

INDENTURE

Dated as of \_\_\_\_\_ 1, 2018

by and between

CITY OF STOCKTON

and

WELL FARGO BANK, N.A., as Trustee,

Relating to

\$ \_\_\_\_\_  
CITY OF STOCKTON  
COMMUNITY FACILITIES DISTRICT NO. 2018-1  
(ARCH ROAD/NEWCASTLE ROAD)  
SPECIAL TAX BONDS, SERIES 2018

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### EXHIBIT A - FORM OF BOND

**INDENTURE**

THIS INDENTURE, made and entered into as of \_\_\_\_\_ 1, 2018 (this "Indenture"), by and between the CITY OF STOCKTON, a charter city duly organized and validly existing under the Constitution and laws of the State of California (the "City") and WELLS FARGO BANK, N.A., a national banking association organized under the laws of the United States of America and authorized to do business in the State of California, as trustee (the "Trustee"):

**WITNESSETH:**

WHEREAS, the City Council, on June 19, 2018, adopted its Resolution No. 2018-\_\_\_\_\_ establishing the City's Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) (the "District") for the purpose of providing financing for certain public improvements (the "Facilities"); and

WHEREAS, at an election held in the District on June 19, 2018, the qualified electors therein authorized the issuance of special tax bonds not to exceed \$4,000,000 in principal amount, for the purpose of financing the Facilities; and

WHEREAS, the qualified electors of the District at such election additionally authorized the levy and collection of a special tax to be used for the purpose, among others, of paying the interest on and principal of and redemption premiums, if any, on such Bonds; and

WHEREAS, the City has determined that it is in the public interest and for the benefit of the City, the District, the persons responsible for the payment of the special tax, and the Owners of the Bonds, that the City provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special tax securing the Bonds, and the administration and payment of the Bonds; and

WHEREAS, the City has determined to issue bonds in the principal amount of \$\_\_\_\_\_ designated as "Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Special Tax Bonds, Series 2018" (the "Bonds") in the manner provided herein in order to finance Facilities; and

WHEREAS, the City has determined that all things necessary to cause the Bonds, when executed by the City and authenticated by the Trustee and delivered as provided herein, to be legal special tax obligations of the City, enforceable in accordance with their terms, and to constitute the Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and delivery of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

**NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:**

That the City, in consideration of the premises and the mutual covenants herein contained and for the benefit of the Owners of the Bonds and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time Outstanding under this Indenture, according to their tenor and effect, and to secure the performance and observance of all the covenants and conditions in the Bonds and herein contained, and to declare the terms and conditions on and subject to which the Bonds are issued and secured, has executed and delivered this Indenture and has granted, warranted, demised, released, conveyed, assigned, pledged, set over and confirmed, and by these presents does grant, warrant, remise, release, convey, assign, sell, set over and confirm unto the Trustee, and to its successors and assigns forever, all of the following described property, franchises and income (collectively, the "Trust Estate"):

(a) All right, title and interest of the City in and to the Special Tax (subject to the right of the City to payment of Expenses); and

(b) All moneys and securities from time to time held by the Trustee under this Indenture in any fund or account other than the Rebate Fund and any and all other personal property of every name and nature from time to time hereafter by delivery or by writing of any kind, pledged or hypothecated, as and for additional security hereunder, by the City, or by anyone on its behalf, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

**TO HAVE AND TO HOLD** the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be conveyed and assigned, to the Trustee and its successors in said trust and assigns forever;

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

**PROVIDED, HOWEVER**, that if the City pays or causes to be paid the principal of, premium, if any, and interest due and payable on all Outstanding Bonds, pays or causes to be paid all other sums payable by the City, including all Expenses, then, and in that case, the right, title and interest of the Trustee in and to the Trust Estate will then cease, terminate and become void and this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture is to be and remain in full force and effect.

**THIS INDENTURE FURTHER WITNESSETH** and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights, interests, revenues and receipts hereby pledged, assigned and mortgaged are to be dealt with and disposed of under, on and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the City has agreed and covenanted, and does hereby agree and covenant, with the Trustee for the benefit of the Owners of the Bonds or any part thereof, as follows:

## ARTICLE I

### DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture, have the meanings set forth below.

“Act” means the Mello-Roos Community Facilities Act of 1982 (being Section 53311 et seq. of the Government Code of the State of California) and all laws amendatory or supplemental thereto.

“Acquisition Agreement” means the Agreement to Construct and Acquire Public Facilities for Community Facilities District No. 2018-1 (Arch Road/Newcastle Road), dated as of \_\_\_\_\_, 2018, among the City, the District and Arch Road Limited Partnership, as originally executed by the parties thereto and as it may be amended from time in accordance with its terms.

“Auditor” means the auditor/tax collector of the County.

“Bond Fund” means the fund by that name established by Section 5.04 hereof.

“Bond Reserve Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.03 of this Indenture.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office of the Trustee is located are closed or are required to close or a day on which the New York Stock Exchange is closed.

“City” means the City of Stockton, California, a chartered city and municipal corporation organized and existing under the Constitution and laws of the State.

“City Representative” means the person or persons authorized by resolution of the governing board of the City delivered to the Trustee to act on behalf of the City under or with respect to this Indenture.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

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

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate of the City dated \_\_\_\_\_, 2018, as originally executed and as it may be amended from time to time in accordance with its terms.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the execution and delivery of this Indenture or the execution, sale and delivery of the Bonds, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, and fees for execution and transportation and safekeeping of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03 of this Indenture.

“County” means the County of San Joaquin, California.

“Debt Service” means the principal of, and the interest on, the Bonds.

“Defeasance Obligations” means (a) cash or (b) non-callable Federal Securities.

“District” means the City’s Community Facilities District No. 2018-1 (Arch Road/Newcastle Road), a community facilities district organized and existing in the City under the Act.

“Expense Fund” means the fund so designated and established pursuant to Section 5.03 of this Indenture.

“Expenses” means any or all of the following: the fees and expenses of the Trustee (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff related

thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid or payable to any persons or entities employed by the City in connection with the discharge of any of the City's obligations hereunder (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States, and all other costs and expenses of the City or the Trustee incurred in connection with the discharge of their respective duties hereunder and, in the case of the City, in any way related to the administration of the District.

"Facilities" means the public improvements described in Exhibit A of the Resolution of Formation, authorized to be financed under and pursuant to the Act and the special election held in the District on June 19, 2018.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

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

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the City as its fiscal year.

"Improvement Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.02 of this Indenture.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the City, and who, or each of whom:

- (1) is in fact independent and not under the domination of the City;
  - (2) does not have a substantial financial interest, direct or indirect, in the operations of the City;
- and
- (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, NJ 07302, Attention: Editor; Mergent/FIS, 5250 77 Center



Drive, Suite 150, Charlotte, North Carolina 28217, Attention: “Called Bond Dept.”; and Kenny S&P, 55 Water Street, 45th Floor, New York, NY 10041; or, in accordance with then-current guideline of the Securities and Exchange Commission, such other addresses or such other services providing information or disseminating notices of prepayment of obligations similar to the Bonds.

“Indenture” means this Indenture, dated as of \_\_\_\_\_ 1, 2018, by and between the City and the Trustee, together with any duly authorized amendments thereto.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2019, so long as any Bonds are Outstanding.

“Notice of Special Tax” means the Notice of Special Tax prepared by the office of the Public Works Director of the City pursuant to Section 12.10 hereof.

“Ordinance” means Ordinance No. 2018-\_\_ adopted by the City Council providing for the levying of the Special Tax, adopted by the City Council of the City.

“Original Purchaser” means Brandis Tallman LLC as the first purchaser of the Bonds upon their issuance by the Trustee on the Closing Date.

“Outstanding,” when used as of any particular time with respect to Bonds, means (subject to the provisions of Section 11.01 of this Indenture) all Bonds theretofore executed and delivered by the Trustee under this Indenture except -

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds for the payment or prepayment of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or prepayment date of such Bonds), provided that, if such Bonds are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 4.04 of this Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (c) Bonds in lieu of or in exchange for which other Bonds shall have been executed and delivered by the Trustee pursuant to Section 2.07 of this Indenture.

