified Public Accountants or Independent Financial Consultants may certify to different matters, respectively.

Section 1.03. Interpretation.

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

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

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

## ARTICLE II

### THE 2015 BONDS

Section 2.01. Authorization of 2015 Bonds. The City hereby authorizes the issuance hereunder from time to time of the 2015 Bonds, which shall constitute special obligations of the City, for the purpose of refunding all of the outstanding 2004 Certificates. The 2015 Bonds are hereby designated the "City of Garden Grove Water Revenue Refunding Bonds, Series 2015" in the aggregate principal amount of \$ \_\_\_\_\_. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2015 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2015 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2015 Bonds. The 2015 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The 2015 Bonds shall mature on December 15, 2023.

Interest on the 2015 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date. Principal of and premium (if any) on any 2015 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2015 Bonds shall be payable in lawful money of the United States of America.

Upon the occurrence of an Event of Default, the 2015 Bonds shall bear interest at the Default Rate.

Upon the occurrence of an Event of Taxability, the 2015 Bonds shall bear interest at the Taxable Rate from the date that interest on the 2015 Bonds is determined by the Internal Revenue Service to be includible in the gross income of the owner thereof for federal income tax purposes.

So long as the 2015 Bonds are owned by the Original Purchaser, the following shall apply: (a) the 2015 Bonds are not required to be presented and surrendered to the Trustee for payment at any time prior to the final maturity thereof; and (b) the Trustee will pay the principal of and interest



on the 2015 Bonds by wire transfer to the Original Purchaser in accordance with the wire transfer instructions provided by the Original Purchaser to the Trustee from time to time; provided that principal on the 2015 Bonds which is payable at maturity shall be made only upon presentation and surrender thereof at the Office of the Trustee.

If the Owner of any 2015 Bond is not JPMorgan Chase Bank, N.A., then such Owner shall provide written direction regarding wire transfer for payment of the principal of and interest on such Bond to the Trustee within 5 Business Days of becoming an Owner.

Each 2015 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before December 1, 2015, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2015 Bond, interest thereon is in default, such 2015 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the 2015 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any 2015 Bond may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2015 Bond for cancellation at the Office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the 2015 Bond Owner or his or her duly authorized attorney.

2015 Bonds may be exchanged at the Office of the Trustee for other authorized denominations of the same maturity and issue. The Trustee shall not collect from the 2015 Bond Owner any charge for any new 2015 Bond issued upon any exchange or transfer, but shall require the 2015 Bond Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any 2015 Bonds shall be surrendered for registration of transfer or exchange, the City shall execute and the Trustee shall authenticate and deliver a new 2015 Bond or Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee shall not be required to register transfers or make exchanges of: (i) 2015 Bonds for a period of 15 days next preceding any selection of the 2015 Bonds to be redeemed; or (ii) any 2015 Bonds chosen for redemption. Notwithstanding the foregoing, a 2015 Bond Owner may only transfer the 2015 Bonds to a new 2015 Bond Owner if the principal amount transferred is not less than \$1,000,000 and the new 2015 Bond Owner has delivered an Investor Letter (in the form attached as Exhibit B hereto) to the City and the Trustee. For purposes of such a transfer, the Trustee may rely upon all new 2015 Bond Owner representations as set forth in the Investor Letter, which include, but are not limited to, that such 2015 Bond Owner is a "qualified institutional buyer" as defined in Rule 144A of the Securities Act of 1933, as amended.

Section 2.04. [Reserved].

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2015 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular

business hours by the City and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2015 Bonds as hereinbefore provided.

The person in whose name any 2015 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption Price of by such 2015 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2015 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2015 Bonds. The 2015 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2015 Bonds shall be executed in the name and on behalf of the City with the manual or facsimile signature of its Mayor. The 2015 Bonds may carry a seal, and such seal may be in the form of a facsimile of the City's seal and may be reproduced, imprinted or impressed on the 2015 Bonds. The 2015 Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2015 Bonds shall cease to be such officer or officers of the City before the 2015 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the City, such 2015 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City, and also any 2015 Bonds may be signed and attested on behalf of the City by such persons as at the actual date of execution of such 2015 Bonds shall be the proper officers of the City although at the nominal date of such 2015 Bonds any such person shall not have been such officer of the City.

Only such of the 2015 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2015 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2015 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2015 Bond shall become mutilated, the City, at the expense of the Owner of said 2015 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2015 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2015 Bonds so mutilated, but only upon surrender to the Trustee of the 2015 Bond so mutilated. Every mutilated 2015 Bond so surrendered to the Trustee shall be canceled by it and upon the Written Request of the City delivered to, or upon the order of, the City. If any 2015 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the City, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2015 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2015 Bond so lost, destroyed or stolen (or if any such 2015 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2015 Bond, the Trustee may pay the same without surrender thereof). The City may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2015 Bond issued under this Section and of the expenses which may be incurred by the City and the Trustee in the premises. Any 2015 Bond issued under the provisions of this Section in lieu of any 2015 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the 2015 Bond so alleged to be lost, destroyed, or

stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2015 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2015 Bond for a 2015 Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2015 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Initial Delivery of 2015 Bonds. The 2015 Bonds shall be initially delivered as registered bonds in the name of the Owner and shall not be delivered as book-entry bonds.

### ARTICLE III

#### ISSUANCE OF 2015 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2015 Bonds. At any time after the execution of the Indenture, the City may execute and the Trustee shall authenticate and, upon Written Request of the City, deliver the 2015 Bonds in the aggregate principal amount of \$\_\_\_\_\_.

Section 3.02. Application of Proceeds of the 2015 Bonds. The proceeds received from the sale of the 2015 Bonds, other than the amount of \$\_\_\_\_\_, which shall be transferred directly to U.S. Bank National Association, as trustee under the 2004 Trust Agreement, for prepayment of the 2004 Certificates, shall be deposited with the Trustee, who shall deposit the sum of \$\_\_\_\_\_ into the Costs of Issuance Fund. The Trustee may establish a fund or account in its records to record and facilitate such deposits.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Requisitions of the City stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. Each such Requisition of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month anniversary of the issuance of the 2015 Bonds, or upon the earlier Written Request of the City, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be applied in accordance with Section 5.07 hereof.

Section 3.04. Validity of 2015 Bonds. The validity of the authorization and issuance of the 2015 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the City or the Trustee with respect to any other agreement. The recital contained in the 2015 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

### ARTICLE IV

#### REDEMPTION OF 2015 BONDS

Section 4.01. Terms of Redemption.

(a) The 2015 Bonds are not subject to optional redemption prior to maturity.

(b) The 2015 Bonds are subject to mandatory sinking fund redemption in part (by lot) on each December 15 on and after December 15, 20\_\_, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date, without premium, in accordance with the below schedule. On each of the following payment dates, the Trustee shall pay from the Principal Account an amount equal to the payment or payments due on such date as set forth below.

<i>Mandatory Sinking Fund Redemption Date (December 15)</i>	<i>Principal Amount</i>
[2015]	\$
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	

Section 4.02. Selection of 2015 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2015 Bonds, the Trustee shall select the 2015 Bonds for redemption as a whole or in part on any date as directed by the City and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the City in writing of the numbers of the 2015 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. The City shall give the Trustee written notice of its intention to exercise its option to redeem 2015 Bonds not less than 45 days in advance of the date of redemption. Notice of redemption shall be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2015 Bonds designated for redemption at their addresses appearing on the Registration Books and to the Information Services. Each notice of redemption shall state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2015 Bonds of any such maturity are to be redeemed, the serial numbers of the 2015 Bonds of such maturity to be redeemed by giving the individual number of each 2015 Bond or by stating that all 2015 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the Redemption Date there will become due and payable on each of said 2015 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2015 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2015 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of

any 2015 Bond. Notice of redemption of 2015 Bonds shall be given by the Trustee, at the expense of the City, for and on behalf of the City.

With respect to any notice of optional redemption of 2015 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2015 Bonds to be redeemed and that, if such moneys have not been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2015 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2015 Bonds. Upon surrender of any 2015 Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new 2015 Bond or 2015 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2015 Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2015 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2015 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2015 Bonds so called for redemption shall cease to accrue, said 2015 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2015 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee shall, upon surrender for payment of any of the 2015 Bonds to be redeemed on their Redemption Dates, pay such 2015 Bonds at the Redemption Price.

