
INDENTURE

by and between

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

and

**U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE**

Dated as of _____ 1, 2016

**San Bernardino County Flood Control District
Judgment Obligation Refunding Bonds, Series 2016**

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS; EQUAL SECURITY	3
Section 1.01. Definitions.....	3
Section 1.02. Incorporation of Continuing Covenant Agreement Provisions; Equal Security	14
ARTICLE II THE BONDS	15
Section 2.01. Authorization of Bonds and Supplemental Obligations; Obligations Imposed by Law	15
Section 2.02. Terms of Bonds.....	15
Section 2.03. Execution of Bonds.....	16
Section 2.04. Authentication of Bonds	16
Section 2.05. Registration Books.....	16
Section 2.06. Limitations on Transfer.....	17
Section 2.07. Transfer and Exchange of Bonds	17
Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen.....	17
Section 2.09. Temporary Bonds.....	18
ARTICLE III ISSUANCE OF BONDS	19
Section 3.01. Issuance of Bonds	19
Section 3.02. Application of Proceeds of the Bonds	19
Section 3.03. Costs of Issuance Fund	19
ARTICLE IV REDEMPTION OF BONDS	20
Section 4.01. Optional Redemption of Bonds	20
Section 4.02. Mandatory Sinking Fund Redemption.....	20
Section 4.03. Selection of Bonds for Redemption.....	20
Section 4.04. Notice of Redemption	21
Section 4.05. Effect of Notice of Redemption.....	21
ARTICLE V SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS	22
Section 5.01. Pledges	22
Section 5.02. Debt Service Fund.....	22
Section 5.03. Other Replacement Proceeds Fund	23
Section 5.04. Rebate Fund	23

TABLE OF CONTENTS
(Continued)

	Page
Section 5.05. Investment of Moneys.....	23
ARTICLE VI COVENANTS	25
Section 6.01. Punctual Payment and Performance	25
Section 6.02. Extension of Payment of Bonds.....	25
Section 6.03. Additional Obligations.....	25
Section 6.04. Debt Service Coverage Ratio.....	25
Section 6.05. Power to Issue Bonds.....	26
Section 6.06. Prosecution and Defense of Suits	26
Section 6.07. Other Replacement Proceeds	26
Section 6.08. District Budgets	26
Section 6.09. Tax Covenants	26
Section 6.10. Further Assurances.....	27
ARTICLE VII THE TRUSTEE	28
Section 7.01. Duties and Liabilities of Trustee.....	28
Section 7.02. Qualifications; Removal and Resignation; Successors.....	28
Section 7.03. Liability of Trustee	29
Section 7.04. Right to Rely on Documents.....	30
Section 7.05. Accounting Records and Reports; Preservation and Inspection of Documents	30
Section 7.06. Compensation and Indemnification	31
ARTICLE VIII SUPPLEMENTAL INDENTURES	32
Section 8.01. Supplemental Indentures.....	32
Section 8.02. Effect of Supplemental Indenture	33
Section 8.03. Endorsement of Bonds; Preparation of New Bonds	33
Section 8.04. Amendment of Particular Bonds.....	33
ARTICLE IX EVENTS OF DEFAULT AND REMEDIES	34
Section 9.01. Events of Default	34
Section 9.02. Acceleration of Bonds and Supplemental Obligations	34
Section 9.03. Other Remedies.....	34

TABLE OF CONTENTS
(Continued)

	Page
Section 9.04. Remedies Not Exclusive	35
Section 9.05. Application of Funds After Default	35
Section 9.06. Power of Trustee to Enforce	36
Section 9.07. Owners' Direction of Proceedings	36
Section 9.08. Limitation on Owners' Right to Sue	36
Section 9.09. Absolute Obligation	36
Section 9.10. Termination of Proceedings	37
Section 9.11. No Waiver of Default	37
ARTICLE X DEFEASANCE	38
Section 10.01. Discharge of Indenture	38
Section 10.02. Bonds Deemed To Have Been Paid	38
Section 10.03. Unclaimed Moneys	39
ARTICLE XI MISCELLANEOUS	40
Section 11.01. Successor Is Deemed Included in All References to Predecessor	40
Section 11.02. Limitation of Rights	40
Section 11.03. Destruction of Bonds	40
Section 11.04. Severability of Invalid Provisions	40
Section 11.05. Notices	40
Section 11.06. Evidence of Rights of Owners	41
Section 11.07. Disqualified Bonds	42
Section 11.08. Money Held for Particular Bonds	42
Section 11.09. Funds and Accounts	42
Section 11.10. Business Days	42
Section 11.11. Waiver of Personal Liability	43
Section 11.12. Interpretation	43
Section 11.13. Governing Laws	43
Section 11.14. Execution in Several Counterparts	43

TABLE OF CONTENTS
(Continued)

	Page
EXHIBIT A PERMITTED INVESTMENTS	A-1
EXHIBIT B FORM OF BOND.....	B-1
EXHIBIT C FORM OF PURCHASER’S LETTER.....	C-1

INDENTURE

THIS INDENTURE (this “Indenture”), dated as of _____ 1, 2016, is by and between the SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT, a body corporate and politic organized and existing under and by virtue of the laws of the State of California (the “District”), 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, for the purpose of refunding a portion of the District’s obligations to make payments to certain persons pursuant to the terms of a court entered judgment, the District previously issued its San Bernardino County Flood Control District Judgment Obligation Bonds, Series A (the “Refunded Bonds”);

WHEREAS, the District has determined that it is in the best interests of the District to refund the Refunded Bonds;

WHEREAS, the District is authorized pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code to issue refunding bonds for the purpose of refunding any evidence of indebtedness of the District;

WHEREAS, for the purpose of refunding the Refunded Bonds, the District has determined to issue its San Bernardino County Flood Control District Judgment Obligation Refunding Bonds, Series 2016 (the “Bonds”), in the aggregate principal amount of \$ _____;

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 District has authorized the execution and delivery of this Indenture;

WHEREAS, simultaneously with the issuance of the Bonds, the District and Wells Fargo Bank, National Association, the original purchaser of the Bonds, are entering into a Continuing Covenant Agreement (the “Continuing Covenant Agreement”) containing certain representations and warranties, covenants, agreements, payment and other monetary obligations of the District, events of default and remedies;

WHEREAS, such representations and warranties, covenants, agreements, payment and other monetary obligations of the District, events of default and remedies contained in the Continuing Covenant Agreement are, pursuant to this Indenture, incorporated herein by reference; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the District and authenticated and delivered by the Trustee hereunder, valid, binding and legal obligations of the District payable in accordance

with their terms, and to constitute this Indenture, including the provisions of the Continuing Covenant Agreement incorporated herein, a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture has been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of (a) the interest on and the principal of all Bonds at any time issued and outstanding hereunder according to their tenor, and (b) the Supplemental Obligations (as hereinafter defined), and to secure the performance and observance of all the agreements and covenants therein and herein set forth, including those incorporated herein pursuant to Section 1.02 hereof, and to declare the conditions and terms upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants contained herein, including those incorporated herein pursuant to Section 1.02 hereof, and of the purchase and acceptance of the Bonds by the respective registered owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the District does hereby agree and covenant with the Trustee, for the benefit of the respective registered 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.

“Acceleration Date” means the date on which an Acceleration Event occurs.

“Acceleration Event” means the declaration by the Trustee, pursuant to Section 9.02 hereof, that the principal of all Outstanding Bonds and the accrued interest thereon is immediately due and payable.

“Acceleration Fee” means, for any Acceleration Event, the difference of (a) the sum of the present values of a series of amounts computed for each Scheduled Due Date after the Acceleration Date through the Maturity Date, each of which amounts is equal to the product of (i) the Affected Principal Amount for the Affected Principal Period that extends to but excludes such Scheduled Due Date, times (ii) the Reference Rate, times (iii) the Day Count Fraction for such Affected Principal Period, minus (b) the sum of the present values of a series of amounts computed for each Scheduled Due Date after the Acceleration Date through the Maturity Date, each of which amounts is equal to the product of (i) the Affected Principal Amount for the Affected Principal Period that extends to but excludes such Scheduled Due Date, times (ii) the Acceleration Rate, times (iii) the Day Count Fraction for such Affected Principal Period, where the Calculation Agent computes such present values by discounting each such series of amounts described in clause (a) and (b) above from the Scheduled Due Date to the Acceleration Date using a series of discount factors corresponding to the Scheduled Due Date as determined by the Calculation Agent from the swap yield curve that the Calculation Agent would use as of the Acceleration Date in valuing a series of fixed rate interest rate swap payments similar to such series of amounts, and where the Calculation Agent determines the Acceleration Fee as of the Business Day next preceding such Acceleration Date in good faith using such methodology as the Calculation Agent deems appropriate under the circumstance, and the Calculation Agent’s determination shall be conclusive and binding in the absence of manifest error; provided, however, that if the Acceleration Fee so determined is a negative number, the Acceleration Fee shall be deemed to be equal to Zero.