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

“Participating Underwriter” means Brandis Tallman LLC, as the original underwriters of the Bonds, which is required to comply with the Rule in connection with the offering of the Bonds.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value, as determined by the City:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
- (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;

(3) (A) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including: (i) the Export-Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership); (ii) the Farm Credit System Financial Assistance Corporation; (iii) the Rural Economic Community Development Administration (formerly, the Farmers Home Administration); (iv) the General Services Administration (certificates of beneficial ownership); (v) the U.S. Maritime Administration (guaranteed Title XI financing); (vi) the Government National Mortgage Association (guaranteed mortgage-backed bonds or pass-through obligations); (vii) the U.S. Department of Housing & Urban Development (Project Notes, Local Authority bonds; United States of America government guaranteed U.S. Public Housing Notes and Bonds); (viii) the Federal Housing Administration; and (ix) the Federal Financing Bank; and

(B) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America; (i) senior debt obligations or mortgage-backed securities by the Federal National Mortgage Association (FNMA); (ii) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation (REFCORP); (iv) senior debt obligations of the Federal Home Loan Bank System; and (v) senior debt obligations of the Federal Home Loan Bank System; and (vi) senior debt obligations of the Student Loan Marketing Association;

(4) Senior debt obligations rated ["AA"] by Standard & Poor's Corporation (S&P) and ["Aa"] by Moody's Investors Service, Inc. (Moody's) issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

(5) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks, including the Trustee and the affiliates of the Trustee, 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);

(6) 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;

(7) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P (including those of the Trustee and its affiliates);

(8) 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

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized Independent Certified Public Accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations

described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(9) Investment agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to (and which satisfy the criteria of) the Issuer's Investment Policies.

(10) Repurchase agreements which if they are for thirty (30) days or less must satisfy the following criteria (repurchase agreements which exceed thirty (30) days must be acceptable to the Bond Insurer):

(A) Repurchase agreements must be between the City or the Trustee and a dealer bank or securities firm which is:

- (i) A primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by Standard & Poor's and Moody's, or
- (ii) A bank rated "A" or above by Standard & Poor's and Moody's;

(B) The written agreement must include the following:

- (i) Securities which are acceptable for transfer are:
  - (a) direct obligations of the United States government, or
  - (b) obligations of federal agencies backed by the full faith and credit of the United States of America (or the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC).
- (ii) The collateral must be delivered to the City or the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities),
  - (iii) (a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest, and
  - (b) The value of the collateral must be at least equal to one hundred four percent (104%) of the amount of money transferred by the Trustee to the dealer, bank or security firm under the agreement plus accrued interest. If the value of the securities held as collateral is reduced below one hundred four percent (104%) of the value of the amount of money transferred by the Trustee, then additional acceptable securities and/or cash must be provided as collateral to bring the value of the collateral to one hundred four percent (104%); provided, however, that if the securities used as collateral are those of FNMA or FHLMC, then the value of the collateral must be equal to one hundred five percent (105%) of the amount of money transferred by the Trustee; and
  - (c) A legal opinion must be delivered to the Services District and the Trustee that the repurchase agreement meets the requirements of California law with respect to the investment of public funds; and

(11) the Local Agency Investment Fund in the State Treasury of the State of California as permitted

by the State Treasurer pursuant to Section 16429.1 of the California Government Code.

The “Value” of the above investments, which shall be determined as of the end of each month, shall be calculated as follows:

- (a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal or The New York Times: the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
- (c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (d) as to any investment not specified above: the value thereof established by prior agreement among the City and the Trustee, or in the absence of such prior agreement, the value thereof as determined in the manner currently employed by the Trustee or in any other manner consistent with then-prevailing industry standard.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee in San Francisco, California; provided, however, that the Trustee may designate in writing to the City and the Owners such other office or agency from time to time for purposes of registration, transfer, exchange, payment or prepayment of Bonds.

“Rate and Method of Apportionment” means the Rate, Method of Apportionment and Manner of Collection of Special Tax for the District, as in effect from time to time.

“Rating Category” means, with respect to any Permitted Investment, one of the generic categories of rating by S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.04 of this Indenture.

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.11 of this Indenture for registration of the ownership and transfer of ownership of the Bonds.

“Regular Record Date” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“Resolution of Formation” means the Resolution No. 2018-\_\_\_, adopted by the City Council of the City on June 19, 2018, pursuant to which the City formed the District.

“Resolution to Incur Indebtedness” means the Resolution No. 2018-\_\_\_, adopted by the City Council on June 19, 2018, pursuant to which the City called an election on the amount of bonded indebtedness to be incurred by the District.

“Required Bond Reserve” which initially is \$\_\_\_\_\_ and means as of any date of calculation, the least of: (i) 10% of the original principal amount of the Bonds, or (ii) the maximum annual interest and principal payments on the Bonds payable hereunder in the current or any future one-year period ending on January 1, or (iii) 125% of the average annual interest and principal payments on the Bonds payable hereunder in the current or any future one-year period ending on January 1, all as determined by the City under the Code and specified in writing to the Trustee.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“S&P” means Standard & Poor’s Ratings Service, a division of the McGraw-Hill companies, New York, New York, or its successors.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041, Fax (212) 855-7207, 08 and 09; or, in accordance with then-current guideline of the Securities and Exchange Commission, to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Bonds.

“Special Tax Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.01 of this Indenture.

“Special Tax” or “Special Taxes” means the special tax authorized to be levied and collected annually in the District under the Act as described in the Resolution of Formation.

“Special Tax Prepayments” means the proceeds of any prepayments of Special Taxes received by the City, as calculated pursuant to the Rate and Method of Apportionment, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund by Section [4.02(A)] hereof.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate of the City dated the date of initial delivery of the Bonds of the City.

“Treasurer” means the duly appointed Treasurer of the City or his or her authorized representative.

“Trustee” means Wells Fargo Bank, N.A., or any successor thereto, acting as Trustee pursuant to this Indenture.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the City and the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants sets forth herein to be performed by or on behalf of the City shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

Section 1.03. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution of this Indenture by the officers and persons signing it.

Section 1.04. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

## ARTICLE II

### THE BONDS

Section 2.01. Authorization. The City hereby authorizes the issuance of the Bonds in the principal amount of \$\_\_\_\_\_ in the form and manner provided herein. The Bonds shall be designated the “Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Special Tax Bonds, Series 2018,” shall be issued by the City under and pursuant to the Act and under and pursuant hereto, and shall be secured by a pledge of amounts payable from the proceeds of the Special Tax as provided herein.

Section 2.02. Date: Payment of Interest. Each Bond shall be dated the date of issuance and delivery thereof. Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication and registration thereof, unless: (i) it is authenticated and registered as of an Interest Payment Date, in which event interest thereon shall be payable from such Interest Payment Date; or (ii) it is authenticated and registered after a Regular Record Date and before the following Interest Payment Date, in which event interest thereon shall be payable from such Interest Payment Date; or (iii) it is executed on or before February 15, 2019, in which event interest thereon shall be payable from the date of issuance and delivery of the Bonds; *provided, however*, that if, as of the date of execution of any Bond, interest is in default on any Outstanding Bonds, interest on such Bond shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Bonds. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Section 2.03. Maturity and Interest Rate. The Bonds shall mature and bear interest as follows:

Maturity (September 1)	Principal Amount	Interest Rate
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Section 2.04. Interest. Interest on the Bonds shall be payable on each Interest Payment Date to and including the date of maturity or redemption, whichever is earlier, as provided in Section 2.09 hereof and shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 2.05. Form. The Bonds shall be delivered in the form of fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds shall be assigned such alphabetical and numerical designation as shall be deemed appropriate by the Trustee. The Bonds shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein.

Section 2.06. Execution. The Mayor of the City, acting alone, is hereby authorized to execute each of the Bonds on behalf of the City, and the City Clerk of the City is hereby authorized and directed to countersign each of the Bonds on behalf of the City. The signatures of such Mayor and the City Clerk may be printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Bonds shall cease to be such officer before delivery of the Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Bonds.

Only those Bonds bearing thereon a certificate of authentication and registration in the form set forth in Exhibit A, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.07. Transfer and Exchange.

(a) *Transfer of Bonds.* The registration of any 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 attorney duly authorized in writing upon surrender of such Bond for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Trustee shall authenticate and register a new Bond or Bonds for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such transfer, except that the Trustee may require the payment by the Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Bonds or portion thereof during the period between the date five (5) days prior to the date of selection of Bonds for redemption and such date of selection, or (ii) any Bonds selected for redemption. The Trustee shall require the payment by the Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege and the Trustee may further require all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the cost basis information provided to it and shall have no responsibility to verify or ensure the accuracy of such information provided to it.

(b) *Exchange of Bonds.* Bonds may be presented for exchange at the Principal Corporate Trust Office for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. Whenever any Bond or Bonds shall be surrendered for exchange, the Trustee shall authenticate and register a new Bond or Bonds for like principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange (i) any Bond or any portion thereof during the period between the date five (5) days prior to the date of selection of Bonds for redemption and such date

of selection, or (ii) any Bond selected for redemption. The Trustee shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege and the Trustee may further require all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the cost basis information provided to it and shall have no responsibility to verify or ensure the accuracy of such information provided to it.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner of said Bond, shall authenticate and register a new Bond of like tenor, maturity and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and disposed of in a manner deemed appropriate by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Bond Owner, shall authenticate and register a new Bond of like tenor, maturity and amount and numbered as the Trustee shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment by the City of the reasonable and customary expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.08. Any Bond authenticated and registered under the provisions of this Section 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and fractionally entitled to the benefits of this Indenture with all other Bond secured by this Indenture. The Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be authenticated and registered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new Bond to replace a Bond which has been mutilated, lost, destroyed or stolen, and which has matured or has been called for redemption, the Trustee may make payment with respect to such Bond upon receipt of the aforementioned indemnity.

