

CITY OF REDLANDS

RESOLUTION NO. 2588...

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDLANDS, CALIFORNIA, AUTHORIZING THE ISSUANCE OF \$1,500,000 WATER REVENUE BONDS OF SAID CITY AND PROVIDING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF SAID BONDS.

	Page
Recitals.....	1
Section 1. Definitions.....	1
Section 2. Equality of Bonds, Pledge of Revenues.....	2
Section 3. Amount, Issuance, Purpose and Nature of Bonds.....	3
Section 4. No General City Liability.....	3
Section 5. Description of Bonds.....	3
Section 6. Interest.....	4
Section 7. Execution of Bonds.....	4
Section 8. Registration.....	4
Section 9. Redemption of Bonds.....	4
(a) Notice of Redemption.....	4
(b) Redemption Fund.....	5
(c) Effect of the Notice of Redemption.....	5
Section 10. Fiscal Agent.....	6
Section 11. Funds.....	6
Section 12. Disposition of Bond Proceeds.....	7
Section 13. Revenue Fund.....	7
Section 14. Bond Service Fund.....	7
Section 15. Sinking Fund.....	8
Section 16. Reserve Fund.....	9
Section 17. M & O Fund.....	10
Section 18. Surplus Fund.....	10
Section 19. Investments.....	10
Section 20. Warranty.....	10
Section 21. Covenants.....	10
Covenant 1. Punctual Payment.....	10
Covenant 2. Discharge Claims.....	11

	Page
Covenant 3. Commence Acquisition and Construction.....	11
Covenant 4. Operate Enterprise in Efficient and Economical Manner.....	11
Covenant 5. Against Sale, Eminent Domain.....	11
Covenant 6. Insurance.....	11
Covenant 7. Records and Accounts.....	12
Covenant 8. Collection of Charges.....	12
Covenant 9. Rates and Charges.....	12
Covenant 10. No Priority for Additional Bonds.....	13
Covenant 11. Limits on Additional Debt.....	13
Section 22. Lost, Stolen, Destroyed or Mutilated Bonds.....	14
Section 23. Cancellation of Bonds.....	14
Section 24. Consent of Bondholders.....	14
(a) Calling Bondholders' Meeting.....	14
(b) Notice of Meeting.....	14
(c) Voting Qualifications.....	15
(d) Issuer-owned Bonds.....	15
(e) Quorum and Procedure.....	15
(f) Vote Required.....	15
(g) Written Consent of Bondholders.....	15
(h) Publication of Consent.....	16
Section 25. Bond and Coupon Forms.....	16
Section 26. Proceedings Constitute Contract.....	19
Section 27. Future Contracts.....	20
Section 28. Severability.....	20
Section 29. Effective Date.....	20

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WHEREAS, pursuant to Resolutions Nos. 2541 and 2549, a special municipal election was held in the City of Redlands on October 18, 1966, for the purpose of submitting to the qualified voters of said city the proposition of issuing water revenue bonds of said city in the amount of \$3,000,000 pursuant to the Revenue Bond Law of 1941 (Chapter 6, Part 1, Division 2, Title 5 of the Government Code of the State of California) for the following purposes, to wit:

The acquisition, construction and financing of additions to the waterworks system of the City of Redlands, including works and facilities for the production, treatment, storage, transmission and distribution of water, including water storage reservoirs, water wells, water treatment plants, water transmission mains, pumping stations, and for the foregoing appurtenances and appurtenant works; and including the acquisition of all water rights, lands, easements, pipe, pumps, valves, fittings, meters, machinery, equipment, materials, apparatus and other property necessary therefor, and including all fees, costs and expenses incidental to and connected with such acquisition and financing.

and

WHEREAS, said proposition was approved by the votes of more than a majority of all the voters voting on said proposition at said special municipal election, and this City is now authorized to issue said bonds as provided in said Revenue Bond Law of 1941; and

WHEREAS, this City Council deems it necessary to issue and sell a portion of said bonds;

NOW THEREFORE, the City Council of The City of Redlands, California, DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. **Definitions.** As used in this resolution the following terms shall have the following meanings:

- (a) "City" means the City of Redlands, California.
- (b) "City Council" or "Council" means the City Council of said City.
- (c) "Treasurer" means the City Treasurer of said City.
- (d) "Revenue Bond Law" means the Revenue Bond Law of 1941 as cited in the recitals hereof.
- (e) "The bonds" or "said bonds," or "this series" means the bonds authorized by this resolution.
- (f) "Enterprise" means the enterprise defined in Resolution No. 2541 calling said election as follows:

"That the enterprise referred to herein [Sec. 5, Resolution No. 2541] is defined to be the entire waterworks system of the City of Redlands, including, without limitation, all works and facilities to be acquired, constructed and financed with funds derived from the sale of the

revenue bonds herein proposed to be issued and all improvements and extensions to said system later constructed or acquired."

(g) "Gross revenues of the enterprise" means all revenues (as defined in Section 54315 of the Government Code, which include all charges received for, and all other income and receipts derived by the City from the operation of the enterprise or arising from the enterprise) received by the City from the services and facilities of the enterprise including all revenues from leases of property owned by the City for use in connection with the enterprise, but excluding connection charges.

(h) "Net revenues of the enterprise" means the amount of the gross revenues of the enterprise less the necessary and reasonable maintenance and operation costs of the enterprise.

(i) "Necessary and reasonable maintenance and operation costs of the enterprise" means the amount required to pay the reasonable expenses of management, repair and other costs necessary to operate, maintain and preserve the enterprise in good repair and working order excluding depreciation.

(j) "Maximum annual debt service" shall be the maximum sum obtained for any fiscal year thereafter by totaling the following for such fiscal year:

(1) The principal amount of all outstanding serial bonds of this issue and any parity serial bonds payable in such fiscal year;

(2) The minimum principal amount of all outstanding term bonds of this issue and any parity term bonds scheduled to be called and redeemed in such fiscal year, together with the premium thereon, if any be payable; and

(3) The interest which would be due during such fiscal year on the aggregate principal amount of bonds which would be outstanding in such fiscal year if the bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of bonds already retired.

(k) "Parity bonds" means revenue bonds, revenue notes or other similar evidences of indebtedness issued for the acquisition, construction and financing of extensions of, additions to, and improvements of the enterprise, payable out of the revenues derived from the enterprise and which, as provided in this resolution, rank on a parity with the bonds of this issue.

(l) "Subsequent resolution" means any resolution of issuance for any parity bonds.

(m) "Fiscal year" means the year period beginning on July 1 and ending on the next following June 30.

(n) "Authorized investments" means any securities in which the City may legally invest funds subject to its control.

(o) "Fiscal Agent" means the Bank of America National Trust and Savings Association, Los Angeles, California, or its successor, appointed pursuant to Section 10 of this resolution.

Section 2. Equality of Bonds, Pledge of Revenues. Pursuant to the Revenue Bond Law of 1941 and this resolution, the outstanding bonds shall be equally secured by a pledge, charge and lien upon the gross revenues of the enterprise without priority for number, date of bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of said outstanding bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and lien upon the gross revenues of the enterprise, and all of the gross revenues of the enterprise (including revenues of improvements and extensions later constructed or acquired and revenues of existing systems, plants, works or undertakings to be acquired, improved or extended or for the acquisition, improvement or extension of which said bonds are to be issued) are hereby pledged, charged and assigned for the security of said outstanding bonds, and such gross revenues and any interest earned on the gross revenues shall constitute a trust fund for the security

and payment of the interest on and principal of said outstanding bonds and so long as any of the bonds or interest thereon are unpaid said gross revenues and interest thereon shall not be used for any other purpose, except as permitted by this resolution and any subsequent resolution, and shall be held in trust for the benefit of the bondholders and shall be applied pursuant to this resolution, or to this resolution as modified pursuant to provisions herein, and any subsequent resolution.

