

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: March 2, 2017

CAO File No. 0220-05291-0054

Council File No. 16-1322

16-1420

Council District: All

To: The Mayor  
The Council



From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Subject: **PROPOSED DEBT FINANCING OF VARIOUS JUDGMENT OBLIGATIONS**

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### RECOMMENDATIONS

That the City Council, subject to approval of the Mayor:

- 1) ADOPT an Authorizing Resolution of the City Council of the City of Los Angeles authorizing and approving the issuance of Judgment Obligation Bonds, Series 2017-A in an amount not-to-exceed \$60 million, approving and authorizing the execution of an Indenture for such bonds, and authorizing the City to seek judicial validation of such bonds and Indenture and the related proceedings.

### SUMMARY

The City Administrative Officer (CAO) recommends that the City Council adopt the attached Resolution (Attachment A) related to the proposed issuance of the Judgment Obligation Bonds, Series 2017-A (the "Bonds") to finance or refinance approximately \$55 million of various judgments and stipulated judgments (the "Judgment Obligations"). The Bonds would be issued in an aggregate principal amount not exceeding the sum of (a) the amount payable under the Judgment Obligations, including the reimbursement of the City for any advances or interfund borrowings made to pay such Judgment Obligations in anticipation of the issuance of the Bonds, plus (b) the costs of issuance of the Bonds (including underwriter's discount), plus (c) any original issue discount on the Bonds. In no event shall this aggregate principal amount exceed \$60 million.

Adoption of the attached Resolution would approve and authorize the issuance of the Bonds, approve and authorize the execution of the Indenture (Attachment B), and authorize the City to seek judicial validation of the Bonds, the Indenture and the related proceedings. At a later date the CAO will present to the Mayor and Council, for their review and approval, certain other bond documents, including a Preliminary Official Statement and a purchase contract for the Bonds.

The 2016-17 Second Financial Status Report (C.F. 16-0600-S169) identified shortfalls in the Liability Claims Account which would need to rely on the Reserve Fund as a funding source. On

January 18, 2017, the City Council approved a recommendation instructing this Office, with the assistance of the City Attorney, to proceed with a Judgment Obligation Bond issuance of between \$50 and \$70 million to reimburse the Reserve Fund for extraordinary liability payouts made resulting from settlements and judgments (C.F. 16-1322). Three Reimbursement Resolutions have been adopted for amounts not-to-exceed \$25.5 million, \$23 million, and \$15 million respectively (one under C.F. 12-0014-S23 and two under C.F. 16-1420) for an aggregate amount not-to-exceed \$63.5 million. This amount exceeds the total amount of the Judgment Obligations because these Reimbursement Resolutions also incorporated a contingency for costs of issuance. These Reimbursement Resolutions, as well as the Council motions related to each of the Judgment Obligation cases, allow the City to reimburse and/or refund the advances and interfund borrowings made from City's Reserve Fund or other City fund to pay the Judgment Obligations with the intent to be reimbursed from the proceeds of the Bonds.

The Judgment Obligations anticipated to be included in the Bond financing relate to the following matters:

- Independent Living Center of Southern California, et al. v. City of Los Angeles, California, et al. - \$21.25 million (C.F. 12-0014-S23)
- J.L.D. v. City of Los Angeles, et al. - \$1.65 million (C.F. 16-1362)
- Sheryn Camprone. v. City of Los Angeles, et al. - \$4 million (C.F. 16-1363)
- Maria Elena Montoya v. City of Los Angeles - \$2.1 million (C.F. 16-0218)
- Edsell Ford, et al. v. City of Los Angeles, et al. - \$1.5 million (C.F. 16-0179)
- Rosa Navas, et al. v. City of Los Angeles, et al. - \$2.5 million (C.F. 16-1042)
- Reggie D. Cole v. City of Los Angeles, et al. - \$5.2 million (C.F. 15-0206-S1)
- Kim Nguyen v. City of Los Angeles, et al. - \$3.5 million (C.F. 15-0772)
- Christian Rodriguez, et al. v. City of Los Angeles, et al. - \$2.75 million (C.F. 17-0026)
- Paula J. Solorzano, et al. v. City of Los Angeles, et al. - \$2 million (C.F. 17-0056)
- David Aguilar, et al. v. City of Los Angeles, et al.; Barbara Kausch, et al. v. City of Los Angeles, et al.; Beau Maxon, et al v. City of Los Angeles, et al. - \$8.5 million (C.F. 16-1425)

To proceed with the Bonds issuance, the City first needs to seek a court approval of this action, as the City has historically done with prior Judgment Obligation Bond issuances. Adoption of the attached Resolution will allow the City to initiate the court validation action, a process that is anticipated to take approximately 90 days to complete.

The proposed recommendation is in compliance with the City's Financial Policies.

## **FISCAL IMPACT STATEMENT**

Proceeds of the Judgment Obligation Bonds, Series 2017-A would be used to reimburse the Reserve Fund in an aggregate amount of approximately \$55 million for advances previously made to pay Judgment Obligations in anticipation of the Bonds. The annual debt service amount associated with the Bonds is projected to be approximately \$7.9 million for 10 years.

## **DEBT IMPACT STATEMENT**

Approval of this recommendation will not cause the City's annual debt service payments to exceed six percent of General Fund revenues for non-voter approved debt, as established in the City's Financial Policies, Debt Management Section. The annual debt service amount associated with the Bonds is projected to be approximately \$7.9 million for 10 years.

### **Attachments**

*RHL:NRB:DMP:09170117*

# **ATTACHMENT A**

**RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES APPROVING THE ISSUANCE OF THE CITY OF LOS ANGELES JUDGMENT OBLIGATION BONDS, SERIES 2017-A, AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE AND AUTHORIZING A VALIDATION ACTION AND OTHER MATTERS RELATING THERETO**

**WHEREAS**, the City of Los Angeles (the “City”) is obligated pursuant to the terms of certain judgments and related proceedings (the “Judgments,” as defined below) to make payments to certain persons (the “Judgment Obligees”);

**WHEREAS**, the Judgments are described in Appendix B to the Indenture (defined below) approved pursuant to this Resolution and attached for convenience as Appendix A to this Resolution;

**WHEREAS**, with respect to each of the Judgments consisting of a judgment entered by a court pursuant to the terms of a settlement agreement, Council of the City of Los Angeles (the “Council”) found, based on facts and recommendations presented, that each such settlement is in the best interests of the City;

**WHEREAS**, with respect to each of the Judgments, the Council has determined that, based on information presented by the City Administrative Officer, that there are no other sources of available money to pay such Judgments on a timely basis pursuant to the terms of the related settlement;

**WHEREAS**, additional Judgment Obligations may be approved by the City for financing or refinancing with the proceeds of bonds authorized pursuant to this Resolution prior the filing of any validation action described in Section 4 below so long as the Judgements are consistent with the terms of this Resolution, in which event Appendix B to the Indenture shall be so amended;