Section 2.09. Payment. Payment of interest due on any Bond on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the continental United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Bonds at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Bonds at the Principal Corporate Trust Office.

Section 2.10. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Bond Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein provided), if made in the following manner:



(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the ownership of Bonds by any person and the amount, the maturity and the numbers of such Bonds and the date of his holding the same shall be proved by the Registration Books.

Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Trustee pursuant to such request or consent.

Section 2.11. Registration Books. The Trustee shall keep or cause to be kept sufficient records for the registration and registration of transfer of the Bonds, which shall at all reasonable times be open to inspection by the City during regular business hours on any Business Day with reasonable prior notice; 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 the Registration Books, Bonds as hereinbefore provided.

Section 2.12. CUSIP Numbers. The Trustee and the City shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee nor the City shall be liable for any inaccuracies in such numbers.

Section 2.13. Use of Depository for Bonds. Notwithstanding any provision of this Indenture to the contrary:

(a) The Bonds shall be initially authenticated and registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one Bond maturing on each maturity date set forth in Section 2.03 hereof to be in a denomination corresponding to the total principal therein designated to mature on each such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

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

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

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the City that The Depository Trust Company or its successor is no longer

able to carry out its functions as depository; provided that no substitute depository which is not objected to by the City and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.13, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the City to the Trustee, a single new Bond shall be authenticated and registered for each maturity of such Bonds then Outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of the City. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.13, upon receipt of all Outstanding Bonds by the Trustee together with a written request of the City, new Bonds shall be authenticated and registered in such denominations and registered in the names of such persons as are requested in a written request of the City provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a written request of the City.

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

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

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

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

(i) All notices and payments addressed to the Owner shall contain the Bonds' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner and to the telephone numbers (in the case of notice by telecopy) and addresses as set forth in paragraphs 6 through 11 of the Letter of Representations directed to The Depository Trust Company and executed by the City and the Trustee (the "Letter of Representations").

(iii) The Owner shall in writing provide the Trustee with examples of signatures of those authorized to act on its behalf, which shall be subject to change and the Trustee shall accept direction in writing from such persons or their designated successors on behalf of the registered Owner.

(g) Reference is hereby made to the Letter of Representations for certain actions by the City and the Trustee under specified circumstances.

### ARTICLE III

#### APPLICATION OF BOND PROCEEDS

Section 3.01. Application of Proceeds. The proceeds received by the Trustee from the sale of the Bonds, shall forthwith be set aside by the Trustee in the following respective funds:

- (a) \$\_\_\_\_\_ shall be deposited in the Improvement Fund;
- (b) \$\_\_\_\_\_ shall be deposited in the Bond Reserve Fund;
- (c) \$\_\_\_\_\_ shall be deposited in the Interest Account within the Special Tax Fund; and
- (d) \$\_\_\_\_\_ shall be deposited in the Costs of Issuance Fund.

The Trustee may, in its discretion, establish a temporary fund or account to facilitate the foregoing transfers and deposits.

Section 3.02. Improvement Fund. (a) The Trustee shall establish a special fund designated as the “Improvement Fund”; shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Improvement Fund the proceeds of sale of the Bonds required to be deposited therein pursuant to Section 3.01(a) hereof. The moneys in the Improvement Fund shall be held by the Trustee and applied solely to the payment of the costs of the Facilities and are not pledged as security for the Bonds.

Disbursements from the Improvement Fund shall be made by the Trustee upon receipt of a requisition signed by a City Representative which shall: (a)(i) set forth the amount to be disbursed, (ii) the purpose for which the disbursement is to be made (which shall be for payment of costs of the Facilities under the Acquisition Agreement), (iii) that the disbursement is a proper expenditure from the Improvement Fund, and (iv) the person to whom the disbursement is to be made; and (b) certify that no portion of the amount then being requested to be disbursed was set forth in any previously-filed requisition.

Moneys in the Improvement Fund shall be invested and deposited in accordance with this Indenture. Interest earnings and profits from the investment and deposit of amounts on deposit in the Improvement Fund shall be retained therein.

Upon receipt by the Trustee of an Officer’s Certificate to the effect that all Facilities to be funded from the Improvement Fund have been completed and/or that no further withdrawals will be made from the Improvement Fund, any amounts remaining on deposit in the Improvement Fund shall be transferred by the Trustee to the Bond Fund to be applied to pay debt service on the Bonds on the next Interest Payment Date. When no amounts remain on deposit in the Improvement Fund, such fund shall be closed.

Section 3.03. Costs of Issuance Fund. (a) The Trustee shall establish a special fund designated as the “Costs of Issuance Fund”; shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Costs of Issuance Fund the proceeds of sale of the Bonds required to be deposited therein pursuant to Section 3.01(d) hereof and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

(b) Amounts in the Costs of Issuance Fund shall be disbursed for the payment of Costs of Issuance. The Trustee shall disburse moneys in the Costs of Issuance Fund only upon a receipt of a sequentially numbered requisition, with bills, invoices or statements attached, executed by a City Representative, setting forth the amounts to be disbursed for payment or reimbursement of Costs of Issuance and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Costs of Issuance properly chargeable to the Costs of Issuance Fund and have not been the subject of any prior requisitions.

(c) On March 1, 2019 or upon such earlier written notice from a City Representative that all Costs of Issuance have been paid, the Trustee shall transfer any moneys then remaining in the Costs of Issuance Fund to the City for deposit in the Expense Fund and the Costs of Issuance Fund shall be closed and the Trustee shall no longer be obligated to make payments for Costs of Issuance.

## ARTICLE IV

### REDEMPTION OF BONDS

#### Section 4.01. Optional Redemption.

(a) *Optional Redemption From Money Other Than Prepayments of Special Tax.* The Bonds maturing on or after September 1, 20\_\_ are subject to optional redemption by the City prior to their respective stated maturity dates as a whole or in part on any date on or after March 1, 20\_\_, from funds derived by the City from any source (other than Special Tax Prepayments), at the following redemption prices plus accrued interest thereon to the date fixed for redemption, as set forth below:

<u>Redemption Date</u>	<u>Redemption Price</u>
On or after March 1, 20__	%
September 1, 20__ and thereafter	

(b) *Special Mandatory Redemption From Prepayments of the Special Tax.* The Bonds are subject to special mandatory redemption by the City prior to their respective maturity dates, as a whole or in part on any Interest Payment Date from funds derived from Special Tax Prepayments, at the following redemption prices (computed on the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, as set forth below.

<u>Redemption Date</u>	<u>Redemption Price</u>
On or prior to March 1, 20__	%
September 1, 20__ and thereafter	100

#### Section 4.02. Mandatory Sinking Account Redemption.

(a) The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption by the City prior to their maturity date in part on each September 1 on or after September 1, 20\_\_, at the principal amount thereof, without premium, together with accrued interest thereon to the date fixed for redemption, solely from sinking fund payments, as follows:

Term Bonds Maturing September 1, 20__	
Sinking Fund Payment Date (September 1) 20__	Sinking Fund Payment \$

20\_\_  
 20\_\_  
 20\_\_<sup>†</sup>

<sup>†</sup> Maturity.

(b) The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption by the City prior to their maturity date in part on each September 1 on or after September 1, 20\_\_, at the principal amount thereof, without premium, together with accrued interest thereon to the date fixed for redemption, solely from sinking fund payments, as follows:

Term Bonds Maturing September 1, 20__	
Sinking Fund Payment Date (September 1)	Sinking Fund Payment
20__	\$
20__	
20__	
20__ <sup>†</sup>	

<sup>†</sup> Maturity.

Section 4.03. Selection of Bonds for Redemption. The Trustee shall select Bonds for redemption by lot in any manner which the Trustee shall, in its sole discretion, deem appropriate and fair. For the purposes of such selection, Bonds shall be deemed to be composed of \$5,000 portions and any such portion may be separately prepaid. The Trustee shall promptly notify the City in writing of the Bonds so selected for redemption. Selection by the Trustee of Bonds for redemption shall be final and conclusive.