“Acceleration Rate” means, for any Acceleration Date, and with respect to the Bonds the principal of which is due and payable on a Scheduled Due Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the fixed rate the Calculation Agent determines is representative of what swap dealers would be willing to pay to the Calculation Agent (or, if required to be cleared under the Commodity Exchange Act or a Commodity Futures Trading Commission rule or regulation promulgated thereunder, to a swap clearinghouse) as fixed rate payors on a semi-annual basis in return for receiving one-month LIBOR-based payments monthly under interest rate swap transactions that would commence on such Acceleration Date, and mature on, or as close as commercially practicable to, the Scheduled Due Date for such Bonds.

“Affected Principal Amount” means (a) with respect to an Acceleration Event, for an Affected Principal Period, the principal amount of the Bonds reflected in the Schedule of Principal Amounts scheduled to be Outstanding during that Affected Principal Period determined as of the relevant Acceleration Date by the reference to such Schedule of Principal Amounts before giving effect to any Acceleration Event on that Acceleration Date, and (b) with respect to an optional redemption of Bonds pursuant to Section 4.01 hereof, for an Affected Principal Period, the product of (i) the principal amount of the Bonds reflected in the Schedule of Principal Amounts scheduled to be Outstanding during that Affected Principal Period determined as of the relevant Redemption Date by the reference to such Schedule of Principal Amounts before giving effect to such optional redemption of Bonds on such Redemption Date, times (ii) the Redemption Fraction for the Scheduled Due Date immediately following such Affected Principal Period.

“Affected Principal Period” means (a) with respect to an Acceleration Event, each period from and including a Scheduled Due Date to but excluding the next succeeding Scheduled Due Date; provided, however, that if the Acceleration Date is not a Scheduled Due Date, the initial Affected Principal Period shall be the period from and including the Acceleration Date to but excluding the next succeeding Scheduled Due Date [and the Affected Principal Amount for such initial Affected Principal Period shall be the amount stated in the Schedule of Principal Amounts Outstanding for the Scheduled Due Date next preceding the Acceleration Date – it isn’t clear to me why this portion of the proviso is necessary], and (b) with respect to an optional redemption of Bonds pursuant to Section 4.01 hereof, each period from and including a Scheduled Due Date to but excluding the next succeeding Scheduled Due Date; provided, however, that if the Redemption Date is not a Scheduled Due Date, the initial Affected Principal Period shall be the period from and including the Redemption Date to but excluding the next succeeding Scheduled Due Date [and the Affected Principal Amount for such initial Affected Principal Period shall be the amount stated in the Schedule of Principal Amounts Outstanding for the Scheduled Due Date next preceding the Redemption Date – it isn’t clear to me why this portion of the proviso is necessary].

“Act” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code.

“Affiliate” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“Annual Debt Service” means, for each Fiscal Year, the sum of (a) the interest due on the Senior Obligations that are bonds in such Fiscal Year, assuming that such bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), (b) the principal of the Senior Obligations that are bonds due in such Fiscal Year (including by reason of mandatory sinking fund redemptions), and (c) the payments due in such Fiscal Year pursuant to the terms of the Senior Obligations that are not bonds.

“Authorized Denominations” means \$1,000,000 and any integral multiple of \$5,000 in excess thereof.

“Authorized Representative” means, with respect to the District, the County Executive Officer of the County, acting *ex officio* on behalf of the District, the Assistant County Executive Officer of the County, acting *ex officio* on behalf of the District, any Deputy County Executive Officer of the County, acting *ex officio* on behalf of the District, the Assistant County Administrator of the County, acting *ex officio* on behalf of the District, the Director of the District, and any other Person designated as an Authorized Representative in a Written Certificate of the District filed with the Trustee.

“Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (a) the Prime Rate in effect at such time, plus 1.0%, (b) the Federal Funds Rate in effect at such time, plus 2.0%, and (c) 7.0%.

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

“Bond Year” means (a) with respect to the initial Bond Year, the period extending from the date the Bonds are originally delivered to and including August 1, 2016, and (b) thereafter, each successive twelve-month period beginning on August 2 in each year and extending to the next succeeding August 1, both dates inclusive. Notwithstanding the foregoing, the term Bond Year as used in the Tax Certificate is defined in the manner set forth in the Tax Certificate.

“Bonds” means the San Bernardino County Flood Control District Judgment Obligation Refunding Bonds, Series 2016, issued hereunder.

“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, in any state in which the Office of the Trustee is located, or in any state in which the principal office of the Original Purchaser is located are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange or the Federal Reserve Bank is closed.

“Calculation Agent” means, for purposes of calculating the Acceleration Fee, Wells Fargo Bank, National Association; provided, however, that if for any reason Wells Fargo Bank, National Association is unable or unwilling to calculate the Acceleration Fee, the Calculation Agent shall be an independent financial advisor or investment banker appointed by the District with the consent of the Owners of not less than the majority of the aggregate principal amount of the Outstanding Bonds.

“Closing Date” means _____, 2016.

“Code” means the Internal Revenue Code of 1986.

“Continuing Covenant Agreement” means the Continuing Covenant Agreement, dated as of _____ 1, 2016, by and between the District and the Original Purchaser, 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 District 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 Original Purchaser and its counsel, 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 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.

"County" means the County of San Bernardino, California.

"Day Count Fraction" means the anticipated basis on which the interest rate is to be computed on each of the Bonds in connection with an Acceleration Event; the Day Count Fraction shall utilize a 360-day year and consisting of twelve 30-day months.

"Debt Service Fund" means the account by that name established and held by the Trustee pursuant to Section 5.02 hereof.

"Default" means any event or condition which, with notice, the passage of time or any combination of the foregoing, would constitute an Event of Default.

"Default Rate" means, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day, plus 3.0%.

"Defeasance Securities" means (a) non-callable direct obligations of the United States of America ("United States Treasury Obligations"), and (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations 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 United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

"Determination of Taxability" means and shall be deemed to have occurred on the first to occur of the following:

(a) on the date when the District files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(b) on the date when an Owner or any former Owner notifies the District that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within 180 days after receipt by the District of such notification from such Owner or former Owner, the District shall deliver to such Owner or former Owner a written opinion of Bond Counsel or a ruling or determination letter issued to or on behalf of the District by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government

official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(c) on the date when the District shall be advised in writing by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time, including an employee subordinate to one of these officers who has been authorized to provide such advice) that, based upon filings of the District, or upon any review or audit of the District or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(d) on the date when the District shall receive notice from an Owner or any former Owner that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Owner or such former Owner the interest on the Bonds due to the occurrence of an Event of Taxability;

provided, however, that no Determination of Taxability shall occur under subparagraph (c) or (d), above, unless the District has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined, and, provided further, that upon demand from such Owner or former Owner, the District shall promptly reimburse such Owner or former Owner for any payments, including any taxes, interest, penalties or other charges, such Owner (or former Owner) shall be obligated to make as a result of the Determination of Taxability.

“Discretionary Expenditures” means, for any period, all expenditures of general funds of the District, determined in accordance with Generally Accepted Accounting Principles, excluding expenditures identified by the District as capital outlay and emergency maintenance expenditures.

“District” means the San Bernardino County Flood Control District, a body corporate and politic organized and existing under and by virtue of the laws of the State, including the Flood Control Act, and any successor thereto.

“Escrow Agreement” means the Escrow Agreement, dated as of _____ 1, 2016, by and between the District and the Escrow Bank, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Escrow Bank” means Wells Fargo Bank, National Association, as prior trustee and escrow bank under the Escrow Agreement, and any successor thereto.

“Event of Default” means an event described as such in Section 9.01 hereof.

“Event of Bankruptcy” means the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against the District.