All 2015 Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

## ARTICLE V

### REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Pledge and Assignment; Revenue Fund.

(a) All of the Revenues, all amounts held in the Revenue Fund described in subsection (b) below and any other amounts (including proceeds of the sale of the 2015 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2015 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues shall not be used for any other purpose while the 2015 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. Said pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if

any, on the 2015 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Revenues shall be received by the City in trust hereunder and shall be deposited when and as received in a fund designated as the "Revenue Fund," which fund is hereby continued and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as the 2015 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the City as provided herein. All moneys in the Revenue Fund shall be held in trust and shall be applied, used and withdrawn for the purposes set forth in this Section.

The City shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than five (5) Business Days prior to each Interest Payment Date, the City shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund an amount equal to the interest on and principal of the 2015 Bonds coming due on the next succeeding Interest Payment Date. The City shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. On or before each Interest Payment Date the City shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(iii) Surplus. Moneys on deposit in the Revenue Fund on any date when the City reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or any of the purposes described in clauses (b)(i) or (b)(ii) may be expended by the City at any time for any purpose permitted by law.

(iv) Investments. All moneys held by the City in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

Section 5.02. Allocation of Revenues. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from

other funds held by it so long as any principal of and interest on the 2015 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2015 Bonds received by the Trustee pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2015 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee shall transfer from the Payment Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2015 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2015 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2015 Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2015 Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2015 Bonds then Outstanding.

Section 5.03. [Reserved].

Section 5.04. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2015 Bonds as it shall become due and payable (including accrued interest on any 2015 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.05. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2015 Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2015 Bonds, upon written direction of the City, the Trustee shall apply such amounts to the purchase of 2015 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2015 Bonds.

Section 5.06. [Reserved.]

Section 5.07. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the City pursuant to a Written Request of the City filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the City, the Trustee shall invest any such moneys in Permitted Investments described in clause (B)(5) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the City specifying a specific money market fund and, if no such written direction from the City is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder upon the Written Request of the City. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.07.

The City acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

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

The City shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. In making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those available through the Trustee's accounting system.

Section 5.08. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the 2015 Bonds designated the "Rebate Fund." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2015 Bonds will not be adversely affected, the City shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the 2015 Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the City delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2015 Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding



anything to the contrary contained herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the City; and (ii) shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate; and (iii) may rely conclusively on the City's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the City's calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the City shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The City shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

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

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

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

(B) Not later than 60 days after the payment of all the 2015 Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

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

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the 2015 Bonds and the payments described in subsection (a) above being made may be withdrawn by the City and utilized in any manner by the City.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the 2015 Bonds.

Section 5.09. Application of Funds and Accounts When No 2015 Bonds are Outstanding. On the date on which all 2015 Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the City for use by the City at any time for any purpose permitted by law.

## ARTICLE VI

### PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The City shall punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2015 Bonds, in strict conformity with the terms of the 2015 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. Extension of Payment of 2015 Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2015 Bonds or the time of payment of any claims for interest by the purchase of such 2015 Bonds or by any other arrangement, and in case the maturity of any of the 2015 Bonds or the time of payment of any such claims for interest shall be extended, such 2015 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full for the principal of all of the 2015 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding 2015 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of 2015 Bonds.

Section 6.03. Against Encumbrances. The City will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The City may at any time, or from time to time, execute Contracts or issue Bonds as permitted herein. The City may also at any time, or from time to time, incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Revenues on any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.04. Power to Issue 2015 Bonds and Make Pledge and Assignment. The City is duly authorized pursuant to law to issue the 2015 Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2015 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the City in accordance with their terms, and the City and the Trustee shall at all times, subject to the provisions of Article

VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the 2015 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements.

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of 2015 Bonds and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the City upon reasonable prior notice during business hours and under reasonable circumstances.

(b) The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Trustee (which shall have no duty to inspect such records) at reasonable hours and under reasonable conditions.

(c) The City will prepare and file with the Trustee and the Owners annually within two hundred ten (210) days of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2015) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon. The Trustee and the Owners shall have no duty to review such financial statements.

Section 6.06. Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2015 Bonds will not be adversely affected for federal income tax purposes, the City covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2015 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The City will take no action or refrain from taking any action or make any use of the proceeds of the 2015 Bonds or of any other moneys or property which would cause the 2015 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The City will make no use of the proceeds of the 2015 Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2015 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The City will make no use of the proceeds of the 2015 Bonds or take or omit to take any action that would cause the 2015 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2015 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The City will make no use of the proceeds of the 2015 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2015 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2015 Bonds for federal income tax purposes; and

(f) Miscellaneous. The City will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the City in connection with the issuance of the 2015 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the City from causing the Trustee to issue revenue bonds or to execute and deliver contracts payable on a parity with the 2015 Bonds, the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Section 6.07. Waiver of Laws. The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2015 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

Section 6.08. Further Assurances. The City will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2015 Bonds of the rights and benefits provided in the Indenture.

Section 6.09. [Reserved].

Section 6.10. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the City will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on the City by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.11. Compliance with Contracts. The City will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the City to pay principal of or interest on the 2015 Bonds; and the City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the City is a party thereto.

Section 6.12. Prosecution and Defense of Suits. The City shall promptly, upon request of the Trustee or any 2015 Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part

thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors), the Trustee and every 2015 Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The City shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2015 Bond Owner upon any claim arising out of the receipt, application or disbursement of any of the payments of principal or interest on the 2015 Bonds or involving the rights of the Trustee or any 2015 Bond Owner under the Indenture; provided that the Trustee or any 2015 Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The City shall indemnify and hold harmless the Trustee and the 2015 Bond Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2015 Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2015 Bonds. The City shall promptly reimburse any 2015 Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under the Indenture or the 2015 Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

Section 6.13. [Reserved].

Section 6.14. Additional Contracts and Bonds. The City may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(i) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the City Council of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred twenty-five per cent (125%) of the Debt Service for such twelve month period; and

(ii) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the City Council of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred twenty-five per cent (125%) of the Debt Service for such twelve month period plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such twelve month period plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such twelve month period; and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project to be financed from proceeds of such Contracts or

Bonds, as evidenced by a certificate of the City Manager on file with the City, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the City Manager on file with the City, shall produce a sum equal to at least one hundred twenty-five per cent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding satisfaction of other conditions to the execution of any Contract or the issuance of any Bonds, no such execution or issuance may occur: (1) should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such execution or issuance; and (2) unless any reserve fund for then-outstanding Contracts or Bonds is fully funded at the applicable reserve requirement upon the execution or issuance of such Contracts or Bonds.

Section 6.15. Against Sale or Other Disposition of Property. The City will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the 2015 Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the City to pay the principal of and interest on the 2015 Bonds and if the proceeds of such sale are deposited in the Revenue Fund.

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

Section 6.16. Against Competitive Facilities. To the extent that it can so legally obligate itself, the City covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the City any Water System competitive with the Water System.

Section 6.17. Maintenance and Operation of the Water System. The City will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.18. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the

funds or accounts created hereunder or on any funds in the hands of the City pledged to pay the principal of or interest on the 2015 Bonds or to the Owners prior or superior to the lien under the Indenture.

Section 6.19. Insurance.

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

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied in accordance with the terms of then-outstanding Bonds and Contracts and, subject thereto and at the City's option, to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System or for deposit in the Revenue Fund and application to other lawful uses or expenditures of such fund. If the City elects to reconstruct, repair or replace such damaged or destroyed portions of the Water System, the City shall begin such reconstruction, repair or replacement promptly after receipt of such Net Proceeds, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens. Subject to the terms of then-outstanding Bonds and Contracts, the City covenants to reconstruct, repair or replace the damaged or destroyed portions of the Water System promptly from Net Proceeds if a failure to reconstruct, repair or replace such portions would impair or adversely affect the ability of the City to pay the 2015 Bonds.

(b) The City will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the 2015 Bond Owners, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal Water Systems similar to the Water System.