Section 4.04. Notice of Redemption. The City shall notify the Trustee sixty (60) days prior to any optional redemption pursuant to Section 4.01. Unless waived in writing by any Owner of Bonds to be redeemed, notice of any such redemption shall be given by the Trustee on behalf and at the expense of the City, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Bond or Bonds to be prepaid at the address shown on the Bond Registration Books maintained by the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

All notices of redemption shall be dated and shall state: (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Bonds are to be redeemed, the Bond numbers (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (iv) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest with respect thereto shall cease to accrue from and after said date; (v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Corporate Trust Office; (vi) the CUSIP numbers of all Bonds being prepaid; (vii) the original date of execution and delivery of the Bonds; (viii) the rate of interest payable on each Bond being redeemed; (ix) the maturity date of each Bond being prepaid; and (x) any other descriptive information needed to identify accurately the Bonds being redeemed.

Notice of redemption having been given as aforesaid and the deposit of the redemption price having been made by the City, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date interest with respect to such Bonds or portions of Bonds shall cease to be payable. Upon surrender of such Bonds for redemption in

accordance with said notice, such Bonds shall be paid by the Trustee at the redemption price. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer, to the extent possible. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Trustee.

In addition to the foregoing notice to the Owners, notice shall also be given by the Trustee at least thirty (30) days before the redemption date, by telecopy, registered, certified or overnight mail, electronic mail to all Securities Depositories and to the Information Services which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

The Trustee shall have no responsibility for a defect in the CUSIP number that appears on any Bond or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Bond Owners and that the Trustee and the City shall not be liable in any way for inaccuracies in said numbers.

Section 4.05. Partial Redemption of Bond. Upon surrender of any Bond redeemed in part only, the Trustee shall authenticate and register to the Owner thereof a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and the same maturity.

## ARTICLE V

### FUNDS AND ACCOUNTS

Section 5.01. Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), the Bond Reserve Fund and, until disbursed as provided herein, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 11.01.

Amounts in the Improvement Fund (including the accounts therein), the Expense Fund, the Costs of Issuance Fund and the District General Fund (defined below), are not pledged to the repayment of the Bonds. The Facilities financed by the District with the proceeds of the Bonds are not in any way pledged to pay the debt service on the Bonds. Any proceeds of condemnation or destruction of any Facilities financed by the District with the proceeds of the Bonds are not pledged to pay the debt service on the Bonds and are free and clear of any lien or obligation imposed hereunder.

#### Section 5.02. Special Tax Fund.

(a) Establishment of Special Tax Fund. There is hereby established as a separate fund to be held by the Chief Financial Officer, the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Special Tax Fund, to the credit of which the City shall deposit, as soon as practicable following receipt, all Special Tax Revenues received by the City and any amounts required by Section 3.01 hereof to be deposited therein.

Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting payment of the portion of the Special Tax levy for Expenses shall be deposited by the Chief Financial Officer in the Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Chief Financial Officer and shall be disposed of by first, for transfer to the Trustee for deposit by the Trustee in the Bond Fund to be used to pay any past due debt service on the Bonds; second, for transfer to the Trustee for deposit by the Trustee in the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Required Bond Reserve; and third, to be held in the Special Tax Fund for use as described in Section 5.02(b); and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Chief Financial Officer and shall be transferred to the Trustee for deposit by the Trustee in the Special Tax Prepayments Account established pursuant to Section 5.04; and

Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending and disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the City.

(b) Disbursements. From time to time as needed to pay the obligations of the District, but no later than the Business Day before each Interest Payment Date, the Chief Financial Officer shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Reserve Fund and the Special Tax Fund to the Bond Fund pursuant to Sections 5.05(c), 5.05(e), 5.05(g), and 5.02(a)(ii), such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on the next Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

On each September 1, commencing September 1, 2019, following transfers to the Bond Fund and the Reserve Fund, if any, required on such date pursuant to the provisions of this Section 5.02(b), any moneys remaining on deposit in the Special Tax Fund shall be withdrawn therefrom by the Chief Financial Officer and deposited by the Chief Financial Officer to the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Community Facilities District Fund, which fund is hereby established in the treasury of the City (referred to herein as the "District General Fund"), to be used for any lawful purpose of the District in accordance with the Act.

(c) Investment. Moneys in the Special Tax Fund shall be invested in accordance with Article VII. Interest earnings and profits resulting from investment of amounts in the Special Tax Fund shall be retained in the Special Tax Fund to be used for the purposes thereof.

### Section 5.03. Expense Fund.

(a) Establishment of Expense Fund. There is hereby established as a separate fund to be held by the Chief Financial Officer, the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Expense Fund, to the credit of which deposits shall be made as required by Sections 3.03(b) and 5.02(b). Moneys in the Expense Fund shall be held in trust by the Chief Financial Officer for the benefit of the City and shall be disbursed as provided below.

(b) Disbursement. Amounts in the Expense Fund shall be withdrawn by the Chief Financial Officer and paid to the City or its order upon receipt by the Chief Financial Officer of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Expense, and the nature of such Expense. Amounts transferred to the Expense Fund pursuant to Section 3.03(c) shall be used for purposes of such fund prior to using other available amounts therein.

Annually, on the last day of each Fiscal Year, the Chief Financial Officer shall withdraw any amounts then remaining in the Expense Fund in excess of \$10,000.00 that have not been allocated to pay Expenses incurred but not yet paid, and which are not otherwise encumbered and transfer such amounts to the Special Tax Fund.

(c) Investment. Moneys in the Expense Fund shall be invested in accordance with Article VII. Interest earnings and profits resulting from said investment shall be retained by the Chief Financial Officer in the Expense Fund to be used for the purposes of such fund.

#### Section 5.04. Bond Fund.

(a) Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Trustee, the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Bond Fund to the credit of which deposits shall be made as required by Section 5.02, Section 5.05 and any other amounts required to be deposited therein by this Indenture or the Act. There is also hereby created in the Bond Fund, a separate account held by the Trustee, the Special Tax Prepayments Account, to the credit of which deposits shall be made as provided in Section 5.02(a).

Moneys in the Bond Fund and the Special Tax Prepayments Account shall be held in trust by the Trustee for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(b) Disbursements. (i) Bond Fund Disbursements. On each Interest Payment Date, and following any transfers required pursuant to Sections 5.02(b), and 5.05(c), 5.05(e) and 5.05(f) in connection with such Interest Payment Date, the Trustee shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of a redemption (including any mandatory sinking payment redemption) of the Bonds required by Sections 4.01 and 4.02.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph, the Trustee shall withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited by the Trustee in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of the first paragraph of this Section 5.04(b), the Trustee shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.



(ii) Special Tax Prepayments Account Disbursements. Moneys in the Special Tax Prepayments Account shall be transferred by the Trustee to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under Section 4.01(a), and notice to the Trustee can timely be given under Section 4.04 and shall be used (together with any amounts transferred pursuant to Section 5.05(f) to redeem Bonds on the redemption date selected in accordance with Sections 4.01 and 4.02.

(c) Investment. Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested in accordance with Article VII. Interest earnings and profits resulting from investment of amounts in the Bond Fund and the Special Tax Prepayments Account shall be retained in the Bond Fund and the Special Tax Prepayments Account, respectively, to be used for the purposes of such fund and account.

(d) State Reporting. If at any time the Trustee fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and/or interest on the Bonds, the Trustee shall notify the City and the Chief Financial Officer in writing of such failure or withdrawal, and the Chief Financial Officer shall notify the California Debt Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

#### Section 5.05. Bond Reserve Fund.

(a) Establishment of Reserve Fund. There is hereby established as a separate fund to be held by the Trustee, the City of Stockton Community Facilities District No. 2018-1 (Arch Road/Newcastle Road) Reserve Fund to the credit of which a deposit shall be made as required by Section 3.01, and deposits shall be made as provided in Section 5.02(b). Moneys in the Reserve Fund shall be held in trust by the Trustee for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

(b) Use of Reserve Fund. Except as otherwise provided in this Section 5.05, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming Bonds from the Bond Fund.

(c) Transfer of Excess of Reserve Requirement. Whenever, on the Business Day before any Interest Payment Date, or on any other date at the request of the Chief Financial Officer, the amount in the Reserve Fund exceeds the Reserve Requirement, the Trustee shall provide written notice to the Chief Financial Officer of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with Section 5.02.

(d) Transfer for Rebate Purposes. Amounts in the Reserve Fund shall be withdrawn, at the written request of the Chief Financial Officer, for purposes of making payment to the federal government to comply with Section 5.06.

(e) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with Section 5.02 or 4.01, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City to be used for any lawful purpose of the City.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to this Section 5.05(e) until after (i) the calculation, pursuant to Section 5.06, of any amounts due to the federal government following payment of the Bonds and withdrawal of any such amount under Section 5.05(d) for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Trustee.

(f) Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to Sections 4.01(a) and 5.04(b)(ii), a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the then outstanding principal of the Bonds) shall be transferred by the Trustee to the Bond Fund to be applied to the redemption of the Bonds pursuant to Section 4.01(b); provided, however, that no such transfer shall be made that would cause the balance in the Reserve Fund to be less than the Reserve Requirement to be in effect following such redemption.