Nothing in this resolution or in any subsequent resolution shall preclude: (a) the redemption prior to maturity of any bonds subject to call and redemption and payment of said bonds from proceeds of refunding bonds issued under said Revenue Bond Law of 1941 as the same now exists or as hereafter amended, or under any other law of the State of California; (b) the issuance, subject to the limitations contained herein, of additional indebtedness evidenced by revenue bonds, revenue notes or any other evidences of indebtedness payable out of the revenues of the enterprise and ranking on a parity with said bonds.

Any bond for the payment and discharge of which upon or prior to maturity, or upon redemption prior to maturity, provision has been made through the setting apart in the Bond Service Fund or Redemption Fund or in a special trust fund or account created pursuant to this resolution to insure the payment or redemption thereof (as the case may be), of money sufficient for the purpose, or through the irrevocable segregation for that purpose in some fund or trust account of moneys sufficient therefor, shall be deemed to be no longer outstanding and unpaid within the meaning of any provision of this resolution.

Section 3. Amount, Issuance, Purpose and Nature of Bonds. Under and pursuant to said Revenue Bond Law revenue bonds of the City in the amount of \$1,500,000 shall be issued for the purpose stated in the recitals hereof. Said revenue bonds shall be and are special obligations of the City and shall be and are secured by a pledge of and lien upon, and shall be and are a charge upon, and shall be and are payable as to the principal thereof and interest thereon and any premiums upon the redemption of any thereof, solely from the gross revenues of the enterprise, such gross revenues being hereby pledged, charged and assigned for the security of the bonds.

Section 4. No General City Liability. The general fund of the City is not liable for the payment of the bonds or their interest, nor is the credit or taxing power of the City pledged for the payment of the bonds or their interest. The holder of the bonds or coupons shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on the bonds and any premiums upon the redemption of any thereof are not a debt of the City nor a legal or equitable pledge, charge, lien, or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues, except the gross revenues of the enterprise which are, under the terms of this resolution and said Revenue Bond Law, pledged to the payment of said bonds and interest.

Section 5. Description of Bonds. The bonds shall be in the principal sum of \$1,500,000. The bonds shall all be in the denomination of \$5,000, and shall be 300 in number, numbered 1 to 300, inclusive. The bonds shall be designated "1967 WATER REVENUE BONDS, Series A," shall be dated April 1, 1967, and shall be payable in consecutive numerical order on April 1 in each year of maturity in the amounts for each of the several years as follows:

<u>Year</u>	<u>Bonds Maturing</u>	<u>Year</u>	<u>Bonds Maturing</u>
1968.....	\$ 25,000	1976.....	\$ 35,000
1969.....	25,000	1977.....	35,000
1970.....	25,000	1978.....	40,000
1971.....	30,000	1979.....	40,000
1972.....	30,000	1980.....	40,000
1973.....	30,000	1981.....	45,000
1974.....	35,000	1982.....	45,000
1975.....	35,000	1997.....	985,000

The bonds maturing in the years 1970 to 1982, inclusive, are herein sometimes referred to as "serial bonds." The bonds maturing in the year 1997 are herein sometimes referred to as "term bonds."

Section 6. Interest. Said bonds shall bear interest at a rate or rates to be hereafter fixed by resolution or resolutions, but not to exceed six per cent (6%) per annum, payable semiannually on the 1st days of August and February of each year. Each bond shall bear interest until the principal sum thereof has been paid, provided, however, that if at the maturity date of any bond, or if the same is redeemable and has been duly called for redemption, funds are available for the payment or redemption thereof in full accordance with the terms of this resolution, said bonds shall then cease to bear interest. Said bonds and the interest thereon shall be payable in lawful money of the United States of America at the main office of Bank of America National Trust and Savings Association, in Los Angeles, California, or San Francisco, California (or collectible through any of its branches in California) or, at the option of the holder, at the office of the City Treasurer, or at any paying agent of the City in Chicago, Illinois, or in New York, New York.

Section 7. Execution of Bonds. The Mayor of the City and the Treasurer are hereby authorized and directed to sign all of the bonds by their printed, lithographed or engraved facsimile signatures, and the City Clerk of the City is hereby authorized and directed to countersign the bonds and to affix thereto the corporate seal of the City, and the Treasurer is hereby authorized and directed to sign the interest coupons of the bonds by his printed, lithographed or engraved facsimile signature.

Section 8. Registration. The bonds may be registered either as to principal only or as to both principal and interest, and the form of registration may be changed or any registered bond may be discharged from registration in the manner and with the effect set forth in the provisions for registration contained in the form of bond set forth herein.

Section 9. Redemption of Bonds. The bonds maturing on or prior to April 1, 1977, are not subject to call or redemption prior to maturity. The bonds maturing on and after April 1, 1978, are subject to call and redemption, at the option of the City, on April 1, 1977, or on any interest payment date thereafter prior to maturity, at a redemption price for each redeemable bond equal to the principal amount thereof, plus one-quarter of one per cent of said principal amount for each year or fraction thereof remaining between the redemption date and the maturity date of such bond.

All or any of the bonds subject to call may be called for redemption at any one time. If less than all of the bonds are redeemed at any one time, such bonds shall be redeemed in inverse order of maturity and by lot within each maturity. The interest payment date on which bonds are to be presented for redemption is hereinafter sometimes called the "redemption date."

(a) **Notice of Redemption.** Notice of the intended redemption shall be published by one insertion in a newspaper of general circulation in the County of San Bernardino, California, and in a financial newspaper or journal of national circulation published in the City of New York, New York, said publications to be at least 30 days but not more than 60 days prior to the redemption date. The notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the numbers and date of maturity of the bonds to be redeemed, provided, however, that whenever any call includes all of the outstanding bonds subject to call the numbers of the bonds need not be stated; (d) require that such bonds be surrendered with all interest coupons maturing subsequent to the redemption date (except that no coupons need be surrendered on bonds registered as to both principal and interest) at the main office of Bank of America National Trust and Savings Association, in Los Angeles, California, or San Francisco, California (or collectible through any of its branches in California) or, at the option of the holder, at the office of the City Treasurer, or at any paying agent of the City in Chicago, Illinois, or in New York, New York; (e) require that bonds which at the time of call are registered so as to be payable otherwise than to bearer shall be accompanied by appropriate instruments of assignment duly executed in blank; and (f) give notice that further interest on such bonds will not accrue after the designated redemption date.

The Fiscal Agent shall, on or before the date of publication of said notice of redemption, mail a similar notice, postage prepaid to any person, firm or corporation that originally purchased any of said bonds from the City.

If any of the bonds designated for redemption shall be registered so as to be payable otherwise than to bearer, the Fiscal Agent shall, on or before the date of publication of said notice of redemption, mail a similar notice, postage prepaid, to the respective registered owners thereof at the addresses appearing on the bond registry book.

The actual receipt by the holder of any bond (hereinafter referred to as "bondholder") of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such bonds or the cessation of interest on the date fixed for redemption. The notice or notices required by this section shall be given by the Fiscal Agent. A certificate by the Fiscal Agent that notice of call and redemption has been given to original purchasers and to holders of registered bonds as herein provided shall be conclusive as against all parties, and no bondholder whose bond or registered bond is called for redemption may object thereto or object to the cessation of interest on the redemption date fixed by any claim or showing that he failed to actually receive such notice of call and redemption.