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

Section 6.20. Payment of Taxes and Compliance with Governmental Regulations. 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 the Revenues when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.21. Amount of Rates and Charges. The City shall, to the fullest extent permitted by law, fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of each Fiscal Year, to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section. To the extent that the covenant with respect to rates and charges in connection with any Bonds or Contracts differs from the foregoing covenant, the City shall also comply with the covenant with respect to rates and charges in connection with such Bonds or Contracts.

Section 6.22. Collection of Rates and Charges. The City will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.23. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied in accordance with the terms of then-outstanding Bonds and Contracts and, subject thereto and at the City's option, any balance of such Net Proceeds not required by the City for such purpose shall be deposited in the Revenue Fund and applied to additions, betterments, extensions or improvements of the Water System or other lawful purpose or expenditures of such fund.

Section 6.24. Enforcement of Contracts. The City will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the City to pay principal of and interest on the 2015 Bonds.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF 2015 BOND OWNERS

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

(a) Default by the City in the due and punctual payment of the principal of any 2015 Bonds, the principal of any Bonds or the principal with respect to any Contract, when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the City in the due and punctual payment of any installment of interest on any 2015 Bonds, any installment of interest on any Bond or any installment of interest with respect to any Contract, when and as the same shall become due and payable.

(c) Default by the City in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2015 Bonds, or required by any Bond or indenture relating thereto or by any Contract, if such default shall have continued for a period of



sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2015 Bonds Outstanding, a majority in principal amount of such Bond outstanding, or a majority in principal amount outstanding with respect to such Contract, as applicable; provided, however, that if in the reasonable opinion of the City the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the City within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder.

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

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

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, and for any other Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2015 Bonds at the time Outstanding, shall, in each case, upon notice in writing to the City, declare the principal of all of the 2015 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2015 Bonds contained to the contrary notwithstanding.

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

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2015 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2015 Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, or shall deposit with the applicable trustee with respect to any Contract a sum sufficient to pay all the principal and installments of interest with respect to such Contract payment of which is overdue, with interest on such overdue principal at the rate borne by such Contract to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Contract, or shall deposit with the applicable trustee with respect to any Bond a sum sufficient to pay all the principal of and installment of interest on such Bond payment of which is overdue, with interest on such overdue principal at the rate applicable hereunder, and the reasonable charges and expenses of the applicable trustee with respect to such Bonds, and any and all other Events of Default known to the Trustee or the applicable trustee with respect to such Contract or Bonds (other than in the payment of principal of and interest on the 2015 Bonds, payment of principal and interest with respect to such Contract or payment of principal and interest on such Bond, as applicable, 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 Trustee shall on behalf of the Owners of all of the 2015 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues held or thereafter received by the Trustee and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) shall be applied in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2015 Bonds, Contract or Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and advisors) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of Operation and Maintenance Costs; and

(c) To the payment of the principal of and interest then due on the 2015 Bonds (upon presentation of the 2015 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the provisions of the Indenture, the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2015 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; provided, however, that if the Event of Default relates to any of the covenants set forth in Section 6.06 and results in an adverse effect on the exclusion from gross income of interest on the 2015 Bonds for federal income tax purposes, the 2015 Bonds shall bear interest at a rate equivalent to the rate payable on taxable revenue bond obligations similar to the 2015 Bonds); and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2015 Bonds, principal with respect to such Contract or principal of any Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the higher of: (i) the rate of interest on the Bonds set forth in Section 2.02 plus 4.00% per annum; or (ii) the amount set forth in clause the First above, and, if the amount available shall not be sufficient to pay in full all the 2015 Bonds, all amounts due under such Contract or all the Bonds, as applicable, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to the City.

Section 7.04. Trustee to Represent 2015 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2015 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2015 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2015 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2015 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2015 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2015 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2015 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2015 Bonds, subject to the provisions of the Indenture.

Section 7.05. 2015 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2015 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2015 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2015 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2015 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2015 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2015 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2015 Bonds, or to enforce any right under the 2015 Bonds, the Indenture, or applicable law with respect to the 2015 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2015 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the City. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2015 Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the 2015 Bonds to the respective Owners of the 2015 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2015 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2015 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2015 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

Section 7.10. Provisions Relating to Original Purchaser. Notwithstanding the foregoing or any other provision of this Indenture, for so long as a majority in aggregate principal amount of the Outstanding 2015 Bonds are owned by the Original Purchaser, the Original Purchaser shall be entitled to exercise all of the powers, consents, rights and remedies to which the Owners of a majority in aggregate principal amount of 2015 Bonds then Outstanding are entitled hereunder, including the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings on behalf of the Owners available to the Trustee under this Indenture to be taken in connection with the enforcement of the terms of this Indenture or exercising any trust or power conferred on the Trustee by this Indenture.

## ARTICLE VIII

### THE TRUSTEE

#### Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of

Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The City may remove the Trustee at any time, with the consent of the Original Purchaser for so long as a majority in aggregate principal amount of the Outstanding 2015 Bonds are owned by the Original Purchaser, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2015 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the 2015 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2015 Bond Owner (on behalf of himself and all other 2015 Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each Rating Agency which is then rating the 2015 Bonds and to the 2015 Bond Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

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

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

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2015 Bonds shall be taken as statements of the City, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2015 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2015 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2015 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2015 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of 2015 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2015 Bonds then Outstanding.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2015 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

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

(e) The Trustee shall not be deemed to have knowledge of any Default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the City or the Owners of not less than fifty percent (50%) of the 2015 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the City of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2015 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

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

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility or liability with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2015 Bonds.

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

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

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of

labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water System, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

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

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

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



(p) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

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

The Trustee may treat the Owners of the 2015 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2015 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

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

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City and any 2015 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

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

The City shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the City under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the 2015 Bonds and the Indenture.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THE INDENTURE

#### Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the City and of the Owners of the 2015 Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the City and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2015 Bonds then Outstanding, exclusive of 2015 Bonds disqualified as provided in Section 11.09 hereof, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the fixed maturity of any 2015 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2015 Bond so affected; or (2) reduce the aforesaid percentage of 2015 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2015 Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2015 Bonds then Outstanding. It shall not be necessary for the consent of the 2015 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2015 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the City, the Trustee and the Owners of the 2015 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into with the consent of the Original Purchaser for so long as a majority in aggregate principal amount of the Outstanding 2015 Bonds are owned by the Original Purchaser, but otherwise without the consent of any 2015 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2015 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2015 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the City may deem necessary or desirable;

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

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the 2015 Bonds to remain excludable from gross income under the Code.

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

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2015 Bonds from federal income taxation and interest on the 2015 Bonds from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the City, the Trustee and all Owners of 2015 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2015 Bonds; Preparation of New 2015 Bonds. 2015 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2015 Bonds Outstanding at the time of such execution and presentation of his or her 2015 Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such 2015 Bonds. If the Supplemental Indenture shall so provide, new 2015 Bonds so modified as to conform, in the opinion of the City and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the City and authenticated by the Trustee, and upon demand on the Owners of any 2015 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2015 Bond Owner, for 2015 Bonds then Outstanding, upon surrender for cancellation of such 2015 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2015 Bonds. The provisions of this Article shall not prevent any 2015 Bond Owner from accepting any amendment as to the particular 2015 Bonds held by him.

## ARTICLE X

### DEFEASANCE

Section 10.01. Discharge of Indenture. The 2015 Bonds may be paid by the City in any of the following ways, provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

(a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the 2015 Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2015 Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all of the 2015 Bonds then Outstanding.

If the City shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (as evidenced by a Certificate of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and the Indenture), and notwithstanding that any 2015 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the City under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the City, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of 2015 Bonds not theretofore surrendered for such payment or redemption to the City.

Section 10.02. Discharge of Liability on 2015 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2015 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2015 Bonds), provided that, if such Outstanding 2015 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the City in respect of such 2015 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The City may at any time surrender to the Trustee for cancellation by it any 2015 Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such 2015 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2015 Bonds, the money or securities so to be deposited

or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2015 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2015 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2015 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the City and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2015 Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of 2015 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the City) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2015 Bonds; and (ii) the City shall have delivered to the Trustee an opinion of Bond Counsel addressed to the City and the Trustee to the effect that such 2015 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above).