(g) Investment. Moneys in the Reserve Fund shall be invested in accordance with Article VII. One Business Day before each Interest Payment Date, interest earnings and profits resulting from said investment shall be transferred by the Trustee to the Bond Fund to be used by the Trustee for the purposes of such fund, but any such transfer shall be made only to the extent that following such transfer the amount on deposit in the Reserve Fund equals the then Reserve Requirement.

#### Section 5.06. Rebate Fund.

##### (a) Deposits.

(i) Within 45 days of the end of each fifth bond year (as such term is defined in the Tax Certificate), (1) the City shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such bond year, and (2) upon the City’s written direction, the Trustee shall deposit to the Rebate Fund from deposits from the City, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

(ii) Neither the City nor the Trustee shall be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (a) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn and applied from the Rebate Fund to the extent permitted under subsection (f) of this Section.

(iii) The City shall not be required to calculate the “rebate amount,” and the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (a), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a 1 1/2% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii)

of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the City shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (a).

(b) Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after prepayment of all the Bonds and any amounts described in paragraph (2) of subsection (c) of this Section, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

(c) Withdrawal for Payment of Rebate. Upon the City’s written direction, but subject to the exceptions contained in subsection (a) of this Section to the requirement of the City to calculate the “rebate amount” and make deposits to the Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the Rebate Fund,

(i) not later than 60 days after the end of (1) the fifth bond year, and (2) each fifth bond year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such bond year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determine to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(d) Rebate Payments. Each payment required to be made pursuant to subsection (b) of this Section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City and provided to the Trustee.

(e) Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is 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 the amount of such deficiency and provide written direction to the Trustee to deposit an amount received from the City equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) Withdrawals of Excess Amounts. In the event that immediately following the calculation required by subsection (a) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with said subsection, upon written instructions from the City, the Trustee shall withdraw the excess from the Rebate Fund and deposit such excess to the Principal Account.

(g) Record Keeping. The City shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

(h) Survival of Defeasance. Notwithstanding anything in this Indenture to the contrary, the City’s Rebate Requirement shall survive the payment in full or defeasance of the Bonds.

Section 5.07. Surplus Moneys. Following payment in full of all principal of, and interest on, the Bonds, the payment of all Expenses (as evidenced by a certificate of the City), all moneys in all funds and accounts established hereunder shall be transferred to the City.

## ARTICLE VI

### COVENANTS OF THE CITY

Section 6.01. Punctual Payment and Performance. The City will cause the Trustee to punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued hereunder in strict conformity with the terms of the Act, this Indenture and the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein and in the Bonds required to be observed and performed by it.

Section 6.02. Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided herein, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund; *provided*, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the District so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided herein.

#### Section 6.03. Tax Covenants.

(a) General. The City hereby covenants with the Owners of the Bonds that, notwithstanding any other provisions of this Indenture, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the City, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of Treasury issued thereunder. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 6.03, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 6.04. Payment of Claims. The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the proceeds of the Special Tax or any part thereof or upon any funds in the hands of the City or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

Section 6.05. Expense Budgets. The City will, prior to the date the Bonds become Outstanding, establish a budget setting forth the Expenses for the period from such date through the next succeeding June 30. On or before the first day of January in each succeeding Fiscal Year, the City will establish a budget setting forth the Expenses for the period from the immediately succeeding July 1 through the next succeeding June 30.

Section 6.06. Accounting Records; Reports to California Debt and Investment Advisory Commission.

(a) The City will keep, or in the case of transactions made by the Trustee it will cause the Trustee to keep, appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Special Tax and of the proceeds of the Bonds, which accounting records shall at all times during business hours with reasonable prior notice be subject to the inspection of any Owner (or his representative authorized in writing); and at the written direction of the City, the Trustee shall also provide such accounting records for inspection to any investment banker, security dealer or other person interested in the Bonds.

(b) Until the final maturity of the Bonds, the City shall: (1) not later than October 30 of each year, prepare and supply the California Debt and Investment Advisory Commission (the "Commission"), by mail, postage prepaid, with the information required under Section 53359.5(b) of the Act; and (2) pursuant to Section 53359.5(c) of the Act, notify the Commission by mail, postage prepaid, within ten (10) days in the event the City or the Trustee fails to pay principal and interest due on the Bonds on any scheduled payment date.

Neither the City nor any of its officers, agents or employees shall be liable for any inadvertent error in reporting the information required by this Section 6.06(b) or for making the information available to anyone requesting it or for otherwise making it available to the public.

Section 6.07. Protection of Security and Rights of Owners. The City will take all steps on its part reasonably required to preserve and protect the security of the Bonds and the rights of the Owners with respect thereto.

Section 6.08. Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for delinquencies, contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained herein, and which in any event will be sufficient to pay the interest on, and principal of, the Bonds as they become due and payable and to pay all Expenses, as they become due and payable in accordance with the provisions and terms hereof. The Special Tax shall be collected in the same manner as ordinary *ad valorem* property taxes are collected. Except as provided in this Section 6.08 and the Act, the Special Tax shall be subject to the same penalties and the same sale and lien priority in the case of delinquency as is provided for *ad valorem* property taxes. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or about July 1 of each year, the Trustee shall provide the Chief Financial Officer with a notice stating the amounts then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Chief Financial Officer shall in no way affect the obligations of the Chief Financial Officer under the following three paragraphs. Upon receipt of such notice, the Chief Financial Officer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. In computing the amount of Special Taxes to be levied, the Chief Financial Officer shall take into account funds available in the Bond Fund, and the Special Tax Fund to make the payment of debt service on the Bonds due on the Interest Payment Dates occurring in the next calendar year, along with any transfers of investment earnings pursuant to Sections 5.05(c) or 5.05(g) to the Bond Fund expected to occur on such Interest Payment Date.

The Chief Financial Officer shall effect the levy of the Special Taxes from time to time during each Fiscal Year in accordance with the Ordinance. Specifically, the Chief Financial Officer shall compute the amount of Special Taxes to be so levied each Fiscal Year before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured or unsecured, as applicable, real property tax roll. Upon the completion of the computation of the amounts of the levy, the Chief Financial Officer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll. The Special Taxes so levied shall be payable and collected in the same manner and at the same time and in the same installment as the taxes on property levied on the tax roll are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general ad valorem taxes levied on the County tax roll.

In the event that the Chief Financial Officer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners within the District, the Chief Financial Officer shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the property owners in the District for Special Taxes necessary to meet the financial obligations of the District due on the next Interest Payment Date said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the City shall fix and levy the amount of Special Taxes within the District required for the timely payment of principal of and interest on any outstanding Bonds of the City becoming due and payable, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Expenses, and shall take into account any Special Tax Prepayments theretofore received by the City. The Special Taxes so levied shall not exceed the maximum amounts as provided in the Rate and Method of Apportionment of Special Taxes for the District.

The Chief Financial Officer is hereby authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Chief Financial Officer (including a charge for City staff time) in conducting its duties hereunder shall be an Administrative Expense hereunder.

Section 6.09. Foreclosure of Special Tax Lien. The City covenants that it will on or before January 1 and July 1 of each year review the public records of the County of San Joaquin relating to the collection of the Special Tax in order to determine the amount of the Special Tax paid in the preceding six month period (without regard to the Teeter Plan).

(a) Individual Delinquencies. If the City determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$2,500 or more, then the City shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of such parcel within 45 days of such determination, and (if the delinquency remained

uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination to the extent permissible under applicable law. Notwithstanding the foregoing, the City may defer such action if the amount in the Bond Reserve Fund is at least equal to the Required Bond Reserve.

(b) Aggregate Delinquencies. If the City determines that (1) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District (including the total of delinquencies under subsection (A) above), exceeds five percent (5%) of the total Special Tax due and payable for the prior Fiscal Year, or (2) there are ten (10) or fewer owners of real property within the District, determined by reference to the latest available secured property tax roll of the County, the City shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within forty-five (45) days of such determination, and shall commence foreclosure proceedings within ninety (90) days of such determination against each parcel of land in the District with a Special Tax delinquency.

In the case of both (a) and (b), the City shall thereafter vigorously prosecute such actions to completion; and *provided further*, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California.

Section 6.10. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall, after receiving adequate indemnification) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section 6.10.

Section 6.11. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Owners of the rights and benefits provided herein.

## ARTICLE VII

### MONEYS IN FUNDS; INVESTMENTS

Section 7.01. Held in Trust. The moneys and investments held by the Trustee under this Indenture are irrevocably held in trust for the benefit of the Owners of the Bonds and for the purposes herein specified and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Indenture and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the City, the Trustee or any Owner of Bonds.