(b) **Redemption Fund.** Prior to the redemption date there shall be established by the Fiscal Agent a redemption fund to be described or known as "1967 WATER REVENUE BONDS" REDEMPTION FUND (herein sometimes referred to as "Redemption Fund"), and prior to the redemption date there shall be set aside in said Redemption Fund moneys available for the purpose and sufficient to redeem, at the premiums payable as in this resolution provided, the bonds designated in such notice for redemption. Said moneys must be set aside in said fund solely for that purpose and shall be applied on or after the redemption date to payment (principal and premium) for the bonds to be redeemed upon presentation and surrender of such bonds and (except as to bonds registered as to both principal and interest) all interest coupons maturing after the redemption date, and shall be used only for that purpose. Any interest coupon due on or prior to the redemption date shall be paid from the Bond Service Fund upon presentation and surrender thereof. Any interest due on or prior to the redemption date upon bonds registered as to both principal and interest shall be paid from said Bond Service Fund. Each bond presented (if unregistered or registered as to principal only) must have attached thereto or presented therewith all interest coupons maturing after the redemption date. If, after all of the bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in said Redemption Fund, said moneys shall be transferred to the Surplus Fund; provided, however, that if said moneys are part of the proceeds of refunding bonds said moneys shall be transferred to the fund or account created for the payment of principal of and interest on such refunding bonds.

(c) **Effect of the Notice of Redemption.** When notice of redemption has been given, and when the amount necessary for the redemption of the bonds called for redemption (principal and premium) is set aside for that purpose in the Redemption Fund, the bonds designated for redemption shall become due and payable on the redemption date, and upon presentation and surrender of said bonds and (except as to bonds registered as to both principal and interest) all interest coupons maturing after the redemption date, at the place specified in the notice of redemption, and, if any of said bonds be registered, upon the appropriate assignment thereof in blank, such bonds shall be redeemed and paid at said redemption price out of the Redemption Fund, and no interest will accrue on such bonds called for redemption or on any interest coupon thereof after the redemption date specified in such notice, and the holders of said bonds so called for redemption after such redemption date shall look for the payment of such bonds and the premium thereon only to said Redemption Fund. All bonds redeemed and all interest coupons thereof shall be cancelled forthwith by the Fiscal Agent and shall not be reissued.

All interest coupons pertaining to any redeemed bonds, which coupons have matured on or prior to the redemption date, shall continue to be payable to the respective holders thereof but without interest thereon. All unpaid interest payable at or prior to the redemption date upon bonds registered

in such manner that the interest is payable only to the registered owners shall continue to be payable to the respective registered owners of such bonds, or their order, but without interest thereon.

Section 10. Fiscal Agent. The City hereby appoints the Bank of America N. T. & S. A. in the City of Los Angeles, State of California, as the 1967 Water Revenue Bond Fiscal Agent for the purpose of paying the principal of and interest on any of the bonds presented for payment at its main office in Los Angeles, California, or San Francisco, California (or collectible through any of its branches in California), and for the purpose of performing all other duties assigned to or imposed upon the Fiscal Agent as in this resolution provided. The Fiscal Agent initially appointed and any successor thereof may be removed by the City and a successor or successors appointed; provided that each such successor shall be a bank or trust company doing business in and having an office in the City of Los Angeles, State of California. Any such Fiscal Agent designated by the City shall continue to be the Fiscal Agent of the City for all of said purposes until the designation of a successor as such Fiscal Agent, and the City agrees that it will maintain a Fiscal Agent in said City of Los Angeles so long as any of said bonds or any parity bonds are outstanding and unpaid. The Fiscal Agent is hereby authorized and directed to withdraw from the funds and in the manner provided herein all sums required for the payment of the principal of and interest on the bonds presented for payment at the places herein provided at maturity, or on call and redemption or on purchase by the Fiscal Agent prior to maturity. The Fiscal Agent is hereby authorized to redeem the bonds and the interest coupons appertaining thereto when duly presented to it for payment at maturity, or on call and redemption or on purchase by the Fiscal Agent prior to maturity, and to cancel all bonds and coupons upon payment thereof and to return the same so cancelled to the Treasurer. The Fiscal Agent shall keep accurate records of all funds administered by it and of all bonds and coupons paid and discharged by it.

The recitals of fact and all promises, covenants and agreements herein and in the bonds of said authorized issue contained shall be taken as statements, promises, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this resolution or of the bonds or coupons, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the bond assigned to or imposed upon the Fiscal Agent. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the bonds for value. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

Any Fiscal Agent appointed hereunder may resign at any time. Upon the merger, consolidation or other reorganization of any Fiscal Agent, the City shall appoint a new Fiscal Agent, which may be the corporation resulting from such reorganization.

Section 11. Funds. Under and pursuant to said Revenue Bond Law there are hereby created the following funds which shall be applied pursuant to this resolution and under and pursuant to said Revenue Bond Law:

(1) 1967 Water Revenue Bonds, Acquisition and Construction Fund (herein sometimes referred to as "Acquisition and Construction Fund," held by the Treasurer);

(2) 1967 Water Revenue Bonds, Water Revenue Fund (herein sometimes referred to as "Revenue Fund," held by the Fiscal Agent);

(3) 1967 Water Revenue Bonds, Bond Service Fund (herein sometimes referred to as "Bond Service Fund," held by the Fiscal Agent);

(4) 1967 Water Revenue Bonds, Sinking Fund (herein sometimes referred to as "Sinking Fund," held by the Fiscal Agent);

(5) 1967 Water Revenue Bonds, Reserve Fund (herein sometimes referred to as "Reserve Fund," held by the Fiscal Agent);

(6) 1967 Water Revenue Bonds, Maintenance and Operation Fund (herein sometimes referred to as "M & O Fund," held by the Treasurer);

(7) 1967 Water Revenue Bonds, Surplus Fund (herein sometimes referred to as "Surplus Fund," held by the Treasurer).

Section 12. Disposition of Bond Proceeds. The proceeds of the sale of the bonds shall be received by the Fiscal Agent and deposited as follows:

- (1) The accrued interest and premium, if any, shall be placed in the Bond Service Fund.
- (2) A sum equal to maximum annual debt service shall be placed in the Reserve Fund.
- (3) The balance shall be deposited with the Treasurer and placed in the Acquisition and Construction Fund.

The City may deposit money received from any source in the Acquisition and Construction Fund. The moneys set aside and placed in the Acquisition and Construction Fund shall remain therein until from time to time expended for the purposes for which the bonds were issued.

Moneys in the Acquisition and Construction Fund may be invested in any authorized investments, provided that the maturity or maturities thereof shall not be later than the date or dates on which moneys must be available to meet scheduled Acquisition and Construction Fund expenditures. If any sum remains in said Acquisition and Construction Fund after the full accomplishment of the purposes for which the bonds were issued, it shall be transferred to and placed in the Revenue Fund.

Section 13. Revenue Fund. The Treasurer shall, on or before the fifteenth day of each calendar month next succeeding the calendar month in which the gross revenues of the enterprise have been collected, deposit the gross revenues with the Fiscal Agent. Said gross revenues shall be placed by the Fiscal Agent in the Revenue Fund and shall be held in trust by the Fiscal Agent. The Fiscal Agent shall transfer moneys from the Revenue Fund to the funds and in the amounts and priority as follows.