**WHEREAS**, City Ordinance No. 184,667, effective January 16, 2017 (the “Ordinance Amendment”), amended certain provisions of Section 11.27 *et.seq.* of the City Administrative Code (together with the Ordinance Amendment, the “Ordinance”), which provides for the issuance of bonds and other evidences of indebtedness (including, but not limited to, interfund borrowings and advances made by the City) to pay or provide for the payment of Judgment Obligations (as defined in the Ordinance, the “Judgment Obligations”);

**WHEREAS**, pursuant to the Judgments, the City is under the legal duty to pay the Judgment Obligees, or has paid the Judgment Obligees with advances or interfund borrowings with the intent to reimburse the City for those advances or interfund borrowings from the proceeds of bonds authorized pursuant to this Resolution;

**WHEREAS**, for the purpose of paying or providing for the payment of Judgment Obligations (including the payment or reimbursement of any advances or interfund borrowings used to pay any Judgment Obligation), the City deems it necessary to incur the indebtedness and authorize the issuance of bonds pursuant to this Resolution;

**WHEREAS**, the City has determined to issue its City of Los Angeles Judgment Obligation Bonds, Series 2017-A (the “Bonds”), in an aggregate principal amount not exceeding the sum of (a) the amount payable to the Judgment Obligees under the Judgment Obligations, including the reimbursement of the City for any advances or interfund borrowings made to pay such Judgment Obligations in anticipation of the issuance of the Bonds, plus (b) the costs of issuance of the Bonds (including underwriter’s discount), plus (c) any original issue discount on the Bonds;

**WHEREAS**, in order to provide for the authentication and delivery of the Bonds and to establish and declare the terms and conditions upon which the Bonds are to be issued and secured, the City proposes to enter into an Indenture with a commercial bank trustee (such Indenture, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Indenture”);

**WHEREAS**, a form of the Indenture, which includes the form of the Bonds in Appendix A thereto, has been prepared and submitted to this meeting; and

**WHEREAS**, the City is empowered to undertake all of the steps hereinabove set forth with respect to the City pursuant to The Charter of The City of Los Angeles and other applicable provisions of the laws of the State of California;

**NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES AS FOLLOWS:**

**Section 1.** All of the recitals herein contained are true and correct and the Council so finds.

**Section 2.** The Indenture, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, is hereby approved. Each of the City Administrative Officer or any Assistant City Administrative Officer or a designee thereof (the “Authorized Officers”) is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the City, to execute and deliver the Indenture in substantially said form, and the City Clerk is authorized to attest thereto, with such changes, insertions and omissions therein as the Authorized Officer executing the Indenture shall approve as he or she believes is in conformity with the interests of the City, and as approved as to form by the City Attorney, any Assistant City Attorney or Deputy City Attorney (each a “City Attorney Representative”), such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery of the Indenture with such changes, insertions and omissions; provided, however, that such changes, insertions and omissions shall not result in (a) the aggregate principal amount of the Bonds (which in no event shall exceed \$60,000,000) exceeding the sum of (i) the amount payable to the Judgment Obligees under the Judgment Obligations, including the reimbursement of the City for any advances or interfund borrowings made to pay such Judgment Obligations in anticipation of the issuance of the Bonds, plus (ii) the costs of issuance of the Bonds (including underwriters’ discount), plus (iii) any original issue discount on the Bonds, (b) the true interest cost to the City on the Bonds exceeding 7.0%, and (c) the Bonds maturing later than 15 years from their date of issuance thereof.

**Section 3.** The issuance of the Bonds, in substantially the form included in Appendix A to the Indenture, and on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture (with such changes, insertions and omissions therein as are made pursuant to this Resolution), is hereby authorized and approved. Each of the Authorized Officers is hereby authorized, and the City Treasurer and any one of the Authorized Officers is hereby directed, for and in the name of the City, to execute and deliver the Bonds in substantially the form attached to the Indenture, and the City Clerk is authorized to attest thereto, with such changes, insertions and omissions therein (not inconsistent with Section 2 hereof) as the Authorized Officer executing the Bonds shall approve as he or she believes is in conformity with the interests of the City, and as approved as to form by a City Attorney Representative, such approval to be conclusively evidenced by such Authorized Officer's execution and delivery of the Bonds with such changes, insertions and omissions.

**Section 4.** Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the City, to bring a validation action under Section 860 of the California Code of Civil Procedure and the Ordinance to determine the legality and validity of the Bonds, the Indenture and the proceedings authorized pursuant to this Resolution. Norton Rose Fulbright US LLP is hereby authorized to file the complaint for such validation action on behalf of the City, and to take further and appropriate actions in connection therewith.

**Section 5.** The officers of the City are, and each of them hereby is, authorized and directed to do any and all things and to execute and deliver any and all documents which they or any of them deem necessary or advisable in order to consummate the transactions contemplated by this Resolution and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

**Section 6.** This Resolution shall take effect immediately upon its adoption.

I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting held on \_\_\_\_\_.

HOLLY L. WOLCOTT, City Clerk

By \_\_\_\_\_  
Deputy

C.F. No. \_\_\_\_\_



## APPENDIX A JUDGMENTS

1. Settlement Agreement and Release of Claims, *Independent Living Center of Southern California, et al. v. City of Los Angeles, California, et al.*, Case No. CV 12-0551 FMO (PJWx), filed July 5, 2016, and Judgment Pursuant to Settlement Agreement by and between City of Los Angeles and Plaintiffs, filed August 4, 2016.
2. Order Approving Compromise of Disputed Claim, *J.L.D. v. City of Los Angeles, et al.*, Case No. BC560250, filed November 8, 2016.
3. Stipulated Judgment, *Sheryn Camprone v. City of Los Angeles, et al.*, Case No. BC609615, executed December 29, 2016, and Order Granting the Stipulated Judgment, filed January 13, 2017.
4. Stipulated Judgment and Order, *David Aguilar, et al. v. City of Los Angeles, et al.*, Case No. EC060225, and all related actions (*Barbara Kausch, et al. v. City of Los Angeles, et al.*, Case No. BC510353, and *Beau Maxon, et al. v. City of Los Angeles, et al.*, Case No. BC517514), filed January 19, 2017.
5. Stipulated Judgment [NO – JS6], *Reggie D. Cole v. City of Los Angeles, et al.*, Case No. CV 11-3241 CBM (AJWx), filed January 23, 2017.
6. Stipulated Judgment and Order, *Kim Nguyen v. City of Los Angeles, et al.*, Case No. BC513892, filed February 1, 2017.
7. Amended Judgment, *Maria Elena Montoya v. City of Los Angeles, et al.*, Case No. BC504572, filed October 19, 2016, and the related and subsequent Settlement and Release Agreement, executed as of February 8, 2017.
8. Stipulated Judgment and Dismissal of Entire Action, *Edsell Ford, et al. v. City of Los Angeles, et al.*, Case No. BC574800, filed February 9, 2017.
9. Amended Stipulated Judgment and Dismissal of Entire Action, *Rosa Navas, et al. v. City of Los Angeles, et al.*, Case No. CV 15-09515 SVW (JCx), filed February 9, 2017.
10. Judgment on Stipulation, *Paula J. Solorzano, et al. v. City of Los Angeles, et al.*, Case No. BC515167, filed February 22, 2017.
11. [Document Title], *Christian Rodriguez, et al. v. City of Los Angeles, et al.*, Case No. CV 11-01135 DMG (JEMx), filed \_\_\_\_\_, 2017.]<sup>1</sup>

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<sup>1</sup> Related settlement has been approved by City Council action, but judgment has not been executed.