“Event of Taxability” means (a) change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the District, or the failure to take any action by the District, or the making by the District of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the Bonds) which has the effect of causing interest paid or payable on the Bonds to become includable, in whole or in part, in the gross income of the Owner or any former Owner for federal income tax purposes, or (b) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on the Bonds to become includable, in whole or in part, in the gross income of the Owner or any former Owner for federal income tax purposes with respect to the Bonds.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, however, that (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one-hundredth of one percent) charged to Wells Fargo Bank, National Association on such day on such transactions as determined by Wells Fargo Bank, National Association.

“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 District as its Fiscal Year in accordance with applicable law.

“Flood Control System” means the whole and each and every part of the flood and storm water control and conservation facilities of the District, all real and personal property, or any interest therein, constituting a part thereof and all additions, improvements, betterments and extensions thereto whether presently existing or hereafter acquired, constructed or installed.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Governmental Authority” means the government of the United States of America or any other nation or any political subdivision thereof or any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any supra-national bodies such as

the European Union or European Central Bank), or any arbitrator, mediator or other Person with authority to bind a party at law.

“Indenture” means this Indenture, dated as of _____ 1, 2016, by and between the District and the Trustee, as originally executed or as it may from time to time be amended or supplemented by any Supplemental Indenture.

“Interest Payment Date” means each February 1 and August 1, commencing on August 1, 2016.

“Law” means any treaty or any federal, regional, state and local law, statute, rule, ordinance, regulation, code, license, authorization, decision, injunction, interpretation, order or decree of any court or other Governmental Authority.

“Maturity Date” means August 1, 202__.

“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 District.

“Net Revenues” means, for any period, the Revenues for such period, less the Discretionary Expenditures for such period.

“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).

“Obligations” means obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are secured by a pledge of or lien on Revenues.

“Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California provided, however, that for purposes of payment, exchange, transfer, surrender and cancellation of Bonds, such term means the principal corporate trust office of the Trustee in St. Paul, Minnesota, or such other office as may be specified to the District by the Trustee in writing.

“Original Purchaser” means Wells Fargo Bank, National Association, as the original purchaser of the Bonds.

“Other Replacement Proceeds” has the meaning ascribed thereto in Treasury Regulations Section 1.148-6(d)(3).

“Other Replacement Proceeds Fund” means the fund by that name established by the District pursuant to Section 5.03 hereof.

“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 District shall have been discharged in accordance with Section 10.01 hereof, and (c) Bonds in lieu of which other Bonds shall have been authenticated and delivered by the Trustee pursuant to Section 2.08 hereof.

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

“Permitted Investments” is defined in Exhibit A hereto.

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

“Prior Senior Indentures” means, collectively, the Series 2007 Indenture and the Series 2008 Indenture.

“Purchaser’s Letter” means the Purchaser’s Letter that is to be executed by the transferee of a Bond and delivered to the District, the County and the Trustee in connection with the transfer, sale or other disposition of such Bond, the form of which is attached hereto as Exhibit C.

“Qualified Institutional Buyer” means a “qualified institutional buyer” within the meaning of Rule 144A promulgated under the Securities Act.

“Qualified Transferee” means a Persons that is (a) a Qualified Institutional Buyer, and (b) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus of not less than \$5,000,000,000.

“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, with respect to interest payable on any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Date” means the date on which Bonds are optionally redeemed pursuant to Section 4.01 hereof.

“Redemption Fraction” means, with respect to an optional redemption of Bonds pursuant to Section 4.01 hereof, for a Scheduled Due Date, a fraction the numerator of which is the amount, if any, by which the principal amount of the Bonds to be redeemed pursuant to Section 4.02 hereof on such Scheduled Due Date is reduced pursuant to subsection (b) of Section 4.02 hereof, and the denominator of which is the amount of the payment of the principal of the Bonds due on such Scheduled Due Date (without regard to such amount of said reduction, if any).

“Redemption Premium” means, for any redemption of Bonds pursuant to Section 4.01 hereof, the difference of (a) the sum of the present values of a series of amounts computed for each Scheduled Due Date after the Redemption Date through the Maturity Date, each of which amounts is equal to the product of (i) the Affected Principal Amount for the Affected Principal Period that extends to but excludes such Scheduled Due Date, times (ii) the Reference Rate, times (iii) the Day Count Fraction for the Affected Principal Period ending on such Scheduled Due Date, minus (b) the sum of the present values of a series of amounts computed for each Scheduled Due Date after the Redemption Date through the Maturity Date, each of which amounts is equal to the product of (i) the Affected Principal Amount for the Affected Principal Period that extends to but excludes such Scheduled Due Date, times (ii) the Redemption Premium Rate, times (iii) the Day Count Fraction for the Affected Principal Period that extends to but excludes such Scheduled Due Date, where the Calculation Agent computes such present values by discounting each such series of amounts described in clause (a) and (b) above from the Scheduled Due Date to the Redemption Date using a series of discount factors corresponding to the Scheduled Due Date as determined by the Calculation Agent from the swap yield curve that the Calculation Agent would use as of the Redemption Date in valuing a series of fixed rate interest rate swap payments similar to such series of amounts, and where the Calculation Agent determines the Redemption Premium as of the Business Day next preceding such Redemption Date in good faith using such methodology as the Calculation Agent deems appropriate under the circumstance, and the Calculation Agent’s determination shall be conclusive and binding in the absence of manifest error; provided, however, that if the Redemption Premium so determined is a negative number, the Redemption Premium shall be deemed to be equal to Zero.

“Redemption Premium Rate” means, for any Redemption Date, and with respect to the Affected Principal Amount of Bonds for a Scheduled Due Date, the fixed rate the Calculation Agent determines is representative of what swap dealers would be willing to pay to the Calculation Agent (or, if required to be cleared under the Commodity Exchange Act or a Commodity Futures Trading Commission rule or regulation promulgated thereunder, to a swap clearinghouse) as fixed rate payors on a semi-annual basis in return for receiving one-month LIBOR-based payments monthly under interest rate swap transactions that would commence on such Redemption Date, and mature on, or as close as commercially practicable to, such Scheduled Due Date.

“Reference Rate” means _____.

“Refunded Bonds” means the San Bernardino County Flood Control District Judgment Obligation Bonds, Series A, issued pursuant to the Refunded Bonds Indenture.

“Refunded Bonds Indenture” means the Indenture, dated as of May 1, 2007, by and between the District and Wells Fargo Bank, National Association, as trustee, pursuant to which the Refunded Bonds were issued, as amended and supplemented by the First Supplemental Indenture, dated as of May 30, 2007, by and between the District and Wells Fargo Bank, National Association, as trustee.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.05 hereof.

“Revenues” means, for any period, all income and revenue received by the District from the operation or ownership of the Flood Control System, determined in accordance with Generally Accepted Accounting Principles, including all *ad valorem* property taxes received by the District, regardless of zone allocation, if any, during such period pursuant to Article XIII A of the Constitution of the State and Section 95 *et seq.* of the California Revenue and Taxation Code, all rents, royalties and license and permit fees and charges received by the District, investment income (to the extent generally available to pay costs with respect to the Flood Control System) and all other money howsoever derived by the District from the operation or ownership of the Flood Control System or arising from the Flood Control System, but excluding (a) *ad valorem* property taxes levied to pay any voter approved general obligation indebtedness of the District, (b) assessments levied pursuant to Section 7 or Section 26.9 the Flood Control Act, and (c) grants, advances or contributions in aid of construction, except to the extent such grants are unrestricted and available for any expenditure of the District.

“S&P” means Standard & Poor’s Ratings Service, a Standard & Poor’s Financial Services LLC business, a limited liability company 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 District.

“Schedule of Principal Amounts” means the principal amount of the Bonds scheduled to be Outstanding on the Closing Date and on each Scheduled Due Date (a) assuming that the Bonds required to have been redeemed pursuant to Section 4.02 hereof prior to such Scheduled Due Date have been so redeemed, and (b) taking into account the amount, if any, by which the principal amount of the Bonds to be redeemed pursuant to Section 4.02 hereof on such Scheduled Due Date is reduced pursuant to subsection (b) of Section 4.02 hereof.

“Scheduled Due Dates” means each Sinking Fund Redemption Date set forth in Section 4.02 hereof and the Maturity Date.