Section 14. Bond Service Fund. On or before the twentieth day of each calendar month so long as any of the bonds are outstanding the Fiscal Agent shall set aside out of the Revenue Fund into the Bond Service Fund, the following amounts: (1) One-sixth ($1/6$ th) of the interest which will become due and payable on the outstanding bonds within the next ensuing six (6) months, except that for the first six (6) months after the date of the bonds, the monthly sum transferred shall be the interest which will become due and payable at the end of the first six (6) months less the amount of any accrued interest placed in the Bond Service Fund divided by the number of months remaining in said period. (2) One-twelfth ($1/12$ th) of the principal amount which will mature and be payable on the outstanding serial bonds within the next ensuing twelve (12) months. In the event that the transfer or transfers for each calendar month as aforesaid are less than the amounts required for that month because of lack of funds or for any other reason the deficiency shall be added to and become a part of the transfer or transfers required for the following calendar month.

Such sums shall be transferred so that the full amount required to pay, as it becomes due, the interest on said bonds and any maturity or installment of principal on said bonds shall be set aside in the Bond Service Fund at least fifteen (15) days prior to the date the installment of interest and/or principal becomes due.

Any moneys required to be set aside, transferred to and placed in the Bond Service Fund may be prepaid in whole or in part by being earlier set aside, transferred to and placed in the Bond Service Fund, and in that event the monthly transfer which has been so prepaid need not be made at the time appointed therefor. In any event at least fifteen (15) days prior to the due date of any installment of interest and/or principal on such bonds all sums required for the payment thereof must be in the Bond Service Fund.

Moneys in the Bond Service Fund may be temporarily invested in any authorized investments provided that the maturity or maturities thereof shall not be later than the date or dates on which money must be available in the Bond Service Fund.

The interest coupons shall recite that they are payable from the Revenue Fund, but said coupons notwithstanding such recital shall be paid from the Bond Service Fund which is derived from the Revenue Fund.

If after all of the bonds and any parity bonds have been redeemed and cancelled or paid and cancelled there are moneys remaining in the Bond Service Fund said moneys shall be transferred to the Surplus Fund; provided, however, that if said moneys are part of the proceeds of refunding bonds said moneys shall be transferred to the fund or account created for the payment of the principal of and interest on such refunding bonds.

Section 15. Sinking Fund. For the payment of the term bonds the Fiscal Agent shall set aside out of the Revenue Fund and transfer into the Sinking Fund on or before the twentieth day of each calendar month commencing in March of 1977, an amount not less than the minimum amount hereinafter specified. Such transfers shall in no event be less than amounts (hereinafter referred to as "minimum term bond payments") which will be sufficient to call and redeem term bonds (including premiums thereon) in the following respective minimum principal amounts on April 1 in each of the following years:

<u>Year</u>	<u>Minimum Amount Each Year</u>
1983-1985.....	\$50,000
1986-1987.....	55,000
1988-1989.....	60,000
1990-1991.....	65,000
1992.....	70,000
1993-1994.....	75,000
1995.....	80,000
1996.....	85,000
1997.....	90,000

The minimum term bond payment to be made on or before the twentieth day of each calendar month as aforesaid shall be one-twelfth (1/12th) of the amount needed to call and redeem the minimum amount of term bonds (including premiums thereon) according to the above table and the same shall be transferred to the Sinking Fund at least fifty (50) days before the redemption date. In the event that the transfer made for any month is less than the minimum term bond payment for that month because of lack of funds or for any other reason the deficiency shall be added to and become a part of the minimum term bond payment required for the following month.

Any moneys required to be set aside, transferred to and placed in the Sinking Fund may be prepaid in whole or in part by being earlier set aside, transferred to and placed in the Sinking Fund, and in that event the monthly transfer which has been so prepaid need not be made at the time appointed therefor. If on February 7, 1976, there shall be in said Sinking Fund, as a result of moneys being prepaid, an amount sufficient (including premiums) to call bonds of this issue subject to call, the moneys in the Sinking Fund may be used to call bonds at the next available call date in the amount which can be called with the moneys available. Moneys in the Sinking Fund to be used to call bonds shall for that purpose be transferred to the Redemption Fund prior to the redemption date.

Except as hereinafter provided, moneys in the Sinking Fund shall be used solely for the purpose of purchasing or calling and redeeming bonds of this issue prior to maturity. Moneys in the Sinking

Fund which have not been set aside in the Redemption Fund for the purpose of calling or redeeming bonds may be used to purchase from time to time on the open market any of the outstanding bonds of this issue whether or not subject to call (irrespective of the maturity or number of such bonds) at such prices and in such manner, either at public or private sale or otherwise, but the purchase price (including brokerage or other charges, but excluding accrued interest) shall not exceed 105% of the principal amount thereof, or if the bonds are subject to call and redemption prior to maturity shall not exceed the redemption price on the next redemption date of the bonds so purchased.

If on February 7, 1977, or on any February 7 of any year thereafter there shall be in said Sinking Fund an amount at least sufficient (including premiums) to call bonds of this issue subject to call, the moneys in the Sinking Fund shall be used to call bonds at the next available call date in the required amount which can be called with the moneys available. Moneys in the Sinking Fund to be used to call bonds shall for that purpose be transferred to the Redemption Fund prior to the redemption date.

Moneys in the Sinking Fund may be temporarily invested in any authorized investments, provided that the maturity or maturities thereof shall not be later than the date or dates on which money must be transferred to the Redemption Fund.

If after all of the bonds and any parity bonds have been redeemed and cancelled or paid and cancelled there are any moneys remaining in the Sinking Fund, said moneys shall be transferred to the Surplus Fund; provided, however, that if said moneys are part of the proceeds of refunding bonds said moneys shall be transferred to the fund or account created for the payment of the principal of such refunding bonds.

In the event any subsequent resolution provides for the issuance of term bonds, the minimum term bond payments to be placed in the sinking account for any parity term bonds shall rank on a parity with the minimum term bond payments to be placed in the Sinking Fund for the redemption of term bonds of this issue.

Section 16. **Reserve Fund.** From the proceeds of the sale of the bonds there shall be placed in the Reserve Fund an amount equal to maximum annual debt service, and thereafter there shall be maintained in said Reserve Fund by transfers from the Surplus Fund or the Revenue Fund an amount equal to maximum annual debt service.

From the proceeds of the sale of any parity bonds there shall be immediately placed in the Reserve Fund an amount which, together with any moneys in the Reserve Fund and any moneys transferred from the Surplus Fund to the Reserve Fund on the same day, will make the Reserve Fund equal to maximum annual debt service and thereafter there shall be maintained in said Reserve Fund an amount equal to maximum annual debt service.

Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the bonds or any parity bonds in the event that the moneys in the Bond Service Fund are insufficient therefor and for that purpose the Fiscal Agent shall withdraw and transfer moneys from the Reserve Fund to the Bond Service Fund. Whenever moneys are withdrawn from the Reserve Fund an equal amount of moneys shall be placed in the Reserve Fund by transfers from the Surplus Fund or from the first available moneys in the Revenue Fund.

Moneys in the Reserve Fund may be invested in any authorized investments provided that the maturity or maturities thereof shall not be later than twelve years from the date of the investment. Any interest earned from investment of money in the Reserve Fund or other earnings hereof shall be deemed to be part of the gross revenues of the enterprise and shall be placed in the Revenue Fund.

Moneys in the Reserve Fund may be used to pay the principal of and/or interest on the last outstanding maturity of the bonds or any parity bonds.