Section 7.02. Investments Authorized. Moneys held by the Trustee hereunder, upon written order of a City Representative received by the Trustee at least two (2) Business Days prior to investment, shall be invested and reinvested by the Trustee in Permitted Investments. If a City Representative shall fail to so direct investments, the Trustee shall invest the affected moneys in the Wells Fargo Government Money Market Fund. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 7.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any

investment. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately.

Section 7.03. Accounting. The Trustee shall furnish to the City, at least monthly, an accounting which may be in the form of its customary accounting statements of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 7.02 hereof. The Trustee shall not be responsible for determining the “Value” or the “Fair Market Value” of any investment.

Section 7.04. Allocation of Earnings. All interest or income received by the Trustee on investment of moneys in any fund or account hereunder shall be retained in such fund or account. All interest or income in the Improvement Fund or the Costs of Issuance Fund shall be retained in such fund until such fund is closed pursuant to Article III hereof.

## ARTICLE VIII

### THE TRUSTEE

Section 8.01. Appointment of Trustee. The Trustee is hereby appointed trustee, registrar and paying agent by the City for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The City agrees that it will maintain a Trustee which shall be a corporation or association organized under the laws of any state, the United States of America, or the District of Columbia, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least seventy-five million dollars (\$75,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 8.01, the combined capital and surplus of such corporation 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 Section 8.01, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.07.

The Trustee is hereby authorized to pay the Bonds when duly presented for payment at maturity, or on redemption and to cancel all Bonds upon payment thereof. The Trustee shall keep records in accordance with corporate trust industry standards of all funds administered by it and of all Bonds paid and discharged. The Trustee shall be compensated for its services rendered pursuant to the provisions of this Indenture in accordance with a separate written fee agreement between the City and the Trustee.

Section 8.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. In the event that an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture and shall exercise such care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise and of like character and with like aims to accomplish the purposes of this Indenture as determined from this Indenture.



(b) No provision in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee shall be entitled to interest on any funds advanced by it hereunder at the maximum rate permitted by law.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds delivered hereunder or intended to be secured hereby.

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

(e) In the absence of negligence or wilful misconduct on its part, as finally adjudicated by a court of competent jurisdiction, the Trustee shall be protected in acting or refraining from acting upon any notice, request, consent, requisition, certificate, order, affidavit, facsimile, letter, telegram, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds authenticated and registered in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless such person is the registered owner as shown on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by a City Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient. The Trustee may accept a certificate of a City Representative to the effect that an authorization in the form therein set forth has been adopted by the City, as conclusive evidence that such authorization has been duly adopted and is in full force and effect. The Trustee may consult with counsel, which counsel shall be experienced in providing opinions to trustee banks in connection with municipal bond issues, 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.

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

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the City to cause to be made any of the payments required to be made to the Trustee, unless the Trustee shall be specifically notified in writing of such default by the City or by the

Owners of at least twenty five percent (25%) in aggregate principal amount of Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(i) Notwithstanding anything elsewhere in this Indenture with respect to the authentication and registration of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the City to the withdrawal of any cash, or the taking of any other action by the Trustee.

(j) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Article VII of this Indenture.

(k) 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 a majority in aggregate principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(l) Before taking any action under Article X hereof or this Section 8.02 at the request or direction of the Bond Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished to the Trustee by the Bond Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken. Before being required to take any action, the Trustee may require an opinion of independent counsel acceptable to the Trustee which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

(m) Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

(n) The Trustee shall not be accountable for the use or application by the City or any other party of any funds which the Trustee has released in accordance with the terms of this Indenture.

(o) The Trustee makes no representations as to the validity or sufficiency of the Bonds and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee makes no representations and shall have no responsibility for any official statement or other offering material prepared or distributed with respect to the Bonds.

(p) In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including without limitation the Owners and the City, having any claim against the Trustee arising from this Indenture shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein for the Trustee's negligence or wilful misconduct, as finally adjudicated by a court of competent jurisdiction.

(q) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents and shall be entitled to advice of counsel selected as provided in Section 8.02(f) concerning all matters of trust and its duty hereunder and shall be absolutely protected in relying thereon. The Trustee shall not be liable for any action taken or not taken by it in reliance upon an opinion of such counsel. The Trustee shall not be responsible for the negligence or misconduct of such persons selected by it with reasonable care.

(r) The City, to the extent permitted by law, shall indemnify the Trustee and hold it harmless against any loss, claim, liability, expenses or advances, including, but not limited to fees and expenses of counsel and other experts, incurred or made without negligence or willful misconduct on the part of the Trustee, as finally adjudicated by a court of competent jurisdiction, arising out of: (i) the Trustee's acceptance or administration of the trust under the Indenture, or the exercise or performance of any of its powers or duties hereunder; and (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Bonds. The Trustee's rights to payment of its fees and expenses and indemnification shall survive its resignation or removal and final payment or defeasance of the Bonds.

(s) The Trustee shall not be liable for an error of judgement made in good faith, unless it has proven that the Trustee was negligent in ascertaining the pertinent facts.

Section 8.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances and expenditures, including but not limited to, advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by the Trustee in connection with such services, in accordance with a separate written fee agreement with the City, and the Trustee shall, in the Event of Default, have a first and prior lien on the funds held hereunder to secure the same. 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.

Section 8.04. Notice to Bond Owners of Default. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, then the Trustee shall, within ninety (90) days of the occurrence thereof, give written notice thereof at the expense of the City by first class mail, postage prepaid, to the Owner of each Bond, unless such Event of Default shall have been cured before the giving of such notice.

Section 8.05. Intervention by Trustee. In any judicial proceeding to which the City is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of the Bond Owners and shall do so if requested in writing by the Owners of at least twenty five percent (25%) of the aggregate principal amount of Bonds then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its satisfaction against all risk or liability arising from such action.

Section 8.06. Removal of Trustee. Upon thirty (30) days' notice, the City (so long as no Event of Default shall have occurred and be continuing) or the Owners of at least a majority of the aggregate principal amount of Bonds then Outstanding may, remove the Trustee initially appointed, and any successor thereto, by an instrument in writing delivered to the Trustee, and may appoint a successor or successors thereto; provided that any such successor shall be a corporation or association meeting the requirements set forth in Section 8.01 hereof.

Section 8.07. Resignation by Trustee. The Trustee and any successor Trustee may, at any time, resign by giving sixty (60) days' written notice by registered or certified mail to the City.

Section 8.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 8.06 or 8.07 hereof, the City shall promptly appoint a successor Trustee. In the event the City shall, for any reason whatsoever, fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in Section 8.06 hereof or within sixty (60) days following the receipt of notice by the City pursuant to Section 8.07 hereof, the Trustee may apply to a court of competent jurisdiction at the expense of the City for the appointment of a successor Trustee meeting the requirements of Section 8.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the City purporting to appoint a successor Trustee following the expiration of such thirty (30) or sixty (60) day period. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Section 8.09. Merger or Consolidation. Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 8.01 hereof, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 8.10. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also the City an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the City, or of its successor, authenticate and register an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all Registration Books, securities and moneys held by it as the Trustee hereunder to its successor. Upon such acceptance, the City shall mail, by first class mail, postage prepaid, or cause the mailing of, notice thereof to the Bond Owners at their respective addresses set forth on the Registration Books. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

## ARTICLE IX

### AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Section 9.01. Amendments Permitted. This Indenture and the rights and obligations of the Owners of the Bonds may be modified or amended at any time by a supplemental indenture which shall become effective when the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.03 hereof, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Bond or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Bond, or (2) reduce or have the effect of reducing the percentage of Bonds required for the affirmative vote or written consent to a modification of or supplement to this Indenture, (3) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than the Bonds, or jeopardize the ability of the City to levy and collect the Special Tax, or (4) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental indenture shall become effective as provided in Section 9.02 hereof.

This Indenture and the rights and obligations of the Owners of the Bonds may be modified or amended at any time by a supplemental indenture, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the City, (2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Bonds, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Bonds; (4) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Bonds, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Bonds. Any such supplemental indenture shall become effective upon execution and delivery by the parties hereto or thereto, as the case may be.

No amendment shall be entered into unless the Trustee receives an opinion of independent counsel that any amendment entered into hereunder complies with the provisions of this Article IX, is permitted by the Indenture, is enforceable against the City, and does not adversely impact the tax-exempt status of the interest on the Bonds, and the Trustee may rely conclusively on such opinion. The Trustee is not obligated to enter into any amendment that adversely impacts its rights.

Section 9.02. Procedure for Amendment with Written Consent of Bond Owners. This Indenture may be amended by supplemental indenture as provided in this Section 9.02 in the event the consent of the Owners of the Bonds is required pursuant to Section 9.01 hereof. A copy of such supplemental indenture, together with a request to the Bond Owners for their consent thereto, shall be mailed by first class mail, postage prepaid, by the Trustee at the expense of the City, to each Owner of a Bond at his address as set forth on the Registration Books, but failure to mail copies of such supplemental indenture and request shall not affect the validity of the supplemental indenture when assented to as in this Section 9.02 provided.