“Securities Act” means the Securities Act of 1933, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

“Senior Obligations” means the Bonds, the Supplemental Obligations, the Series 2007 Bonds, the Series 2007 Reimbursement Agreement, the Series 2008 Bonds and any Obligations subsequently issued or incurred by the District that are secured by a pledge of or lien on

Revenues on a parity with the pledge of and lien on Revenues securing the Bonds and the Supplemental Obligations and which satisfy the applicable conditions of Section 6.03 hereof.

“Series 2007 Bonds” means the San Bernardino County Flood Control District Refunding Bonds, Series 2007, issued pursuant to the Series 2007 Indenture.

“Series 2007 Indenture” means the Indenture, dated as of May 1, 2007, by and between the District and the Wells Fargo Bank, National Association, pursuant to which the Series 2007 Bonds were issued, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

“Series 2008 Bonds” means the San Bernardino County Flood Control District Refunding Bonds, Series 2008, issued pursuant to the Series 2008 Indenture.

“Series 2008 Indenture” means the Indenture, dated as of April 1, 2008, by and between the District and the Wells Fargo Bank, National Association, pursuant to which the Series 2008 Bonds were issued, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

“Series 2007 Reimbursement Agreement” means Reimbursement Agreement, dated as of July 1, 2011, by and between the District and Bank of America, N.A., relating to the Series 2007 Bonds, as originally executed or as it may from time to time be amended in accordance with its terms.

“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 and entered into in accordance with the terms hereof.

“Supplemental Obligations” means (a) the obligation of the District to pay the Acceleration Fee, as provided in Section 9.02 hereof, and (b) the obligations of the District to make payments pursuant to Sections ___, ___, ___, ___, ___, ___ and ___ of the Continuing Covenant Agreement.

“Tax Certificate” means the Tax Certificate executed by the District at the time of issuance of the Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Taxable Date” means the date on which interest on the Bonds is first includable in gross income of an Owner (including, without limitation, any previous Owner) thereof as a result of an Event of Taxability as such a date is established pursuant to a Determination of Taxability.

“Taxable Period” means, for any date after the Taxable Date, the period from and including the Taxable Date to and including such date.

“Taxable Rate” means, for each day during a Taxable Period, the product of (a) either (i) if an Event of Default shall not have occurred and be continuing, the stated interest rate on the

Bonds, or (ii) if an Event of Default shall have occurred and be continuing, the Default Rate for such day, and (b) 1.54.

“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 Section 10.02 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 Section 10.02 hereof.

“Written Certificate” and **“Written Request”** of the District mean, respectively, a written certificate or written request signed in the name of the District 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. Incorporation of Continuing Covenant Agreement Provisions; Equal Security. (a) The representations and warranties, covenants, agreements and other obligations of the District, other than the Supplemental Obligations, contained in the Continuing Covenant Agreement, and the events of default contained in the Continuing Covenant Agreement, are by this reference incorporated in this Indenture as if fully set forth herein.

(b) In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture, including the provisions of the Continuing Covenant Agreement incorporated herein pursuant to subsection (a) of this Section, shall be deemed to be and shall constitute a contract among the District, 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, premium, if any, and interest on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder and the Supplemental Obligations, subject to the agreements, conditions, covenants and provisions contained herein, including the provisions of the Continuing Covenant Agreement incorporated herein pursuant to subsection (a) of this Section; and all agreements and covenants set forth herein, including the provisions of the Continuing Covenant Agreement incorporated herein pursuant to subsection (a) of this Section, to be performed by or on behalf of the District 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 and Supplemental Obligations; Obligations Imposed by Law. (a) The District hereby authorizes the issuance of the Bonds and the incurrence of the Supplemental Obligations under and subject to the terms of this Indenture, the Act and other applicable laws of the State for the purpose of refunding the Refunded Bonds.

(b) The Bonds and the Supplemental Obligations shall be Senior Obligations.

(c) The obligations of the District under the Bonds, including the obligation to make all payments of the interest on and the principal of the Bonds when due or upon prior redemption, and the Supplemental Obligations are obligations of the District imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. Neither the Bonds nor the Supplemental Obligations constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation, and none of the Bonds, the obligation of the District to make payment of the interest on or the principal of the Bonds or the obligation of the District to make payment of the Supplemental Obligations constitutes an indebtedness of the District or the State, or any of its political subdivisions, in contravention of any constitutional or statutory debt limitation or restriction.

Section 2.02. Terms of Bonds. (a) The Bonds shall be designated “San Bernardino County Flood Control District Judgment Obligation Refunding Bonds, Series 2016.” 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 2.08 hereof.

(b) The Bonds shall be issued in fully registered form without coupons in Authorized Denominations. The Bonds shall be dated as of the Closing Date, shall be in the aggregate principal amount of \$_____, shall mature on August 1, 20__ and shall bear interest (i) if an Event of Taxability shall not have occurred and an Event of Default shall not have occurred and be continuing, at the rate of ___% per annum, (ii) if an Event of Taxability shall have occurred, at the Taxable Rate, and (iii) if an Event of Default shall have occurred and be continuing, at the Default Rate, which interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(c) 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 interest thereon shall be payable 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 to each Owner, as shown on the Registration Books as of the close of business on the preceding Record Date, by wire transfer in

immediately available funds to the account specified by such Owner to the Trustee in writing. Notwithstanding the foregoing, interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which shall be given to such Owner not less than ten days prior to such special record date.

(d) The principal of the Bonds shall be payable in lawful money of the United States of America. Principal of the Bonds payable on each mandatory sinking fund redemption date shall be paid to each Owner of such Bonds so redeemed, as shown on the Registration Books as of the close of business on the preceding Record Date, by wire transfer in immediately available funds to the account specified by such Owner to the Trustee in writing, without presentation of such Bonds. Principal of the Bonds payable on the Maturity Date shall be paid to each Owner of such Bonds so payable, as shown on the Registration Books as of the close of business on the preceding Record Date, by wire transfer in immediately available funds to the account specified by such Owner to the Trustee in writing, but only upon presentation and surrender thereof at the Office of the Trustee.

(e) The Bonds shall be in substantially the form set forth in Exhibit B hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of the Chairman of the Board of Supervisors attested by the manual or facsimile signature of the Clerk to the Board of Supervisors of the District. 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 District, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District 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 District by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the District although at the nominal date of such Bonds any such Person shall not have been such officer of the District.

Section 2.04. Authentication of Bonds. Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form as that set forth in Exhibit B hereto for the Bonds, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. 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 District; 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.

Section 2.06. Limitations on Transfer. (a) Ownership of a Bond, in Authorized Denominations, may be transferred only (i) to an Affiliate of the Owner of such Bond, (ii) to a trust or other custodial arrangement established by the Owner of such Bond, each owner of a beneficial interest in which trust will be a Qualified Institutional Buyer, or (iii) to a Person that is a Qualified Transferee that is purchasing such Bond for not more than one account for investment purposes and not with a view to distributing such Bond, but only if such Qualified Transferee delivers to the District and the Trustee a completed and duly executed Purchaser's Letter substantially in the form attached hereto as Exhibit C. The District and the Trustee may rely conclusively upon the information contained in any Purchaser's Letter.

(b) No Owner of a Bond shall transfer such Bond pursuant to subsection (a) of this Section unless such Owner reasonably believes that such transfer is permitted by and in accordance with the provisions of such subsection.

(c) Each Person to whom ownership of a Bond is transferred pursuant hereto shall be deemed by the acceptance of such ownership to have agreed to be bound by the provisions of this Section.

(d) The Bonds shall bear a legend describing or referencing the restrictions on transferability set forth in subsection (a) of this Section.

Section 2.07. Transfer and Exchange of Bonds. (a) Subject to the provisions of Section 2.06 hereof, any Bond may 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 to the Trustee 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 so surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds 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.

(b) 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.

(c) The Trustee shall not be obligated to make any transfer or exchange of Bonds pursuant to this Section during the period established by the Trustee for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the District, 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 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 District. 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 District, 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 (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The District 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 District 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 District 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 2.09. 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 District, 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 District and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the District 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 and maturities in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series 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 District 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 District 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 received by the Trustee, \$_____, shall be deposited or transferred by the Trustee as follows:

(a) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.

(b) The Trustee shall transfer the amount of \$_____ to the Escrow Bank, to be applied to the payment of the Refunded Bonds in accordance with the provisions of the Escrow Agreement.

Section 3.03. Costs of Issuance Fund. (a) There is hereby established a separate fund to be known as the “Costs of Issuance Fund,” which shall be held by the Trustee in trust. On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount specified in Section 3.02 hereof.