# **ATTACHMENT B**

INDENTURE

by and between

CITY OF LOS ANGELES

and

U.S. BANK NATIONAL ASSOCIATION,  
AS TRUSTEE

Dated as of June 1, 2017

\$ \_\_\_\_\_  
City of Los Angeles  
Judgment Obligation Bonds, Series 2017-A

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## INDENTURE

THIS INDENTURE (this "Indenture"), dated as of June 1, 2017, is by and between the CITY OF LOS ANGELES, a municipal corporation organized and existing under its charter and the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Trustee (the "Trustee").

### WITNESSETH:

WHEREAS, the City is obligated pursuant to the terms of certain court judgments and certain related proceedings (the "Judgments," as defined herein) to make payments to certain persons (the "Judgment Obligees");

WHEREAS, the City is authorized pursuant to Section 11.27 *et.seq.*, as amended from time to time, of the City Administrative Code (the "Ordinance") to issue bonds and other evidences of indebtedness (including, but not limited to, interfund borrowing made by the City) to pay or provide for the payment of Judgment Obligations (as defined in the Ordinance);

WHEREAS, for the purpose of paying or providing for the payment of Judgment Obligations, the City has determined to issue its City of Los Angeles Judgment Obligation Bonds, Series 2017-A (the "Bonds"), in an aggregate principal amount of \$\_\_\_\_\_, which aggregate principal amount does not exceed the sum of (a) the amount payable to the Judgment Obligees under the Judgment Obligations, including the reimbursement of the City for any advances or interfund borrowings made to pay such Judgment Obligations in anticipation of the issuance of bonds, plus (b) the costs of issuance of the Bonds (including underwriter's discount), plus (c) any original issue discount on the Bonds;

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

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

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

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any certificate, opinion or other document herein or therein mentioned, have the meanings herein specified.

“Authorized Denominations” means, with respect to the Bonds, \$5,000 and any integral multiple thereof.

“Authorized Representative” means, with respect to the City, the City Administrative Officer of the City, any Assistant City Administrative Officer of the City, and any other Person designated as an Authorized Representative in a Written Certificate of the City filed with the Trustee.

“Available Amount” has the meaning ascribed thereto in Treasury Regulations Section 1.148-6(d)(3)(iii).

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Bonds.

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the City and acceptable to the Trustee.

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

“Bonds” means the City of Los Angeles Judgment Obligation Bonds, Series 2017-A, issued hereunder.

“Book-Entry Bonds” means the Bonds registered in the name of the Depository, or the Nominee thereof, as the registered owner thereof pursuant to the terms and provisions of Section 2.08 hereof.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Book-Entry Bonds.

“City” means the City of Los Angeles, a municipal corporation organized and existing under its charter and the laws of the State, and its successors.

“Closing Date” means \_\_\_\_\_, 2017.

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



“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated \_\_\_\_\_, 2017, executed by the City, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, any premium for a bond insurance policy securing payment of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

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

“Defeasance Securities” means non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America.

“Depository” means DTC, and its successors as securities depository for any Book-Entry Bonds, including any such successor appointed pursuant to Section 2.08 hereof.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York.

“Event of Default” means an event described as such in Section 7.01 hereof.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter designated by the City as its Fiscal Year in accordance with applicable law.

“Indenture” means this Indenture, dated as of June 1, 2017, by and between the City and the Trustee, as originally executed or as it may from time to time be amended or supplemented by any Supplemental Indenture.

“Interest Payment Dates” means June 1 and December 1 of each year, commencing, [June/December] 1, 2017, so long as any Bonds remain Outstanding.

“Judgments” means the court judgments described in Appendix B.

“Judgment Obligation Bonds-Other Replacement Proceeds Fund” means the fund by that name established and held by the City pursuant to Section 5.03 hereof.

“Judgment Obligations” has the meaning ascribed thereto in the Ordinance.

“Judgment Obligations Payment Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.04 hereof.

“Judgment Obligees” means the Persons to whom the City is obligated to make payments pursuant to the terms of the Judgments.

“Letter of Representations” means the Letter of Representations from the City to the Depository, in which the City makes certain representations with respect to issues of its securities for deposit by the Depository.

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

“Non-AMT Tax-Exempt Obligations” means obligations the interest on which is not includable in gross income under Section 103 of Code which are not specified private activity bonds (as defined in Section 57(a)(5)(C) of the Code).

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

“Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the City by the Trustee in writing.

“Ordinance” means Sections 11.27 *et.seq.*, as amended, of the City Administrative Code.

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

“Other Replacement Proceeds” has the meaning ascribed thereto in Treasury Regulations Section 1.148-1(c)(4).

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of Section 11.07 hereof, all Bonds theretofore, or thereupon being, authenticated 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 with respect to which all liability of the City shall have been discharged in accordance with Section 10.01 hereof, and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participant” means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

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

“Permitted Investments” means the following, to the extent that such securities are otherwise eligible legal investments of the City:

(a) (i) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America, (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (iv) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(c) 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:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (which may include the Trustee or its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(e) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;

(f) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including a fund for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(g) 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

(i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or

(ii) (A) 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 (b) 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 (B) 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;

(h) Municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of “A2/A” or higher by both Moody’s and S&P;

(i) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “Aa3” by Moody’s and “AA-” by S&P; provided, that, by the terms of the investment agreement:

(i) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice;

(ii) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iii) the Trustee or the City receive the opinion of domestic counsel that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(iv) the investment agreement shall provide that if during its term (A) the provider's rating by either Moody's or S&P falls below "Aa3" or "AA-," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (I) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a holder of the collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Moody's and S&P to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (II) repay the principal of and accrued but unpaid interest, on the investment, and (B) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A3" or "A-," respectively, the provider must, at the direction of the City or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee;

(v) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of collateral is in possession); and

(vi) the investment agreement must provide that if during its term (A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee, and (B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee;

The value of the above investments shall be determined as follows:

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

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

"Person" means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Rebate Fund" means the fund by that name established and held by the Trustee pursuant to Section 5.04 hereof.