Such supplemental indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 9.03 hereof) and a notice shall have been mailed as hereinafter in this Section 9.02 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given. Any such consent shall be binding upon the Owner of the Bond giving such consent and on any subsequent Owner (whether or not such subsequent

Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section 9.02 provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to such supplemental indenture, the Trustee shall mail by first class mail, postage prepaid, a notice at the expense of the City to the Owners of the Bonds in the manner hereinbefore provided in this Section 9.02 for the mailing of such supplemental indenture of the notice of adoption thereof, stating in substance that such supplemental indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 9.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental indenture or consents thereto). A record, consisting of the papers required by this Section 9.02 to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental indenture shall become effective upon the mailing of such last-mentioned notice, and such supplemental indenture shall be deemed conclusively binding upon the parties hereto and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 9.03. Disqualified Bonds. Bonds owned or held by or for the account of the City or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the City (except any Bonds held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Bonds provided for in this Indenture, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Indenture; *provided, however,* that the Trustee shall not be liable for determining whether Bonds are owned or held by the City or any such other person unless such Bonds are registered in the name of the City or such other person on the Registration Books.

Section 9.04. Effect of Supplemental Indenture. From and after the time any supplemental indenture becomes effective pursuant to this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Bonds Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.05. Endorsement or Replacement of Bonds Delivered After Amendments. The City may determine that Bonds delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office, a suitable notation shall be made on such Bond. The City may determine that the delivery of substitute Bonds, so modified as in the opinion of the City is necessary to conform to such Bond Owners' action, as necessary and such substitute Bonds shall thereupon be prepared, authenticated and registered. In that case, upon demand of the Owner of any Bond then Outstanding, such substitute Bond shall be exchanged at the Principal Corporate Trust Office, at the expense of the City for a Bond of the same character then Outstanding, upon surrender of such Outstanding Bond.

Section 9.06. Amendatory Endorsement of Bonds. The provisions of this Article IX shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him, provided that proper notation thereof is made on such Bonds.

## ARTICLE X

## EVENTS OF DEFAULT; REMEDIES

Section 10.01. Events of Default. Any one or more of the following events shall constitute an “Event of Default:”

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

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) Default by the City in the observance of any of the other agreements, conditions or covenants on its part in this Indenture or in the Bonds contained, and the continuation of such default for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Trustee, provided that if within thirty (30) days the City has commenced curing of the default and diligently pursue elimination thereof, such period shall be extended to permit such default to be eliminated.

Section 10.02. Remedies. Upon the happening and continuance of an Event of Default hereunder the Trustee may pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of the Indenture.

Upon the happening and continuance of an Event of Default, and if requested to do so by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding and if the Trustee is indemnified as provided in Section 8.02(l), the Trustee shall exercise such of the rights and powers conferred by this Section and by Section 10.06 as the Trustee shall deem most effective to enforce and protect the interests of the Owners.

Upon the happening and continuance of any Event of Default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated to do one or more of the following:

(a) by mandamus or other suit or proceeding at law or in equity, compel the City Council or the City or any officers or employees of the City to perform and carry out their duties under the Act and the agreements and covenants with the Owners contained herein; or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Owners; or

Section 10.03. Application of Moneys. (a) Any moneys received by the Trustee pursuant to this Article shall, after payment of all fees and expenses of the Trustee, including any outstanding fees and expenses of the Trustee, and the fees and expenses of its counsel incurred hereunder, be applied as follows:

FIRST - To the payment of the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment of the Owners entitled thereto of the unpaid principal of and redemption premiums, if any, on any of the Bonds which shall have become due (other than Bonds

matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premiums, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the Owners entitled thereto as the same shall become due of the principal of and redemption premiums, if any, on and interest on the Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such principal and redemption premiums, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section 10.03, such moneys shall be applied at such times, and from time to time, as the City shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first-class mail to the Owners as it may deem appropriate, such notice of the deposit with it of any such moneys.

Section 10.04. Non-Waiver. Nothing in this Article X or in any other provision of this Indenture or in the Bonds, shall affect or impair the right of action, which is absolute and unconditional, of the Bond Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Bonds to exercise any right or power arising upon the happening 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, and every power and remedy given by this Article X to the Trustee or to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners.

Section 10.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Bond Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 10.06. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Bonds Outstanding. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claim of the Trustee and the Bond Owners allowed in any judicial proceeding relative to the City, its creditors or its property.

Section 10.07. Limitation on Bond Owners' Right to Sue. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least twenty-five percent (25%) in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred



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

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

The right of any Owner of any Bond to receive payment of interest on, and principal of, the Bonds as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 10.07 or any other provision of this Indenture.

Section 10.08. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Article IV hereof, or the defeasance of the Bonds and discharge of this Indenture under Section 11.01 hereof.

## ARTICLE XI

### DEFEASANCE

#### Section 11.01. Discharge of the Bonds.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and herein, then all agreements, covenants (except Section 6.03) and other obligations of the City to the Owners of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, 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 or deliver to the City all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds in accordance with, and subject to, Section 5.05.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall, prior to the maturity date or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Trustee shall have been directed by the City to mail a notice of redemption to the respective Owners of all such Outstanding Bonds and to the Securities Depositories and Information Services pursuant to Section 4.04, (2) there shall have been deposited with an escrow agent or the Trustee either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the escrow agent or the Trustee thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of Treasury of the United States of America) or municipal obligations which have been defeased with Federal Securities and which are rated in the highest rating category by either Moody's or S&P's, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such

escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by report of an Independent Certified Public Accountant, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Trustee shall, upon written request of the City, mail, at the City's expense, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Section 4.04, a notice to the Owners of such Bonds and to the Securities Depositories and Information Services that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating the maturity dates or redemption dates, as the case may be, upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Section 11.02. Payment of Unclaimed Moneys. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal or interest due with respect to any Bonds and remaining unclaimed two years from the date of redemption of such Bonds, or if the law shall have been changed and the City has notified the Trustee of such change or the Trustee notifies the City, then on the date thirty (30) days prior to the then applicable escheat provision of State law, shall, on such date, be repaid to the City free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the City as aforesaid, the Trustee may (at the cost and request of the City) first mail to the Owners to whom such amounts 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 amounts so payable and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. The Trustee shall not be liable for any interest on funds held by it. The City shall not be liable for any interest on the sums paid to it pursuant to this Section 11.02 and shall not be regarded as a trustee of such money.

## ARTICLE XII

### MISCELLANEOUS

Section 12.01. Liability of City Limited to Proceeds of the Special Tax. Notwithstanding anything contained herein, the City shall not be required or be liable to advance any money derived from any source other than the proceeds of the Special Tax as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or any other amounts hereunder.

The Bonds are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax (including proceeds from the sale of the property collected pursuant to the foreclosure provisions hereof for the delinquency of the Special Tax and proceeds from any security for payment of the Special Tax taken in lieu of foreclosure) and certain other funds as provided herein, and the City is not obligated to pay them except from the proceeds of the Special Tax (including proceeds from the sale of property collected pursuant to the foreclosure provisions hereof for the delinquency of the Special Tax and proceeds from any security for payment of the Special Tax taken in lieu of foreclosure) and such other funds as provided herein. The general fund and other funds of the City are not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the money in the Special Tax Fund, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council nor the City nor any

officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds otherwise than from proceeds of the Special Tax.

Section 12.02. Notices. All written notices to be given under this Indenture shall be given by first class mail, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon receipt to the address set forth below:

If to the City:                      City of Stockton  
    425 North El Dorado Street  
    Stockton, California 95202  
    Attention: Chief Financial Officer

If to the Trustee: Wells Fargo Bank, N.A.  
    Corporate Trust Services  
    333 Market Street, 18th Floor  
    San Francisco, California 94105

Section 12.03. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State.

Section 12.04. Binding Effect: Successors. This Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Indenture the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.05. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 12.06. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.07. Waiver of Notice. Whenever in this Indenture the giving of notice by first class mail, postage prepaid, 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 case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.08. Payments Due on Other than Business Day. If the date for making any payment as provided in this Indenture is not a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if done on the date provided therefore herein.

Section 12.09. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been

contained herein. The parties hereto hereby declare that they would have entered into this Indenture and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 12.10. Designation of Office to Respond to Inquiries. Pursuant to Section 53340.2 of the Act, the City hereby designates the office of the Public Works Director, at the address shown in Section 12.02, as the office responsible for annually preparing the current roll of special tax levy obligations by assessor's parcel number on non-exempt property within the District and as the office responsible for estimating future special tax levies. This designated office shall establish procedures to promptly respond to inquiries concerning current and future estimated tax liability.