Section 17. **M & O Fund.** All moneys remaining in the Revenue Fund on or before the ^{TWENTIETH} tenth business day of each calendar month, after setting aside and transferring from the Revenue Fund all the sums required to be set aside and transferred pursuant to Section 14, 15 and 16, shall be transferred by the Fiscal Agent to the Treasurer and the Treasurer shall deposit in the M & O Fund an amount necessary to pay from said M & O Fund the necessary and reasonable maintenance and operation costs of the enterprise.

Section 18. **Surplus Fund.** Any moneys in excess of the amount necessary to be deposited in the M & O Fund pursuant to Section 17, shall be deposited by the Treasurer in the Surplus Fund.

After all covenants of the City contained herein have been duly performed, moneys in the Surplus Fund may be: (1) used for extensions and betterments of the enterprise; (2) used for maintenance and operation expenses; (3) invested in any authorized investments; (4) transferred to the Redemption Fund or Sinking Fund to be used for the redemption of any of said bonds which are subject to call and redemption prior to maturity or to the purchase from time to time in the open market of any outstanding bonds whether or not subject to call and redemption (irrespective of the maturity or number of such bonds) at prices and in such manner, either at public or private sale, or otherwise, as the City in its discretion may determine, but such purchase price (including brokerage and other charges, but excluding accrued interest) shall not exceed 105% of the principal amount or the redemption price of the callable bonds on the next redemption date; or (5) used for any lawful purpose of the City.

Section 19. **Investments.** Except as hereinbefore provided, obligations purchased as investments of moneys in any of the funds in which investments are authorized shall be deemed at all times to be a part of such funds and any income realized from such investments shall be credited to such funds and any losses resulting from such investments shall be charged to such funds. The Fiscal Agent or Treasurer, as the case may be, shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer from such funds. For the purpose of determining at any given time the balance in any such funds any such investments constituting a part of such funds shall be valued at the then estimated or appraised market value of such investments.

Section 20. **Warranty.** The City shall preserve and protect the security of the bonds and the rights of the bondholders and warrant and defend their rights against all claims and demands of all persons.

Section 21. **Covenants.** So long as any of the bonds issued hereunder are outstanding and unpaid, the City makes the following covenants with the bondholders under the provisions of the Revenue Bond Law of 1941 (to be performed by the City or its proper officers, agents or employees) which covenants are necessary, convenient and desirable to secure the bonds and tend to make them more marketable; provided, however, that said covenants do not require the City to expend any funds other than the revenues received or receivable from the enterprise.

Covenant 1. **Punctual Payment.** The City covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every bond issued hereunder, together with the premium thereon, if any be payable, on the date, at the place and in the manner mentioned in the bonds and coupons and in accordance with this resolution, and that the payments into the Bond Service Fund and the Reserve Fund will be made, all in strict conformity with the terms of said bonds and of this resolution, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this resolution and all resolutions supplemental thereto and of the bonds issued hereunder, and that time of such payment and performance is of the essence of the City's contract with the bondholders.

Covenant 2. **Discharge Claims.** The City covenants that in order to fully preserve and protect the priority and security of the bonds the City shall pay from the Revenue Fund and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the enterprise which, if unpaid, may become a lien or charge upon the revenues prior or superior to the lien of the bonds and impair the security of the bonds. The City shall also pay from the Revenue Fund all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the enterprise or upon any part thereof or upon any of the revenues therefrom.

Covenant 3. **Commence Acquisition and Construction.** The City covenants that as soon as funds are available therefor, the City will commence the accomplishment of the purposes for which the bonds are issued and will continue the same to completion with all practical dispatch and in an economical manner.

Covenant 4. **Operate Enterprise in Efficient and Economical Manner.** The City covenants and agrees to operate the enterprise in an efficient and economical manner and to operate, maintain and preserve the enterprise in good repair and working order.

Covenant 5. **Against Sale, Eminent Domain.** Except as provided herein, the City covenants that the enterprise shall not be mortgaged or otherwise encumbered, sold, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Revenue Fund sufficient in amount to permit payment therefrom of the principal of and interest on and premiums, if any, due upon the call and redemption thereof, of the bonds, payment of which is required to be made out of the revenues of the enterprise, and also to provide for such payments into the funds as are required under the terms of this resolution. The City further covenants that the revenues from the enterprise or any other funds pledged or otherwise made available to secure payment of the principal of and interest on the bonds shall not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of this resolution. The City further covenants that it will not enter into any agreement which impairs the operation of the enterprise or any part of it necessary to secure adequate revenues to pay the principal and interest of the bonds or which otherwise would impair the rights of the bondholders with respect to the revenues of the operation of the enterprise. If any substantial part of the enterprise is sold the payment therefor shall either be used for the acquisition and/or construction of improvements and extensions of the enterprise or shall be placed in the appropriate funds and shall be used to pay or call and redeem said bonds and any parity bonds in the manner provided in this resolution and any subsequent resolution.

The City covenants that any amounts received as awards as a result of the taking of all or any part of the enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, shall either be used for the acquisition and/or construction of improvements and extension of the enterprise or shall be placed in the appropriate funds and shall be used to pay or call and redeem said bonds and any parity bonds in the manner provided in this resolution and any subsequent resolution.

Covenant 6. **Insurance.** The City covenants that it shall at all times maintain with responsible insurers all such insurance on the enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the enterprise shall be damaged or destroyed, such part shall be restored to use. The money collected from insurance against accident to or destruction of the physical enterprise shall be used for repairing or rebuilding the damaged or destroyed enterprise, and to the extent not so applied, shall be applied to the retirement of said outstanding and unredeemed bonds and any parity bond issued for the enterprise and for such purpose paid into the appropriate funds.

The City shall also maintain with responsible insurers workmen's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City and the bondholders.

Covenant 7. Records and Accounts. The City covenants that it shall keep proper books of record and accounts of the enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the enterprise. Said books shall at all times be subject to the inspection of the holders of not less than 10% of the outstanding bonds or their representatives authorized in writing.

The City covenants that it will cause the books and accounts of the enterprise to be audited annually by an independent certified public accountant or firm of certified public accountants and will make available for inspection by the bondholders at the office of the Treasurer and at the office of the Fiscal Agent, a copy of the report of such accountant or accountants.

The City covenants that it will cause to be published annually, not more than 120 days after the close of each fiscal year a summary statement showing the amount of gross revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the bonds, the disbursements from such revenues and other funds in reasonable detail, and a general statement of the financial and physical condition of the enterprise. The City shall furnish a copy of the statement to the Fiscal Agent and, upon request, to any bondholder.

Covenant 8. Collection of Charges. The City covenants that, except to the extent that the City is required under agreements and/or contracts existing on the date of delivery of the bonds, no water or other service from the enterprise may be furnished or rendered to the United States of America, the State of California, the City, any municipal or public corporation or district or public agency or any private corporation or person free, and that, except to the extent that the City is required under agreements and/or contracts existing on the date of delivery of the bonds, no such service shall be rendered to the United States of America, the State of California, the City, any other municipal or public corporation or district or any private corporation or person at rates lower than those charged other persons for similar service, except that charges to the City for water used for street or sewer flushing and for fire hydrants may be made at rates lower than those charged private persons, and all rates for service rendered to the City shall be a reasonable charge for the service rendered. No building or other real property of the enterprise shall be furnished free to the City, but the City shall pay into the Revenue Fund the reasonable rental value of any property so used, and reasonable and proper charges for service rendered or quarters furnished to the enterprise shall be paid to the City from the Revenue Fund (except City may make a reasonable use without compensation of any property for park purposes to the extent such use is not inconsistent with use for water purposes). The City covenants that it shall at all times during the period any of the bonds are outstanding maintain and enforce valid regulations for the payment of bills for water service and that such regulations shall at all times during such period provide that the City shall discontinue water service to any user whose water bill has not been paid within the time fixed by said regulations, which shall not be more than two months from the date the water bill became delinquent.