"Rebate Requirement" has the meaning ascribed thereto in the Tax Certificate.

"Record Date" means the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.06 hereof.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, a corporation duly organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City and specified to the Trustee in writing.

"State" means the State of California.

"Supplemental Indenture" means any supplemental indenture amendatory of or supplemental to this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Certificate" means the Tax Certificate executed by the City at the time of issuance of the Bonds concerning certain matters pertaining to the use and investment of proceeds of the Bonds, executed by the City, including any and all exhibits attached thereto.

"Treasury Regulations" means those regulations issued by the United States Department of the Treasury under the Code or, as applicable, the Internal Revenue Code of 1954, as amended.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee hereunder substituted in its place as provided herein.

"Verification Report" means, with respect to the deemed payment of Bonds pursuant to clause (i)(B) of Section 10.02(a) hereof, a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (i)(B) of Section 10.02(a) hereof.

“Written Certificate” and “Written Request” of the City mean, respectively, a written certificate or written request signed in the name of the City by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

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 among the City, the Trustee 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 principal of and interest 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 set 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.

## ARTICLE II

### THE BONDS

Section 2.01. Authorization of Bonds; Bonds Constitute Obligations Imposed by Law. The City hereby authorizes the issuance of the Bonds under and subject to the terms of this Indenture, the Ordinance and other applicable laws of the State for the purpose of satisfying the City’s payment obligations under the Judgments.

The obligations of the City under the Bonds, including the obligation to make all payments of the interest on and the principal of the Bonds when due are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation, nor do the Bonds constitute an indebtedness of the City in contravention of any constitutional or statutory debt limitation or restriction. Neither the State nor any of its political subdivisions (other than the City) have any liability for the payment of the principal or interest on the Bonds.

Section 2.02. Terms of Bonds. The Bonds shall be designated “City of Los Angeles Judgment Obligation Bonds, Series 2017-A.” The aggregate principal amount of Bonds that may be issued and Outstanding under this Indenture shall not exceed \$ \_\_\_\_\_, except as may be otherwise provided in Section 2.09 hereof.

(a) The Bonds shall be issued in fully registered form without coupons in Authorized Denominations, so long as no Bond shall have more than one maturity date. The Bonds shall be dated as of the Closing Date, shall be in the aggregate principal amount of \$ \_\_\_\_\_, shall mature on June 1 of each year and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum as follows:

Maturity Date (June 1)	Principal Amount	Interest Rate
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		

(b) Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has previously been paid or duly provided for. Interest shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; provided, however, that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Trustee, received at least ten days prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest shall be made by wire transfer of immediately available funds on the following Interest Payment Date. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee.

(c) The principal of the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity at the Office of the Trustee.

Section 2.03. Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.04. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the City with the manual or facsimile signature of the City Administrative Officer of the City, or any Assistant City Administrative Officer of the City, or a designee thereof, and with the manual signature of the City Treasurer, attested by the manual or facsimile signature of the City Clerk of the City. The Bonds shall then be delivered to the Trustee for authentication by it.



In case any of such officers who shall have signed or attested any of the Bonds shall cease to be such officers before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers, and also any Bonds may be signed and attested on behalf of the City by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the City although at the nominal date of such Bonds any such Person shall not have been such officer of the City.

Section 2.05. Authentication of Bonds. Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06. Registration Books. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

Section 2.07. Transfer and Exchange of Bonds. 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 such Person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Section 2.08. Book-Entry System. The Bonds shall initially be issued as Book-Entry Bonds, and the Bonds for each maturity date shall be in the form of a separate single fully registered Bond (which may be typewritten). Upon initial issuance, the ownership of each such Bond shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository.

Payment of principal of and interest on any Book-Entry Bond registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account

of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the Registration Books.

(a) With respect to Book-Entry Bonds, the City and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in such Book-Entry Bonds. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any notice with respect to Book-Entry Bonds, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Bonds of a maturity to be redeemed in the event such Book-Entry Bonds are redeemed in part, (iv) the payment to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any amount with respect to principal of or interest on Book-Entry Bonds, or (v) any consent given or other action taken by the Depository as Owner.

(b) The City and the Trustee may treat and consider the Person in whose name each Book-Entry Bond is registered in the Registration Books as the absolute Owner of such Book-Entry Bond for the purpose of payment of principal of and interest on such Bond, for the purpose of registering transfers with respect to such Book-Entry Bond, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the City and the Trustee shall not be affected by any notice to the contrary.

(c) The Trustee shall pay all principal of and interest on the Book-Entry Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State) the respective Owner, as shown in the Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal of and interest on the Book-Entry Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Registration Books, shall receive an authenticated Book-Entry Bond. Upon delivery by the Depository to the Owners, the City and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

(d) In order to qualify the Book-Entry Bonds for the Depository's book-entry system, the City shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the City or the Trustee any obligation whatsoever with respect to Persons having interests in such Book-Entry Bonds other than the Owners, as shown on the Registration Books. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the City, the City and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

(e) In the event the City determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Bonds and that such Bonds should therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Bonds. In such event, the Trustee shall transfer and exchange certificated Bonds as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the City shall discontinue the Book-Entry system with the Depository. If the City determines to replace the Depository with another qualified securities depository, the City shall prepare or direct the preparation of a new single, separate, fully registered Bond for each maturity date of such Book-Entry Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the City fails to identify another qualified securities depository to replace the Depository, then the Book-Entry Bonds shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.07, 2.09 and 2.10 hereof. Whenever the Depository requests the City to do so, the City shall cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Bonds to any Participant having Book-Entry Bonds credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Bonds.

(f) Notwithstanding any other provision of this Indenture to the contrary, if the Depository is the sole Owner of the Bonds, so long as any Book-Entry Bond is registered in the name of the Nominee, all payments of principal of and interest on such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(g) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the City or the Trustee, with respect to any consent or other action to be taken by Owners of Book-Entry Bonds, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the City, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same maturity in a like aggregate principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the City, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen. The City may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under this Section and of the expenses which may be incurred by the City and the Trustee. Any Bond

issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.10. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the City, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the City and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it shall execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of such maturities in Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

### ARTICLE III

#### ISSUANCE OF BONDS

Section 3.01. Issuance of Bonds. The City may, at any time, execute the Bonds and deliver the same to the Trustee. The Trustee shall authenticate the Bonds and deliver the Bonds to the Original Purchaser upon receipt of a Written Request of the City and upon receipt of the purchase price therefor.

Section 3.02. Application of Proceeds of the Bonds. On the Closing Date, the proceeds of the sale of the Bonds, in the amount of \$\_\_\_\_\_ (including any good faith deposit paid prior to the Closing Date), shall be paid to the Trustee and said amount shall be deposited by the Trustee as follows:

(a) the Trustee shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund; and

(b) the Trustee shall deposit the amount of \$\_\_\_\_\_ in the Judgment Obligations Payment Fund.