(b) 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 District 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, all amounts remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Debt Service Fund and the Costs of Issuance Fund shall be closed.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Optional Redemption of Bonds. The Bonds shall be subject to optional redemption, in whole or in part, in Authorized Denominations, on any date, from any source of available funds, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, plus the Redemption Premium, plus accrued interest thereon to the date of redemption.

The District shall give the Trustee written notice of its intention to redeem Bonds pursuant to this Section not less than 45 days prior to the applicable redemption date, unless a later date is agreed to by the Trustee.

Section 4.02. Mandatory Sinking Fund Redemption. (a) The Bonds shall be subject to mandatory sinking fund redemption, in part, on August 1 in each year, commencing August 1, 2016, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (August 1)	Principal Amount to be <u>Redeemed</u>
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(Maturity)

(b) If some but not all of the Bonds are redeemed pursuant to Section 4.01, the principal amount of the Bonds to be redeemed pursuant to subsection (a) of this Section 4.02 on any subsequent August 1 shall be reduced, by \$5,000 or an integral multiple thereof, as designated by the District in a Written Certificate of the District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the Bonds redeemed pursuant to Section 4.02.

Section 4.03. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption by lot in any manner that the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate Authorized Denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Section 4.04. Notice of Redemption. The Trustee on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 15 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, if any, the Bond numbers of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Section 4.05. Effect of Notice of Redemption. (a) Notice having been mailed as aforesaid, and moneys for the redemption (including the interest to the applicable redemption date) of the Bonds to be redeemed having been deposited in the Debt Service Fund, such Bonds shall become due and payable on said date, and said Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date.

(b) If, on said redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

(c) All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and the Trustee shall deliver a certificate of destruction to the District.

ARTICLE V
**SECURITY FOR BONDS; FLOW OF FUNDS;
INVESTMENTS**

Section 5.01. Pledges. (a) The District has pledged, pursuant to the Prior Senior Indentures, and the District hereby pledges, subject only to the provisions of the Prior Senior Indentures and this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues to secure the payment of the principal of and interest on the Senior Obligations. Such pledge constitutes a first lien on the Revenues for the payment of the Senior Obligations.

(b) The District has pledged, pursuant to the Series 2008 Indenture, and the District hereby pledges, subject only to the provisions of the Series 2008 Indenture and this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all amounts held in the Other Replacement Proceeds Fund to secure the payment of the principal of and interest on the Series 2008 Bonds, the Bonds and the Supplemental Obligations. Such pledge constitutes a first lien on the amounts held in the Other Replacement Proceeds Fund for the payment of the Series 2008 Bonds, the Bonds and the Supplemental Obligations.

(c) The District hereby pledges, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all amounts (including proceeds of the sale of the Bonds) held in the Debt Service Fund to secure the payment of the principal of and interest on the Bonds and the Supplemental Obligations. Such pledge constitutes a first lien on the amounts held in the Debt Service Fund for the payment of the Bonds and the Supplemental Obligations.

Section 5.02. Debt Service Fund. (a) The Trustee shall establish, maintain and hold in trust a special fund designated the “Debt Service Fund.”

(b) The District agrees and covenants that (i) not later than August 2 of each Bond Year, commencing August 2, 2016, it will transfer to the Trustee an amount which, together with the amount then on deposit in the Debt Service Fund, will equal the amount of the interest coming due on or before February 1 of such Bond Year and one-half (1/2) of the amount of the principal of the Bonds coming due on or before August 1 of such Bond Year, including principal due by reason of mandatory sinking fund redemption of such Bonds, and (ii) not later than February 2 of each Bond Year, commencing February 2, 2016, it will transfer to the Trustee an amount which, together with the amount then on deposit in the Debt Service Fund, will equal the amount of the principal of and interest on the Bonds coming due on or before August 1 of the next succeeding Bond Year, including principal due by reason of mandatory sinking fund redemption of such Bonds. The Trustee shall, upon receipt of the amount required to be transferred by the District pursuant to this subsection, deposit such amount in the Debt Service Fund.

(b) In the event that, on the fifth Business Day immediately preceding an Interest Payment Date, a mandatory sinking fund redemption date for the Bonds or the maturity date of the Bonds, amounts in the Debt Service Fund are insufficient to pay the principal, if any, of and

interest on the Bonds due and payable on such Interest Payment Date, mandatory sinking fund redemption date or maturity date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the Trustee shall immediately notify the District of the amount of such insufficiency. Upon being so notified, the District shall, prior to the close of business on the Business Day immediately preceding such Interest Payment Date, mandatory sinking fund redemption date or maturity date, deliver or cause to be delivered to the Trustee immediately available funds in an amount equal to the amount of such insufficiency. Immediately upon receipt thereof, the Trustee shall deposit such funds in the Debt Service Fund.

(c) On each Interest Payment Date, mandatory sinking fund redemption date for the Bonds and maturity date of the Bonds, the Trustee shall withdraw from the Debt Service Fund for payment to the Owners of the Bonds the principal, if any, of and interest then due and payable on the Bonds, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds.

Section 5.03. Other Replacement Proceeds Fund. (a) The District shall establish with the Treasurer-Tax Collector of the County and shall cause to be maintain a separate special fund designated the “Other Replacement Proceeds Fund.”

(b) The District shall deposit in the 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 Section 6.07 hereof, the District may withdraw any amounts on deposit in the Other Replacement Proceeds Fund for any of its corporate purposes.

Section 5.04. Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the “Rebate Fund.” There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the District. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to Article X hereof or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the District, and shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate.

(b) 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, shall be withdrawn by the Trustee and shall be transferred to the District to be expended for any lawful purpose of the District.

Section 5.05. Investment of Moneys. (a) 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 District received no later than two Business Days prior to the making of such investment. Except as otherwise provided herein, all moneys in the Other Replacement Proceeds Fund shall be invested by the District solely in Permitted Investments. Moneys in all funds and

accounts shall be invested in Permitted Investments maturing not later than the date on which the District estimates that such moneys will be required for the purposes specified in this Indenture. Absent timely written direction from the District, the Trustee shall invest any funds held by it in Permitted Investments described in clause B(5) of the definition thereof.

(b) 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 retained therein.

(c) Permitted Investments acquired as an investment of moneys in any fund or account established pursuant to this Indenture shall be credited to such fund or account. All investments of amounts deposited in any fund or account established pursuant to this Indenture shall be acquired, disposed of, and valued at fair market value. Investments (except investment agreements) in any fund or account established pursuant to this Indenture and held by the Trustee shall be valued, exclusive of accrued interest, not less often than semi-annually no later than February 2 and August 2.

(d) 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. Upon the Written Request of the District, 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, and 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.

ARTICLE VI

COVENANTS

Section 6.01. Punctual Payment and Performance. The District shall punctually pay or cause to be paid (a) the interest on and principal of every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and (b) the Supplemental Obligations in strict conformity with the terms hereof, including the provisions of the Continuing Covenant Agreement incorporated herein, and shall faithfully observe and perform all the agreements and covenants required to be observed or performed by the District contained herein, including the provisions of the Continuing Covenant Agreement incorporated herein, and in the Bonds.

Section 6.02. Extension of Payment of Bonds. The District 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, that nothing in this Section shall be deemed to limit the right of the District 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 6.03. Additional Obligations. The District expressly reserves the right to issue or incur other obligations for any of its corporate purposes; provided, however, that so long as any of the Bonds remain Outstanding, the District shall not issue or incur any obligations the payment of which is secured by a pledge of or lien on Revenues, except for (a) the purpose of providing funds to refund any Senior Obligations if, upon such issuance or incurrence, annual debt service in each Bond Year on all then outstanding Senior Obligations and such additional Senior Obligations shall not be expected to exceed the annual debt service in such Bond Year for all Senior Obligations outstanding immediately prior to the issuance or incurrence of such additional Senior Obligations, and (b) obligations, the pledge or lien on Revenues for which is subordinate to the pledge of and lien on Revenues securing Senior Obligations; provided, however, that, in the case of each such issuance or incurrence (i) such obligations shall be issued or incurred in accordance with the terms of this Indenture and the laws of the State, (ii) no Default or Event of Default shall have then occurred and be continuing, and shall not occur as a result of the issuance or incurrence of such obligations, and (iii) upon the issuance or incurrence of such obligations, the District shall reasonably expect to satisfy the debt service coverage ratio described in Section 6.04 hereof for each Fiscal Year in which the Bonds shall be Outstanding.