Section 10.04. Payment of 2015 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2015 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2015 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2015 Bonds became due and payable, shall be repaid to the City free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the City and the Trustee indemnifying the Trustee with respect to claims of Owners of 2015 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee shall at the written direction of the City (at the cost of the City) first mail to the Owners of 2015 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2015 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Liability of City Limited to Revenues. Notwithstanding anything in the Indenture or the 2015 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the City shall not be required to advance any moneys derived from any source other than the Revenues, the Revenue Fund and other moneys pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the 2015 Bonds or for any other purpose of the Indenture. Nevertheless, the City may, but shall not be required to, advance for any of the purposes hereof any funds of the City which may be made available to it for such purposes.

The obligation of the City to pay interest and principal on the 2015 Bonds is a special obligation of the City payable solely from the Net Revenues, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof (other than the City) in contravention of any constitutional or statutory debt limitation or restriction.

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

Section 11.03. Limitation of Rights to Parties and 2015 Bond Owners. Nothing in the Indenture or in the 2015 Bonds expressed or implied is intended or shall be construed to give to any person other than the City, the Trustee and the Owners of the 2015 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Trustee and the Owners of the 2015 Bonds.

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

Section 11.05. Destruction of 2015 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the City of any 2015 Bonds, the Trustee shall destroy such 2015 Bonds as may be allowed by law, and deliver a certificate of such destruction to the City.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2015 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such

invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2015 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the City or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or email or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the City at City of Garden Grove, 11222 Acacia Parkway, Garden Grove, CA 92840, Attention: Finance Director (or such other address as may have been filed in writing by the City with the Trustee), or to the Trustee at U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust Services, Reference: City of Garden Grove, Water Series 2015. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2015 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2015 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2015 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2015 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the City if made in the manner provided in this Section.

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

The Ownership of 2015 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2015 Bond shall bind every future Owner of the same 2015 Bond and the Owner of every 2015 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the City in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2015 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2015 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2015 Bonds which are known by the Trustee to be owned or held by or for the account of the City, or by any other obligor on the 2015 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the 2015 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2015 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2015 Bonds and that the pledgee is not a

person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the 2015 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the City shall certify to the Trustee those 2015 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2015 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2015 Bonds (or portions of 2015 Bonds in the case of registered 2015 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2015 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05(a) and for the protection of the security of the 2015 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the City shall be individually or personally liable for the payment of the principal of or premium or interest on the 2015 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

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

Section 11.14. [Reserved].

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

Section 11.16. Paired Obligation Provider Guidelines. For purposes of Sections 6.14 and 6.21, Paired Obligations shall comply with the following conditions:

(a) A Paired Obligation Provider shall initially have a long-term rating of A- or better by S&P and A3 or better by Moody's.

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below Baa2 by S&P or BBB by Moody's, the interest rate of such Paired Obligation shall be deemed to be equal to the irrevocable fixed interest rate attributable thereto for purposes of Sections 6.14 and 6.21.



In the event that a Paired Obligation Provider does not maintain the Minimum Rating Requirement and the City does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains the Initial Rating Requirement within ten (10) Business Days of notice that the Paired Obligation Provider has not maintained the Minimum Rating Requirement, interest with respect to such Paired Obligations shall be computed for purposes of Sections 6.14 and 6.21 without regard to payments to be received from the Paired Obligation Provider.

Section 11.17. Judicial Reference. To the fullest extent permitted by law, the City hereby waives its right to trial by jury in any action, proceeding and/or hearing on any matter whatsoever arising out of, or in any way connected with, the 2015 Bonds, this Indenture or any documents relating to the 2015 Bonds or this Indenture, or the enforcement of any remedy under any law, statute, or regulation. To the extent that such waiver is not enforceable, the City hereby consents to the adjudication of any and all such matters pursuant to Judicial Reference as provided in Section 638 of the California Code of Civil Procedure, and the judicial referee shall be empowered to hear and determine any and all issues in such Reference whether fact or law. The City hereby represents that it does not possess and will not invoke a claim of sovereign immunity for disputes arising out of contractual claims relating to the 2015 Bonds or this Indenture.

IN WITNESS WHEREOF, the City has caused the Indenture to be signed in its name by its Authorized Representative, and the Trustee, in token of its acceptance of the duties of the Trustee created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

CITY OF GARDEN GROVE

By: \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

U.S. BANK NATIONAL ASSOCIATION, as Trustee

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

**EXHIBIT A**

**FORM OF 2015 BOND**

*THE REGISTERED OWNER OF THIS BOND ACKNOWLEDGES AND AGREES THAT THIS BOND MAY ONLY BE TRANSFERRED UPON SATISFACTION OF THE REQUIREMENTS IN THE INDENTURE, INCLUDING THE DELIVERY TO THE TRUSTEE OF AN INVESTOR LETTER IN THE FORM REQUIRED BY THE INDENTURE. ANY TRANSFER OF THIS BOND IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE INDENTURE SHALL BE VOID AND OF NO EFFECT.*

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

CITY OF GARDEN GROVE  
WATER REVENUE REFUNDING BONDS, SERIES 2015

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE
_____%	December 15, 20__	October __, 2015

REGISTERED OWNER      JPMORGAN CHASE BANK, N.A.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The CITY OF GARDEN GROVE, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before December 1, 2015, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable on December 15, 2015 and each June 15 and December 15 thereafter, calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of U.S. Bank National Association, as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the

fifteenth day of the month preceding each interest payment date (except that in the case of a Registered Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Registered Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Registered Owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

Upon the occurrence of an Event of Default (as such term is defined in the Indenture of Trust, dated as of October 1, 2015 (the "Indenture"), by and between the City and the Trustee), this Bond shall bear interest at the Default Rate. If an Event of Taxability (as such term is defined in the Indenture) shall occur, the principal amount of this Bond will thereafter bear interest at the Taxable Rate (as such term is defined in the Indenture).

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

This Bond is one of a duly authorized issue of bonds of the City designated as the "City of Garden Grove Water Revenue Refunding Bonds, Series 2015" (the "2015 Bonds"), of an aggregate principal amount of \_\_\_\_\_ Million \_\_\_\_\_ Hundred \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, and pursuant to the Indenture and the resolution authorizing the issuance of the 2015 Bonds. Reference is hereby made to the Indenture (copies of which are on file at the offices of the City) and all supplements thereto for a description of the terms on which the 2015 Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, and the rights thereunder of the Owners of the 2015 Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the City hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The 2015 Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

So long as this Bond is owned by JPMorgan Chase Bank, N.A. (the "Original Purchaser"), the following shall apply: (a) this Bond is not required to be presented and surrendered to the Trustee for payment at any time prior to the final maturity thereof, and (b) the Trustee will pay the principal of and interest on this Bond by wire transfer to the Original Purchaser in accordance with the wire transfer instructions provided by the Original Purchaser to the Trustee from time to time; provided that principal on this Bond which is payable at maturity shall be made only upon presentation and surrender hereof in accordance with the Indenture.

The 2015 Bonds have been issued by the City to refund all of the outstanding Garden Grove Public Financing Authority Refunding Revenue Certificates of Participation (Water Services Capital Improvement Program) Series 2004, as more fully described in the Indenture.

This Bond and the interest, premium, if any, hereon and all other 2015 Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the City, secured by a pledge and lien on the Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture, and payable from the Net Revenues. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on this Bond.

The Indenture and the rights and obligations of the City and the Owners of the 2015 Bonds and the Trustee may be modified or amended from time to time and at any time with the written consent of the Owners of a majority in aggregate principal amount of all 2015 Bonds then Outstanding, exclusive of Bonds disqualified as set forth in the Indenture, in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall: (i) extend the fixed maturity of any 2015 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each 2015 Bond so affected; or (ii) reduce the aforesaid percentage of 2015 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the 2015 Bonds of the lien created by the Indenture on such Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the 2015 Bonds then Outstanding.

The Indenture and the rights and obligations of the City, of the Trustee and the Owners of the 2015 Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the City and the Trustee may enter into with the consent of the Original Purchaser for so long as a majority in aggregate principal amount of the Outstanding 2015 Bonds are owned by the Original Purchaser, but otherwise without the consent of any 2015 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding 2015 Bonds.