Section 3.03. Costs of Issuance Fund. The Trustee shall establish and maintain a separate fund designated the "Costs of Issuance Fund." On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to Section 3.02 hereof.

(a) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the City stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the

purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the last Business Day that is no later than six months after the Closing Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Bond Fund and, upon making such transfer, the Costs of Issuance Fund shall be closed.

Section 3.04. Judgment Obligations Payment Fund. The Trustee shall establish and maintain a separate fund designated the "Judgment Obligations Payment Fund." On the Closing Date, the Trustee shall deposit in the Judgment Obligations Payment Fund the amount required to be deposited therein pursuant to Section 3.02 hereof.

(a) or after the Closing Date, the City shall deliver to the Trustee a Written Request of the City stating (i) the amount in the Judgment Obligations Payment Fund which shall be paid to or upon the order of the Judgment Obligees, and (ii) the amount in the Judgment Obligations Payment Fund which shall be paid to the City to reimburse the City for advances made, or interfund borrowings incurred, to pay the Judgment Obligations in anticipation of the issuance of the Bonds, and providing instructions as to how such payment or payments are to be made, including the names and addresses of the Persons to be so paid and, if applicable, the bank account number or numbers to which such payment or payments are to be made. The Trustee shall make such payment or payments on or after the Closing Date and, after all payments (x) to or upon the order of the Judgment Obligees, or (y) to the City to reimburse it for advances or interfund borrowings, both as described above in this subsection (a), have been made, the Trustee shall transfer any amount remaining in the Judgment Obligations Payment Fund to the Bond Fund and, upon making such transfer, the Judgment Obligations Payment Fund shall be closed.

(b) The City shall deliver to the Trustee a Written Request of the City described in subsection (a) above relating to an amount to be paid to or upon the order of the Judgment Obligees only to the extent the City has determined that there have not been, and there continue not to be, any amounts that have been reserved, set aside or otherwise designated for such payment. The City shall deliver to the Trustee a Written Request of the City described in subsection (a) above relating to an amount to be paid to the City to reimburse the City for advances or interfund borrowings to pay Judgment Obligations in anticipation of the issuance of the Bonds only to the extent the City previously adopted a written declaration of intent (e.g., a reimbursement resolution) to reimburse itself from proceeds of a debt issuance (including the Bonds) for the payment of such Judgment Obligations no later than 60 days after the advances or the amounts derived from interfund borrowings are used to pay Judgment Obligations or, if earlier, reserved, set aside or otherwise designated for such purpose.

## ARTICLE IV

### NO REDEMPTION OF BONDS

Section 4.01. No Redemption of Bonds. The Bonds shall not be subject to redemption prior to maturity.

## ARTICLE V

### PLEDGE; FLOW OF FUNDS; INVESTMENTS

Section 5.01. Pledge. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, in order to secure the payment of the principal of and interest on the Bonds in accordance with their terms, the provisions of this Indenture and the Ordinance, the City hereby pledges to the Owners, and grants thereto a lien on and a security interest in, all of the amounts held in the Bond Fund. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the City, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act. The pledge of, and grant of a lien on and security interest in, such assets pursuant to this Section is made pursuant to Section 5450 *et seq.* of the California Government Code.

Section 5.02. Bond Fund. The Trustee shall establish and maintain a separate fund designated the "Bond Fund." No later than the date 15 calendar days preceding each Interest Payment Date, the City shall transfer to the Trustee, in immediately available funds, an amount which, together with the amount then on deposit in the Bond Fund, will equal the principal, if any, of and interest due on the Bonds on such Interest Payment Date. The Trustee shall, upon receipt, deposit the amounts so received from the City in the Bond Fund.

(a) On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund for payment to the Owners of the Bonds the principal, if any, of and interest then due and payable on the Bonds. If there are insufficient funds in the Bond Fund to pay the principal, if any, of and interest on the Bonds, the Trustee shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal of the Bonds.

Section 5.03. Judgment Obligation Bonds-Other Replacement Proceeds Fund. The City shall establish and maintain within its treasury a separate fund designated the "Judgment Obligation Bonds-Other Replacement Proceeds Fund" (the "Other Replacement Proceeds Fund"). The Other Replacement Proceeds Fund shall be funded by the City at such times and in such amounts as is necessary to meet the requirements set forth in the Tax Certificate.

(a) The City shall deposit in the Judgment Obligation Bonds-Other Replacement Proceeds Fund all amounts which constitute Other Replacement Proceeds at the times and in accordance with the provisions of Section 6.07 hereof. Subject to the provisions of Section 6.07

hereof, the City may withdraw any amounts on deposit in the Judgment Obligation Bonds-Other Replacement Proceeds Fund for any lawful City purpose.

Section 5.04. Rebate Fund. The Trustee shall establish and maintain a separate fund designated the Rebate Fund (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder. Such amounts shall be free and clear of any lien under this Indenture and shall be governed by this Section and Section 6.09 of this Indenture and by the Tax Certificate. The Trustee shall be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the City, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the City with the Rebate Requirement.

(a) Deposits.

(i) Within 45 days of the end of each 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 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) The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) 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 (b), 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 1½% 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 (b).

(b) Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in 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 shall be transferred to the City to be expended for any lawful purpose of the City.

(c) Withdrawal for Payment of Rebate. Upon the City's written direction, but subject to the exceptions contained in subsection (b) of this Section to the requirement 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 (i) the fifth Bond Year, and (ii) 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" determined 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 (d) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038, 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 direct 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 (b) 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 credit such excess to the Bond Fund.

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

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

Section 5.05. Investment of Moneys. Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in a Written Request of the City received no later than two Business Days prior to the making of such investment. The



Trustee may conclusively rely upon such Written Request of the City as to both the suitability, legality and required maturity of the directed investments. Absent timely receipt by the Trustee of a Written Request of the City, the Trustee shall invest any funds held by it in Permitted Investments described in clause (f) of the definition thereof. Except as otherwise provided herein, all moneys in the Judgment Obligation Bonds-Other Replacement Proceeds Fund shall be invested by the City solely in investments in which the City is legally authorized to invest. Moneys in all funds and accounts shall be invested in Permitted Investments maturing not later than the date such moneys are estimated to be required for the purposes specified in this Indenture.

(a) Subject to the provisions of Section 5.04 hereof, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Indenture shall be deposited in such fund or account.

(b) Permitted Investments acquired as an investment of moneys in any fund established under this Indenture shall be credited to such fund. All investments of amounts deposited in any fund or account created by or pursuant to this Indenture shall be acquired, disposed of, and valued at fair market value. In making any valuations of Permitted Investments hereunder, the Trustee may utilize and conclusively rely upon such pricing services available to it, including those within its accounting system, so long as such services provide a reasonably reliable means of making such valuations.