Covenant 9. Rates and Charges. The City shall and hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the enterprise which, after making allowances for contingencies and error in the estimates, shall be at least sufficient to pay the following amounts in the order set forth:

- (a) The interest on and principal or minimum term bond payments of the outstanding bonds as they become due and payable;

(b) All payments required for compliance with this resolution including payments required to be made into the Reserve Fund;

(c) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the revenues of the enterprise;

(d) All current expenses for the necessary and reasonable maintenance and operation costs of the enterprise;

and the charges shall be so fixed that the gross revenues shall be at least 1.25 times the amounts payable under (a), and shall be 1 times the amounts payable under (b), (c) and (d).

Covenant 10. No Priority for Additional Bonds. The City covenants that no additional bonds shall be issued pursuant to said Revenue Bond Law or any other law of the State of California having any priority in payment of principal or interest out of the revenues of the enterprise over the bonds hereby authorized to be issued and payable out of said revenues.

Covenant 11. Limits on Additional Debt. The City covenants that, except for bonds issued to refund these bonds, no additional indebtedness evidenced by revenue bonds, revenue notes or any other evidences of indebtedness payable out of the Revenue Fund and ranking on a parity with these bonds shall be created or incurred unless:

First: The City is not in default under the terms of this resolution.

Second: The net revenues of the enterprise, calculated on sound accounting principles, as shown by the books of the City for the latest fiscal year or the last completed 12 months period ended not more than 90 days prior to the adoption of the resolution of issuance for such additional indebtedness as shown by an audit certificate or opinion of an independent certified public accountant or firm of certified public accountants employed by the City, plus, at the option of the City, any or all of the items hereinafter in this covenant designated (a) and (b), shall have amounted to at least 1.25 times the maximum annual debt service in any fiscal year thereafter on all indebtedness to be outstanding immediately subsequent to the incurring of such additional indebtedness.

For the purposes of this covenant, the net revenues of the enterprise shall not include any sum transferred from the Acquisition and Construction Fund under the provisions of this resolution. The items any or all of which may be added to such net revenues for the purpose of applying the restriction contained in this covenant are the following:

(a) An allowance for net revenues from any additions to or improvements or extensions of the enterprise to be made with the proceeds of such additional indebtedness, and also for net revenue from any such additions, improvements or extensions which have been made from moneys from any source but which, during all or any part of such fiscal year or last completed 12 month period, were not in service, all in an amount equal to 75% of the estimated additional average annual net revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the City.

(b) An allowance for earnings arising from any increase in the charges made for service from the enterprise which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such fiscal year or last completed 12 month period, was not in effect, in an amount equal to 75% of the amount by which the net revenues would have been increased if such increase in charges had been in effect during the whole of such fiscal year or last completed 12 month period, as shown by the certificate or opinion of a qualified independent engineer employed by the City.

Section 22. Lost, Stolen, Destroyed or Mutilated Bonds. In the event that any bond or any interest coupon pertaining thereto is lost, stolen, destroyed or mutilated, the City will cause to be issued a new bond or coupon similar to the original to replace the same in such manner and upon such reasonable terms and conditions, including the payment of costs and the posting of a surety bond if the City deems such surety bond necessary, as may from time to time be determined and prescribed by resolution. The City may authorize such new bond or coupon or coupons to be signed and authenticated in such manner as it determines in said resolution.

Section 23. Cancellation of Bonds. All bonds and coupons surrendered to the Treasurer or any paying agent of the City for payment upon maturity or for redemption shall upon payment therefor be cancelled immediately. Any bonds purchased by the City as authorized herein together with all unpaid coupons pertaining thereto shall be cancelled forthwith and shall not be reissued. All of the cancelled bonds and interest coupons shall be transferred to and shall remain in the custody of the Treasurer.

Section 24. Consent of Bondholders. Any act relating to the amendment, waiver or modification of any of the said provisions of this resolution consented to by bondholders holding sixty per cent (60%) in aggregate principal amount of the outstanding bonds, exclusive of bonds, if any, owned by the City, shall be binding upon the holders of all of the bonds and interest coupons, whether such coupons be attached to bonds or detached therefrom, and shall not be deemed an infringement of any of the provisions of this resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this resolution, and after such consent relating to such specified matters has been given, no bondholder or holder of any interest coupon, whether attached to a bond or detached therefrom, shall have any right or interest or object to such action or in any manner to question the propriety thereof or to enjoin or restrain the City or any officer thereof from taking any action pursuant thereto.

Bondholders may consent by affirmative vote at a bondholders' meeting or may consent in writing without a meeting, all as hereinafter provided.

No such amendment, waiver or modification shall be made which will permit (a) a change in the maturity or term of redemption of the principal of any bond or any installment of interest thereon; (b) a reduction in the principal amount of or redemption price or redemption premium or rate of interest upon any bond without the consent of the holder of such bond; or (c) a reduction of the percentage of the principal amount of bonds the vote or consent of which is required to effect any such amendment.

(a) **Calling Bondholders' Meeting.** If the City shall desire to obtain any such consent it may call a meeting of bondholders, by resolution, for the purpose of considering the action, the consent to which is desired.

(b) **Notice of Meeting.** Notice specifying the purpose, place, date and hour of such meeting shall be published once in a financial newspaper or journal of national circulation published in the City of New York, New York, not less than sixty (60) days and not more than ninety (90) days prior to the date fixed for the meeting. Such notice shall set forth the nature of the proposed action, consent to which is desired. If any of the bonds shall be so registered as to be payable otherwise than to bearer, the City Clerk of the City shall, on or before the first publication of such notice, mail a similar notice, postage prepaid, to the respective registered owners thereof at their addresses appearing on the bond registry books. The place, date and hour of holding such meeting and the date or dates of publishing and mailing such notice shall be determined by the City, in its discretion.

The actual receipt by any bondholder of notice of any such meeting shall not be a condition precedent to the holding of such meeting, and failure to receive such notice shall not affect the validity of the proceedings thereat. A certificate by said City Clerk, approved by resolution of

the City Council that the meeting has been called and that notice thereof has been given as herein provided shall be conclusive as against all parties and it shall not be open to any bondholder to show that he failed to receive notice of such meeting.

(c) **Voting Qualifications.** Any bondholder may, prior to any such meeting, deliver his bond or bonds to any agency designated by the City for the purpose, and shall thereupon be entitled to receive an appropriate receipt for the bond or bonds so deposited, calling for the redelivery of such bond or bonds at any time after the meeting. The Treasurer shall prepare and deliver to the chairman of the meeting a list of the names and addresses of the registered owners of bonds, with a statement of the maturities and serial numbers of the bonds held and deposited by each of such bondholders, and no bondholder shall be entitled to vote at such meeting unless his name appears upon such list or unless he shall present his bond or bonds at the meeting or a certificate of deposit thereof, satisfactory to the City, executed by a bank or trust company. No bondholders shall be permitted to vote with respect to a larger aggregate principal amount of bonds than is set against his name on such list, unless he shall produce the bonds upon which he desires to vote, or a certificate of deposit thereof as above provided.

(d) **Issuer-owned Bonds.** The City covenants that it will present at the meeting a certificate, signed and verified by one member of the City Council and by the Treasurer stating the maturities and serial numbers of all bonds owned by, or held for account of, the City, directly or indirectly. No person shall be permitted at the meeting to vote or consent with respect to any bond appearing upon such certificate, or any bond which it shall be established at or prior to the meeting is owned by the City, directly or indirectly, and no such bond (in this resolution referred to as "issuer-owned bonds") shall be counted in determining whether a quorum is present at the meeting.