The 2015 Bonds are not subject to optional redemption prior to their respective stated maturities.

The 2015 Bonds are subject to mandatory sinking fund redemption in part (by lot) on each December 15 on and after December 15, 20\_\_, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date, without premium, in accordance with the below schedule. On each of the following payment dates, the Trustee shall pay from the Principal Account an amount equal to the payment or payments due on such date as set forth below.

<i>Mandatory Sinking Fund Redemption Date (December 15)</i>	<i>Principal Amount</i>
[2015]	\$
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the date fixed for redemption to the respective Owners of any 2015 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the redemption.

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

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the 2015 Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at the office of the Trustee but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new 2015 Bond or 2015 Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

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

The Trustee shall not be required to register the transfer or exchange of this Bond during the period in which the Trustee is selecting 2015 Bonds for redemption or if this Bond has been selected for redemption.

The City and the Trustee may treat the Registered 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.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the

Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of 2015 Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Mayor and attested to by the manual or facsimile signature of its City Clerk as of the Original Issue Date.

CITY OF GARDEN GROVE

By: \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

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

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

Dated: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

\_\_\_\_\_  
City Clerk of the City of Garden Grove



[FORM OF ASSIGNMENT]

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

\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or  
Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
\_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee  
with full power of substitution in the premises.

Dated: \_\_\_\_\_

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

Signature Guaranteed:

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

## EXHIBIT B

### FORM OF INVESTOR LETTER

City of Garden Grove  
11222 Acacia Parkway  
Garden Grove, CA 92840

*Re: City of Garden Grove Water Revenue Refunding Bonds, Series 2015*

Ladies and Gentlemen:

The undersigned (the "Purchaser") understands that the City of Garden Grove (the "City") has issued its Water Revenue Refunding Bonds, Series 2015 in the aggregate principal amount of \$\_\_\_\_\_. The Purchaser intends to purchase said bonds (for purposes of this Investor Letter, the "Bonds"). In connection with such purchase of the Bonds, the Purchaser makes the certifications, representations, warranties, acknowledgements and covenants contained in this Investor Letter to each of the addressees hereof, with the express understanding that such certifications, representations, warranties, acknowledgements and covenants will be relied upon by such addressees.

The Purchaser hereby certifies, represents, warrants, acknowledges and covenants as follows:

(a) The Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and is authorized to invest in the Bonds being purchased hereby. The person executing this letter on behalf of the Purchaser is duly authorized to do so on the Purchaser's behalf.

(b) The Purchaser (MARK APPROPRIATELY):

\_\_\_\_\_ is a "qualified institutional buyer" (a "Qualified Institutional Buyer") within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act"), or

\_\_\_\_\_ is an "accredited investor" (an "Institutional Accredited Investor") as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act.

(c) The Purchaser is not purchasing the Bonds for more than one account, is purchasing the Bonds for its own account and is not purchasing the Bonds with a view to distributing the Bonds.

(d) The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other tax-exempt obligations similar to the Bonds, to be capable of evaluating the merits and risks of an investment in the Bonds, and the Purchaser is able to bear the economic risks of such an investment.

(e) The Purchaser recognizes that an investment in the Bonds involves significant risks, that there is no established market for the Bonds and that none is likely to develop and,

accordingly, that the Purchaser must bear the economic risk of an investment in the Bonds for an indefinite period of time.

(f) The Purchaser understands and agrees that ownership of a Bond may be transferred: (i) only to a person that the Purchaser reasonably believes is either: (A) a Qualified Institutional Buyer that is purchasing such Bond for not more than one account, for their own account and not with a view to distributing such Bond; or (B) an Institutional Accredited Investor that is purchasing such Bond for not more than one account for investment purposes and not with a view to distributing such Bond; and (ii) only if such Qualified Institutional Buyer or Institutional Accredited Investor delivers to the City a completed and duly executed Investor Letter substantially in the form hereof.

(g) The Purchaser is not relying upon the City, or any of its affiliates, agents or employees, for advice as to the merits and risks of investment in the Bonds. The Purchaser understands that the Bonds are not general obligations of the City, but are special, limited obligations payable and secured solely from Revenues of the City's Water System, as provided for in the Indenture of Trust, dated as of October 1, 2015, by and between the City and U.S. Bank National Association, as Trustee. The Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

(h) The Purchaser has conducted its own independent examination of, and has had an opportunity to ask questions and receive answers concerning, the City, the authorizing resolution of the City with respect to the Bonds (the "Resolution"), the Bonds and the security therefor and the transactions and documents related to or contemplated by the foregoing.

(i) The Purchaser has been furnished with all documents and information regarding the City, the Resolution, the Bonds and the security therefor and the transactions and documents related to or contemplated by the foregoing, and all matters related thereto, that it has requested.

(j) The Purchaser understands and agrees that: (i) the offering and sale of the Bonds are exempt from Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, pursuant to Section (d) of said Rule; (ii) the Bonds will not be listed on any stock or other securities exchange and were issued without registration under the provisions of the Securities Act of 1933 or any state securities laws; (iii) no official statement or other disclosure document is being prepared in connection with the issuance of the Bonds; and (iv) the Bonds will not carry any rating from any rating service.

(k) The person executing this letter on behalf of the Purchaser is duly authorized to do so on the Purchaser's behalf.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Purchaser has executed this Investor Letter as of the date set forth below.

Dated: October \_\_, 2015

Very truly yours,

JPMORGAN CHASE BANK, N.A.

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

§ \_\_\_\_\_  
**CITY OF GARDEN GROVE**  
**WATER REVENUE REFUNDING BONDS, SERIES 2015**

**BOND PURCHASE CONTRACT**

October \_\_, 2015

City of Garden Grove  
11222 Acacia Parkway  
Garden Grove, CA 92840  
Attention: Finance Director

Ladies and Gentlemen:

The undersigned, JPMorgan Chase Bank, N.A. (the "Purchaser"), does hereby offer to enter into this Bond Purchase Contract (the "Purchase Contract") with the City of Garden Grove, a municipality duly organized and existing under and by virtue of the laws of the State of California (the "City"), which, upon your acceptance hereof, will be binding upon the City and the Purchaser. This offer is made subject to acceptance by the City prior to 11:59 p.m., California time, on the date hereof.

Section 1. Purchase and Sale of the Bonds. Upon the terms and conditions and in reliance upon the basis of the representations, warranties and covenants herein set forth, the Purchaser hereby agrees to purchase from the City for its own account, and the City hereby agrees to sell to the Purchaser, all (but not less than all) of the \$ \_\_\_\_\_ aggregate principal amount of the City's Water Revenue Refunding Bonds, Series 2015 (the "Bonds"), at a purchase price of \$ \_\_\_\_\_ (representing the principal amount of the Bonds).

Section 2. The Bonds. The Bonds shall: (a) be dated the date of their delivery (the "Closing Date"); (b) mature on the date(s), in the year(s), and accrue interest computed at the rate(s) as set forth in Exhibit A hereto; and (c) be subject to redemption as set forth in Exhibit A hereto], which is incorporated herein by reference.

In all other respects, the Bonds shall be as described in, and shall be issued and secured pursuant to the provisions of the Resolution of the City Council of the City adopted on September 22, 2015 (the "Resolution") and Articles 10 and 11 of Chapter 3 of Part I of Division 2 of Title 5 of the California Government Code and other applicable law (collectively, the "Act"). All capitalized terms used herein without definition shall have the meanings given to them in the Indenture.

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Contract and the Resolution and authenticated by U.S. Bank National Association, as the trustee (the "Trustee") under an Indenture of Trust, dated as of October 1, 2015 (the "Indenture"), by and between the City and the Trustee.

The net proceeds of the Bonds will be applied in accordance with the Indenture to prepay and defease all of the \$9,240,000 outstanding aggregate principal amount of Garden Grove Public Financing Authority Refunding Revenue Certificates of Participation (Water Services Capital Improvement Program) Series 2004 (the "Refunded Bonds").

Section 3. Provision of City Information. The City has provided certain information to the Purchaser in connection with the Purchaser's consideration of an investment in the Bonds.