(c) The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee or an affiliate thereof may act as principal or agent in the making or disposing of any investment and shall be entitled to its reasonable and customary fee therefor.

(d) Upon the Written Request of the City, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established hereunder.

(e) The City acknowledges that to the extent that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, to the extent permitted by law, the City specifically waives receipt of such confirmations. The Trustee shall furnish the City periodic transaction statements that include detail for all investment transactions made by the Trustee hereunder.

## ARTICLE VI

### COVENANTS

Section 6.01. Power to Issue Bonds. The City is duly authorized to issue the Bonds and to enter into this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding obligations of the City in accordance with their terms. The Bonds constitute obligations imposed by law.

Section 6.02. Punctual Payment and Performance. The City shall punctually pay the interest on and principal of every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and shall faithfully observe and perform all the agreements and covenants required to be observed or performed by the City contained herein and in the Bonds.

Section 6.03. Extension of Payment of Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any Event of Default hereunder, to the benefits hereof, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended; provided, however, that nothing in this Section shall be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.04. Against Encumbrances; Defense of Pledge. The City shall not create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under this Indenture, except as permitted hereby. The City shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created hereby, against all claims and demands of all Persons whomsoever.

Section 6.05. Prosecution and Defense of Suits. The City shall defend against every suit, action or proceeding at any time brought against the City upon any claim to the extent involving the failure of the City to fulfill its obligations hereunder; provided, however, that the Trustee or any Owner at its election may appear in and defend any such suit, action or proceeding.

Section 6.06. Additional Obligations. The City expressly reserves the right to issue or incur other obligations for any of its corporate purposes.

Section 6.07. Other Replacement Proceeds. The City shall, no later than 30 days after completion of the City's audited financial statements for each Fiscal Year, commencing with Fiscal Year 2017-18, calculate and determine the amount, if any, of Other Replacement Proceeds for such Fiscal Year. The amount of the Other Replacement Proceeds for each Fiscal Year shall be calculated and determined in accordance with the provisions of the Tax Certificate. If Other Replacement Proceeds exist for a Fiscal Year, the City shall, within five Business Days of such calculation, deposit such Other Replacement Proceeds in the Judgment Obligation Bonds-Other Replacement Proceeds Fund and take such actions as are required to be taken in accordance with

the provisions of the Tax Certificate, which are necessary to ensure that such Other Replacement Proceeds will not adversely affect the exclusion from gross income of interest on the Bonds, including the continuous investment of such Other Replacement Proceeds in Non-AMT Tax-Exempt Obligations (in accordance with the provisions of the Tax Certificate).

(a) The City agrees and covenants to prepare and submit to the Trustee in each year, no later than 60 days after completion of the City's audited financial statements for the preceding Fiscal Year, a Written Certificate of the City setting forth the calculation required by subsection (a) of this Section and stating whether or not the City is in compliance with said subsection (a). If by March 1 of such year, the Trustee has not received a copy of such Written Certificate of the City, the Trustee shall, within 15 days thereof, notify the City, in writing, that the Trustee has not received said Written Certificate of the City as required by this subsection.

(b) The Trustee shall not be liable in any manner with respect to the Judgment Obligations Bonds-Other Replacement Proceeds Fund or any calculation or action required by subsection (a) of this Section. The Trustee may conclusively rely upon the Written Certificate of the City with respect to the calculation and any action required by subsection (a) of this Section.

Section 6.08. City Budgets. The City shall in each Fiscal Year include in its budget a provision to provide funds in an amount sufficient to pay the principal of and interest on the Bonds coming due in such Fiscal Year.

Section 6.09. 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 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. Without limiting the generality of the foregoing, 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 person (as such term is used in Section 141 of the Code and applicable Treasury Regulations), 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 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 applicable Treasury Regulations, 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, 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, will comply with the requirements of the Code and the Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. 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 of other funds of the City, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the City shall comply with all requirements of Section 148 of the Code and the Treasury Regulations 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 of any other funds of the City, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action 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 6.09, the City covenants that it will comply with the requirements of Section 5.04 hereof and the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. Except as set forth in the Tax Certificate, these covenants shall survive payment in full or defeasance of the Bonds.

(f) Yield Restriction. In the event that at any time the City is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established hereunder, the City shall so instruct the Trustee in writing, and the Trustee shall act in accordance with such instructions.

(g) Opinion of Bond Counsel. Notwithstanding any provisions of this Section, if the City shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under this Section or Section 6.07 hereof is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this Section, Section 6.07 hereof and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

Section 6.10. Continuing Disclosure. The City shall 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; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of Outstanding Bonds, shall upon receipt of indemnification for its costs and fees reasonably acceptable to it) or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 6.11. Further Assurances. The City shall promptly execute and deliver all such other and further assurances, documents or instruments, and promptly do or cause to be done all

such other and further things as may be necessary or reasonably required, in order to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under this Indenture:

(a) failure to pay any installment of interest on any Bonds when and as the same shall become due and payable;

(b) failure to pay any installment of principal of any Bonds when and as the same shall become due and payable;

(c) failure by the City to observe and perform any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the City by the Trustee, or to the City and the Trustee by the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the City within such 30 day period and the City shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

(d) the City shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Section 7.02. Remedies. During the continuance of an Event of Default, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any member, director, officer or employee thereof, and to compel the City or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained herein or in the Bonds;

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

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the City to account as if it were the trustee or trustees of an express trust.

Section 7.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter

existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.04. Application of Funds. If an Event of Default shall occur and be continuing, all amounts in the Bond Fund and all amounts thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

- (a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;
- (b) to the payment of all amounts then due for interest on the Bonds, ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable, with interest on the overdue interest at the rate borne by the respective Bonds;
- (c) to the payment of all amounts then due for principal of the Bonds, ratably without preference or priority of any kind, according to the amounts of principal of the Bonds due and payable, with interest on the overdue principal at the rate borne by the respective Bonds; and
- (d) any remaining funds shall be deposited by the Trustee into the Bond Fund.

Section 7.05. Power of Trustee to Enforce. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.06. Bond Owners' Direction of Proceedings. The Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder; provided, however, that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Section 7.07. Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Ordinance or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate

principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

Section 7.08. Absolute Obligation. Nothing in Section 7.07 hereof or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners at their respective dates of maturity, as herein provided, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.09. Termination of Proceedings. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then, subject to any such adverse determination, the Trustee such Owner and the City shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owner, then in every such case the Trustee, such Owner and the City, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Trustee, the Owners and the City shall continue as though no such proceedings had been taken.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by this Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

## ARTICLE VIII

### THE TRUSTEE

Section 8.01. Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(a) The City may, by an instrument in writing, remove the Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party hereto and any successor thereto if at any time (i) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

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

(c) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in subsection (e) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the written request of the City or the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture



and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(d) The Trustee shall be a bank, national banking association or trust company having trust powers incorporated or organized under the laws of the United States of America or any state thereof, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state agency. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

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

Section 8.03. Liability of Trustee. The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of any Bonds, or in respect of the security afforded by this Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the City or others in accordance with this Indenture except as the application of any moneys paid to it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The

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

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

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

(c) No provision of this Indenture shall require the Trustee to risk or expend its own funds in the performance of its rights and duties hereunder.