Section 6.04. Debt Service Coverage Ratio. (a) The District shall ensure that Net Revenues for each Fiscal Year are not less than 1.25 times Annual Debt Service for such Fiscal Year.

(b) The District shall calculate the ratio of Net Revenues to Annual Debt Service, as provided in subsection (a) of this Section, for each Fiscal Year no later than 30 days after

completion of the District's audited financial statements for such Fiscal Year and shall promptly provide the Trustee and each Owner with a copy of such calculation.

Section 6.05. Power to Issue Bonds. The District 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 District in accordance with their terms. The Bonds constitute obligations imposed by law.

Section 6.06. Prosecution and Defense of Suits. The District shall defend against every suit, action or proceeding at any time brought against the District upon any claim to the extent involving the failure of the District 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 6.07. Other Replacement Proceeds. (a) The District shall, as of the end of each Fiscal Year (i.e., as of each June 30), no later than 30 days after completion of the District's audited financial statements for each such Fiscal Year, calculate and determine the amount, if any, of Other Replacement Proceeds for such Fiscal Year. If Other Replacement Proceeds exist for a Fiscal Year, the District shall, within five Business Days of such calculation, deposit such Other Replacement Proceeds in the Other Replacement Proceeds Fund and take such actions as necessary to ensure that such Other Replacement Proceeds will not adversely affect the exclusion from gross income of interest on the Bonds, including the investment of such Other Replacement Proceeds in Non-AMT Tax-Exempt Obligations.

(b) The District agrees and covenants to prepare and submit to the Trustee annually not later than January 15 of each year a Written Certificate of the District setting forth the calculation required by subsection (a) of this Section. If by such date, the Trustee has not received a copy of such Written Certificate of the District, the Trustee shall contact an Authorized Representative of the District to inquire if the District is in compliance with subsection (a) of this Section.

Section 6.08. District Budgets. The District 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 and the Supplemental Obligations coming due in such Fiscal Year.

Section 6.09. Tax Covenants. (a) The District shall not take any action, or fail to take any action, if such action or failure to take such 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 District shall comply with the requirements of Section 5.04 hereof and the Tax Certificate, which is incorporated herein as if fully set forth herein. Except as set forth in the Tax Certificate, this covenant shall survive payment in full or defeasance of the Bonds.

(b) In the event that at any time the District 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 District shall so instruct the Trustee in writing, and the Trustee shall act in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the District shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under this Section or Section 5.04 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 5.04 hereof and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

Section 6.10. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the District shall promptly execute and deliver or cause to be executed and delivered 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 further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE VII

THE TRUSTEE

Section 7.01. 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.

Section 7.02. Qualifications; Removal and Resignation; Successors. (a) The Trustee initially a party hereto and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, which is (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company is) (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, or (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets. If such trust company, national banking association or bank 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 trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The District may, by an instrument in writing, upon at least 30 days' notice to the Trustee, 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 (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with subsection (a) 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.

(c) The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the District, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of subsection (a) of this Section, the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(d) Upon removal or resignation of the Trustee, the District shall promptly appoint a successor Trustee by an instrument in writing, which appointment shall be subject to the prior written approval of the Insurer. 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 any successor Trustee shall be qualified as provided in subsection (a) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner 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 District 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 District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under 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 successor Trustee shall, within 15 days after such acceptance, 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.

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

Section 7.03. Liability of Trustee. (a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the District, 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 District 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 shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture. 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.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority 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.

Section 7.04. Right to Rely on Documents. (a) 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 District, 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.

(b) Whenever in the administration of the trusts 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 District, 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 7.05. Accounting Records and Reports; Preservation and Inspection of Documents. (a) The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of all money on deposit in the accounts and funds established hereunder, which such books shall be available for inspection by the District at reasonable hours and under reasonable conditions.

(b) All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during business hours and upon 24 hours' notice

to the inspection of the District, the Owners and their agents and representatives duly authorized in writing.

Section 7.06. Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture. The District further agrees, to the extent permitted by law, to indemnify, defend and save the Trustee harmless 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 District to indemnify and compensate the Trustee shall survive the termination and discharge of this Indenture and the resignation or removal of the Trustee; provided, however, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established hereunder.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures. (a) This Indenture and the rights and obligations of the District, 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 District 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, extend the time of payment thereof or alter the redemption provisions 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 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) modify or amend this Section without the prior written consent of the Owners of all Bonds then Outstanding.

(b) This Indenture and the rights and obligations of the District, 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 District 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 District in this Indenture contained 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 District;

(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, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners hereunder;

(iii) to permit the qualification of this Indenture 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 District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners hereunder.

(c) Promptly after the execution by the District 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 District), 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.

Section 8.02. 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 District, 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 8.03. 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 District so determines, shall bear a notation by endorsement or otherwise in form approved by the District 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 District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District 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 shall be exchanged for such Owner's Bond so surrendered.

Section 8.04. 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 IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.01. Events of Default. The occurrence of any of the events described in Section 7.01 of the Continuing Covenant Agreement, which pursuant to Section 1.02(a) hereof are incorporated herein (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of Law), unless waived in writing by the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, shall constitute an Event of Default hereunder.

Section 9.02. Acceleration of Bonds and Supplemental Obligations. If an Event of Default shall have occurred and be continuing, the Trustee shall, upon the written direction of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, by written notice to the District, declare immediately due and payable (a) the principal of all Outstanding Bonds and the accrued interest thereon, and (b) all unpaid Supplemental Obligations, whereupon (i) the principal of all Outstanding Bonds and the accrued interest thereon, (ii) all unpaid Supplemental Obligations, and (iii) if and to the extent that payment thereof is permitted by law, the Acceleration Fee, shall become immediately due and payable without any further action or notice; provided, however, that (A) the Trustee shall not declare such acceleration until at least seven days after the occurrence of an Event of Default specified in Section 7.01(a), 7.01(f), 7.01(g), 7.01(h), 7.01(i)(i), 7.01(i)(ii), 7.01(j) or 7.01(k) of the Continuing Covenant Agreement, and (B) the Trustee shall notify the District of an acceleration at least 180 days prior thereto in the case of any Event of Default not specified in the immediately preceding clause (A), (C) notwithstanding the foregoing clauses (A) and (B), if any other Obligation is, pursuant to its terms, accelerated and caused to become immediately due and payable, the Trustee may and, upon the written direction of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, shall, by written notice to the District, declare such acceleration of the Bonds and Supplemental Obligations, and (D) if at any time after such acceleration and before any judgment or decree for the payment of money with respect thereto has been entered (I) all amounts payable on the Bonds subject to acceleration under this Section (except interest on or principal of the Bonds which are due solely by reason of such acceleration), and (II) all Supplemental Obligations shall have been paid or provided for by deposit with the Trustee and all existing Events of Default shall have been cured or waived, then the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds may annul such acceleration and its consequences by written notice to the District and the Trustee, which annulment shall be binding upon the District, the Trustee and all of the Owners, but no such annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Section 9.03. Other Remedies. If an Event of Default shall have occurred and be continuing, the Trustee shall have the right:

- (a) by mandamus, suit, action or proceeding, to compel the District and its officers, agents or employees to perform each and every term, provision and covenant contained in this Indenture, including the provisions of the Continuing Covenant Agreement incorporated herein, and in the Bonds, and to require the carrying out of any

or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it by this Indenture;

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

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the District and its officers and employees to account as if it and they were the trustees of an express trust.

Section 9.04. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 9.05. Application of Funds After Default. If an Event of Default shall occur and be continuing, all money in the Debt Service Fund and, subject to the parity rights of the owners of the Series 2008 Bonds, the Other Replacement Proceeds Fund and all Revenues and other amounts thereafter received by the Trustee hereunder shall be applied by the Trustee in the following order--

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds 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 the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference;

(c) To the payment of the Supplemental Obligations; and

(d) Any remaining funds shall be transferred by the Trustee to the Debt Service Fund.

Section 9.06. 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 9.07. 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 that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Section 9.08. Limitation on Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act or any other applicable law with respect to such Bond, 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 reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 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 such Owner's or Owners' 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 Act 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 9.09. Absolute Obligation. Nothing in any provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, 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 9.10. Termination of Proceedings. 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 the Owners, then in every such case the District, the Trustee and the Owners, 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 District, the Trustee and the Owners shall continue as though no such proceedings had been taken.