Section 4. Continuing Disclosure. The City and the Purchaser acknowledge that the Bonds are exempt from the requirements of Paragraph (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule").

Section 5. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Purchaser that:

(a) Due Organization. The City is and will be on the Closing Date a municipality duly organized and existing under and by virtue of the laws of the State of California, with the power to issue the Bonds pursuant to the Act, to adopt the Resolution and to enter into this Purchase Agreement.

(b) Enforceability of Documents. (i) At or prior to the Closing Date, the City will have taken all action required by it to authorize the issuance and delivery of the Bonds; (ii) the City has all necessary power and authority to execute and deliver this Purchase Contract and the Indenture, to adopt the Resolution, to issue and to deliver the Bonds, to perform its obligations under each such document or instrument (collectively, the "City Documents") and to carry out and effectuate the transactions contemplated by the City Documents; and (iii) when duly authenticated by the Trustee, the Bonds will constitute legally valid and binding obligations of the City, enforceable against the City in accordance with their terms except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(c) Authorization. By official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized and approved the execution and delivery of the City Documents, the performance by the City of the obligations on its part contained therein and the consummation by the City of all other transactions contemplated by the Resolution and this Purchase Contract.

(d) No Conflicts. The issuance of the Bonds, the adoption of the Resolution, the execution and delivery of the other City Documents and compliance with the provisions on the City's part contained herein and therein will not conflict with or constitute a breach of or default under the Constitution of the State of California, any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument.

(e) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby. The City gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(f) Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the City, threatened against the City: (i) affecting the existence of the City or the titles of its officers required to approve or sign documents necessary for the delivery of the Bonds, to their respective offices or seeking to prohibit, restrain or enjoin the issuance of the Bonds or the execution and delivery of the Indenture or this Purchase Contract; (ii) affecting delivery of the Bonds; (iii) in any material way contesting or affecting the validity or enforceability of the Bonds or any other City Document; (iv) contesting the powers of the City or its authority to enter into, adopt or perform its obligations under any of the foregoing, including, but not limited to, the consummation of the transactions contemplated in this Purchase Contract; (v) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of the Revenues to pay the principal of and interest on the Bonds, or the application thereof; or (vi) wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or any other City Document, or in which a final adverse decision could materially adversely affect the operations of the City, the exclusion of the interest paid on the Bonds from gross income for federal tax purposes or the exemption of such interest from State of California personal income taxation.

(g) Tax Covenants. The City covenants that it will take any and all action and will cause any and all action to be taken in order to ensure compliance with the provisions contained in the tax certifications described in Section 7(b)(iii)(I) hereof.

(h) No Violation of Debt Limitation. To the best knowledge of the City, it has not been, is not presently and, as a result of the sale, issuance and delivery of the Bonds, will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution that would materially adversely affect the City's obligations under this Purchase Contract.

(i) Security for the Bonds. The Bonds are secured by a pledge of Revenues, and are payable from Net Revenues, of the City's Water System (as such terms are defined in the Indenture).

(j) Internal Revenue Code. The City has complied with the Internal Revenue Code of 1986, as amended (the "Tax Code"), with respect to the Bonds, and the City shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exclusion from gross income for federal income tax purposes, or the exemption from any applicable State tax of the interest on the Bonds.

(k) [Reserved].

(l) No Other Debt. Between the date hereof and the Closing Date, without the prior written consent of the Purchaser, the City will not have issued any bonds, notes or other obligations for borrowed money payable from Net Revenues or secured by a pledge of Revenues of the Water System.

(m) Certificates. Except as specifically provided, any certificates signed by any officer of the City and delivered to the Purchaser shall be deemed a representation and warranty by the City to the Purchaser, but not by the person signing the same, as to the statements made therein.

(n) No Financial Advisory or Fiduciary Relationship. The City acknowledges and agrees that: (i) the transaction contemplated herein is an arm's length commercial transaction between the City and the Bank and its affiliates; (ii) in connection with such transaction, the Bank and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), agent or a fiduciary of the City; (iii) the Bank and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules; (iv) the Bank and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank, or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the City on other matters); (v) the Bank and its affiliates have financial and other interests that differ from those of the City; and (vi) the City has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

(o) Sovereign Immunity. The City does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under the Resolution or otherwise with respect to the Bonds. To the extent that the City has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the City hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to the Resolution or otherwise with respect to the Bonds.

(p) Financial Condition. The financial statements of the City for the year ended June 30, 2014, supplied to the Purchaser: (i) were prepared in accordance with generally accepted accounting principles, consistently applied; and (ii) fairly present the City's financial condition as of the date of the statements. Other than as otherwise disclosed to the Purchaser, there has been no material adverse change in the City's financial condition subsequent to June 30, 2014.

(q) Facilitation of Transfers. The City hereby agrees that, upon the request of the Purchaser, the City shall answer questions from and furnish all documents and information requested by a potential buyer of the Bonds concerning the City, the Resolution, the Bonds and the security therefor, and the transactions and documents related to or contemplated by the foregoing and all matters related thereto.

(r) Anti-Corruption.

(i) For purposes of this paragraph (r), the following terms shall have the following meanings: (1) "Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the City, its subsidiaries or affiliates from time to time concerning or relating to bribery or corruption. (2) "Patriot Act" or "USA Patriot Act" means the USA Patriot Act signed into law on October 26, 2001 (U.S.C. Section 5318), as the same may be amended, supplemented or modified from time to time. (3) "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof. (4) "Sanctioned Country" means, at any time, a country or territory which is the subject or target of any Sanctions. (5) "Sanctioned Person" means, at any time:



(I) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state; (II) any Person operating, organized or resident in a Sanctioned Country; or (III) any Person controlled by any such Person. (6) "Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

(ii) Compliance with Anti-Corruption Laws, Sanctions Laws and Regulations. (1) The City has implemented and maintains in effect policies and procedures designed to ensure compliance by the City, its subsidiaries, affiliates and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the City, its subsidiaries, affiliates and their respective officers and employees and to the knowledge of the City its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects; (2) none of (I) the City, any subsidiary, affiliate or any of their respective directors, officers or employees; or (II) to the knowledge of the City, any agent of the City, any subsidiary or affiliate that will act in any capacity in connection with or benefit from the issuance of the Bonds, is a Sanctioned Person; and (3) no Bond, use of proceeds or other transaction contemplated by this Purchase Contract will violate Anti-Corruption Laws or applicable Sanctions.

(iii) Patriot Act. The City: (1) will comply with all foreign and domestic laws, rules and regulations (including the USA Patriot Act, foreign exchange control regulations, foreign asset control regulations and other trade-related regulations) now or hereafter applicable to the Bonds, the transactions underlying such Bonds or the City's execution, delivery and performance of this Purchase Contract; (2) will maintain in effect and enforce policies and procedures designed to ensure compliance by the City, its subsidiaries, affiliates and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions; (3) shall issue the Bonds, and shall not use, and shall use its best efforts to ensure that its subsidiaries, affiliates and its or their respective directors, officers, employees and agents not use, proceeds of the Bonds: (I) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws; (II) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country; or (III) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 6. Representations, Warranties and Covenants of the Purchaser. The Purchaser represents to and agrees with the City that, as of the date hereof and as of the Closing Date:

(a) The Purchaser is a "Qualified Institutional Buyer" and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of a purchase of the Bonds.

(b) The Purchaser has conducted its own investigation into the merits and risks of an investment in the Bonds and has received, or been afforded access to, from the City or otherwise, all the information it deems necessary to make an investment decision with regard to the Bonds.

Section 7. Conditions to Closing. The Purchaser has entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and the performance by

the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Purchaser's obligations under this Purchase Contract are and shall be subject to the following further conditions as of the Closing Date:

(a) From the time of the execution and delivery of this Purchase Contract to the Closing Date, there shall not have been any: (i) material adverse change in the financial condition or general affairs of the City; (ii) event, court decision, proposed law or rule that may have the effect of changing the federal income tax status of the Bonds or the contemplated transactions; (iii) international or national crisis, suspension of stock exchange trading or banking moratorium materially affecting, in the Purchaser's opinion, the value of the Bonds to the Purchaser; or (iv) change in the rating of the City's Water System of AA+ or any statement released by any rating agency regarding a downgrading, suspension or withdrawal of any rating on any bonds of the City which, in the reasonable opinion of the Purchaser, materially and adversely affects the value of the Bonds to the Purchaser.