For purposes of enabling sellers of real property subject to the levy of special taxes to satisfy the notice requirements of Section 1102.6(b) of the California Civil Code, the office of the Director of Public Works of the City shall furnish a Notice of Special Tax to any individual requesting the notice or any owner of property subject to a special tax levied by the local agency within five working days of receiving a request for such notice.

Section 12.11. Authority of City Officials. The City Manager, the Controller and City Clerk are hereby charged with the responsibility for the issuance and delivery of the Bonds. Such officers and other members of the City staff are hereby authorized jointly and severally to execute any and all documents and to do any and all things deemed necessary or advisable in order to consummate the delivery of the Bonds to effectuate the purposes of the Indenture.

All actions mandated by this Indenture to be performed by the City Manager, Controller or City Clerk or other member of the City staff may be performed by the designee thereof or such other official of the City, or independent contractor, including the Trustee, duly authorized by the City Council to perform such action or actions in furtherance of all or a specific portion of the requirements hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Indenture as of the date and year first above written.

CITY OF STOCKTON

By: \_\_\_\_\_  
Chief Financial Officer

WELLS FARGO BANK, N.A., as Trustee

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

## EXHIBIT A

## FORM OF BOND

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

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

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

CITY OF STOCKTON  
 COMMUNITY FACILITIES DISTRICT NO. 2018-1  
 (ARCH ROAD/NEWCASTLE ROAD)  
 SPECIAL TAX BONDS, SERIES 2018

Interest  
Rate

Maturity  
Date  
 September 1, \_\_\_\_

Dated  
Date  
 \_\_\_\_\_, 2018

CUSIP

Registered Owner: Cede &amp; Co.

Principal Amount: [ \_\_\_\_\_ ] DOLLARS

The CITY OF STOCKTON, a municipal corporation and charter city duly organized and validly existing under the Constitution and laws of the State of California (the "City"), for value received, promises to pay (but only out of the proceeds of the Special Tax and other funds referred to below) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal amount specified above, together with interest thereon from the date hereof until the principal of this Bond shall have been paid, at the interest rate per annum specified above, payable on March 1 and September 1 in each year, commencing March 1, 2019 (each, an "Interest Payment Date"). Interest on this Bond shall be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are deliverable in the denominations of \$5,000 and any integral multiple thereof.

Interest on this Bond is payable from the Interest Payment Date next preceding the date of authentication and registration hereof, unless: (i) it is authenticated and registered as of an Interest Payment Date, in which event interest hereon is payable from such Interest Payment Date; or (ii) it is authenticated and registered after the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day (the "Regular Record Date") and before the following Interest Payment Date, in which event interest hereon is payable from such Interest Payment Date; or (iii) it is authenticated and registered on or before \_\_\_\_\_, 20\_\_, in which event interest with respect hereto shall be payable from the date of initial issuance and delivery hereof; *provided, however*, that if, as of the date of execution of this Bond, interest is in default with respect hereto, interest on this Bond shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond.

Payment of interest due on any Bond on any Interest Payment Date shall be made to the person appearing on the records maintained by Wells Fargo Bank, N.A. as trustee, (the "Trustee") for registration of the ownership and transfer of ownership of the Bonds (the "Registration Books") as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the

## EXHIBIT 1

Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Bonds at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Bonds at the Principal Corporate Trust Office. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

This Bond is one of a duly authorized issue of bonds of the City designated as its "Community Facilities District No. 2018-1 (Arch Road/Newcastle Road)" Special Tax Bonds, Series 2018 (the "Bonds") in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) and is issued pursuant to the Mello-Roos Community Facilities Act of 1982, being Section 53311, et seq., of the California Government Code, as amended (the "Act") and under and pursuant to the provisions of an indenture, dated as of \_\_\_\_\_ 1, 2018 (the "Indenture"), between the City and the Trustee. Capitalized terms not defined herein shall have the meanings set forth in the Indenture.

All the Bonds are equally and ratably secured by a pledge of the proceeds of the Special Tax in accordance with the terms and conditions of the Indenture, copies of which are on file at the office of the City Clerk of the City and at the office of the Trustee (identified above), and reference is hereby made to the Act, the Indenture and to any indentures supplemental thereto and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the provisions with regard to the nature and extent of the security provided for the Bonds and of the nature, extent and manner of enforcement of such security, and for a statement of the rights of the registered Owners of the Bonds; and all the terms of the Indenture and the Act are hereby incorporated herein and constitute a contract between the City and the registered Owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by his or her acceptance hereof, consents and agrees; and each registered owner hereof shall have recourse to all the provisions of the Act and the Indenture and shall be bound by all the terms and conditions thereof.

The Bonds are issued to pay the costs of acquiring certain public facilities and incidental expenses related thereto, that were authorized by requisite two-thirds vote of the landowner electors within the District at the special tax and bond election held on June 19, 2018, as more particularly described in the Indenture. The Bonds are special tax obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax (as that term is defined in the Indenture, and herein the "Special Tax") (including proceeds from the sale of property collected pursuant to the foreclosure provisions for the delinquency of the Special Tax, and proceeds from any security for payment of the Special Tax taken in lieu of foreclosure) and certain other funds, as provided in the Indenture, and the City is not obligated or liable to pay them except from the proceeds of the Special Tax (including any prepayments thereof, proceeds from the sale of property collected pursuant to the foreclosure provisions of the Indenture for the delinquency of the Special Tax, and proceeds from any security for payment of the Special Tax taken in lieu of foreclosure) and such other funds as so provided. The general fund and other funds of the City are not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax will be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the money in the Special Tax Fund established under the Indenture, and neither the payment of the interest on or principal of nor redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. All the Bonds are equally secured by a pledge of, and charge and lien upon, the Special Tax.

## EXHIBIT 1

The Bonds maturing on or after September 1, 20\_\_ are subject to optional redemption by the City prior to their respective stated maturity dates as a whole or in part on any date on or after September 1, 20\_\_, from funds derived by the City from any source (other than prepayment of the Special Tax), at the following redemption prices plus accrued interest thereon to the date fixed for redemption, as set forth below:

<u>Redemption Date</u>	<u>Redemption Price</u>
On or after March 1, 20__	%
September 1, 20__ and thereafter	

The Bonds are subject to special mandatory redemption by the City prior to their respective maturity dates, as a whole or in part on any Interest Payment Date from funds derived from prepayments of the Special Tax, at the following redemption prices (computed on the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, as set forth below.

<u>Redemption Date</u>	<u>Redemption Price</u>
On or prior to March 1, 20__	__%
September 1, 20__ and thereafter	

The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption on any Interest Payment Date by the City prior to their stated maturity date, in part on September 1 of each year commencing September 1, 20\_\_ through September 1, 20\_\_, upon mailed notice as provided herein, from and in the amount of the sinking fund payments due and payable on each such date, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without a redemption premium.

The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption on any Interest Payment Date by the City prior to their stated maturity date, in part on September 1 of each year commencing September 1, 20\_\_ through September 1, 20\_\_, upon mailed notice as provided herein, from and in the amount of the sinking fund payments due and payable on each such date, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without a redemption premium.

Notice of redemption shall be given by mail at least thirty (30) days, but no more than sixty (60) days prior to the date fixed for redemption of the Bond or Bonds to the Owner thereof, but neither failure to mail such notice or any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption of the Bonds.

Whenever less than all the Outstanding Bonds maturing on any one date are called for redemption on any one date, the Trustee shall select the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed from the Outstanding Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee, in its sole discretion, deems fair.

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

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

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended by the parties thereto with the written consent of the owners of at least sixty percent (60%) in



## EXHIBIT 1

aggregate principal amount of the Bonds then outstanding. The Indenture may be amended without such consent under certain circumstances provided that the interests of the owners of the Bonds are not materially adversely affected. No amendment shall impair the right of any owner to receive in any case such owner's principal of and interest on such owner's Bond.

Registration of this Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon such registration of transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

The Trustee has no obligation or liability to the Bond owners to make payments of principal of or interest on the Bonds, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Bond owners the various funds and accounts established under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid for any purpose until the certificate of authentication and registration enclosed herein has been executed and dated by the Trustee.

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

EXHIBIT 1

IN WITNESS WHEREOF, the CITY OF STOCKTON has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Mayor, countersigned by the facsimile signature of its City Clerk, all as of the dated date specified above.

CITY OF STOCKTON

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

COUNTERSIGNED:

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

CERTIFICATION OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated and registered on \_\_\_\_\_.

WELLS FARGO BANK, N.A., as Trustee

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

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto:

\_\_\_\_\_  
[Insert social security number or other identifying number of Assignee]

\_\_\_\_\_  
[Please print or type name and address of Assignee]

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

\_\_\_\_\_  
attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

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

Signature: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

[Signature must be guaranteed by an eligible guarantor institution (being banks, stock brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17A(d)15.]

Tax Identification No.: \_\_\_\_\_

Note: The signature(s) to 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.