Section 9.11. 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 X

DEFEASANCE

Section 10.01. Discharge of Indenture. (a) If the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds (i) the principal thereof and the interest thereon at the times and in the manner stipulated herein and therein, and (ii) all Supplemental Obligations then due and payable pursuant to the Continuing Covenant Agreement, including any amount required to be paid in connection with a Determination of Taxability pursuant to Section 3.03 thereof then due and payable, then the Owners shall cease to be entitled to the pledge of the Revenues and the other assets as provided herein, and all agreements, covenants and other obligations of the District 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 District 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 District 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.

(b) 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 District shall have kept, performed and observed all of the covenants and promises in such Bonds, in this Indenture and in the Continuing Covenant Agreement, including the covenant to pay any amount required to be paid in connection with a Determination of Taxability pursuant to Section 3.03 thereof, 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 Revenues and the other assets as provided herein, and all agreements, covenants and other obligations of the District hereunder shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) 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 and rights 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. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity 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 there shall have been deposited with the Trustee either (i) money in an amount which shall be sufficient, or (ii) Defeasance Securities, the principal of

and the interest on which when due, and without any reinvestment thereof, together with the money, if any, deposited therewith, 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 thereof and the principal of such Bond on its maturity date.

(b) No Bond shall be deemed to have been paid pursuant to subsection (a) of this Section unless the District shall have caused to be delivered to the District and the Trustee (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the District and the Trustee, in form and in substance acceptable to the District and the Trustee, (ii) a copy of the escrow agreement, if any, entered into in connection with the deposit pursuant to subsection (a) of this Section resulting in such deemed payment, which escrow agreement shall be in form and in substance acceptable to the District and the Trustee and 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 District and the Trustee, in form and in substance acceptable to the District and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in this Indenture, this Indenture has been discharged in respect of such Bond and all agreements, covenants and other obligations of the District hereunder as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

Section 10.03. Unclaimed Moneys. Subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the principal of or interest on, any Bond which remain unclaimed for two years after the date when such principal, premium 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, premium or interest become payable, shall be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owner of such Bond shall look only to the District for the payment of such principal, premium or interest.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Successor Is Deemed Included in All References to Predecessor.

Whenever in this Indenture either the District 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 District 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 District and the Owners of the Bonds, 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 District and the Owners of the Bonds.

Section 11.03. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the District 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 District 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. Any written notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication to be given 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 District:

San Bernardino County Flood Control District
825 East Third Street
San Bernardino, California 92415-0835
Attention: Director

With a copy to:

County of San Bernardino
385 North Arrowhead Avenue 4th Floor
San Bernardino, California 92415
Attention: Principal Administrative Analyst

If to the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services

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, (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, or (d) if given by any other means, upon delivery at the address specified in this Section.

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, (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, or (d) if given by any other means, upon delivery at the address specified in this Section.

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 District 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 District 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 District, 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 District 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 District 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. Upon request of the Trustee, the District shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Section 11.08. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium 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 of the Bonds 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, interest accrued for the period from such nominal date to such to such payment date shall not be included in such payment; provided, however, that such period of time shall be included in the computation of

interest for the next succeeding period in which such interest is due. **[Discuss non-Business Day interest payments]**

Section 11.11. Waiver of Personal Liability. No member, officer, agent or employee of the District or the County shall be individually or personally liable for the payment of the principal of or premium 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 provision of law or by this Indenture.

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

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

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of 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. Governing Laws. This Indenture shall be governed by and construed in accordance with the laws of the State.

Section 11.14. 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 District 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.

**SAN BERNARDINO COUNTY FLOOD
CONTROL DISTRICT**

By: _____

**U.S. BANK NATIONAL
ASSOCIATION, AS TRUSTEE**

By: _____
Authorized Officer

EXHIBIT A

PERMITTED INVESTMENTS

“Permitted Investments” means the following:

A. The following obligations for all purposes:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

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

B. The following obligations for all purposes other than defeasance investments in refunding escrow accounts:

- (1) 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

- (2) 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:

- Mortgage-backed securities and senior debt obligations issued by the Federal National Mortgage Association (FNMA or Fannie Mae)
- Senior debt obligations or participation certificates issued by the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

- Senior debt obligations of other Government Sponsored Agencies

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and 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);

(4) 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;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P including funds for which the Trustee and its affiliates provide investment advisory or other management services;

(6) The investment pool maintained by the County of San Bernardino;

(7) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

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

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

(8) Municipal obligations rated at the time of purchase in the single highest long-term classification, "Aaa" by Moody's or "AAA" by S&P, or rated at the time of purchase in the single highest short-term classification, "P-1" by Moody's or "A-1+" by S&P, or general obligations of States with a long-term rating at the time of purchase of "A2" or higher by Moody's or "A" or higher by S&P, or State general obligations rated

at the time of purchase in the single highest short-term classification, “P-1” by Moody’s or “A-1+” by S&P;

(9) Investment Agreements (supported by appropriate opinions of counsel);

(10) Deposits with the Local Agency Investment Fund (LAIF) of the State, as may otherwise be permitted by law; and

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

- a) 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.
- b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
- c) As to any investment not specified above: the value thereof established by prior agreement among the District and the Trustee.

**EXHIBIT B
FORM OF BOND**

No. _____

\$ _____

**SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
JUDGMENT OBLIGATION REFUNDING BOND
SERIES 2016**

INTEREST RATE
____%

MATURITY DATE
August 1, 20____

DATED DATE
_____, 2016

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THIS BOND IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 2.06 OF THE INDENTURE.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION PRIOR TO MATURITY, AS DESCRIBED BELOW. UPON ANY SUCH REDEMPTION OF THIS BOND, IN PART, THE PRINCIPAL AMOUNT STATED ABOVE WILL NOT CORRESPOND TO THE ACTUAL OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND. INQUIRY SHOULD BE MADE OF THE TRUSTEE IN ORDER TO ASCERTAIN THE ACTUAL OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND.

The San Bernardino County Flood Control District (the "District"), 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 February 1 and August 1 in each year, commencing August 1, 2016 (the "Interest Payment Dates"), until payment of such Principal Amount in full. This Bond is issued pursuant to an Indenture, dated as of _____ 1, 2016 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

This Bond is one of a duly authorized issue of bonds of the District designated as the "San Bernardino County Flood Control District Refunding Bonds, Series 2016" (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, interest rates or redemption provisions), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code and all laws amendatory thereof or supplemental thereto (the “Act”) and under and pursuant to the provisions of the Indenture (copies of which are on file at the Office of the Trustee).

Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (a) 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 interest thereon shall be payable from such Interest Payment Date, (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (c) 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 to each Owner, as shown on the Registration Books as of the close of business on the preceding Record Date, by wire transfer in immediately available funds to the account specified by such Owner to the Trustee in writing. Notwithstanding the foregoing, interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which shall be given to such Owner not less than ten days prior to such special record date.

The principal of the Bonds shall be payable in lawful money of the United States of America. Principal of the Bonds payable on each mandatory sinking fund redemption date shall be paid to each Owner of such Bonds so redeemed, as shown on the Registration Books as of the close of business on the preceding Record Date, by wire transfer in immediately available funds to the account specified by such Owner to the Trustee in writing, without presentation of such Bonds. Principal of the Bonds payable on the Maturity Date shall be paid to each Owner of such Bonds so payable, as shown on the Registration Books as of the close of business on the preceding Record Date, by wire transfer in immediately available funds to the account specified by such Owner to the Trustee in writing, but only upon presentation and surrender thereof at the Office of the Trustee.

This Bond is one of a duly authorized issue of bonds of the District designated as the “San Bernardino County Flood Control District Refunding Bonds, Series 2016” (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, interest rates or redemption provisions), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code and all laws amendatory thereof or supplemental thereto (the “Act”) 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 refunding the San Bernardino County Flood Control District Judgment Obligation Refunding Bond, Series A. The Bonds are payable from funds to be appropriated by the District. Reference is hereby made to the Act 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 District 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 District under the Bonds, including the obligation to make all payments of the interest on and the principal of the Bonds when due or upon prior redemption, and the Supplemental Obligations are obligations of the District imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. Neither the Bonds nor the Supplemental Obligations constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation, and none of the Bonds, the obligation of the District to make payment of the interest on or the principal of the Bonds or the obligation of the District to make payment of the Supplemental Obligations constitutes an indebtedness of the District or the State, or any of its political subdivisions, in contravention of any constitutional or statutory debt limitation or restriction.