(b) The Purchaser hereby enters into this Agreement in reliance upon its own due diligence and the representations and warranties of the City contained herein and the representations and warranties to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the City and the Trustee of their respective obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Purchaser under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Purchaser, to the accuracy in all material respects of the representations and warranties of the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City and the Trustee made in any certificate or document furnished pursuant to the provisions hereof, to the performance by the City and the Trustee of their respective obligations to be performed hereunder and under the City Document, at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(i) At the Closing Date, the City Documents shall have been duly authorized, executed and delivered by the respective parties thereto, all in substantially the forms heretofore submitted to the Purchaser, with only such changes as shall have been agreed to in writing by the Purchaser, and shall be in full force and effect, and the City shall perform or have performed all of its obligations required under or specified in the Resolution or this Purchase Contract to be performed at or prior to the Closing;

(ii) On the Closing Date, all necessary action of the City relating to the execution and delivery of the Bonds will have been taken and will be in full force and effect and will not have been amended, modified or supplemented; and

(iii) At or prior to the Closing Date, the Purchaser shall have received the following documents, in each case satisfactory in form and substance to the Purchaser:

(A) Bond Opinion. The unqualified approving opinion of Stradling Yocca Carlson & Rauth, Bond Counsel to the City ("Bond Counsel"), dated the Closing Date, addressed to the City, as to the validity of the Bonds and the tax-exempt status of the Bonds;

(B) Reliance Letter. A reliance letter from Bond Counsel permitting the Purchaser to rely upon the approving opinion referred to in subparagraph 7(b)(iii)(A) above;

(C) Supplemental Opinion. A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Purchaser, to the effect that:

(1) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(2) assuming due authorization, execution and delivery by the Purchaser, the Resolution and this Purchase Contract have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding agreements of the City, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities in the State of California and except that no opinion is expressed with respect to any indemnification or contribution provisions contained in this Purchase Contract; and

(3) no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the City of this Purchase Contract or the consummation by the City of the other transactions contemplated by such agreement (provided that no opinion need be expressed as to any action required under the state securities or blue sky laws in connection with the purchase of the Bonds by the Purchaser).

(D) Defeasance Opinion. An opinion of Bond Counsel, dated the Closing Date and addressed to the Purchaser, as to the defeasance of the Refunded Bonds, in form and substance acceptable to the Purchaser;

(E) [Reserved];

(F) Certificate of the City. A certificate signed by a duly authorized official of the City to the effect that: (I) this Purchase Contract, the Bonds, and the Indenture have been duly executed and delivered; (II) the representations, warranties and covenants of the City herein are true and correct in all material respects as of the Closing Date; and (III) the City has complied with all the terms of the City Documents to be complied with by the City prior to or concurrently with the Closing Date and such documents are in full force and effect;

(G) Resolution. A certificate of the City Clerk of the City or his or her designee, together with a fully executed copy of the Resolution, to the effect that: (I) such copy is a true and correct copy of the Resolution; and (II) the Resolution is duly adopted and has not been modified, amended, rescinded or revoked except as provided herein, and is in full force and effect on the Closing Date;

(H) Purchase Contract. An executed copy of this Purchase Contract;

(I) Investor Letter. An executed copy of the Investor Letter in substantially the form attached as Exhibit B to the Indenture;

(J) Tax Certifications. Tax certifications by the City in form and substance acceptable to Bond Counsel;

(K) CDIAC. Copies of preliminary filings with the California Debt and Investment Advisory Commission ("CDIAC") relating to the Bonds;

(L) Indenture. An executed copy of the Indenture;

(M) Trustee Certificate. A certificate of the Trustee relating to the execution of the Indenture, in form and substance satisfactory to the Purchaser;

(N) Borrower Administrative Questionnaire. A copy of the Borrower Administrative Questionnaire provided by the Purchaser and executed by the City;

(O) Verification Report. A verification report of Causey, Demgen & Moore P.C., certified public accountants; and

(P) Additional Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel or the Purchaser may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the representations contained herein and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

Section 8. Additional Closing Conditions for the City. The City has entered into this Purchase Contract in reliance upon the representations and warranties of the Purchaser contained herein and the performance by the Purchaser of its obligations hereunder, both as of the date hereof and as of the Closing Date. The respective obligations of the City hereunder are and shall be subject to the receipt of the Purchaser, in form satisfactory to the City and signed by an authorized officer of the Purchaser, confirming delivery of the Bonds to the Purchaser and the satisfaction of all conditions and terms of this Purchase Contract by the City and confirming to the City that as of the Closing Date all of the representations of the Purchaser contained in this Purchase Contract are true and correct in all material respects.

Section 9. Termination. All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if they are in form and substance satisfactory to the Purchaser. Receipt of, and payment for, the Bonds shall constitute evidence of the satisfactory nature of such as to the Purchaser. The performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Purchaser may be waived by the Purchaser in the Purchaser's sole discretion.

If the City shall be unable to satisfy the conditions to the obligations of the Purchaser to purchase, accept delivery of and pay for the Bonds contained in this Agreement, or if the obligations of the Purchaser to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate, and neither Purchaser nor the City shall be under further obligation hereunder; provided, however, that the respective obligations of the City and the Purchaser set forth in Section 10 hereof shall continue in full force and effect.

Section 10. Expenses. The fees and disbursements of Bond Counsel, the fees and disbursements of the financial advisor to the City, the cost of preparing the Bonds, CDIAC fees, the fees of the Trustee for the Bonds, fees of Purchaser's Counsel, fees of the Verification Agent and other miscellaneous expenses of the City incurred in connection with the offering and delivery of the Bonds shall all be the obligation of the City. The Purchaser shall have no responsibility for any expenses associated with the issuance of the Bonds, including, but not limited to, the expenses identified above as the obligation of the City.

Section 11. Applicable Law. This Purchase Contract shall be governed by the laws of the State of California, exclusive of the choice of law provisions thereof.

Section 12. (a) TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF THE CITY AND THE PURCHASER IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS PURCHASE CONTRACT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE CITY FURTHER AGREES THAT, IN THE EVENT OF LITIGATION, IT WILL NOT PERSONALLY OR THROUGH ITS AGENTS OR ATTORNEYS SEEK TO REPUDIATE THE VALIDITY OF THIS SECTION 12, AND IT ACKNOWLEDGES THAT IT FREELY AND VOLUNTARILY ENTERED INTO THIS AGREEMENT TO WAIVE TRIAL BY JURY IN ORDER TO INDUCE THE PURCHASER TO ENTER INTO THIS PURCHASE CONTRACT.

(b) To the extent the foregoing waiver of a jury trial is unenforceable under applicable California law, the parties agree to refer, for a complete and final adjudication, any and all issues of fact or law involved in any litigation or proceeding (including all discovery and law and motion matters, pretrial motions, trial matter and post-trial motions up to and including final judgment), brought to resolve any dispute (whether based on contract, tort or otherwise) between the parties hereto arising out of, in connection with or otherwise related or incidental to this Purchase Contract to a judicial referee who shall be appointed under a general reference pursuant to California Code of Civil Procedure Section 638, which referee's decision will stand as the decision of the court. Such judgment will be entered on the referee's statement of judgment in the same manner as if the action had been tried by the court. The parties shall select a single neutral referee, who shall be a retired state or federal judge with at least five years of judicial experience in civil matters; provided that the event the parties cannot agree upon a referee, the referee will be appointed by the court. The parties shall share equally all fees and expenses of any referee appointed in such action or proceeding.