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

(e) The Trustee may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) Before taking action under Article VII hereof or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

(g) The Trustee shall not be deemed to have knowledge of a default or an Event of Default unless it has actual knowledge thereof, or shall have received written notice thereof at the Office of the Trustee. Except as otherwise expressly provided herein, and except with respect to funds, documents, notices, certificates or other instruments or items required pursuant to the terms hereof to be delivered to the Trustee, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the City of any of the terms, conditions, covenants or agreements herein.

(h) The Trustee shall not be deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure, which, for purposes hereof, shall mean an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care, including acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

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

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith; provided, however, the Trustee shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

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

Section 8.05. Accounting Records and Reports; Preservation and Inspection of Documents. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the receipts, disbursements, allocation and application of all money on deposit in the funds and accounts established hereunder. Such books of record and account shall be available for inspection by the City, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the City a monthly accounting of the funds and accounts it holds under this Indenture; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero, and (ii) has not had any activity since the last reporting date.

(a) All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession until four years after no Bonds are Outstanding (or such longer period as may be required by applicable law) and shall be subject during business hours and upon reasonable notice to the inspection of the City, the Owners and their agents and representatives duly authorized in writing.

Section 8.06. Compensation and Indemnification. The City shall pay to the Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Indenture, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture. The City further agrees, to the extent permitted by law, to indemnify, defend and save the Trustee harmless from and against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and under any

related documents, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the City to indemnify and compensate the Trustee shall survive the termination and discharge of this Indenture and the resignation or removal of the Trustee.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures. This Indenture and the rights and obligations of the City, the Trustee and the Owners hereunder may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into when there are filed with the Trustee the written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 11.07 hereof. No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon or extend the time of payment thereof, without the consent of the Owner of each Bond so affected, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under this Indenture prior to or on a parity with the pledge contained in, and the lien and security interest created by, this Indenture or deprive the Owners of the Bonds of the pledge contained in, and the lien and security interest created by, this Indenture, except as expressly provided in this Indenture, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) amend this Section without the prior written consent of the Owners of all Bonds then Outstanding.

(a) This Indenture and the rights and obligations of the City, the Trustee and the Owners hereunder may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in this Indenture;
- (iii) to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect;
- (iv) to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and
- (v) in any other respect whatsoever as the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners.

(b) Promptly after the execution by the City and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the City), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(c) In entering into any Supplemental Indenture, the Trustee shall be fully protected in relying on an opinion of counsel to the effect that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the City, the Trustee and the Owners 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 such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture pursuant to this Article may and, if the City so determines, shall bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date and presentation of such Bond for such purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the City, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the City and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

## ARTICLE X

### DEFEASANCE

Section 10.01. Discharge of Indenture. If the City shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest thereon at the times and in the manner stipulated herein and therein, then the Owners shall cease to be entitled to the pledge of the assets as provided herein, and all agreements, covenants and other obligations of the City hereunder shall thereupon cease, terminate and become void and this Indenture shall 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 principal of and interest on the Bonds.

(a) Subject to the provisions of subsection (a) of this Section, when any Bond shall have been paid and if, at the time of such payment, the City shall have kept, performed and observed all of the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the assets as provided herein, and all agreements, covenants and other obligations of the City hereunder shall cease, terminate become void and be completely discharged and satisfied as to such Bond.

(b) Notwithstanding the discharge and satisfaction of this Indenture or the discharge and satisfaction of this Indenture in respect of any Bond, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of such Bond, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest on such Bond, and to pay to the Owner of such Bond the funds so held by the Trustee as and when such payment becomes due.

Section 10.02. Bonds Deemed To Have Been Paid. If moneys shall have been set aside and held by the Trustee for the payment of any Bond and the payment of the interest thereon to the maturity date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in Section 10.01 hereof. Any Outstanding Bond shall prior to the maturity date thereof be deemed to have been paid within the meaning of and with the effect expressed in Section 10.01 hereof if (i) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date, and the principal of such Bond, and (ii) in the event such Bond does not mature within the next succeeding 60 days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Bond that the deposit required by clause (i) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with this Section and stating the maturity date upon which money is to be available for the payment of the principal of such Bond.

(a) No Bond shall be deemed to have been paid pursuant to subsection (a) of this Section unless the City shall have caused to be delivered (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the City and the Trustee, in form and in substance acceptable to the City and the Trustee, (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (i)(B) of subsection (a) of this Section resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be

permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (iii) a copy of an opinion of Bond Counsel, dated the date of such deemed payment and addressed to the City and the Trustee, in form and in substance acceptable to the City and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in this Indenture, and all agreements, covenants and other obligations of the City hereunder as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

Section 10.03. Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal of any Bonds which remain unclaimed for two years after the date when such principal or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal or interest become payable, shall, at the Written Request of the City, be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of such principal or interest.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained required hereby to be performed by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.02. Limitation of Rights. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Trustee, the City and the Owners, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the City and the Owners.

Section 11.03. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the City of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds.

Section 11.04. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have entered into this Indenture and each and every other Section, subsection, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections,

subsections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.05. Notices. All written notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City:

City Administrative Officer  
City of Los Angeles  
200 North Main Street, 15<sup>th</sup> Floor  
Los Angeles, California 90012  
Attention: Debt Management Group  
Facsimile: (213) 473-7511

If to the Trustee:

U.S. Bank National Association  
633 W. Fifth Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Corporate Trust Department  
Facsimile: 213-615-6196

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, or (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail.

Section 11.06. Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the City if made in the manner provided in this Section.

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



The ownership of Bonds shall be proved by the Registration Books.

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

Section 11.07. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the City, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 11.08. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners entitled thereto, subject, however, to the provisions of Section 10.03 hereof but without any liability for interest thereon.

Section 11.09. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with prudent corporate trust industry standards to the extent practicable, and with due regard for the requirements hereof and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish any such additional funds or accounts as it deems necessary to perform its obligations hereunder.

Section 11.10. Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Indenture and, unless otherwise specifically provided in this Indenture, no interest shall accrue for the period from and after such nominal date.

Section 11.11. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee

from the performance of any official duty provided by any applicable provisions of law or by this Indenture.

Section 11.12. Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

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

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

Section 11.13. Conclusive Evidence of Regularity. Bonds issued pursuant to this Indenture shall constitute evidence of the regularity of all proceedings under the Ordinance relative to their issuance.