The Bonds are Senior Obligations.

The District has pledged, pursuant to the Prior Senior Indentures and the Indenture, subject only to the provisions of the Prior Senior Indentures and the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues to secure the payment of the principal of and interest on the Senior Obligations. Such pledge constitutes a first lien on the Revenues for the payment of the Senior Obligations. The District has pledged, pursuant to the Series 2008 Indenture and the Indenture, subject only to the provisions of the Series 2008 Indenture and the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all amounts held in the Other Replacement Proceeds Fund to secure the payment of the principal of and interest on the Series 2008 Bonds, the Bonds and the Supplemental Obligations. Such pledge constitutes a first lien on the amounts held in the Other Replacement Proceeds Fund for the payment of the Series 2008 Bonds, the Bonds and the Supplemental Obligations. The District has, pursuant to the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all amounts (including proceeds of the sale of the Bonds) held in the Debt Service Fund to secure the payment of the principal of and interest on the Bonds and the Supplemental Obligations. Such pledge constitutes a first lien on the amounts held in the Debt Service Fund for the payment of the Bonds and the Supplemental Obligations.

The Bonds are subject to optional redemption, in whole or in part, in Authorized Denominations, on any date, from any source of available funds, at a Redemption Price equal to

the principal amount of the Bonds to be redeemed, plus the Redemption Premium, plus accrued interest thereon to the date of redemption.

The Bonds are subject to mandatory sinking fund redemption, in part, on August 1 in each year, commencing August 1, 2016, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (August 1)	Principal Amount to be <u>Redeemed</u>
---	--

(Maturity)

UPON ANY SUCH REDEMPTION OF THIS BOND, IN PART, THE PRINCIPAL AMOUNT STATED ON THIS FIRST PAGE HEREOF WILL NOT CORRESPOND TO THE ACTUAL OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND. INQUIRY SHOULD BE MADE OF THE TRUSTEE IN ORDER TO ASCERTAIN THE ACTUAL OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND.

Notice of redemption of any Bond or any portion thereof shall be given as provided in the Indenture.

The Bonds are issuable as fully-registered Bonds without coupons in Authorized Denominations (\$1,000,000 and any integral multiple of \$5,000 in excess thereof).

Ownership of a Bond, in Authorized Denominations, may be transferred only (i) to an Affiliate of the Owner of such Bond, (ii) to a trust or other custodial arrangement established by the Owner of such Bond, each owner of a beneficial interest in which trust will be a Qualified Institutional Buyer, or (iii) to a Person that is a Qualified Transferee that is purchasing such Bond for not more than one account for investment purposes and not with a view to distributing such Bond, but only if such Qualified Transferee delivers to the District and the Trustee a completed and duly executed Purchaser's Letter substantially in the form attached as Exhibit C to the Indenture. No Owner of a Bond shall transfer such Bond unless such Owner reasonably believes that such transfer is permitted by and in accordance with the provisions of the Indenture summarized in the preceding sentence.

The transferor of ownership of a Bond agrees to provide notice to any proposed transferee of such Bond of the restrictions on transfer described in the Indenture.

Each Person to whom ownership of a Bond is transferred shall be deemed by the acceptance of such ownership to have agreed to be bound by the provisions of the preceding paragraph and the provisions regarding restrictions on transfer contained in the Indenture.

Subject to the limitations on transfer described above, any Bond may 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 to the Trustee 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 so surrendered for transfer, the District 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.

The Indenture and the rights and obligations of the District, the Trustee and the Owners may be modified or amended in the manner, to the extent, and upon the terms provided in the Indenture.

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

If an Event of Default shall have occurred and be continuing, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture; provided, that the Indenture provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

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.

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 San Bernardino County Flood Control District has caused this Bond to be executed in its name and on its behalf by the signature of the Chairman of the Board of Supervisors of the District and countersigned by the signature of the Clerk to the Board of Supervisors of the District, who has impressed the seal of the District hereon, all as of the Dated Date identified above.

**SAN BERNARDINO COUNTY FLOOD
CONTROL DISTRICT**

By: _____
Chairman

[SEAL]

Countersigned:

Clerk to the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and registered on the Registration Books.

Date: _____

**U.S. BANK NATIONAL
ASSOCIATION, AS TRUSTEE**

By: _____
Authorized Officer

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:

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

Bond: 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.

EXHIBIT C

FORM OF PURCHASER'S LETTER

San Bernardino County Flood Control District
825 East Third Street
San Bernardino, California 92415-0835
Attention: Director

County of San Bernardino
385 North Arrowhead Avenue 4th Floor
San Bernardino, California 92415
Attention: Deputy Executive Officer

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services

Re: San Bernardino County Flood Control District Refunding Bonds, Series 2016

Ladies and Gentlemen:

The undersigned (the "Purchaser") understands that the San Bernardino County Flood Control District (the "District") has, pursuant to the Indenture, dated as of _____ 1, 2016 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee (the "Trustee"), issued the San Bernardino County Flood Control District Refunding Bonds, Series 2016, in the aggregate principal amount of \$ _____. The Purchaser intends to purchase certain of said Bonds in Authorized Denominations (for purposes of this Purchaser's Letter, the "Bonds"). In connection with such purchase of the Bonds, the Purchaser makes the certifications, representations, warranties, acknowledgements and covenants contained in this Purchaser's Letter to each of the addressees hereof, with the express understanding that such certifications, representations, warranties, acknowledgements and covenants will be relied upon by such addressees. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

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

- (a) The Purchaser has the authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds. The undersigned is a duly appointed, qualified and acting representative of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

(b) The Purchaser is a “Qualified Transferee,” which is defined as a Person that is (i) “qualified institutional buyer” within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and (ii) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus of not less than \$5,000,000,000, and is able to bear the economic risk of such investment.

(c) The Purchaser is not purchasing the Bonds for more than one account, is purchasing the Bonds for investment purposes and is not purchasing the Bonds with a view towards resale or distribution.

(d) The Purchaser has not offered, offered to sell, offered for sale or sold any of the Bonds by means of any form of general solicitation or general advertising, and the Purchaser is not an underwriter of the Bonds within the meaning of Section 2(11) of the Securities Act.

(e) The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

(f) The Purchaser recognizes that an investment in the Bonds involves significant risks, that there is no established market for the Bonds and that none is likely to develop and, accordingly, that the Purchaser must bear the economic risk of an investment in the Bonds for an indefinite period of time.

(g) The Purchaser understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to the Bonds. The Purchaser has made its own inquiry and analysis with respect to the District, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds.

(h) The Purchaser understands and agrees that ownership of a Bond may be transferred only in Authorized Denominations and only (i) to an Affiliate of the Purchaser, (ii) to a trust or other custodial arrangement established by the Purchaser, each owner of a beneficial interest in which trust will be a Qualified Institutional Buyer, or (iii) to a Person that is a Qualified Transferee that is purchasing such Bond for not more than one account for investment purposes and not with a view to distributing such Bond, but only if such Qualified Transferee delivers to the District and the Trustee a completed and duly executed Purchaser’s Letter substantially in the form attached to the Indenture as Exhibit C.

(i) The Purchaser understands and agrees that it may transfer the Bonds only to a Person that the Purchaser reasonably believes satisfies the requirements of one of the categories of transferees described in the preceding paragraph.

(j) The Purchaser is not relying upon the District, or any of its affiliates or employees for advice as to the merits and risks of investment in the Bonds.

(k) The Purchaser has either been supplied with or been given access to information, including financial statements and other financial information, regarding the District, the Indenture, the Bonds and the security therefor, and the transactions and documents related to or contemplated by the foregoing that it has requested, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the District, the Indenture, the Bonds and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase the Bonds.

(l) The Purchaser understands that the Bonds carry no rating from any rating service.

(m) The Purchaser understands that the Bonds have not been registered under the Securities Act, the securities laws of any state nor has the Indenture been qualified pursuant to the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth therein, that the Bonds are not registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state and that the offering and sale of the Bonds by the District were exempt from Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, pursuant to Section (d) of said Rule.

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

Dated: _____

Very truly yours,

[Printed Name of Purchaser]

By: _____

Name: _____

Title: _____