Section 13. Parties in Interest; Survival of Representations and Warranties. This Purchase Contract is made solely for the benefit of the City and the Purchaser (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the City in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Purchaser and shall survive the delivery of and payment for the Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**JPMORGAN CHASE BANK, N.A.,**  
as Purchaser

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

The foregoing is hereby accepted and agreed  
to as of the date first above written:

**CITY OF GARDEN GROVE**

By: \_\_\_\_\_  
Finance Director

**EXHIBIT A**

**\$ \_\_\_\_\_**  
**CITY OF GARDEN GROVE**  
**WATER REVENUE REFUNDING BONDS, SERIES 2015**

- a. Purchase Price: \$ \_\_\_\_\_.
- b. Principal Amount: \$ \_\_\_\_\_.
- c. Denomination: \$5,000 or any integral multiple in excess thereof.
- d. Form: Each maturity of the Bonds shall be delivered in the form of attached as Exhibit A to the Indenture, as a fully registered Bond dated as of the date of issuance thereof, and shall be registered in the name of JPMORGAN CHASE BANK, N.A. The Bonds shall be delivered to the Purchaser at closing.
- e. Interest Payable: [December 15, 2015] and each June 15 and December 15 thereafter.
- f. Maturity Schedule and Interest Rate: Maturing December 15, 2023 and bearing interest at the rate per annum of \_\_\_\_%, with mandatory sinking fund redemption as follows:  
  
[SINKING FUND TABLE TO COME]
- g. Redemption: The Bonds are not subject to optional redemption prior to maturity.
- h. Closing Date: October \_\_, 2015, or such other date mutually agreed to by the City and the Purchaser.
- i. Delivery: Payment shall be made by wire transfer to the Trustee of the Purchase Price on the Closing Date. Delivery of the Bonds shall be made to the Purchaser on the Closing Date and delivery of the other documents shall be made at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, or such other place as shall have been mutually agreed upon by the City and the Purchaser.

**ESCROW AGREEMENT (SERIES 2004)**

THIS ESCROW AGREEMENT (SERIES 2004), dated as of October 1, 2015 (the "Agreement"), by and between the City of Garden Grove (the "City") and U.S. Bank National Association, as escrow agent (the "Escrow Agent") and as 2004 Trustee (as such term is defined herein), is entered into in accordance with Resolution No. \_\_\_ of the City adopted on September 22, 2015, and a Trust Agreement, dated as of May 1, 2004 (the "2004 Trust Agreement"), by and among the Garden Grove Public Financing Authority (the "Authority"), U.S. Bank National Association (the "2004 Trustee"), and the City to refund the outstanding Garden Grove Public Financing Authority Refunding Revenue Certificates of Participation (Water Services Capital Improvement Program) Series 2004 (the "2004 Certificates").

**WITNESSETH:**

WHEREAS, the City previously authorized the execution and delivery of the 2004 Certificates pursuant to the 2004 Trust Agreement;

WHEREAS, the City has determined that a portion of the proceeds of the \$ \_\_\_ aggregate principal amount of the City of Garden Grove Water Revenue Refunding Bonds, Series 2015 (the "Bonds") issued pursuant to an Indenture of Trust, dated as of October 1, 2015, by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), will be used to provide a portion of the funds to pay on and prior to October 23, 2015, all regularly scheduled payments of principal and interest with respect to the 2004 Certificates, and to pay on October 23, 2015 the principal with respect to the 2004 Certificates maturing after October 23, 2015, plus interest with respect thereto accrued to such date, without premium (the "Prepayment Price"); and

WHEREAS, by irrevocably depositing with the Escrow Agent moneys (as permitted by, in the manner prescribed by, and all in accordance with the 2004 Trust Agreement), which moneys will be held uninvested, together with the moneys deposited with the Escrow Agent at the same time pursuant to this Agreement, will be fully sufficient to pay and discharge the 2004 Certificates;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City and the Escrow Agent agree as follows:

**SECTION 1. Deposit of Moneys.** The City hereby instructs the Escrow Agent to deposit \$ \_\_\_ received from the Trustee from the net proceeds of the Bonds in the Escrow Fund established hereunder. The City hereby further instructs the 2004 Trustee to transfer to the Escrow Agent: (i) \$ \_\_\_, constituting certain amounts on deposit in the funds and accounts established under the 2004 Trust Agreement, which amount the City instructs the Escrow Agent to deposit in the Escrow Fund; and (ii) \$ \_\_\_, constituting certain amounts to be repaid to the 2004 Trustee on October 23, 2015 from FSA Capital Management Services LLC (the "Provider") pursuant to the termination of the Collateralized Investment Agreement, dated as of May 13, 2004 (the "Investment Agreement"), by and between the Provider and the 2004 Trustee, which amount the City instructs the Escrow Agent to deposit in the Escrow Fund.

The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the City and the Escrow Agent in a fund hereby created and established to be known as the "Escrow Fund" and to be applied solely as provided in this Agreement.



SECTION 2. No Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees to hold such moneys uninvested in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Causey Demgen & Moore P.C. (the "Verification Agent"), that the moneys on deposit in the Escrow Fund will be sufficient to pay on October 23, 2015 the Prepayment Price (as such term is defined in the 2004 Trust Agreement) of the 2004 Certificates maturing after October 23, 2015.

SECTION 3. [Reserved].

SECTION 4. [Reserved].

SECTION 5. Payment of 2004 Certificates.

(a) Payment. From the moneys on deposit in the Escrow Fund, the Escrow Agent shall apply the amounts on deposit in the Escrow Fund to pay on October 23, 2015 the Prepayment Price of the 2004 Certificates maturing after October 23, 2015.

(b) Irrevocable Instructions to Provide Notice. The forms of the notices of prepayment and defeasance of the 2004 Certificates and termination of the Investment Agreement required to be mailed pursuant to Sections 4.03 and 10.01 of the 2004 Trust Agreement and Section 6.1(b) of the Investment Agreement, respectively, are substantially in the forms attached as exhibits to the Irrevocable Instructions and Request to Trustee dated September \_\_, 2015 executed by the City and delivered to the 2004 Trustee.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after October 23, 2015 shall be repaid by the Escrow Agent to the City.

(d) Priority of Payments. The owners of the 2004 Certificates shall have a first and exclusive lien on all moneys in the Escrow Fund until such moneys are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2004 Trust Agreement, upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof, all obligations of the City under the 2004 Trust Agreement with respect to the 2004 Certificates shall cease, terminate and become void except as set forth in the 2004 Trust Agreement. As provided in Section 9.01 of the Installment Purchase Agreement, dated as of May 1, 2004 (the "2003 Installment Purchase Agreement"), by and between the City and the Authority, the obligations of the City under the 2003 Installment Purchase Agreement with respect to the portion of the Installment Payments relating to the 2004 Certificates shall cease, terminate, become void and be completely discharged and satisfied (except for the rights of the 2004 Trustee and the obligation of the City to have the moneys on deposit in the Escrow Fund applied to Installment Payments).

SECTION 6. Application of Certain Terms of the 2004 Trust Agreement. All of the terms of the 2004 Trust Agreement relating to the making of payments of principal and interest with respect to the 2004 Certificates and relating to the exchange or transfer of the 2004 Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Sections 8.03 and 8.06 of the 2004 Trust Agreement relating to the resignation and removal and merger of the 2004 Trustee under the 2004 Trust Agreement are also incorporated in this Agreement as if set forth in full

herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. The Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys held hereunder.

SECTION 9. Indemnity. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the City or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the City shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the City or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of the moneys deposited in the Escrow Fund to pay the 2004 Certificates or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2004 Certificates or to the validity of this Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking,

suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the City.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the City periodic transaction statements which include detail for all investment transactions made by the Escrow Agent hereunder; provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

SECTION 11. Amendments. This Agreement is made for the benefit of the City and the owners of the 2004 Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the City; provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement or the 2004 Trust Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2004 Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2004 Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the 2004 Certificates.

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2004 Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the City and any other reasonable fees and expenses of the Escrow Agent approved by the City; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the City in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to City and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust Services, Reference: Garden Grove Water, Series 2004. Any notice to or demand upon the City shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the City at City of Garden Grove, 11222 Acacia Parkway, Garden Grove, CA 92840, Attention: Assistant City Manager/Finance Director (or such other address as may have been filed in writing by the City with the Escrow Agent).

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

CITY OF GARDEN GROVE

By: \_\_\_\_\_  
Assistant City Manager/Finance Director

U.S. BANK NATIONAL ASSOCIATION,  
as Escrow Agent and as 2004 Trustee

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