(e) **Quorum and Procedure.** A representation of at least sixty per cent (60%) in aggregate principal amount of the bonds then outstanding (exclusive of issuer-owned bonds) shall be necessary to constitute a quorum at any meeting of bondholders, but less than a quorum may adjourn the meeting from time to time, and the meeting may be held as so adjourned without further notice, whether such adjournment shall have been had by a quorum or by less than a quorum. The City shall, by an instrument in writing, appoint a temporary chairman of the meeting, and the meeting shall be organized by the election of a permanent chairman and a secretary. At any meeting each bondholder shall be entitled to one vote for every \$5,000 principal amount of bonds with respect to which he shall be entitled to vote as aforesaid, and such vote may be given in person or by proxy duly appointed by an instrument in writing presented at the meeting. The City, by its duly authorized representative, may attend any meeting of the bondholders, but shall not be required to do so.

(f) **Vote Required.** At any such meeting held as aforesaid there shall be submitted for the consideration and action of the bondholders a statement of proposed action, consent to which is desired, and if such action shall be consented to and approved by bondholders holding at least sixty per cent (60%) in aggregate amount of the bonds then outstanding (exclusive of issuer-owned bonds) the chairman and secretary of the meeting shall so certify in writing to the City, and such certificate shall constitute complete evidence of consent of bondholders under the provisions of this resolution. A certificate signed and verified by the chairman and the secretary of any such meeting shall be conclusive evidence and the only competent evidence of matters stated in such certificate relating to proceedings taken at such meeting.

(g) **Written Consent of Bondholders.** If the City shall desire to obtain any such consent in writing, without a meeting of bondholders, the City Council may, by resolution, propose the action, to which consent is desired. A copy of such resolution, together with a request to bondholders for their consent to the action proposed therein, shall be published once in a financial newspaper or journal of national circulation published in the City of New York, New York. If any of the bonds shall be so registered as to be payable otherwise than to bearer, the City Clerk of the City

shall, on or before the publication of such resolution and request, mail a copy thereof to each registered owner at the address appearing on the bond registry books.

The actual receipt by any bondholder of such resolution and request shall not affect the validity of the proceedings for the obtaining of such consent. A certificate by said City Clerk, approved by resolution of the City Council, that said resolution and request has been published and mailed as herein provided shall be conclusive as against all parties, and it shall not be open to any bondholder to show that he failed to receive such resolution and consent.

Each written consent shall be accompanied by proof of ownership of the bonds for which such consent is given. Proof of ownership shall be made in such manner as shall be prescribed by the resolution proposing the action. Any such written consent shall be binding upon the holder of the bonds giving such consent and on any subsequent holder (whether or not such subsequent holder has notice thereof) unless such consent is revoked in writing by the holder giving such consent or by the subsequent holder. To be effective, any revocation of consent must be filed before the adoption of the resolution accepting consents as hereinafter provided.

After the holders of at least sixty per cent (60%) in aggregate principal amount of the bonds then outstanding (exclusive of issuer-owned bonds) shall have consented in writing, the City Council shall adopt a resolution accepting such consents and such resolution shall constitute complete evidence of the consent of bondholders under this resolution.

(h) **Publication of Consent.** Notice specifying the amendment, waiver or modification that has received the consent of bondholders as required by this section shall be published once in a financial newspaper or journal of national circulation published in the City of New York, New York, not less than sixty (60) days following the final action in the proceedings for the obtaining of such consent. Said notice is only for the information of bondholders and failure to publish such notice or any defect therein shall not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

Section 25. **Bond and Coupon Forms.** Said bonds shall be payable to bearer, shall be issued in negotiable form, and shall be negotiable, and the form of said bonds and interest coupons thereof shall be substantially as follows:

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN BERNARDINO
CITY OF REDLANDS
1967 WATER REVENUE BOND
Series A

No. \$5,000

THE CITY OF REDLANDS, a municipal corporation situated in the County of San Bernardino, State of California, FOR VALUE RECEIVED, hereby promises to pay, solely from the Water Revenue Fund, as hereinafter provided, to the bearer, on April 1,, upon presentation and surrender of this bond, the sum of FIVE THOUSAND DOLLARS, with interest thereon at the rate of% per annum, payable semiannually on the first days of October and April of each and every year from the date hereof until this bond is paid, upon presentation and surrender of the respective interest coupons hereto attached; provided, however, that if at the maturity date of this bond or, if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption, funds are available for the payment or redemption thereof, as provided in the resolution hereinafter mentioned, this bond shall then

cease to bear interest. Both principal and interest are payable in lawful money of the United States of America, at the main office of Bank of America National Trust and Savings Association, in Los Angeles, California, or San Francisco, California (or collectible through any of its branches in California) or, at the option of the holder, at the office of the City Treasurer, or at any paying agent of the City of Chicago, Illinois, or in New York, New York.

This is one of a duly authorized series of the City designated "1967 Water Revenue Bond Series A," hereinafter called "the bonds," all of which have been issued pursuant to the Revenue Bond Law of 1941 (being Chapter 6, Part 1, Division 2, Title 5 of the Government Code of the State of California) for the purpose of the acquisition, construction and financing of a water system for said City and the creation of said issue and the terms and conditions of the bonds are provided for by the resolution of the City Council of said City authorizing the bonds adopted _____, designated Resolution No. _____ and this reference incorporates said resolution and said Chapter 6 herein, and by acceptance hereof the holder of this bond and the coupons hereto attached assents to said terms and conditions. Said resolution is adopted under, and this bond and the interest coupons hereto attached are issued under and are to be construed in accordance with the laws of the State of California.

This bond and the interest hereon and any premium upon the redemption hereof are not a debt of the City of Redlands, nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts, or revenues except the gross revenues of the enterprise (as defined in said resolution) pledged to its payment, and the principal of and the interest on this bond and any premium upon the redemption hereof are payable solely from the gross revenues of the enterprise pledged to its payment and said City is not obligated to pay such principal, interest and premium except from said gross revenues. The Water Revenue Fund is established under and pursuant to the Revenue Bond Law of 1941, and under the provisions of said resolution authorizing the issuance of this bond the gross revenues received from the enterprise are required to be deposited to the credit of said Water Revenue Fund and used only for the purposes authorized by said resolution, including the payment of principal and interest of the series of bonds of which this is one.

By the terms of said Revenue Bond Law and by covenant expressed in said resolution, the City is obligated to prescribe, revise and collect charges for the services and facilities of the water system of the City such as to provide revenues sufficient to pay the interest on and principal of the bonds as they become due and payable in addition to all other payments required for compliance with said resolution and the necessary and reasonable maintenance and operation costs of the water system, is prohibited from issuing bonds having any priority with respect to payment from the gross revenues of the enterprise, and is subject to conditions with respect to any sale of said water system. In the manner provided in said resolution, any or all of the obligations referred to in this paragraph and certain other obligations mentioned in said resolution may be waived with the consent of the holders of 60% in aggregate principal amount of the outstanding bonds, exclusive of issuer-owned bonds.

This bond is callable and redeemable prior to maturity in accordance with the provisions for redemption endorsed hereon.