Section 11.14. Governing Laws. This Indenture shall be governed by and construed in accordance with the laws of the State.

Section 11.15. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the City has caused this Indenture to be signed in its name by one of its duly authorized officers, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its name by one of its duly authorized officers, all as of the day and year first above written.

CITY OF LOS ANGELES

By: \_\_\_\_\_  
Assistant City Administrative Officer

ATTEST:  
HOLLY L. WOLCOTT, CITY CLERK

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

APPROVED AS TO FORM:  
MICHAEL N. FEUER,  
City Attorney

By: \_\_\_\_\_  
Assistant/Deputy City Attorney

U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

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

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

**APPENDIX A  
FORM OF BOND**

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

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

**CITY OF LOS ANGELES  
JUDGMENT OBLIGATION BOND, SERIES 2017-A**

<u>DATED DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
_____, 2017	%__	June 1, 20__	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The City of Los Angeles (the "City"), for value received, hereby promises to pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing [June/December] 1, 2017 (the "Interest Payment Dates"), until payment of such Principal Amount in full. This Bond is issued pursuant to the Indenture, dated as of June 1, 2017 (the "Indenture"), by and between the City and U.S. Bank National Association, as trustee. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

This Bond shall bear interest from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date, whether or not such day is a business day, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to [May] 15, 2017, in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or duly provided for). The Principal Amount hereof is payable upon surrender hereof upon maturity at the principal corporate trust office of U.S. Bank National Association, as trustee, or any successor trustee under the Indenture (the "Trustee"), in Los Angeles, California, or such other office as may be specified to the City by the Trustee in writing (the "Office of the Trustee"). Interest hereon is payable by check of the Trustee, mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the Registration Books of the Trustee as of the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the City designated as the “City of Los Angeles Judgment Obligation Bonds, Series 2017-A” (the “Bonds”) in the aggregate principal amount of \$ \_\_\_\_\_ all of which Bonds are of like tenor and date (except for such variations as may be required to designate varying numbers, denominations, maturities or interest rates), and is issued under and pursuant Section 361 of the Charter of the City, Sections 11.27 *et. seq.*, as amended, of the City Administrative Code (the “Ordinance”), and under and pursuant to the provisions of the Indenture (copies of which are on file at the Office of the Trustee). The Bonds are being issued for the purpose of satisfying the City’s payment obligations under the Judgments.

The Bonds are obligations imposed by law payable from funds to be appropriated by the City. Reference is hereby made to the Ordinance and to the Indenture and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the Owners of the Bonds, for the security for payment of the Bonds, for the remedies upon default and limitations thereon and for the provisions for the amendment of the Indenture (with or without consent of the Owners of the Bonds); and all the terms of the Indenture are hereby incorporated herein and constitute a contract between the City and the Registered Owner of this Bond, to all the provisions of which the Registered Owner of this Bond, by acceptance hereof, agrees and consents.

The obligations of the City under the Bonds, including the obligation to make all payments of the interest on and the principal of the Bonds when due are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation, nor do the Bonds constitute an indebtedness of the City in contravention of any constitutional or statutory debt limitation or restriction. Neither the State nor any of its political subdivisions (other than the City) have any liability for the payment of the principal or interest on the Bonds.

The Bonds are issuable as fully registered Bonds without coupons in Authorized Denominations (\$5,000 or any integral multiple thereof). Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount and maturity of Bonds of other Authorized Denominations.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the 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 transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The City and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the City, the owners of the Bonds and the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture.

The Indenture contains provisions permitting the City to make provision for the payment of the principal of and interest on any of the Bonds so that such Bonds shall no longer be deemed to be Outstanding under the terms of the Indenture.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by an authorized signatory of the Trustee.

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

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 the Bonds do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the City of Los Angeles has caused this Bond to be executed in its name and on its behalf by the signature of the Assistant City Administrative Officer and Treasurer of the City and countersigned by the signature of the City Clerk of the City.

CITY OF LOS ANGELES

By: \_\_\_\_\_  
Assistant City Administrative Officer

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

ATTEST:  
HOLLY L. WOLCOTT, CITY CLERK

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

[FORM OF BOND TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND  
REGISTRATION TO APPEAR ON THE SERIES 2017-A BONDS]

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

Dated: \_\_\_\_\_, 2017

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

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

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DTC LEGEND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") TO THE DEPARTMENT OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor

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



## APPENDIX B JUDGMENTS

1. Settlement Agreement and Release of Claims, *Independent Living Center of Southern California, et al. v. City of Los Angeles, California, et al.*, Case No. CV 12-0551 FMO (PJWx), filed July 5, 2016, and Judgment Pursuant to Settlement Agreement by and between City of Los Angeles and Plaintiffs, filed August 4, 2016.
2. Order Approving Compromise of Disputed Claim, *J.L.D. v. City of Los Angeles, et al.*, Case No. BC560250, filed November 8, 2016.
3. Stipulated Judgment, *Sheryn Camprone v. City of Los Angeles, et al.*, Case No. BC609615, executed December 29, 2016, and Order Granting the Stipulated Judgment, filed January 13, 2017.
4. Stipulated Judgment and Order, *David Aguilar, et al. v. City of Los Angeles, et al.*, Case No. EC060225, and all related actions (*Barbara Kausch, et al. v. City of Los Angeles, et al.*, Case No. BC510353, and *Beau Maxon, et al. v. City of Los Angeles, et al.*, Case No. BC517514), filed January 19, 2017.
5. Stipulated Judgment [NO – JS6], *Reggie D. Cole v. City of Los Angeles, et al.*, Case No. CV 11-3241 CBM (AJWx), filed January 23, 2017.
6. Stipulated Judgment and Order, *Kim Nguyen v. City of Los Angeles, et al.*, Case No. BC513892, filed February 1, 2017.
7. Amended Judgment, *Maria Elena Montoya v. City of Los Angeles, et al.*, Case No. BC504572, filed October 19, 2016, and the related and subsequent Settlement and Release Agreement, executed as of February 8, 2017.
8. Stipulated Judgment and Dismissal of Entire Action, *Edsell Ford, et al. v. City of Los Angeles, et al.*, Case No. BC574800, filed February 9, 2017.
9. Amended Stipulated Judgment and Dismissal of Entire Action, *Rosa Navas, et al. v. City of Los Angeles, et al.*, Case No. CV 15-09515 SVW (JCx), filed February 9, 2017.
10. Judgment on Stipulation, *Paula J. Solorzano, et al. v. City of Los Angeles, et al.*, Case No. BC515167, filed February 22, 2017.
11. [Document Title], *Christian Rodriguez, et al. v. City of Los Angeles, et al.*, Case No. CV 11-01135 DMG (JEMx), filed \_\_\_\_\_, 2017.<sup>1</sup>

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<sup>1</sup> Related settlement has been approved by City Council action, but judgment has not been executed.