This bond and the coupons hereto attached are negotiable instruments and shall be negotiable by delivery. This bond may be registered as to principal only or as to both principal and interest, in accordance with the provisions for registration endorsed hereon.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the incurring of the indebtedness evidenced by this bond and in issuance of this bond exist, have happened, and have been performed in due time, form and manner as required by the Constitution and laws of the State of California and that this bond, together with all other indebtedness of the City pertaining to the aforesaid water system, is within every debt and other limit prescribed by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, said City of Redlands has caused this bond to be signed by the Mayor and the City Treasurer of said City by their facsimile signatures, countersigned by the City Clerk of said City, and sealed with the corporate seal of said City, and the interest coupons hereto attached to be signed by the City Treasurer by his facsimile signature, and has caused this bond to be dated the first day of April, 1967.

COUNTERSIGNED:

Mayor of the City of Redlands, California

City Clerk of the City of Redlands, California

City Treasurer of the City of Redlands, California

(SEAL)

(COUPON FORM)

On the first day of _____ 19_____
THE CITY OF REDLANDS, CALIFORNIA, will pay to the bearer,
at the Main Office of Bank of America National Trust and Savings Association,
Fiscal Agent for the City, in Los Angeles, California, or San Francisco, California,
or, at the option of the holder, at the office of the City Treasurer,
or at any paying agent of the City of Chicago, Illinois, or in New
York, New York, out of the Water Revenue Fund of said City
and not out of any other fund or moneys of the City, the sum of
in lawful money of the United States of America, being the interest then due on
1967 WATER REVENUE BOND Series A, No. _____
dated April 1, 1967, subject to the
provisions on the reverse hereof.

Coupon No. _____

\$ _____

A- _____

City Treasurer of the
City of Redlands, California

On the reverse side of the coupon there shall be printed substantially the following:

(REVERSE OF COUPON)

If the bond to which this coupon is attached is redeemable and is duly called for redemption on a date prior to the maturity date of this coupon, this coupon will be void.

PROVISIONS FOR REDEMPTION

Unless this bond matures on or prior to April 1, 1977, it is redeemable in the manner and subject to the terms and provisions, and with the effect, set forth in the resolution referred to on the face of this bond, at the option of the City, on April 1, 1977, or on any interest payment date thereafter prior to maturity, upon at least 30 days' prior notice published in a newspaper circulated in the County of Los Angeles, California, and in a financial newspaper or journal of national circulation published in the City of New York, New York, at a redemption price for each redeemable bond equal to the principal amount thereof, plus one-quarter of one per cent of said principal amount for each year or fraction thereof remaining between the redemption date and the maturity date of such bond.

PROVISIONS FOR REGISTRATION

This bond may be registered in the name of any person as the registered owner hereof, either as to principal only or as to both principal and interest, and, if registered in either of said forms may be transferred, changed to registration in the other of said forms or discharged from registration.

Each registration, transfer after registration, change of form of registration, or discharge from registration of this bond shall be entered by the Fiscal Agent in books kept by it for the purpose and noted by it in the registration blank below. Registration as to principal only shall not affect the negotiability by delivery of the coupons pertaining hereto. Upon registration as to both principal and interest, all unmatured coupons pertaining hereto shall be surrendered to the Fiscal Agent and may be preserved or cancelled in his discretion.

So long as this bond is registered no transfer hereof shall be valid for any purpose unless made by the registered owner and entered and noted as herein provided, and the principal hereof and any redemption premium shall be payable only to the registered owner, or to his order. Interest on this bond, if registered as to both principal and interest, shall be payable to the person whose name appears upon the registry books as the registered owner hereof at the close of business on the tenth day preceding the interest payment date, or to his order. If this bond is registered as to both principal and interest and its registration is changed to registration as to principal only, or if it is discharged from registration, there shall be attached hereto coupons representing interest hereon to become due thereafter to the date of maturity hereof. If requested by the registered owner, in lieu thereof, and upon surrender and cancellation thereof, the Fiscal Agent may issue in exchange therefor a new bond, with such coupons attached, identical with this bond except for the previous notations on the registration blank hereon, and except that the signatures on the new bond shall be those of the persons holding the offices at the time of affixing such signatures. The issuance of any such new bond or new coupons shall be at the expense of the registered owner.

Each discharge hereof from registration shall be effected by an entry on the registry books, and a notation in the blank below, that this bond is payable to bearer, whereupon this bond shall become an unregistered bearer instrument, negotiable by delivery as if it had never been registered. Each request for registration, transfer, change or discharge must be in form satisfactory to the Fiscal Agent and must be made in writing, signed by the registered owner, or by his agent duly authorized in writing, or by the bearer, as the case may be.

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Manner of Registration</u>	<u>Signature of Fiscal Agent</u>
.....			
.....			
.....			
.....			

Section 26. Proceedings Constitute Contract. The provisions of this resolution and of the resolutions providing for the sale of the bonds and awarding the bonds and fixing the interest rate or rates thereon shall constitute a contract between the City and the bondholders and the provisions thereof shall be enforceable by any bondholder for the equal benefit and protection of all bondholders similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State of California in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State of California.

No remedy conferred hereby upon any bondholder is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without

exhausting and without regard to any other remedy conferred by the Revenue Bond Law of 1941 or any other law of the State of California. No waiver of any default or breach of duty or contract by any bondholder shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the bondholders may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the bondholder shall prevail, said bondholder shall be entitled to receive from the Revenue Fund reimbursement for reasonable costs, expenses, outlays and attorney's fees and should said suit, action or proceeding be abandoned, or be determined adversely to the bondholders then, and in every such case, the City and the bondholders shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the bonds this resolution shall be irrevocable, but shall be subject to modification to the extent and in the manner provided in this resolution, but to no greater extent and in no other manner.

Section 27. Future Contracts. Nothing herein contained shall be deemed to restrict or prohibit the City from making contracts or creating bonded or other indebtedness payable from the general fund of the City or from taxes or any source other than the revenues of the enterprise as defined herein, and from and after the sale of the bonds the general fund of the City shall not include the revenues of the enterprise and no contract or other obligation payable from the general fund of the City shall be payable from the revenues of the enterprise, except as provided herein.

Section 28. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this resolution, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this resolution and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this resolution and the bonds issued pursuant hereto shall remain valid and the bondholders shall retain all valid rights and benefits accorded to them under this resolution and the Constitution and laws of the State of California. If the provisions relating to the appointment and duties of a Fiscal Agent are held to be unconstitutional, invalid or unenforceable said duties shall be performed by the officer of the city performing the functions of a treasurer.

Section 29. Effective Date. This resolution shall take effect upon adoption.

ADOPTED, SIGNED AND APPROVED this 7th day of March, 1967.

ATTEST:

s/ Waldo F. Burroughs
Mayor of the City of Redlands, California

[Signature]
City Clerk of the City of Redlands, California
(SEAL)

STATE OF CALIFORNIA
COUNTY OF SAN BERNARDINO } ss.
CITY OF REDLANDS

I, PEGGY A. MOSELEY, City Clerk of the City of Redlands, California, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the City Council of said City at a regular meeting of said City Council held on the 7th day of March, 1967, and that it was adopted by the following vote, to wit:

AYES: Councilmen Martinez, Hartzell, Cummin
DeMirjyn, Mayor Burroughs

NOES: None

ABSENT: None

(SEAL)

Peggy A. Moseley
City Clerk of the City of Redlands, California

STATE OF CALIFORNIA
COUNTY OF SAN BERNARDINO } ss.
CITY OF REDLANDS

I, PEGGY A. MOSELEY, City Clerk of the City of Redlands, California, DO HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of Resolution No. 2588....., and that the same has not been amended or repealed.

DATED: March 8, 1967

(SEAL)

Peggy A. Moseley
City Clerk of the City of Redlands, California